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

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 and 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. Mathur, Jain and Verma were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Jain was guaranteed that his share of profit will not be less than Rs. 80,000. The firm's profit for the year ended 31st March, 2024 was Rs. 1,80,000. The amount of deficiency borne by Verma was: [1 mark]

(A) Rs. 15,000

(B) Rs. 5,000

(C) Rs. 20,000

(D) Nil

Correct Answer: (B) Rs. 5,000

Solution:

Concept:

- A guaranteed partner receives the guaranteed amount when his normal share is smaller.
- In the absence of another agreement, the other partners bear the deficiency in their mutual profit-sharing ratio.

Step 1: Calculate Jain's deficiency Jain's normal share is $1,80,000 \times \frac{2}{6} = \text{Rs } 60,000$. His guaranteed share is Rs 80,000, so the deficiency is $80,000 - 60,000 = \text{Rs } 20,000$.

Step 2: Allocate the deficiency Mathur and Verma bear the deficiency in the ratio $3 : 1$. Verma therefore bears $20,000 \times \frac{1}{4} = \text{Rs } 5,000$. Rs 15,000 is Mathur's burden; Rs 20,000 is the total deficiency, while Nil ignores the guarantee.

Step 3: Conclusion Verma bears Rs 5,000. Hence, the correct option is (B).

Quick Tip to Solve: Exclude the guaranteed partner before forming the deficiency-bearing ratio.

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2. On the dissolution of the partnership firm of Gauri and Gaurav, Building appeared in the books at Rs. 21,00,000. One-third of the Building was taken by Gaurav at 20% discount and the remaining was sold at 10% profit. The value at which the Building was taken over by Gaurav was: [1 mark]

(A) Rs. 15,40,000

(B) Rs. 21,00,000

(C) Rs. 5,60,000

(D) Rs. 7,00,000

Correct Answer: (C) Rs. 5,60,000

Solution:

Concept:

- A partner taking over an asset is charged its agreed takeover value.
- A discount reduces the book value of the portion taken over; a separate sale affects only the

remaining portion.

Step 1: Find the book value of Gaurav's portion Gaurav takes one-third of the building. Its proportionate book value is $21,00,000 \times \frac{1}{3} =$ Rs $7,00,000$. The entire building's value cannot be used for his takeover.

Step 2: Deduct the agreed discount The discount is $7,00,000 \times 20\% =$ Rs $1,40,000$. Hence the takeover value is $7,00,000 - 1,40,000 =$ Rs $5,60,000$. Rs 15,40,000 is the sale value of the remaining two-thirds; Rs 7,00,000 ignores the discount and Rs 21,00,000 is the whole book value.

Step 3: Conclusion The building portion was taken over for Rs 5,60,000. Hence, the correct option is (C).

Quick Tip to Solve: First isolate the one-third portion, then apply its 20% discount.

3. Ranjeet and Ranvijay started a partnership firm on 1st April, 2023. According to the partnership deed, interest on drawings was to be charged @ 10% per annum. Ranjeet withdrew a fixed amount at the end of each month. The total yearly interest on Ranjeet's drawings was Rs. 6,600. The amount of Ranjeet's drawings for the year ended 31st March, 2024 was: [1 mark]

(A) Rs. 1,32,000

(B) Rs. 1,44,000

(C) Rs. 1,21,846

(D) Rs. 1,20,000

Correct Answer: (B) Rs. 1,44,000

Solution:

Concept:

- For equal drawings at each month-end over a full year, the average period is $5\frac{1}{2}$ months.
- Interest equals total drawings multiplied by the annual rate and the average period in years.

Step 1: Identify the average period The first drawing remains outstanding for 11 months and the last for zero months. Thus the average period is $\frac{11+0}{2} = 5.5$ months. Using six months would apply to drawings in the middle of each month.

