CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-5-3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. 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 on dissolution.
- Expenses paid by a debtor on behalf of the firm reduce the amount collectible from that debtor.

Step 1: Determine the balance received The debtor owed Rs 75,000 and paid realisation expenses of Rs 17,000 for the firm. The balance of the debt paid to the firm is therefore $75,000 - 17,000 =$ Rs $58,000$. This is the net settlement before interest.

Step 2: Include delayed-payment interest The debtor also pays Rs 2,000 as interest, making the actual bank receipt $58,000 + 2,000 =$ Rs $60,000$. This receipt is credited to Realisation Account. Option (A) incorrectly treats the expense as a separate cash payment by the firm; (B) has no support in the settlement; (C) confuses the gross debt plus interest with a debit.

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

Quick Tip to Solve: First deduct the expense settled by the debtor, then add the interest actually received.

2. 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 includes discount allowed on issue and premium payable on redemption.

- Discount is calculated on the nominal value of the debentures.

Step 1: Calculate nominal value and discount The nominal value issued is $40,000 \times 100 =$ Rs $40,00,000$. At a discount of 5%, the discount on issue is $40,00,000 \times 5/100 =$ Rs $2,00,000$.

Step 2: Separate the two components of loss The total debit to Loss on Issue of Debentures Account is Rs 4,00,000. Thus premium on redemption is $4,00,000 - 2,00,000 =$ Rs $2,00,000$. Option (A) is the total loss rather than the premium; (C) uses the interest rate incorrectly; (D) understates the premium by a factor of ten. The coupon rate does not determine the issue loss.

Step 3: Conclusion Premium on redemption is Rs 2,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Subtract issue discount from the total loss; the coupon rate is irrelevant here.

3(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 computed on nominal value, irrespective of issue price.
- Annual interest equals nominal value multiplied by the coupon rate.

Step 1: Identify the interest-bearing amount The nominal value of the debentures is $20,000 \times 100 =$ Rs $20,00,000$. The issue premium is a capital receipt and does not increase the amount on which the stated interest rate is applied.

Step 2: Apply the rate for the full year The debentures were issued on 1st April, 2023, so they remained outstanding throughout the year ending 31st March, 2024. Interest is $20,00,000 \times 10/100 =$ Rs $2,00,000$. Option (B) incorrectly charges interest on the premium-inclusive proceeds. Options (A) and (D) omit factors in the nominal-value calculation.

Step 3: Conclusion Total interest is Rs 2,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Use face value for coupon interest, and check the exact period outstanding.

OR

3(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 nominal value of debentures issued.
- A discount changes cash received, while the contractual principal remains at face value.

Step 1: Calculate the nominal liability Radhya Ltd. issues 5,000 debentures with a face value of Rs 100 each. Therefore the liability recorded in the 9% Debentures Account is $5,000 \times 100 = \text{Rs } 5,00,000$.

Step 2: Distinguish proceeds from principal Cash received is $5,000 \times 97 = \text{Rs } 4,85,000$, and discount is $5,000 \times 3 = \text{Rs } 15,000$. Cash and discount together equal the nominal credit. Thus option (A) gives cash proceeds, not the debenture liability; (C) and (D) do not represent the nominal amount issued. The coupon rate concerns interest rather than this initial credit.

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

Quick Tip to Solve: Credit the debenture liability at face value even when the issue price is lower.

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4. 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 application receipts include the application instalment on all shares applied for.
- Any extra amount paid by an applicant must be added without counting the application instalment twice.

Step 1: Compute normal application receipts Applications were received for 2,00,000 shares at an application instalment of Rs 20 each. Normal receipts are therefore $2,00,000 \times 20 = \text{Rs } 40,00,000$. The number of shares offered does not limit the money received on applications.

Step 2: Add the advance payment The applicant for 5,000 shares paid Rs 100 per share instead of Rs 20, so the extra receipt is $5,000 \times (100 - 20) = \text{Rs } 4,00,000$. Total cash received with applications is $40,00,000 + 4,00,000 = \text{Rs } 44,00,000$. Option (B) omits the advance; (C) uses shares offered instead of applications received; (D) is the face value of the issue.

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

Quick Tip to Solve: Add only Rs 80 extra per fully paid share, since Rs 20 is already included.

5. 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:

- A partner sacrifices when the new share is smaller than the old share.
- Sacrificing share equals old share minus new share after expressing both as fractions of total profit.

Step 1: Convert the ratios into shares The old ratio totals $8 + 5 + 3 = 16$, so A's old share is $8/16$. The new ratio also totals $6 + 5 + 5 = 16$, making A's new share $6/16$.

Step 2: Determine the direction and amount A's reduction is $8/16 - 6/16 = 2/16 = 1/8$. Because the share decreases, this is a sacrifice, not a gain. Options (A) and (B) reverse the direction of change. Option (D) uses the wrong magnitude: the reduction of two ratio units must be divided by the total of sixteen, not eight.

Step 3: Conclusion A sacrifices $1/8$. Hence, the correct option is (C).

Quick Tip to Solve: Compare fractions of total profit; a smaller new share always means sacrifice.

6(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 given by a partner to the firm is a liability separate from the partner's capital.
- Payment of a liability debits that liability account and credits Bank Account.

Step 1: Identify the separate loan liability The Rs 10,000 was lent by Mohan to the firm, so the firm owes him this amount in his Loan Account. A partner's loan is settled separately on dissolution and is not transferred to Realisation Account.

Step 2: Identify the credit on payment On discharge of the loan, Mohan's Loan Account is debited by Rs 10,000 and Bank Account is credited by Rs 10,000. The credit records the reduction in the firm's bank balance. Realisation Account is not credited for repayment of this separate liability, and neither the capital nor the current account receives the payment credit.

Step 3: Conclusion Bank Account is credited. Hence, the correct option is (D).

Quick Tip to Solve: For any liability paid in cash, identify Bank as the credit before considering account transfers.

OR

6(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 agreement while the business continues.
- Dissolution of the firm ends the business and requires settlement of assets and liabilities.

Step 1: Distinguish continuation from closure Dissolution of partnership means the existing relationship changes; a reconstituted firm can continue business with a revised agreement. Dissolution of the

partnership firm, however, brings the business of the firm to an end.

Step 2: Test all four events Option (A) describes a change in the partnership relationship and can lead to reconstitution. Death of a partner in (C), where the remaining partners continue the firm, also changes its constitution. Option (D) directly changes the agreement between existing partners and is reconstitution. Option (B) closes the firm itself, so there is no continuing firm to reconstitute.

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

Quick Tip to Solve: Ask whether the firm continues: changes in agreement reconstitute it, while closure dissolves it.

7. 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 changes only through additional capital or permanent withdrawal.
- Routine adjustments are made in separate current accounts, which may have debit or credit balances.

Step 1: Judge Assertion (A) Assertion (A) is correct. Fixed capital accounts normally carry credit balances and retain the same balance from year to year unless partners introduce additional capital or permanently withdraw capital.

Step 2: Judge Reason (R) Reason (R) is incorrect. When capitals are fixed, profit or loss shares, interest on capital, drawings and interest on drawings are recorded in the partners' current accounts. They do not routinely alter the fixed capital accounts.

Step 3: Test the explanation relationship Since the reason is false, it cannot explain the true assertion. Options (A) and (B) wrongly accept the reason as correct, while option (D) wrongly rejects the assertion. The separate use of current accounts is what preserves the fixed balances.

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

(C).

Quick Tip to Solve: Under fixed capitals, route all routine partner adjustments through Current Accounts.

8(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:

- The incoming partner's share is deducted from those partners who sacrifice.
- The ratio of sacrifice divides the incoming partner's share, not the total profit.

Step 1: Calculate the sacrifices Reena receives $1/5$. Rani sacrifices $(1/5)(3/5) = 3/25$, and Maharani sacrifices $(1/5)(2/5) = 2/25$. Laxmi makes no sacrifice, so her old share remains $2/8 = 1/4$.

Step 2: Calculate and compare the new shares Rani's new share is $3/8 - 3/25 = 51/200$; Maharani's is $3/8 - 2/25 = 59/200$. Laxmi has $50/200$, and Reena has $40/200$. These add to $200/200$. Option (A) exchanges Laxmi and Reena, (C) exchanges the two sacrificing partners, and (D) assigns the shares to the wrong names.

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

Quick Tip to Solve: Keep partners in the given order and verify the resulting shares add to one.

OR

8(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 retiring partner's share is added to the continuing partners' old shares in the agreed gaining ratio.
- Equal acquisition means equal fractional gains, even if the old shares differ.

Step 1: Calculate each gain Savita's old share is $3/12 = 1/4$. Each of the three remaining partners acquires $(1/4)/3 = 1/12$. Their gaining ratio is therefore $1 : 1 : 1$.

Step 2: Add gains to old shares Ravita's new share is $5/12+1/12 = 6/12$, Kavita's is $2/12+1/12 = 3/12$, and Babita's is also $3/12$. Thus the ratio is $6 : 3 : 3$. Options (B) and (C) wrongly give another partner the largest share, while (D) does not represent equal acquisition.

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

Quick Tip to Solve: Add the same fraction to each survivor; do not divide the remaining old ratio directly.

9. 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 Realisation Account.
- When a partner takes over an asset, debit the partner with the agreed takeover value.

Step 1: Identify the relevant value The asset is taken over at Rs 13,000. This agreed value, rather than the stated Rs 15,000 value of the unrecorded asset, is charged to the partner because it is the consideration for the takeover.

Step 2: Apply the takeover treatment The partner's capital is reduced by Rs 13,000, and Realisation Account is credited by the same amount. Rs 2,000 is merely the difference between the stated and

takeover values; Rs 28,000 incorrectly adds the two values. Neither represents the capital debit.

Step 3: Conclusion Partner's Capital Account is debited by Rs 13,000. Hence, the correct option is (D).

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

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10. 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:

- A past adjustment records only the net effect of omitted appropriations on partners.
- With fixed capitals, appropriation adjustments affect current accounts.

Step 1: Compute the omitted entitlement Each partner is entitled to interest of Rs $5,00,000 \times 10/100 =$ Rs $50,000$. Total interest omitted is Rs 1,00,000.