Step 2: Recover the annual drawings Let total annual drawings be D. Then $6,600 = D \times \frac{10}{100} \times \frac{5.5}{12}$, giving $D = \frac{6,600 \times 100 \times 12}{10 \times 5.5} =$ Rs $1,44,000$. Rs 1,32,000 uses a six-month average; the other two amounts also fail to reproduce Rs 6,600 with the stated timing.

Step 3: Conclusion Annual drawings were Rs 1,44,000. Hence, the correct option is (B).

Quick Tip to Solve: Month-end equal drawings use 5.5 months, even when solving backwards.

4(a). Rima, Seema and Atul were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 3 : 1 : 4. Due to change in the profit sharing ratio, Seema's gain or sacrifice will be: [1 mark]

(A) Sacrifice 1/8

(B) Sacrifice 2/8

(C) Gain 3/8

(D) Gain 2/8

Correct Answer: (B) Sacrifice 2/8

Solution:

Concept:

- Sacrifice equals old profit share minus new profit share.
- A positive difference is a sacrifice; a negative difference represents a gain.

Step 1: Write Seema's old and new shares The old ratio $4 : 3 : 1$ totals 8, so Seema's old share is $3/8$. The new ratio $3 : 1 : 4$ also totals 8, so her new share is $1/8$. Use Seema's position in each ratio rather than the change of another partner.

Step 2: Determine the nature and amount Seema's sacrifice is $\frac{3}{8} - \frac{1}{8} = \frac{2}{8}$. It is positive, so her share has fallen. Sacrifice of $1/8$ confuses her new share with the difference, while both gain options reverse the direction of the change.

Step 3: Conclusion Seema sacrifices $2/8$. Hence, the correct option is (B).

Quick Tip to Solve: Compute old share minus new share; the sign identifies sacrifice or gain.

OR

4(b). Rohan, Piyush and Suman were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 2. Piyush retired. The new profit sharing ratio between Rohan and Suman after Piyush's retirement was 4 : 3. The gaining ratio of remaining partners will be: [1 mark]

(A) 2 : 1

(B) 3 : 2

(C) 4 : 3

(D) 1 : 1

Correct Answer: (D) 1 : 1

Solution:

Concept:

- Gaining share equals new share minus old share for each continuing partner.
- The gaining ratio uses the increments in shares, rather than the new profit-sharing ratio itself.

Step 1: Compute the individual gains Rohan's old share is $3/7$ and his new share is $4/7$; his gain is $1/7$. Suman's old share is $2/7$ and her new share is $3/7$; her gain is also $1/7$.

Step 2: Form and check the ratio The gaining ratio is $\frac{1}{7} : \frac{1}{7} = 1 : 1$. Their combined gain is $2/7$, exactly Piyush's outgoing share. The ratio $4 : 3$ is the new sharing ratio, while $2 : 1$ and $3 : 2$ do not represent these equal increases.

Step 3: Conclusion The gaining ratio is $1 : 1$. Hence, the correct option is (D).

Quick Tip to Solve: Subtract each continuing partner's old share from the new share before taking a ratio.

5(a). Pawan Ltd. forfeited 1,000 equity shares of Rs. 10 per share for non-payment of first call of Rs. 2 per share. The final call of Rs. 2 per share was yet to be made. The maximum amount of discount at which these shares can be reissued will be: [1 mark]

(A) Rs. 6,000

(B) Rs. 2,000

(C) Rs. 4,000

(D) Rs. 8,000

Correct Answer: (A) Rs. 6,000

Solution:

Concept:

- The maximum reissue discount cannot exceed the forfeited amount attributable to those shares.
- The forfeited amount is capital money already received, excluding unpaid calls and uncalled capital.

Step 1: Find the amount received per share The face value is Rs 10, but the final call of Rs 2 has not been made. Called-up capital is therefore $10 - 2 =$ Rs 8 per share. The first call of Rs 2 is unpaid, leaving $8 - 2 =$ Rs 6 received per share.