Step 2: Offset the excess profit already distributed Without interest, distributable profit was Rs 1,00,000 higher and was shared equally. Each partner therefore received Rs 50,000 extra profit, exactly offsetting the Rs 50,000 interest omitted. Each current account has zero net adjustment. Options (B) and (C) wrongly transfer wealth between equal partners, while (D) debits both partners without recognising this offset.

Step 3: Conclusion No rectifying adjustment entry is required. Hence, the correct option is (A).

Quick Tip to Solve: Compare omitted interest with each partner's share of excess profit before passing an adjustment.

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11. 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 guaranteed partner must receive at least the guaranteed amount.
- In the absence of a different agreement, the old partners bear the deficiency in their old ratio.

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

Step 2: Adjust John's share John's normal share is Rs $2,80,000 \times 3/4 \times 2/3 =$ Rs $1,40,000$. He bears Rs $30,000 \times 2/3 =$ Rs $20,000$. His final share is therefore Rs 1,20,000. Rs 1,40,000 ignores the guarantee; Rs 1,00,000 is Dinesh's guarantee, and Rs 70,000 is Dinesh's normal share.

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

Quick Tip to Solve: Deduct John's share of the guarantee deficiency from his normal profit share.

12(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:

- Share Forfeiture Account is credited with the capital amount already received on forfeited shares.
- Unpaid calls are excluded from the amount forfeited.

Step 1: Calculate the capital received per share The shares have face value Rs 100 each and only the final call of Rs 10 is unpaid. The company has therefore received Rs $100 -$ Rs $10 =$ Rs 90 per share towards capital.

Step 2: Compute the forfeiture credit For 300 shares, the credit is $300 \times$ Rs $90 =$ Rs $27,000$. Rs 30,000

is the total called-up capital, and Rs 3,000 is the unpaid final call. Rs 9,000 does not correspond to the capital received on these shares. The credit records the amount retained by the company.

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

Quick Tip to Solve: Multiply shares forfeited by capital already received per share, excluding unpaid calls.

OR

12(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:

- On forfeiture, Share Capital Account is debited with called-up capital on the forfeited shares.
- Capital not yet called is excluded, whether or not earlier calls were paid.

Step 1: Determine called-up value per share The face value is Rs 10, but the second call of Rs 3 has not yet been made. Thus called-up capital per share is Rs 10 − Rs 3 = Rs 7. The unpaid first call is included because it has already been called.

Step 2: Apply the number forfeited Only the defaulting shareholder's 100 shares are forfeited. The debit is $100 \times$ Rs 7 = Rs 700. Rs 3,00,000 and Rs 2,95,000 concern the whole issue and applications rather than this holding; Rs 300 represents the uncalled amount on these shares.

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

Quick Tip to Solve: Use called-up capital on the forfeited holding, not face value or the entire issue.

13. 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 transferable by mere delivery.
- Classification by transfer differs from classification by redemption, conversion or interest.

Step 1: Identify the transfer feature The question specifies delivery without the company maintaining a record of holders. The person bearing the instrument is treated as its holder, which is the identifying feature of bearer debentures.

Step 2: Eliminate the other classifications Redeemable debentures describe repayment at a specified time. Convertible debentures describe conversion into shares. Zero Coupon Rate debentures describe an instrument with no periodic coupon interest. None of these terms identifies transfer by delivery without a register of holders; therefore options (A), (B) and (C) do not answer the question.

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

Quick Tip to Solve: Match the phrase transfer by delivery with bearer; repayment and conversion are different classifications.

14(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:

- Interest on a dated drawing is calculated for the time from withdrawal to the accounting year end.
- Interest is $I = P \times r/100 \times t/12$, where t is the period in months.

Step 1: Count the interest period The withdrawal is on 31st October, 2023. From that date to 31st March, 2024 there are five months: November, December, January, February and March. A half-year average period is inappropriate because this is a single dated withdrawal.

Step 2: Substitute the amount and rate

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

Rs 30 and Rs 3,000 involve a decimal-place error. Rs 150 would correspond to only half the correct period at this amount and rate.

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

Quick Tip to Solve: For one dated drawing, count actual months outstanding instead of using an average period.

OR

14(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 containing the terms of partnership.
- The deed is prepared on stamp paper under the provisions of the Indian Stamp Act.

Step 1: Identify what the question asks The question concerns preparation of the deed itself. A partnership deed is executed on the appropriate stamp paper, so the Act relevant to its preparation and stamping is the Indian Stamp Act.

Step 2: Distinguish the other Acts The Indian Partnership Act, 1932 governs partnership relationships and supplies rules when the agreement is silent, but it is not the Act asked for regarding preparation of the stamped deed. The Companies Act, 2013 concerns companies, and the Cooperative Societies Act concerns cooperative societies. Hence options (A), (B) and (D) do not fit this wording.

Step 3: Conclusion The deed should be prepared as per the Indian Stamp Act. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish preparation on stamp paper from the general law governing partnership relations.

15. 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; Partners' Current Accounts are debited under the fixed capital method.

Solution:

Concept:

- Under the fixed capital method, routine partner transactions are recorded in current accounts.
- Interest on drawings is a charge against the partner and reduces the current account balance.

Step 1: Apply the capital method The question expressly states that the capitals are fixed. Therefore interest on drawings is debited to the respective partners' Current Accounts. The profit-sharing ratio, capital balances and interest rate do not change which account is debited.

Step 2: Check every printed option Partners' Capital Account would be debited under the fluctuating capital method, so (A) does not fit fixed capitals. Profit and Loss Appropriation Account receives the transferred interest as a credit, rather than the debit in (B). Interest on Drawings Account is credited when the charge is raised, so (C) is incorrect. Profit and Loss Account in (D) is not used for this appropriation.

Step 3: Conclusion Partners' Current Accounts must be debited. None of the printed options is correct.

Quick Tip to Solve: Check fixed versus fluctuating capitals first: routine drawings adjustments go to current accounts when capitals are fixed.

16. Sameer and Sohan were partners in a firm sharing profits and losses in the ratio of 4 : 3. On 1st April, 2024, they admitted Sudarshan as a new partner. The new profit sharing ratio on Sudarshan's admission was 2 : 3 : 2. Sohan's sacrifice on Sudarshan's admission was: [1 mark]

(A) Nil

(B) 5/21

(C) 4/21

(D) 11/21

Correct Answer: (A) Nil

Solution:

Concept:

- A partner's sacrifice equals old profit share minus new profit share.

- A zero difference means that the partner neither sacrifices nor gains.

Step 1: Compare Sohan's shares Sohan is the second partner in both ratios. His old share is $3/7$, since the old ratio is $4 : 3$. His new share is also $3/7$, since the new ratio is $2 : 3 : 2$. Hence his sacrifice is

$$\frac{3}{7} - \frac{3}{7} = 0.$$

Step 2: Check the alternatives Option (A), Nil, agrees with the unchanged share. Options (B), (C) and (D) represent positive sacrifices and therefore cannot describe Sohan. Sameer alone sacrifices $4/7 - 2/7 = 2/7$, exactly the share acquired by Sudarshan; this also checks that Sohan need not sacrifice.

Step 3: Conclusion Sohan's sacrifice is nil. Hence, the correct option is (A).

Quick Tip to Solve: Match the partner to the same position in each ratio before subtracting shares.

17. Prathma, Madhyama and Tritiya were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 1st April, 2023, their capital accounts showed balances of Rs. 10,00,000, Rs. 8,00,000 and Rs. 6,00,000, respectively. The partnership deed provided for interest on capital @ 10% p.a. Show the treatment of interest on capital in the following cases if:

(i) During the year ended 31st March, 2024, the firm earned a profit of Rs. 3,00,000.

(ii) During the year ended 31st March, 2024, the firm earned a profit of Rs. 1,20,000. [3 marks]

Solution:

Concept:

- Interest on capital is an appropriation of profit when the deed does not make it a charge against profits.
- When profit is insufficient, distribute the available profit in the ratio of the interest entitlements; distribute any residual profit in the profit-sharing ratio.

Step 1: Compute the annual entitlements All capitals are opening balances and earn interest for the full year. Thus

$$I_P = 10,00,000 \times 10\% = \text{Rs } 1,00,000,$$
$$I_M = 8,00,000 \times 10\% = \text{Rs } 80,000,$$
$$I_T = 6,00,000 \times 10\% = \text{Rs } 60,000.$$

Total interest is Rs 2,40,000 and the entitlement ratio is $1,00,000 : 80,000 : 60,000 = 5 : 4 : 3$.

Step 2: Case (i): Profit of Rs 3,00,000 The available profit exceeds total interest, so credit full interest to the partners. Residual profit is $3,00,000 - 2,40,000 = \text{Rs } 60,000$, divided in $2 : 2 : 1$: Prathma Rs 24,000, Madhyama Rs 24,000 and Tritiya Rs 12,000. The total credits, comprising interest and share of residual profit, are Rs 1,24,000, Rs 1,04,000 and Rs 72,000 respectively; these total Rs 3,00,000.

Step 3: Case (ii): Profit of Rs 1,20,000 Profit is only half the total interest entitlement. Restrict

interest to the available profit and allocate it in $5 : 4 : 3$, not in the profit-sharing ratio.

$$P = 1,20,000 \times 5/12 = \text{Rs } 50,000,$$
$$M = 1,20,000 \times 4/12 = \text{Rs } 40,000,$$
$$T = 1,20,000 \times 3/12 = \text{Rs } 30,000.$$

All available profit is absorbed by interest, leaving no residual profit for distribution. The unpaid balance of the calculated interest is not charged to the firm.

Step 4: Conclusion Case (i): interest Rs 1,00,000, Rs 80,000 and Rs 60,000; residual profit Rs 24,000, Rs 24,000 and Rs 12,000. Case (ii): interest allowed Rs 50,000, Rs 40,000 and Rs 30,000, respectively.

Quick Tip to Solve: For insufficient profits, use the interest entitlement ratio rather than the profit-sharing ratio.

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 sum of the given annual profits divided by the number of years.
- Normal profit equals capital employed multiplied by the normal rate of return. Super-profit is average profit minus normal profit.
- Capitalised super-profit equals super-profit multiplied by $100/r$, where r is the normal return expressed as a percentage.

Step 1: Find the average maintainable profit The question gives three annual profits and no adjustments or weights. Therefore use a simple average:

$$\text{Average profit} = \frac{60,000 + 90,000 + 1,20,000}{3} = \frac{2,70,000}{3} = \text{Rs } 90,000.$$

The annual increase in profits does not itself authorise a weighted-average calculation.