Step 2: Determine the permitted total discount The amount forfeited is $1,000 \times 6 =$ Rs $6,000$, which is the maximum discount allowed on reissuing these shares. Rs 2,000 is the unpaid call; Rs 8,000 is called-up capital; Rs 4,000 does not equal the amount actually received.

Step 3: Conclusion The maximum reissue discount is Rs 6,000. Hence, the correct option is (A).

Quick Tip to Solve: Remove both the uncalled final call and unpaid first call to find forfeited money.

OR

5(b). The debentures which are payable on the expiry of a specified period either in lump sum or in instalments during the lifetime of the company are known as _____ debentures. [1 mark]

(A) Convertible

(B) Redeemable

(C) Secured

(D) Specific coupon rate

Correct Answer: (B) Redeemable

Solution:

Concept:

- Redeemable debentures carry an obligation to repay principal on specified terms during the company's lifetime.
- Debentures can also be classified by convertibility, security and coupon rate; these describe different characteristics.

Step 1: Apply the repayment definition The question specifies repayment after a stated period, either in one lump sum or in instalments. This describes redemption of the debenture principal on agreed dates. Such debentures are called redeemable debentures.

Step 2: Distinguish the other categories Convertible debentures describe conversion into shares. Secured debentures are backed by a charge on assets. Specific coupon rate describes the interest terms. None of these three labels, by itself, defines the stated repayment schedule; redeemable directly does.

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

Quick Tip to Solve: A specified repayment date or instalment schedule points to redeemable debentures.

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6. Precious Ltd. issued 40,000 10% Debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%. 'Loss on Issue of Debenture Account' will be debited in the books of Precious Ltd. by: [1 mark]

(A) Rs. 5,60,000

(B) Rs. 2,40,000

(C) Rs. 6,00,000

(D) Rs. 4,00,000

Correct Answer: (D) Rs. 4,00,000

Solution:

Concept:

- Loss on issue includes any issue discount and the premium payable on redemption.
- Premium received on issue is credited separately to Securities Premium Account and is not deducted from the initial loss-account debit.

Step 1: Calculate the redemption premium The nominal debenture capital is $40,000 \times 100 =$ Rs $40,00,000$. The redemption premium is $40,00,000 \times 10\% =$ Rs $4,00,000$. The 10% coupon determines interest, not this capital loss.

Step 2: Identify the debit to loss on issue There is no issue discount because the debentures are issued at a premium. Therefore Loss on Issue of Debenture Account is debited by the redemption premium alone, Rs 4,00,000. The issue premium of Rs 2,00,000 is a separate credit; adding it would give the incorrect Rs 6,00,000. Rs 5,60,000 and Rs 2,40,000 have no basis in the stated premiums.

Step 3: Conclusion The loss account is debited by Rs 4,00,000. Hence, the correct option is (D).

Quick Tip to Solve: For the initial loss debit, add issue discount and redemption premium; keep issue premium separate.

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7. P and Q are partners in a firm sharing profits and losses equally. They admitted R into the partnership firm on 1st April, 2024. It was decided to value goodwill at 2 years' purchase of super profits. The capital of the firm of P and Q was Rs. 5,00,000 and the normal rate of return on capital employed was 10%. During the year ended 31st March, 2024, the profit of the firm was Rs. 2,10,000. The value of goodwill of the firm was: [1 mark]

(A) Rs. 2,50,000

(B) Rs. 1,40,000

(C) Rs. 1,10,000

(D) Rs. 3,20,000

Correct Answer: (D) Rs. 3,20,000

Solution:

Concept:

- Normal profit equals capital employed multiplied by the normal rate of return.
- Super profit equals actual profit less normal profit; goodwill equals super profit times years' purchase.

Step 1: Calculate normal profit and super profit Normal profit is $5,00,000 \times \frac{10}{100} =$ Rs $50,000$. Actual profit is Rs 2,10,000, so super profit is $2,10,000 - 50,000 =$ Rs $1,60,000$. The partners' equal sharing ratio does not alter firm-level goodwill.