Step 2: Part (i): Four years purchase Multiply the average annual profit by the stipulated four years purchase:

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

This method values goodwill directly from the average earnings of the last three years.

Step 3: Part (ii): Capitalise super-profits Capital employed is the sum of the two partners' capitals, $3,00,000 + 2,00,000 =$ Rs $5,00,000$. Normal profit is $5,00,000 \times 10/100 =$ Rs $50,000$. Hence super-profit is $90,000 - 50,000 =$ Rs $40,000$. Capitalising this excess annual profit gives

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

As a check, capitalised average profit is Rs 9,00,000; deducting actual capital employed of Rs 5,00,000 again yields Rs 4,00,000.

Step 4: Conclusion Goodwill is (i) Rs 3,60,000 by four years purchase of average profits and (ii) Rs 4,00,000 by capitalisation of super-profits.

Quick Tip to Solve: First calculate one average profit; use it in both goodwill methods, subtracting normal profit only for the super-profit method.

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:

- Sacrifice equals old share minus new share. A negative sacrifice is a gain and requires compensation to sacrificing partners.
- Goodwill premium brought by the incoming partner and goodwill due from a gaining old partner are credited to the sacrificing partners in their sacrificing ratio.

Step 1: Part (i): Find sacrifice and gain

$$\begin{aligned} \text{Vijay: } & 5/10 - 4/10 = 1/10, \\ \text{Ravi: } & 3/10 - 2/10 = 1/10, \\ \text{Raman: } & 2/10 - 3/10 = -1/10. \end{aligned}$$

Vijay and Ravi sacrifice equally, so their sacrificing ratio is $1 : 1$. Raman gains $1/10$; he is not a sacrificing partner. The net sacrifice of the old partners is $1/10 + 1/10 - 1/10 = 1/10$, matching Kamal's new share.

Step 2: Calculate goodwill compensation Kamal brings goodwill premium of $6,00,000 \times 1/10 =$

Rs $60,000$. Raman must also compensate the sacrificing partners for his gain: $6,00,000 \times 1/10 =$ Rs $60,000$. Thus total compensation of Rs 1,20,000 is credited equally to Vijay and Ravi, Rs 60,000 each. This can be recorded through a combined adjustment entry after receiving Kamal's cash.

Step 3: Part (ii): Record the journal entries

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Bank A/c Dr.		60,000	
	To Premium for Goodwill A/c			60,000
	(Being premium brought by Kamal)			
	Premium for Goodwill A/c Dr.		60,000	
	Raman's Capital A/c Dr.		60,000	
	To Vijay's Capital A/c			60,000
	To Ravi's Capital A/c			60,000
	(Being premium and Raman's goodwill adjustment credited to sacrificing partners equally)			

Step 4: Conclusion The sacrificing ratio of Vijay and Ravi is $1:1$; Raman gains $1/10$. Credit Vijay and Ravi Rs 60,000 each, using Kamal's premium Rs 60,000 and a debit to Raman's capital Rs 60,000.

Quick Tip to Solve: A gaining old partner must compensate the sacrificing partners even when the incoming partner pays premium in cash.

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:

- Purchase consideration is credited to the vendor; excess of consideration over net identifiable assets is goodwill.
- Debentures issued at discount settle the vendor at their issue price. The face value is credited to Debentures Account and the discount is debited separately.

Step 1: Compute net assets and goodwill Net assets taken over are $7,20,000 - 2,00,000 =$ Rs $5,20,000$. Purchase consideration is Rs 9,60,000, so goodwill equals $9,60,000 - 5,20,000 =$ Rs $4,40,000$. Since consideration exceeds net assets, the balancing figure is goodwill on the debit side, rather than capital reserve.

Step 2: Calculate the number of debentures Each debenture has face value Rs 100 and is issued at a discount of 4%. Thus issue price is $100 - 4 =$ Rs 96. Number issued is $9,60,000/96 = 10,000$. Total face value is $10,000 \times 100 =$ Rs $10,00,000$, and total discount is $10,000 \times 4 =$ Rs $40,000$. The coupon rate of 12% determines interest, not the issue price or number of debentures.

Step 3: Pass the journal entries

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 and goodwill recognised)			
	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 issued at 4% discount to settle purchase consideration)			

The acquisition entry balances at Rs 11,60,000 on each side. The settlement entry balances at Rs 10,00,000, and LS Ltd.'s account is fully discharged.

Step 4: Conclusion Goodwill is Rs 4,40,000. Issue 10,000 debentures of Rs 100 each at Rs 96, recording discount of Rs 40,000 to settle Rs 9,60,000.

Quick Tip to Solve: Divide purchase consideration by the issue price of Rs 96, then credit debentures at their full face value.

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:

- The application price comprises face value and premium: Rs 100 + Rs 30 = Rs 130 per debenture. Only the face value is credited to the Debentures Account.
- Application money for rejected applicants is refunded. The premium on allotted debentures is credited to Securities Premium Reserve; the 12% coupon rate does not affect the issue entries.

Step 1: Calculate application money and its allocation Applications received for 5,000 debentures bring $5,000 \times 130 =$ Rs $6,50,000$. Rejection of 3,000 debentures requires a refund of $3,000 \times 130 =$ Rs $3,90,000$. The remaining $2,000 \times 130 =$ Rs $2,60,000$ is allocated between nominal debenture capital of Rs 2,00,000 and premium of Rs 60,000. Since the full price is collected on application, there is no further allotment or call money to receive.

Step 2: Record the journal entries Journal of Varsha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being full application money received on 5,000 debentures at Rs 130 each)		6,50,000	 6,50,000
	Debenture Application A/c Dr. To Bank A/c (Being application money refunded on 3,000 rejected applications)		3,90,000	 3,90,000
	Debenture Application A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c (Being 2,000 debentures allotted at Rs 100 each with a premium of Rs 30 each)		2,60,000	 2,00,000 60,000

The application account is cleared: Rs 6,50,000 received equals Rs 3,90,000 refunded plus Rs 2,60,000 transferred. Net bank receipts therefore equal the total issue proceeds.

Step 3: Conclusion The issue creates 12% debentures of Rs 2,00,000 and Securities Premium Reserve of Rs 60,000, with Rs 3,90,000 refunded.

Quick Tip to Solve: Apply Rs 130 to both accepted and rejected applications; split face value and premium only for the 2,000 allotted debentures.

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:

- When total capital is fixed, each partner's required capital equals total capital multiplied by that partner's new profit share.
- Compare adjusted existing capital with required capital: a deficiency is brought in through Bank, while a surplus is withdrawn. Sudarshan contributes his agreed one-fourth share of total capital.

Step 1: Calculate the required capitals The sum of the new ratio terms is $9 + 5 + 4 + 6 = 24$. Hence

the capitals required are

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

Sudarshan's capital also equals $3,60,000 \times \frac{1}{4}$, confirming the agreed contribution.

Step 2: Find the cash adjustments Aman's adjusted capital is Rs 60,000, so he brings $1,35,000 - 60,000 = \text{Rs } 75,000$. Govind has Rs 80,000 against his requirement of Rs 75,000 and withdraws Rs 5,000. Guru has Rs 45,000 against Rs 60,000 and brings Rs 15,000. These figures use the capitals after all other adjustments; no further goodwill or revaluation entry is needed.

Step 3: Pass the journal entries Journal of the Firm

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

The final capitals total Rs 3,60,000. The old adjusted capitals total Rs 1,85,000, and the net cash addition is Rs 1,75,000, providing an independent check.

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

Quick Tip to Solve: Use the given new ratio directly; compare each required capital with the capital already adjusted for all admission effects.

21. Rohit, Mohit and Sandeep were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2020, Rohit retired. On the date of retirement Rs. 6,00,000 were due to him. Mohit and Sandeep agreed to pay Rohit in four equal yearly instalments plus interest @ 9% p.a. on the unpaid balance starting from 31st March, 2021. The firm closes its books on 31st March every year. Prepare Rohit's Loan Account till it is fully paid. [4 marks]

Solution:

Concept:

- Four equal yearly principal instalments on Rs 6,00,000 mean $6,00,000/4 = \text{Rs } 1,50,000$ of principal is repaid each year.
- Interest is charged at 9% per annum on each year's opening unpaid principal. Each bank payment includes that year's principal instalment plus interest; interest is credited to Rohit's Loan Account.

Step 1: Compute the yearly payments The principal outstanding at the beginning of the four years is Rs 6,00,000, Rs 4,50,000, Rs 3,00,000 and Rs 1,50,000 respectively. Applying 9% for a full year gives interest of Rs 54,000, Rs 40,500, Rs 27,000 and Rs 13,500. Thus the payments on 31st March, 2021, 2022, 2023 and 2024 are respectively Rs 2,04,000, Rs 1,90,500, Rs 1,77,000 and Rs 1,63,500. Interest is paid with each instalment, so it is not carried forward into the next year's interest calculation.

Step 2: Prepare the loan account Rohit's Loan Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
31-03-2021 To Bank	2,04,000	01-04-2020 By Rohit's Capital	6,00,000
31-03-2021 To Balance c/d	4,50,000	31-03-2021 By Interest	54,000
Total	6,54,000	Total	6,54,000
31-03-2022 To Bank	1,90,500	01-04-2021 By Balance b/d	4,50,000
31-03-2022 To Balance c/d	3,00,000	31-03-2022 By Interest	40,500
Total	4,90,500	Total	4,90,500
31-03-2023 To Bank	1,77,000	01-04-2022 By Balance b/d	3,00,000
31-03-2023 To Balance c/d	1,50,000	31-03-2023 By Interest	27,000
Total	3,27,000	Total	3,27,000
31-03-2024 To Bank	1,63,500	01-04-2023 By Balance b/d	1,50,000
		31-03-2024 By Interest	13,500
Total	1,63,500	Total	1,63,500

On retirement, the amount due is transferred from Rohit's Capital Account to his Loan Account. At each year-end, interest is credited before the bank payment is debited. Each balance carried down is the unpaid principal after that year's Rs 1,50,000 reduction. After the fourth payment, both sides agree without any balance carried down.

Step 3: Check complete settlement Total interest is $54,000 + 40,500 + 27,000 + 13,500 = \text{Rs } 1,35,000$. The four bank payments total Rs 7,35,000, equal to the original Rs 6,00,000 principal plus Rs 1,35,000 interest. The old profit-sharing ratio is not needed to calculate the debt settlement once the amount payable to Rohit is given.

Step 4: Conclusion Rohit is fully paid on 31st March, 2024. Total principal repaid is Rs 6,00,000 and total interest paid is Rs 1,35,000.

Quick Tip to Solve: Keep principal instalments fixed at Rs 1,50,000; calculate fresh interest on the declining opening principal each year.

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

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 credited with their nominal value; the excess of the issue price over that value is credited to Securities Premium A/c.
- Interest is calculated on the face value outstanding, irrespective of the issue premium. Each half-year carries six months of interest.

Step 1: Compute the issue proceeds and interest The nominal value issued is $30,000 \times$ Rs $100 =$ Rs $30,00,000$. The premium is 10% of this amount, namely Rs 3,00,000; hence cash received is Rs 33,00,000. For each interest date,

$$I = \text{Rs } 30,00,000 \times \frac{12}{100} \times \frac{6}{12} = \text{Rs } 1,80,000.$$

Thus the two instalments together give the annual finance cost of Rs 3,60,000. Redemption at par creates no premium on redemption; the four-year redemption itself does not fall in the current accounting year.

Step 2: Record issue and both interest payments Journal of SM Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Bank A/c Dr.		33,00,000	
	To Debenture Application and Allotment A/c			33,00,000
	(Being application money received for 30,000 debentures at Rs 110 each)			
1-4-2023	Debenture Application and Allotment A/c Dr.		33,00,000	
	To 12% Debentures A/c			30,00,000
	To Securities Premium A/c			3,00,000
	(Being debentures allotted at a premium of 10%)			
30-9-2023	Debenture Interest A/c Dr.		1,80,000	
	To Debentureholders A/c			1,80,000
	(Being half-yearly interest due on debentures)			
30-9-2023	Debentureholders A/c Dr.		1,80,000	
	To Bank A/c			1,80,000
	(Being half-yearly interest paid)			
31-3-2024	Debenture Interest A/c Dr.		1,80,000	
	To Debentureholders A/c			1,80,000
	(Being half-yearly interest due on debentures)			
31-3-2024	Debentureholders A/c Dr.		1,80,000	
	To Bank A/c			1,80,000
	(Being half-yearly interest paid)			

31-3-2024	Statement of Profit and Loss Dr.		3,60,000	
	To Debenture Interest A/c			3,60,000
	(Being annual debenture interest transferred to profit and loss)			

Step 3: Conclusion The debentures are issued for Rs 33,00,000, including securities premium of Rs 3,00,000. Interest paid on each of 30th September, 2023 and 31st March, 2024 is Rs 1,80,000; total interest charged to profit and loss is Rs 3,60,000.

Quick Tip to Solve: Always calculate debenture interest on face value, excluding the premium received on issue.

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:

- Separate the capital and premium components of each instalment. On forfeiture, debit capital only to the amount called up; reverse only premium already credited but unpaid.
- Share forfeiture is credited with capital actually received. Discount on reissue of forfeited shares is debited to this balance and cannot exceed it.

Step 1: Separate instalments and determine amounts due Application and allotment of Rs 40 contains Rs 30 capital and Rs 10 premium. First call of Rs 45 contains Rs 40 capital and Rs 5 premium. Therefore, capital called before forfeiture is Rs 70 per share, while the uncalled balance comprises Rs 30 capital and Rs 35 premium, i.e. Rs 65 per share. Only 39,000 shares were subscribed and all were allotted; no entry is made for the unsubscribed 1,000 shares. Application and allotment received is $39,000 \times \text{Rs } 40 = \text{Rs } 15,60,000$. First call due is $39,000 \times \text{Rs } 45 = \text{Rs } 17,55,000$. Dinu owes Rs 4,500, so the bank receives Rs 17,50,500.

Step 2: Record receipts, allotment and first call Journal of Radhika Ltd. (initial transactions)

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 on 39,000 shares)			

	Share Application and Allotment A/c Dr.	15,60,000	
	To Share Capital A/c		11,70,000
	To Securities Premium A/c		3,90,000
	(Being application and allotment money transferred)		
	Share First Call A/c Dr.	17,55,000	
	To Share Capital A/c		15,60,000
	To Securities Premium A/c		1,95,000
	(Being first call of Rs 45 per share made due)		
	Bank A/c Dr.	17,50,500	
	To Share First Call A/c		17,50,500
	(Being first call received except on Dinu's 100 shares)		

Step 3: Record forfeiture and reissue Journal of Radhika Ltd. (forfeiture and reissue)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		7,000	
	Securities Premium A/c Dr.		500	
	To Share First Call A/c			4,500
	To Share Forfeiture A/c			3,000
	(Being Dinu's 100 shares forfeited for non-payment of first call)			
	Bank A/c Dr.		7,000	
	Share Forfeiture A/c Dr.		3,000	
	To Share Capital A/c			10,000
	(Being 100 forfeited shares reissued fully paid at Rs 70 each)			

Step 4: Check the forfeiture balance On forfeiture of Dinu's 100 shares, capital cancelled is $100 \times$ Rs $70 =$ Rs $7,000$. The unpaid first-call premium is $100 \times$ Rs $5 =$ Rs 500, and only this premium is reversed. The application premium of Rs 1,000 was received and remains in Securities Premium A/c. Capital received on the forfeited shares was $100 \times$ Rs $30 =$ Rs $3,000$. Reissue as fully paid requires crediting share capital with Rs 10,000 against cash of Rs 7,000, giving discount of Rs 3,000. The entire forfeiture balance is used against that discount, leaving no profit for transfer to Capital Reserve A/c. No second-call entry is passed because that call has not been made.

Step 5: Conclusion Dinu's shares are forfeited with Rs 3,000 credited to Share Forfeiture A/c. Their fully paid reissue at Rs 70 consumes all Rs 3,000 as reissue discount; consequently no transfer to Capital Reserve A/c is required.

Quick Tip to Solve: For forfeiture use called-up capital of Rs 70 per share, but for the fully paid reissue credit the full 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:

- Application money on allotted shares is transferred to Share Capital; excess application money is adjusted against allotment. Here the pro-rata ratio of applications to allotment is $80,000 : 60,000 = 4 : 3$.
- On forfeiture, debit Share Capital with the amount called up. Credit unpaid instalments and credit Share Forfeiture with the capital amount already received; a call made after forfeiture excludes those shares.

Step 1: Calculate the application adjustment and Rahul's default Applications accepted are $90,000 - 10,000 = 80,000$ shares. Total application receipts are $90,000 \times 20 =$ Rs $18,00,000$. Refund is Rs 2,00,000; capital on 60,000 shares is Rs 12,00,000; the balance Rs 4,00,000 goes towards allotment.

Rahul applied for $600 \times 4/3 = 800$ shares, paying Rs 16,000. Application capital on his 600 shares is Rs 12,000, so excess application money is Rs 4,000. His allotment due is $600 \times 25 =$ Rs $15,000$; unpaid allotment is therefore Rs 11,000. Total allotment receipt is $15,00,000 - 4,00,000 - 11,000 =$ Rs $10,89,000$.

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 money transferred, adjusted and refunded)			
	Share Allotment A/c Dr.		15,00,000	
	To Share Capital A/c			15,00,000
	(Being allotment of Rs 25 per share due on 60,000 shares)			
	Bank A/c Dr.		10,89,000	
	To Share Allotment A/c			10,89,000
	(Being allotment received after adjustment, except Rahul)			

Step 3: Forfeit Rahul's shares and calculate the final call Rahul's shares are forfeited before the call: called-up capital is $600 \times 45 = \text{Rs } 27,000$; capital received is Rs 16,000, including excess application adjusted to allotment. Only $60,000 - 600 = 59,400$ shares remain for the final call. The balance payable per share is $50 - 20 - 25 = \text{Rs } 5$. Hence call due is Rs 2,97,000. Mona defaults on $1,000 \times 5 = \text{Rs } 5,000$, so cash received is Rs 2,92,000. Her paid-up capital forfeited is $1,000 \times 45 = \text{Rs } 45,000$.

Step 4: Record both forfeitures and the call Journal of Sona Ltd. (forfeitures and final call)

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 600 shares of Rahul forfeited before the final call)			
	Share First and Final Call A/c Dr.		2,97,000	
	To Share Capital A/c			2,97,000
	(Being final call of Rs 5 due on 59,400 shares)			
	Bank A/c Dr.		2,92,000	
	To Share First and Final Call A/c			2,92,000
	(Being final 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 1,000 fully called shares of Mona forfeited)			

Step 5: Conclusion Rahul's forfeiture credits Rs 16,000 and Mona's forfeiture credits Rs 45,000 to Share Forfeiture A/c, giving a total of Rs 61,000. The journal entries above record all the transactions.

Quick Tip to Solve: For Rahul, deduct his Rs 4,000 excess application from allotment arrears; exclude his 600 shares when calculating 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 general reserve and revaluation profit belong to the old partners and are distributed in their old ratio $3:2$. Asset increases and liability decreases are credited to Revaluation A/c; decreases in assets and creation of provisions are debited.
- Goodwill premium compensates sacrificing partners. As no changed relative shares of the old partners are specified, distribute this premium to Kishore and Ranjan in $3:2$. Singh's capital is separately credited to his Capital A/c.

Step 1: Calculate the revaluation result and partners' shares Stock reduction is $1,50,000 \times 10\% =$ Rs $15,000$. Furniture loss is $1,00,000 - 90,000 =$ Rs $10,000$. Provision for doubtful debts is $1,20,000 \times 5\% =$ Rs $6,000$. Thus total revaluation debits are Rs 31,000.

Land and Building appreciation is $8,00,000 \times 10\% =$ Rs $80,000$. Add unrecorded investments Rs 10,000 and creditor written off Rs 1,000: total credits are Rs 91,000. Revaluation profit is $91,000 - 31,000 =$ Rs $60,000$, shared as Kishore Rs 36,000 and Ranjan Rs 24,000. The Rs 20,000 reserve is shared as Rs 12,000 and Rs 8,000; goodwill Rs 50,000 as Rs 30,000 and Rs 20,000.