Step 2: Capitalise the super profit for two years Goodwill is $1,60,000 \times 2 =$ Rs $3,20,000$. The multiplier applies to super profit, not to normal profit or capital. Rs 2,50,000, Rs 1,40,000 and Rs 1,10,000 do not satisfy the stated two years' purchase calculation.

Step 3: Conclusion The goodwill of the firm is Rs 3,20,000. Hence, the correct option is (D).

Quick Tip to Solve: Subtract normal profit before applying the two-year purchase multiplier.

8(a). Ali and Bani were partners in a firm. They admitted Chaman as a new partner with 1/4th share in the profits of the firm. Chaman brought Rs. 5,00,000 as his share of capital. The value of assets of the firm on Chaman's admission was Rs. 20,00,000 and outside liabilities were Rs. 12,00,000. The goodwill of the firm on Chaman's admission was: [1 mark]

(A) Rs. 13,00,000

(B) Rs. 20,00,000

(C) Rs. 8,00,000

(D) Rs. 7,00,000

Correct Answer: (D) Rs. 7,00,000

Solution:

Concept:

- The incoming partner's capital and profit share imply the capitalised value of the whole firm.
- Hidden goodwill equals implied total capital less the aggregate actual capital, including the incoming partner's contribution.

Step 1: Infer the total capital Chaman brings Rs 5,00,000 for a $1/4$ share. Hence the implied capital of the firm is $5,00,000 \div (1/4) = \text{Rs } 20,00,000$.

Step 2: Compare with actual capital The old partners' net assets are $20,00,000 - 12,00,000 = \text{Rs } 8,00,000$. Adding Chaman's capital gives actual total capital of $8,00,000 + 5,00,000 = \text{Rs } 13,00,000$. Therefore hidden goodwill is $20,00,000 - 13,00,000 = \text{Rs } 7,00,000$. Options (A), (B) and (C) represent actual total capital, implied capital and old net assets respectively, rather than goodwill.

Step 3: Conclusion Goodwill is Rs 7,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Deduct aggregate actual capital, including the new contribution, from the total inferred from the new share.

OR

8(b). Mohit and Rohit were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2024, they admitted Radha for 1/5th share in the profits of the firm. Before Radha's admission, the Balance Sheet of Mohit and Rohit showed furniture at Rs. 6,30,000. On admission of Radha, it was found undervalued by 10%. The journal entry for the above adjustment on Radha's admission will be: [1 mark]

(A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Revaluation A/c ... Dr.	63,000	
To Furniture A/c		63,000

(B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Furniture A/c ... Dr.	70,000	
To Revaluation A/c		70,000

(C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Revaluation A/c ... Dr.	70,000	
To Furniture A/c		70,000

(D)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Furniture A/c ... Dr.	63,000	
To Revaluation A/c		63,000

Correct Answer: (B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Furniture A/c ... Dr.	70,000	
To Revaluation A/c		70,000

Solution:

Concept:

- An undervalued asset is increased to its correct value; the increase is a gain credited to Revaluation Account.
- If book value is 10% below correct value, book value equals 90% of correct value.

Step 1: Find the increase The recorded furniture of Rs 6,30,000 is 90% of its correct value. Thus correct value is $6,30,000 \times 100/90 =$ Rs $7,00,000$, and the increase is Rs 70,000. Computing 10% of book value would incorrectly give Rs 63,000.

Step 2: Record the revaluation gain The asset increases, so Furniture Account is debited and

Revaluation Account is credited. Options (A) and (C) reverse this direction; option (D) uses the wrong base for the percentage.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Furniture A/c Dr. To Revaluation A/c (Being undervaluation corrected)		70,000	 70,000

Step 3: Conclusion Furniture A/c is debited and Revaluation A/c credited with Rs 70,000. The correct option is (B).

Quick Tip to Solve: For an asset undervalued by 10%, divide its book value by 90% before calculating the increase.