Step 2: Record reserve, capital and goodwill Journal of the firm (1 April 2024): admission adjustments

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 general reserve distributed to old partners in 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 Singh brought capital and goodwill premium)			
	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 to sacrificing old partners)			

Step 3: Record losses on revaluation Journal of the firm (1 April 2024): asset reductions

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr.		15,000	
	To Stock A/c			15,000
	(Being stock reduced by ten percent)			
	Revaluation A/c Dr.		10,000	
	To Furniture A/c			10,000
	(Being furniture revalued at Rs 90,000)			
	Revaluation A/c Dr.		6,000	
	To Provision for Doubtful Debts A/c			6,000
	(Being five percent provision created on debtors)			

Step 4: Record gains and transfer the revaluation profit Journal of the firm (1 April 2024): gains and profit transfer

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 ten percent)			
	Investments A/c Dr.		10,000	
	To Revaluation A/c			10,000
	(Being unrecorded investments brought into the books)			
	Sundry Creditors A/c Dr.		1,000	
	To Revaluation A/c			1,000
	(Being unclaimed creditor written off)			
	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 to old partners in 3:2)			

Step 5: Conclusion The revaluation profit is Rs 60,000. After the above entries, capital balances are Kishore Rs 6,78,000, Ranjan Rs 4,52,000 and Singh Rs 1,50,000. No goodwill withdrawal is recorded because none is instructed.

Quick Tip to Solve: Keep Singh out of both the Rs 20,000 reserve and Rs 60,000 revaluation profit; both were earned before his admission.

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 gains and losses belong to all old partners in the old ratio $5:3:2$. General reserve, accumulated loss and the surplus compensation fund also belong to them in this ratio.
- The retiring partner's goodwill share is adjusted against gaining partners' capitals. With no new ratio stated, Bharti and Gayatri continue in $3:2$; their gains are $3/10$ and $2/10$. Employees' Provident Fund remains a liability.

Step 1: Calculate revaluation adjustments Provision for doubtful debts $= 70,000 \times 5\% =$ Rs $3,500$. Machinery depreciation $= 1,40,000 \times 10\% =$ Rs $14,000$. Patents of Rs 5,000 are written off. Total decreases are Rs 22,500, exactly equal to the increase in building. Hence there is no revaluation profit or loss.

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 2: Distribute reserves and adjust goodwill General reserve Rs 1,30,000 is credited as Rs 65,000,

Rs 39,000 and Rs 26,000. The workmen compensation claim of Rs 15,000 is retained as a liability; only the surplus $75,000 - 15,000 =$ Rs $60,000$ is credited as Rs 30,000, Rs 18,000 and Rs 12,000. The debit balance of Profit and Loss Account is debited as Rs 40,000, Rs 24,000 and Rs 16,000.

$$\text{Arti's goodwill share} = 3,00,000 \times 5/10 = \text{Rs } 1,50,000,$$
$$\text{Bharti's debit} = 1,50,000 \times 3/5 = \text{Rs } 90,000,$$
$$\text{Gayatri's debit} = 1,50,000 \times 2/5 = \text{Rs } 60,000.$$

Goodwill is adjusted through capitals without raising a goodwill asset. No payment terms are given, so the amount due to Arti is transferred to her loan account.

Step 3: Prepare the capital accounts Partners' Capital Accounts

Dr.				Cr.			
Particulars	Arti Rs	Bharti Rs	Gayatri Rs	Particulars	Arti Rs	Bharti Rs	Gayatri Rs
To P&L A/c	40,000	24,000	16,000	By Balance b/d	2,00,000	1,00,000	50,000
To Arti's Capital	–	90,000	60,000	By General Reserve	65,000	39,000	26,000
To Arti's Loan	4,05,000	–	–	By WCF surplus	30,000	18,000	12,000
To Balance c/d	–	43,000	12,000	By Bharti's Capital	90,000	–	–
				By Gayatri's Capital	60,000	–	–
Total	4,45,000	1,57,000	88,000	Total	4,45,000	1,57,000	88,000

WCF means Workmen Compensation Fund. Arti's capital is closed by transferring the full amount due to her loan account; continuing capitals are carried down.

Step 4: Conclusion Revaluation result is nil. Arti is due Rs 4,05,000; Bharti and Gayatri have closing capitals of Rs 43,000 and Rs 12,000 respectively.

Quick Tip to Solve: Distribute only the compensation fund surplus after retaining the admitted claim; do not distribute the provident fund.

25. Guru, Samta and Prakash were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 5. On 31st March, 2024, their Balance Sheet was as follows:

Balance Sheet of Guru, Samta and Prakash as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	4,20,000	Cash at Bank	3,10,000
		Stock	6,00,000
Mrs. Guru's Loan	5,00,000	Debtors 3,90,000 Less: Provision for doubtful debts 10,000	3,80,000
Samta's Loan	4,40,000		
Capitals:			
Guru 3,00,000			
Samta 5,00,000		Land and Building	4,14,000
Prakash 4,44,000	12,44,000	Plant and Machinery	9,00,000
	26,04,000		26,04,000

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

(iii) Land and Building was taken over by Prakash at Rs. 20,00,000 and Plant and Machinery was sold as scrap for Rs. 1,00,000.

(iv) Guru agreed to pay off Mrs. Guru's loan.

(v) Realisation expenses were Rs. 56,000.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Transfer non-cash assets at gross book values to the debit of Realisation Account and outside liabilities and provisions to its credit. Cash and a partner loan are excluded from these transfers.
- Assets taken by partners credit Realisation Account; outside liabilities discharged personally by a partner debit it. The resulting profit or loss is distributed in the old ratio $2 : 3 : 5$.

Step 1: Determine realisation values Samta takes half the stock: $6,00,000 \times 50\% \times 90\% =$ Rs $2,70,000$. The other half yields $3,00,000 \times 120\% =$ Rs $3,60,000$. Prakash takes land and building at Rs 20,00,000; machinery yields Rs 1,00,000.

Debtors are transferred at their gross amount of Rs 3,90,000 and the existing provision of Rs 10,000 is separately credited. Creditors accept the debtors directly in full settlement, so there is no further cash entry for either. Mrs. Guru's loan is an outside liability and is transferred; Guru's assumption of it is then debited against his capital. Samta's loan is a partner loan, so its settlement is outside Realisation Account.

Step 2: Prepare Realisation Account Realisation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Stock	6,00,000	By Creditors	4,20,000
To Debtors	3,90,000	By Provision for doubtful debts	10,000
To Land and Building	4,14,000	By Mrs. Guru's Loan	5,00,000
To Plant and Machinery	9,00,000	By Samta's Capital (stock)	2,70,000
To Guru's Capital (loan)	5,00,000	By Bank (stock)	3,60,000
To Bank (expenses)	56,000	By Prakash's Capital (building)	20,00,000
To Partners' Capitals (profit):		By Bank (machinery)	1,00,000
Guru	1,60,000		
Samta	2,40,000		
Prakash	4,00,000		
Total	36,60,000	Total	36,60,000

Step 3: Verify and distribute the profit Before distributing profit, the debit side totals

$$6,00,000 + 3,90,000 + 4,14,000 + 9,00,000 + 5,00,000 + 56,000 = \text{Rs } 28,60,000.$$

The credit total is Rs 36,60,000; hence profit is Rs 8,00,000. This is debited to Realisation Account and credited to Guru, Samta and Prakash in their profit-sharing ratio:

$$8,00,000 \times \frac{2}{10} = 1,60,000, \quad 8,00,000 \times \frac{3}{10} = 2,40,000, \quad 8,00,000 \times \frac{5}{10} = 4,00,000.$$

The account closes with equal totals; a closed Realisation Account has no balance carried down.

Step 4: Conclusion Realisation profit is Rs 8,00,000, credited to Guru Rs 1,60,000, Samta Rs 2,40,000 and Prakash Rs 4,00,000.

Quick Tip to Solve: When creditors take over an asset in full settlement, transfer both opening balances but record no separate cash settlement.

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:

- Authorised capital is the maximum nominal share capital stated in the company memorandum; it is independent of the amount offered or actually subscribed.

Step 1: Identify the registered ceiling The company is registered with $10,00,000$ equity shares of Rs 10 each. Therefore its authorised capital is $10,00,000 \times 10 = \text{Rs } 1,00,00,000$.

Step 2: Check the alternatives Option (C) equals this registered ceiling. Rs 10,00,000 in (A) is the issued capital and Rs 9,90,000 in (B) is the nominal subscribed capital. Rs 99,45,000 in (D) is neither the stated authorised amount nor the product of authorised shares and face value. Failure to pay a call does not alter authorised capital.

Step 3: Conclusion The authorised capital is $\boxed{\text{Rs } 1,00,00,000}$. The correct option is (C).

Quick Tip to Solve: Multiply the authorised number of shares by face value; ignore applications and call defaults.

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:

- Issued capital is the nominal value of shares offered by a company for subscription. The offered number, rather than applications received, determines it.

Step 1: Use the offered shares ABC Ltd. offered 1,00,000 shares, each of face value Rs 10. Thus Issued capital $= 1,00,000 \times 10 = \text{Rs } 10,00,000$.

Step 2: Distinguish numbers of shares from capital Rs 1,00,000 in (A) confuses the offered share count with its monetary value. Rs 99,000 in (B) is the number of shares subscribed, not issued capital. Rs 94,500 in (C) does not represent the nominal value offered. The default on the final call affects paid-up capital, not the amount originally issued. Only (D) matches the calculation.

Step 3: Conclusion Issued capital is $\boxed{\text{Rs } 10,00,000}$. The correct option is (D).

Quick Tip to Solve: Issued capital uses shares offered times face value, even when subscriptions are lower.

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:

- Calls in arrears are amounts called up by a company but unpaid by shareholders. Multiply the defaulting shares by the unpaid call per share.

Step 1: Identify the default The holder of 9,000 shares failed to pay only the final call of Rs 3 per share. Hence Calls in arrears $= 9,000 \times 3 =$ Rs $27,000$.

Step 2: Check each competing amount Option (A) gives Rs 27,000. Rs 90,000 in (B) is the full face value of the defaulting shares, whereas earlier instalments were paid. Rs 2,97,000 in (C) is the final call on all 99,000 subscribed shares; most shareholders paid it. Nil in (D) ignores the stated default. Arrears include only the unpaid amount actually due.

Step 3: Conclusion Calls in arrears are $\boxed{\text{Rs } 27,000}$. The correct option is (A).

Quick Tip to Solve: Use only the defaulting 9,000 shares, and multiply by the unpaid Rs 3 call.

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 shares on which the entire face value has been received.
- Exclude the 9,000 partly paid shares when computing subscribed and fully paid capital.

Step 1: Identify fully paid shares Of the 99,000 shares allotted, the holder of 9,000 shares has not paid the final call. The remaining $99,000 - 9,000 = 90,000$ shares are fully paid.

Step 2: Calculate fully paid capital Fully paid capital is $90,000 \times$ Rs $10 =$ Rs $9,00,000$. Rs 10,00,000 is issued capital; the larger figures in (C) and (D) do not represent the fully paid allotted shares.

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

Quick Tip to Solve: Count fully paid shares first; do not deduct arrears from all subscribed capital for this category.

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:

- Partly paid shares are disclosed with their number, called amount and paid amount.
- Calls in arrears reduce the paid capital of the shares concerned.

Step 1: Identify the partly paid holding The defaulting shareholder holds 9,000 shares of Rs 10 each. The final call unpaid is Rs 3 per share, so Rs 7 per share has been received.

Step 2: Compute the paid amount Subscribed but not fully paid capital is $9,000 \times$ Rs $7 =$ Rs $63,000$. Rs 90,000 is the face value before deducting arrears of Rs 27,000. The amounts in (A) and (B) are not the amount paid on this holding.

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 partly paid shares, multiply their number by the amount actually paid 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 presented in the balance sheet reflects subscribed called-up capital less calls in arrears.
- Authorised and issued amounts describe limits and offers; they are not the paid-up capital total.

Step 1: Find called-up capital and arrears All 99,000 allotted shares have been called up at Rs 10 per share. Called-up capital is Rs 9,90,000. Calls in arrears are $9,000 \times \text{Rs } 3 = \text{Rs } 27,000$.

Step 2: Determine the balance sheet amount The amount presented is Rs $9,90,000 - \text{Rs } 27,000 = \text{Rs } 9,63,000$. This also equals fully paid capital Rs 9,00,000 plus partly paid capital Rs 63,000. Option (C) ignores arrears, (D) is authorised capital, and (B) has an incorrect magnitude.

Step 3: Conclusion Share Capital is Rs 9,63,000. Hence, the correct option is (A).

Quick Tip to Solve: Reconcile the balance sheet total as fully paid capital plus the paid amount on partly paid shares.

Part B (20 marks)

Option – I
(Analysis of Financial Statements)

27. 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 ratios measure how efficiently a business utilises its resources.
- Turnover ratios relate sales or cost of sales to resources such as inventory, receivables and capital employed.

Step 1: Identify the feature being measured The question stresses operational efficiency through effective utilisation of resources. This is the purpose of activity ratios, also called turnover ratios.

Step 2: Distinguish other ratio classes Profitability ratios measure earning performance; solvency ratios assess long-term financial stability; liquidity ratios assess the ability to meet short-term obligations. These do not directly describe the resource utilisation focus in the question.

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

Quick Tip to Solve: Link resource utilisation and turnover to activity ratios; link earning capacity to profitability.

28(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 and composition of owners' capital and borrowings.
- Examples include issue of shares, borrowing funds and repayment of borrowings.

Step 1: Apply the definition A change in owners' capital or borrowings concerns the sources of long-term finance of the enterprise. Such transactions belong to financing activities.

Step 2: Eliminate the alternatives Operating activities concern the principal revenue-producing business. Investing activities concern acquisition and disposal of long-term assets and investments. Managerial activities is not one of the three cash flow classifications, so (A), (B) and (C) do not fit.

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

Quick Tip to Solve: Look for changes in equity or borrowing balances to identify a financing activity.

OR

28(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: Options (A), (B) and (D) do not produce an inflow of cash and cash equivalents.

Solution:

Concept:

- Cash flows are movements into or out of cash and cash equivalents.
- Transfers between cash and bank do not change total cash and cash equivalents.

Step 1: Check options (A) and (B) Depositing Rs 80,000 cash into the bank transfers an amount from cash in hand to cash at bank. It gives no net cash inflow. Payment of salaries Rs 50,000 is an operating cash outflow, so it too is not an inflow.

Step 2: Check options (C) and (D) Issue of debentures for cash Rs 10,00,000 gives a financing cash inflow. Purchase of machinery for cash Rs 2,00,000 is an investing cash outflow. Thus (A), (B) and (D) all satisfy the negative wording, while only (C) produces an inflow.

Step 3: Conclusion The printed question has multiple defensible choices: (A), (B) and (D). No unique option can be selected.

Quick Tip to Solve: For a negative cash-flow MCQ, test every option and distinguish internal transfers from outflows.

29(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: Operating profit ratio is 37%; none of the printed options matches.

Solution:

Concept:

- Operating profit ratio $= 100\% -$ Operating ratio.
- Operating ratio includes cost of revenue from operations and operating expenses relative to revenue from operations.

Step 1: Use the complementary relationship Operating costs and operating profit together exhaust

revenue from operations. Therefore,

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

Step 2: Check the given choices The stated gross profit ratio is not required for the complementary relationship. None of 27%, 23%, 43% or 83% equals 37%. The printed figures may seem unusual together, but they must be used as supplied; changing the operating ratio to obtain an option would alter the question.

Step 3: Conclusion The operating profit ratio is 37%. None of options (A)–(D) is correct.

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

OR

29(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 figures to assess performance, position and financial capacity.
- Simply reading reports without analysis or interpretation is not its analytical purpose.

Step 1: Identify the valid analytical purposes Assessing profitability and operational efficiency in (A), examining the relative importance of financial position components in (B), and judging repayment ability in (D) all involve drawing useful conclusions from financial statements.

Step 2: Identify the exception Option (C) describes merely studying the reports. Financial statement analysis goes further by comparing, classifying and interpreting the information to assist decisions. Hence this wording does not express a purpose of analysis.

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: In a purpose question, look for interpretation and decisions; mere reading is insufficient.

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 non-financial enterprises, interest paid and dividends paid are financing cash flows.
- Interest received and dividends received are investing cash flows; non-cash transactions are excluded from the cash flow statement.

Step 1: Evaluate Statement I For a non-financial enterprise, interest and dividend payments are financing activities, while interest and dividend receipts are investing activities. Statement I correctly states this classification.

Step 2: Evaluate Statement II and compare choices Transactions involving cash or cash equivalents must be included under their appropriate cash flow heads. It is investing and financing transactions that do not require cash or cash equivalents that are excluded and disclosed elsewhere. Statement II reverses this rule and is false. Therefore (A), (B) and (C) all misstate at least one truth value.

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

Quick Tip to Solve: Read the presence or absence of the word not carefully when testing exclusion of non-cash transactions.

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

(a) Calls-in-Advance

(b) Loose tools

(c) Trade marks [3 marks]

Solution:

Concept:

- Under Schedule III, liabilities are classified by the nature of the obligation, while assets are classified by their nature and expected use.
- Calls-in-advance are amounts received before the relevant call becomes due; loose tools form inventories; trade marks are identifiable intangible assets.

Step 1: Classify Calls-in-Advance Calls-in-Advance represent money received from shareholders before the company has made the corresponding call. They are therefore not included in called-up share capital. Until the call becomes due, they represent an obligation of the company. Show them under the major heading **Current Liabilities** and the sub-heading **Other Current Liabilities**.

Step 2: Classify Loose tools Loose tools are shown as part of inventories in the company's balance sheet. They are classified under the major heading **Current Assets** and the sub-heading **Inventories**. The fact that tools are physical objects does not change this prescribed classification of loose tools.

Step 3: Classify Trade marks Trade marks give the company an identifiable business right without physical substance. They are shown under **Non-Current Assets**, within **Property, Plant and Equipment and Intangible Assets**, under the sub-heading **Intangible Assets**. They are not classified as inventories merely because they may help the company sell its goods.

Step 4: Conclusion Calls-in-Advance: Current Liabilities – Other Current Liabilities; Loose tools: Current Assets – Inventories; Trade marks: Non-Current Assets – Property, Plant and Equipment and Intangible Assets – Intangible Assets.

Quick Tip to Solve: For classification questions, identify the nature of each item before choosing its major heading and sub-heading.

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

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

Particulars	31.3.2024 (Rs.)	31.3.2023 (Rs.)
I - Equity and Liabilities:		
1. Shareholders' Funds		
Share Capital	4,50,000	3,00,000
2. Non-Current Liabilities		
Long-term Borrowings	1,50,000	1,00,000
3. Current Liabilities		
Trade Payables	30,000	20,000
Total	6,30,000	4,20,000
II - Assets:		
1. Non-Current Assets		
Property, Plant and Equipment and Intangible Assets	4,50,000	3,00,000
2. Current Assets		
(a) Inventories	1,50,000	1,00,000
(b) Cash and Cash Equivalents	30,000	20,000
Total	6,30,000	4,20,000

[3 marks]

Solution:

Concept:

- A comparative balance sheet presents the previous and current year balances, the absolute change and the percentage change for each item.
- Absolute change = Current year amount minus Previous year amount; percentage change = $\frac{\text{Absolute change}}{\text{Previous year amount}} \times 100$.

Step 1: Calculate the changes using 2023 as the base For share capital, the increase is Rs $4,50,000 - 3,00,000 = 1,50,000$, and the percentage increase is $1,50,000/3,00,000 \times 100 = 50\%$. Similarly, long-term borrowings and inventories each rise by Rs 50,000, while trade payables and cash each rise by Rs 10,000. Property, plant and equipment and intangible assets rise by Rs 1,50,000. Each increase is one-half of the corresponding previous year balance.