9(a). Which of the following statements is true for 'Reserve Capital'? [1 mark]

(A) It is the portion of the uncalled capital to be called only in the event of winding up of the company.

(B) It is that part of the authorised capital that is actually issued to the public for subscription.

(C) It is a part of the subscribed capital which has been called up to subscribe.

(D) It is that portion of the called up capital which has been actually received from the shareholders.

Correct Answer: (A) It is the portion of the uncalled capital to be called only in the event of winding up of the company.

Solution:

Concept:

- Reserve capital is the designated part of uncalled share capital callable only when the company is wound up.
- Issued, called-up and paid-up capital are distinct stages of share capital.

Step 1: Identify the restricted call Reserve capital remains uncalled during the normal life of the company. Its defining restriction is that it can be called only in the event of winding up. Thus the description in option (A) matches the term precisely.

Step 2: Distinguish the other descriptions Option (B) describes issued capital, being the authorised capital offered for subscription. Option (C) describes called-up capital, being the amount demanded on subscribed shares. Option (D) describes paid-up capital, being the called-up amount actually received. None describes the restricted uncalled amount.

Step 3: Conclusion The correct option is (A): the portion of uncalled capital callable only on winding up.

Quick Tip to Solve: Look for the words uncalled and winding up together when identifying reserve capital.

OR

9(b). On 1st April, 2023, Saya Ltd. issued 7,000, 9% debentures of Rs. 100 each at a premium of 10%. The total amount of interest on debentures for the year ending 31st March, 2024 will be: [1 mark]

(A) Rs. 70,000

(B) Rs. 63,000

(C) Rs. 90,000

(D) Rs. 35,000

Correct Answer: (B) Rs. 63,000

Solution:

Concept:

- Debenture interest is calculated on nominal value, not on issue proceeds including premium.
- Annual interest equals number of debentures multiplied by face value and the annual coupon rate.

Step 1: Find the interest-bearing principal The nominal value is $7,000 \times 100 = \text{Rs } 7,00,000$. The 10% premium increases cash received on issue, but does not increase the amount on which the stated 9% interest is payable.

Step 2: Apply the full-year rate The debentures were issued on 1 April 2023 and remain outstanding through 31 March 2024, so a full year's interest is payable:

$$7,00,000 \times \frac{9}{100} = \text{Rs } 63,000.$$

Rs 70,000 uses 10% instead of 9%; Rs 90,000 does not follow from the nominal principal; Rs 35,000 also does not equal the annual coupon.

Step 3: Conclusion The annual interest is Rs 63,000. Hence, the correct option is (B).

Quick Tip to Solve: Ignore issue premium when calculating the coupon on debentures; use their nominal value.

10. Assertion (A): Under the fluctuating capital method, only one account, i.e., capital account is maintained for each partner.

Reason (R): All the adjustments such as share of profit and loss, interest on capital, drawings, interest on drawings, salary or commission to partners, etc. are recorded directly in the capital accounts of the partners.

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

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

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

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

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

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

Solution:

Concept:

- Under fluctuating capitals, one capital account records both permanent capital and routine partner adjustments.
- A separate current account is used for routine adjustments under the fixed capital method.

Step 1: Judge Assertion (A) The assertion is correct. Each partner has one capital account under the fluctuating capital method; a separate current account is not maintained for the ordinary appropriation and drawings adjustments.

Step 2: Judge Reason (R) The reason is also correct. Profit shares, interest on capital, salary and commission are credited directly to capital; drawings, interest on drawings and loss shares are debited directly to it.

Step 3: Test the explanatory link Because these adjustments are recorded in capital itself, no separate current account is needed. The reason therefore explains why only one account is maintained. Option (B) denies this direct link, while (C) and (D) wrongly reject a true statement.

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

Quick Tip to Solve: Ask where routine adjustments go: directly to capital means fluctuating capitals and no separate current account.