Step 2: Prepare the Comparative Balance Sheet **GGM Ltd.**

Comparative Balance Sheet as at 31st March, 2024

Particulars	2023 Rs	2024 Rs	Increase Rs	Change %
I. Equity and Liabilities				
1. Shareholders' Funds				
Share Capital	3,00,000	4,50,000	1,50,000	50
2. Non-Current Liabilities				
Long-term Borrowings	1,00,000	1,50,000	50,000	50
3. Current Liabilities				
Trade Payables	20,000	30,000	10,000	50
Total	4,20,000	6,30,000	2,10,000	50
II. Assets				
1. Non-Current Assets				
Property, Plant and Equipment and Intangible Assets	3,00,000	4,50,000	1,50,000	50
2. Current Assets				
(a) Inventories	1,00,000	1,50,000	50,000	50
(b) Cash and Cash Equivalents	20,000	30,000	10,000	50
Total	4,20,000	6,30,000	2,10,000	50

Both sides increase by Rs 2,10,000. The total percentage increase is $2,10,000/4,20,000 \times 100 = 50\%$; thus the comparative totals remain balanced.

Step 3: Conclusion Total assets and total equity and liabilities each increase from Rs 4,20,000 to Rs 6,30,000, an increase of Rs 2,10,000 or 50%.

Quick Tip to Solve: Use the earlier year as the percentage base, even when the question prints the current year first.

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:

- The current ratio divides current assets by current liabilities. The quick ratio divides quick assets by current liabilities. Both ratios use the same denominator.
- The question states that the entire difference between current assets and quick assets consists of inventories. Therefore, current assets minus quick assets equals Rs 68,000.

Step 1: Express both asset amounts using current liabilities Let current liabilities be Rs x. 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 $1.5x$. Using a common variable is essential because the denominator in both liquidity ratios is the same current liabilities figure.

Step 2: Calculate current liabilities The excess of current assets over quick assets equals inventories. Therefore,

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

Thus, (iii) **Current Liabilities = Rs 40,000**. The difference between the two ratios, 1.7, represents inventories relative to current liabilities; it is not itself an amount of inventory.

Step 3: Calculate current assets and quick assets Using the current liabilities just obtained:

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

Check: Rs $1,28,000 - 60,000 = 68,000$, 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 obtain current liabilities directly.

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:

- Net assets turnover is revenue from operations divided by capital employed, measuring sales generated per rupee of long-term funds.
- Debt-equity ratio is long-term debt divided by shareholders' funds. Capital employed equals shareholders' funds plus long-term debt.

Step 1: Calculate shareholders' funds Include preference and equity share capital, general reserve and the credit balance of the Statement of Profit and Loss:

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

Reserves and retained earnings are shareholders' own funds. Preference capital is also share capital; it is not classified as a borrowing for this calculation.

Step 2: Determine debt and capital employed Debentures and the loan are the long-term borrowings:

$$\begin{aligned}\text{Debt} &= \text{Rs}\,(4,00,000 + 4,00,000) = \text{Rs}\,8,00,000, \\ \text{Capital employed} &= \text{Rs}\,(28,00,000 + 8,00,000) \\ &= \text{Rs}\,36,00,000.\end{aligned}$$

Use the principal amounts of borrowings. The interest rates of 15% and 12% do not change the amount of funds employed. Opening capital employed is not provided, so the available capital employed is used.

Step 3: Substitute in the ratio formulae

$$\text{Net Assets Turnover Ratio} = \frac{72,00,000}{36,00,000} = 2 \text{ times},$$
$$\text{Debt-Equity Ratio} = \frac{8,00,000}{28,00,000} = \frac{2}{7}$$
$$\approx 0.286 : 1.$$

Sales are compared with all long-term funds for turnover. Debt is compared only with shareholders' funds for debt-equity. Thus the two denominators serve different purposes and must not be interchanged. The exact debt-equity proportion is 2:7, with the decimal form expressing debt for each rupee of equity funds.

Step 4: Conclusion Net Assets Turnover Ratio is 2 times. Debt-Equity Ratio is $2 : 7$, approximately $0.286 : 1$.

Quick Tip to Solve: Include preference capital in shareholders' funds; include debentures and the long-term loan when adding debt to obtain capital employed.

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, adjust the change in surplus for appropriations to obtain net profit, then add back non-cash expenses and adjust operating working capital.
- An increase in debtors reduces operating cash flow; an increase in creditors increases it. Dividend paid is a financing cash flow, but must first be added back to the change in surplus when reconstructing profit.

Step 1: Reconstruct profit for the year Closing surplus exceeds opening surplus by Rs 9,00,000. The interim dividend paid reduced accumulated surplus, so add it back to obtain profit earned during the

year:

$$\begin{aligned}\text{Net profit} &= \text{Closing surplus} - \text{Opening surplus} \\ &\quad + \text{Interim dividend paid} \\ &= \text{Rs } (17,00,000 - 8,00,000 + 1,20,000) \\ &= \text{Rs } 10,20,000.\end{aligned}$$

No separate tax payment or provision is given. Therefore no additional tax adjustment can be made from the supplied information.

Step 2: Identify non-cash and working capital adjustments Patents have fallen from Rs 50,000 to nil. In the absence of any information about sale, the balance is treated as written off during the year. Add back Rs 50,000 because this expense reduced accounting profit without an operating cash payment.

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

More money remains uncollected from customers, so subtract the debtor increase. Additional credit from suppliers conserves cash, so add the creditor increase.

Step 3: Prepare the operating section of the cash flow statement Ram Lal Ltd. — Cash Flow from Operating Activities for the year ended 31 March 2024

Particulars	Amount (Rs)
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 (not given)	–
Net cash from operating activities	9,90,000

The change in cash and cash equivalents is not a working capital adjustment in this section. Cash itself is the result being explained by operating, investing and financing flows, so its opening and closing balances are excluded from the operating computation. Dividend is not deducted again here because its payment belongs in financing activities.

Step 4: Conclusion Cash flow from operating activities is an inflow of Rs 9,90,000.

Quick Tip to Solve: Start with the change in surplus plus dividend, add back the patents written off, then subtract increased debtors and add increased 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:

- Cash flows from investing activities include cash paid to acquire fixed assets and cash received on their disposal. Depreciation is a non-cash expense and is not itself an investing cash payment.
- Sale proceeds equal the carrying amount of the asset sold plus the gain on sale. Purchases are found by reconciling opening and closing machinery at original cost, adding back the cost of machinery disposed of.

Step 1: Calculate proceeds from sale of machinery The machine sold had original cost of Rs 1,40,000 and accumulated depreciation of Rs 90,000. Its carrying amount on the date of sale was therefore:

$$\begin{aligned} \text{Carrying amount} &= \text{Rs}\,(1,40,000 - 90,000) \\ &= \text{Rs}\,50,000, \\ \text{Sale proceeds} &= \text{Carrying amount} + \text{Gain on sale} \\ &= \text{Rs}\,(50,000 + 10,000) = \text{Rs}\,60,000. \end{aligned}$$

The gain is only the excess over book value. Thus the cash received is Rs 60,000, rather than merely the Rs 10,000 gain.

Step 2: Determine machinery purchased during the year Both machinery balances are stated at cost. Consequently depreciation must not be deducted in this cost reconciliation. Closing machinery equals opening machinery plus purchases less the original cost of machinery sold:

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

The depreciation information also checks independently: opening accumulated depreciation of Rs 8,00,000 plus the year's charge of Rs 2,90,000 less depreciation of Rs 90,000 on the machine sold gives closing accumulated depreciation of Rs 10,00,000. This confirms the disposal adjustment without treating depreciation as cash spent.

Step 3: Prepare the investing section of the cash flow statement Lata Ltd. — Cash Flow from Investing Activities for the year ended 31 March 2024

Particulars	Amount (Rs)
Proceeds from sale of machinery	60,000
Purchase of machinery	(21,40,000)
Net cash used in investing activities	(20,80,000)

Parentheses indicate a cash outflow. The investing section records the full sale proceeds and the full acquisition payment. Neither the depreciation charge nor the accounting gain is separately included here; otherwise the same disposal or a non-cash adjustment would be counted incorrectly.

Step 4: Conclusion Cash flow from investing activities is a net outflow of Rs 20,80,000.

Quick Tip to Solve: Use original cost to find purchases, and use cost less accumulated depreciation plus gain to find sale proceeds.

Option II (Computerised Accounting)

27(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 letters connected with the name or description of the item, so that the code is easy to remember.
- Sequential codes assign numbers in order, while block codes reserve a range of numbers for each category.

Step 1: Identify the connection The letters in MAJN recall Mangaluru Junction. The code carries a recognisable link with the station name and therefore helps users remember and identify it.

Step 2: Eliminate the other choices A secret code conceals meaning, whereas this abbreviation helps recall it. There is no sequence of serial numbers, excluding (C), and no reserved numerical block, excluding (D). Thus the naming principle matches mnemonic coding.

Step 3: Conclusion MAJN is a mnemonic code. Hence, the correct option is (B).

Quick Tip to Solve: Look for letters that recall the name: this is the key feature of a mnemonic code.

OR

27(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 a computerised accounting package, current liabilities include the subgroups Duties and Taxes, Provisions and Sundry Creditors.
- Bank overdraft accounts are classified in the Bank OD group under Loans (Liability) in the standard account-group hierarchy.

Step 1: Identify the three included groups Duties and Taxes records statutory amounts payable; Provisions records liabilities provided for; Sundry Creditors records amounts due to suppliers. Hence options (B), (C) and (D) are contained under Current Liabilities.

Step 2: Locate bank overdraft Bank Overdraft belongs to the Bank OD account group under Loans (Liability), rather than the Current Liabilities group of this computerised classification. The question concerns the software account-group hierarchy, so classification follows that hierarchy.

Step 3: Conclusion Bank Overdraft is not contained in the stated Current Liabilities account group. Hence, the correct option is (A).

Quick Tip to Solve: For software group questions, distinguish Bank OD under Loans (Liability) from the Current Liabilities group.

28. 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 bounded by the chart axes in which the data series are plotted.
- A data point is an individual plotted value; an axis title labels an axis and a legend identifies data series.

Step 1: Identify the bounded region The horizontal and vertical axes delimit the region containing

the plotted bars, lines or other data representations. This inner chart region is called the plot area.

Step 2: Distinguish the remaining elements A data point is only one observation, not an area. An axis title names the quantity represented by an axis. A legend is the key showing series names or colours. None of these describes the region bounded by the axes.

Step 3: Conclusion The region is the plot area. Hence, the correct option is (C).

Quick Tip to Solve: Differentiate the plot area inside the axes from the legend that identifies the series.

29(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:

- The payroll accounting sub-system records and processes employee wages and salaries, including deductions and net payments.
- Accounting information sub-systems are identified by the particular transactions or information they handle.

Step 1: Match the transaction with its specialised sub-system The question refers specifically to payments of wages and salaries to employees. Preparing employee remuneration and recording its payment are the functions of the payroll accounting sub-system.

Step 2: Check the alternatives The costing sub-system determines product or service costs. Expense accounting handles expenditure more generally, while tax accounting handles tax computation and related records. Since employee remuneration has its own specialised payroll sub-system, (C) is the precise answer.

Step 3: Conclusion Payroll accounting sub-system deals with wages and salaries. Hence, the correct option is (C).

Quick Tip to Solve: Use the word payroll as the direct link to employees, wages, salaries and deductions.

OR

29(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 accumulates transactions or data and processes them together at a scheduled time.
- Real time processing updates records as each transaction occurs; validation checks whether data meets specified rules.

Step 1: Identify the processing timing Here, data from various sources is first accumulated and then processed in one slot. Processing the collected group together is the defining feature of batch processing.

Step 2: Reject the alternatives Data validation checks correctness or acceptability of input; it does not define processing a collected group. Real time processing occurs as transactions arise, rather than after accumulation. Processing and revalidation is not the term for the stated processing method.

Step 3: Conclusion The method is batch processing. Hence, the correct option is (A).

Quick Tip to Solve: Accumulation followed by processing in one slot signals a batch; immediate updates signal real time.

30. 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.
- The dollar sign fixes the component immediately after it: $\$A1$ fixes column A, while $A\$1$ fixes row 1.

Step 1: Apply the definition The printed word "raw" refers to the row in the stated cell-reference context. Since either the row or the column is held constant, the reference combines one fixed component with one relative component. This is a mixed cell reference.

Step 2: Compare the alternatives A relative reference, such as $A1$, allows both components to change. An absolute reference, such as $\$A\$1$, fixes both components. A range identifies a group of cells and is not this reference type. Therefore (A) matches the wording "either".

Step 3: Conclusion The reference is a mixed cell reference. Hence, the correct option is (A).

Quick Tip to Solve: Count fixed components: one dollar sign gives a mixed reference; two give an absolute reference.

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

[3 marks]

Solution:

Concept:

- Accounting records require protection against unauthorised access, alteration, disclosure and accidental loss.
- Security controls identify users and limit their rights; backup and recovery controls protect the availability of records.

Step 1: Password protection and authentication Accounting software restricts access through a user name and password. Only an authenticated user can open the company data. Strong passwords and periodic password changes reduce the risk of outsiders gaining access to confidential financial information.

Step 2: Access rights and confidentiality The administrator assigns different permissions to different users according to their duties. For example, a data-entry operator may enter vouchers while only an authorised manager can alter accounts or view sensitive reports. Restricting viewing, editing, deletion and printing prevents unauthorised disclosure or manipulation. Encryption, where provided, makes stored data unreadable without the proper key.

Step 3: Backup, recovery and an audit trail Regular backups preserve copies of the accounting data on separate storage, allowing restoration after accidental deletion, corruption or system failure. Audit trails record who entered or changed transactions and when, helping detect and trace improper changes. Together these facilities support safe storage, accountability and reliable recovery.

Step 4: Conclusion Accounting software protects data through passwords, user-wise access restrictions and confidentiality controls, supported by backups, recovery and audit trails.

Quick Tip to Solve: Link passwords to entry, permissions to allowed actions, and backups to restoration after loss.

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 a similar nature under a common accounting head.
- In the standard Tally classification, pre-defined groups are divided into primary groups and subordinate groups.

Step 1: State the total and first division There are 28 pre-defined account groups: 15 primary groups and 13 sub-groups. Primary groups are the main heads used to organise the chart of accounts; sub-groups provide a more detailed classification under these heads.

Step 2: Classify the primary groups by type Of the 15 primary groups, 9 relate to Balance Sheet items and are capital in nature. The remaining 6 relate to the Profit and Loss Account and are revenue in nature. Thus the division is $15 = 9 + 6$: assets, liabilities and capital are distinguished from the groups used to ascertain operating profit or loss.

Step 3: Explain the subordinate classification The 13 sub-groups are classified under the primary groups and relate to Balance Sheet items. For example, Bank Accounts and Cash-in-hand fall under Current Assets, while Sundry Creditors falls under Current Liabilities. A sub-group is included in the total of 28; it is not an additional primary group.

Step 4: Conclusion The 28 groups comprise 15 primary groups and 13 sub-groups. Of the primary groups, 9 are capital/Balance Sheet groups and 6 are revenue/Profit and Loss groups; the 13 sub-groups relate to the Balance Sheet.

Quick Tip to Solve: Remember the two checks: 28 = 15 + 13, and the 15 primary groups = 9 Balance Sheet + 6 Profit and Loss.

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

Solution:

Concept:

- A chart represents worksheet data graphically so that comparisons, trends or proportions can be understood easily.
- The selected range supplies the numerical data, while row and column headings supply category labels and series names.

Step 1: Arrange and select the source data Enter the data in a worksheet in a clear row-and-column arrangement, with meaningful headings. Select the cells containing the values to be plotted together with their relevant row and column labels. Exclude unrelated figures and totals unless they are intended to be separate plotted values.

Step 2: Insert a chart and choose its type Open the Insert tab and choose a suitable chart from the Charts group. For example, select a column chart to compare amounts or a line chart to show changes over time. Choose the required subtype. In an Excel version using the Chart Wizard, choose Insert

Chart and select the chart type and subtype at the first stage.

Step 3: Specify the data range and series Confirm the selected data range and whether the data series are arranged in rows or columns. Check the series names and category labels in the preview. Use Select Data or Switch Row/Column, as appropriate, so that the intended figures appear against the correct labels. In the Chart Wizard, this is the source-data stage.

Step 4: Set chart options and place the chart Add a meaningful chart title, category and value-axis titles where applicable, and an appropriate legend. Set data labels, gridlines and other options as needed without making the chart crowded. Choose whether the chart should appear as an object on the current worksheet or on a separate chart sheet. Complete the Wizard with Finish, or retain the inserted chart and use Move Chart to choose its location. Finally check that labels, scales and plotted values agree with the worksheet.

Step 5: Conclusion Select the labelled data, insert the required chart type, confirm the data series, set chart options and choose its location; then check the completed chart for accuracy.

Quick Tip to Solve: Before finishing, check the data range, row/column orientation, titles and chart location in that order.

OR

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

Solution:

Concept:

- Internal margin is the space between the text and the inside edge of a text box or shape in an Excel worksheet.
- It controls spacing within that object, unlike page margins, which determine space around a printed worksheet.

Step 1: Explain internal margin When text is entered into a text box, it need not touch its border. The blank space between the text and the inner boundary is called the internal margin. It makes a heading, note or explanatory label easier to read and prevents the text from appearing crowded against the border. Changing this setting changes the space available for text inside the object; it does not change the words or the accounting data in worksheet cells.

Step 2: State the four available options The options are (i) Left: the distance between the text and the left inside edge; (ii) Right: the distance between the text and the right inside edge; (iii) Top: the distance between the text and the upper inside edge; and (iv) Bottom: the distance between the text and the lower inside edge. Each can be adjusted independently; therefore, the blank space need not be the same on all four sides.

Step 3: Apply the margin settings Select the text box or shape and open its formatting dialogue, for example by right-clicking and choosing Format Shape. In the Text Box settings, enter the required Left, Right, Top and Bottom internal-margin values. Apply the settings and check that the text fits within the object. Increasing a margin reduces the space available for text and can cause a longer line to wrap. Choose values that leave a clear space around the text without hiding any part of it.

Step 4: Conclusion Internal margin is the space between text and the inside boundary of its text box or shape. The available options are Left, Right, Top and Bottom.

Quick Tip to Solve: Recall the four inside edges of a text box to remember all four internal-margin options.

34. How can conditional formatting be changed? Explain. [6 marks]

Solution:

Concept:

- Conditional formatting applies a specified appearance to a cell when its value or a formula satisfies a condition. Changing the rule changes either the condition, the appearance, or the range to which it applies.
- Existing rules can be edited through Home, Conditional Formatting, Manage Rules. Editing a rule does not itself change the data stored in the cells.

Step 1: Select the relevant cells and locate their rules Open the worksheet and select a cell or range that has the conditional formatting to be changed. On the Home tab, in the Styles group, click Conditional Formatting and choose Manage Rules. The Conditional Formatting Rules Manager displays the applicable rules. In Show formatting rules for, select Current Selection to see the selected range's rules, or This Worksheet to see rules across the worksheet. This helps identify the correct existing rule instead of accidentally adding a duplicate.

Step 2: Edit the condition Select the required rule and click Edit Rule. In the Edit Formatting Rule dialogue, change the criterion, comparison operator, limiting value or formula as required. For example, a rule highlighting balances greater than 50,000 can be changed to highlight balances greater than 75,000. A formula-based rule can be changed by editing its formula; check relative and absolute references so that the rule evaluates correctly for each cell in the range.

Step 3: Change the appearance Where the rule provides a Format button, click it to open Format Cells. Choose the required font style or colour, border and fill, and any other available formatting. For example, change the fill used for overdue receivables from yellow to red. Confirm the format with OK and confirm the edited rule. For a colour scale, data bar or icon-set rule, change the corresponding thresholds, colours or icon settings in its rule dialogue.

Step 4: Check the range and the order of rules Back in the Rules Manager, check the Applies to range and change it if the formatting should cover additional cells or a smaller range. If several rules apply, use the order controls to set their priority and review Stop If True where relevant. This is necessary because overlapping rules can affect which formatting appears. An unwanted rule may be selected and deleted rather than left to conflict with the revised rule.

Step 5: Apply and verify the change Click Apply and then OK. Inspect cells that satisfy the revised condition and cells that do not. The former should display the selected formatting; the latter should not acquire that rule's formatting. For the balances example, a balance of 80,000 satisfies the revised greater-than-75,000 test, whereas 60,000 does not. The stored amounts remain the same; only their conditional appearance changes.

Step 6: Conclusion Change conditional formatting by selecting the cells, opening Conditional

Formatting and Manage Rules, editing the selected rule's condition and format, checking its range and priority, and applying the revised settings.

Quick Tip to Solve: Use Manage Rules to edit an existing rule, then verify both a matching and a non-matching cell.