11. Kamal, Vimal and Nirmal are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their fixed capitals were Rs. 3,00,000, Rs. 2,00,000 and Rs. 1,00,000 respectively. Interest on capital was credited to them @ 10% p.a. instead of 8% p.a. The Adjustment Entry to rectify the error will be: [1 mark]

(A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Kamal's Current A/c ... Dr.	400	
To Vimal's Current A/c		200
To Nirmal's Current A/c		200

(B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Kamal's Current A/c ... Dr.	400	
To Nirmal's Current A/c		400

(C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Vimal's Current A/c ... Dr.	400	
To Nirmal's Current A/c		400

(D)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Vimal's Current A/c ... Dr.	200	
Nirmal's Current A/c ... Dr.	200	
To Kamal's Current A/c		400

Correct Answer: (C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Vimal's Current A/c ... Dr.	400	
To Nirmal's Current A/c		400

Solution:

Concept:

- Excess interest credited must be reversed, while the corresponding understatement of divisible profit must be restored in the profit-sharing ratio.
- With fixed capitals, the net adjustment is made through partners' current accounts.

Step 1: Compute the excess interest and restored profit The excess rate is $10\% - 8\% = 2\%$. Excess interest credited to Kamal, Vimal and Nirmal is respectively Rs 6,000, Rs 4,000 and Rs 2,000, totalling Rs 12,000. Restoring this amount to profit gives them credits in the ratio $5 : 3 : 2$ of Rs 6,000, Rs 3,600 and Rs 2,400.

Step 2: Set off and journalise the differences Kamal's debit and credit cancel. Vimal requires a net

debit of Rs 400, while Nirmal requires a net credit of Rs 400. Thus options involving Kamal or Rs 200 differences are incorrect.

Adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Vimal's Current A/c Dr. To Nirmal's Current A/c (Being excess interest rectified)		400	 400

Step 3: Conclusion Vimal's Current A/c Dr. Rs 400; To Nirmal's Current A/c Rs 400. Hence, the correct option is (C).

Quick Tip to Solve: Compare excess interest with the same total redistributed as profit before making the net adjustment.

12(a). A, B and C were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On 1st April, 2024, D was admitted as a partner in the firm. The new profit sharing ratio was 2 : 2 : 1 : 1. The sacrificed share of A was: [1 mark]

(A) 1/6th

(B) Nil

(C) 3/6th

(D) 2/6th

Correct Answer: (A) 1/6th

Solution:

Concept:

- A partner's sacrifice equals the old share minus the new share.
- Convert both ratios to fractions of the entire firm's profit before subtracting.

Step 1: Express the shares on a common base The old ratio $3 : 2 : 1$ totals 6, so A's old share is $3/6$. The new ratio $2 : 2 : 1 : 1$ also totals 6, so A's new share is $2/6$. Both fractions refer to the same whole profit.

Step 2: Find the reduction and check options A's sacrifice is

$$\frac{3}{6} - \frac{2}{6} = \frac{1}{6}.$$

It is not nil, because A's share has fallen. The fractions $3/6$ and $2/6$ are the old and new shares respectively, rather than the difference between them. B and C keep their old shares, so A alone provides D's $1/6$ share.

Step 3: Conclusion A sacrifices $1/6$ of the total profit. Hence, the correct option is (A).

Quick Tip to Solve: Write old share minus new share as fractions of total profit; do not subtract raw ratio terms.

OR

12(b). Anya and Sanya were partners in a firm sharing profits and losses in the ratio of 5 : 2. They admitted Vanya as a new partner for 3/7th share in the profits of the firm. She acquired 2/7th share from Anya and 1/7th share from Sanya. The new profit sharing ratio of Anya, Sanya and Vanya will be: [1 mark]

(A) 1 : 3 : 3

(B) 5 : 2 : 3

(C) 3 : 1 : 3

(D) 5 : 2 : 1

Correct Answer: (C) 3 : 1 : 3

Solution:

Concept:

- An old partner's new share equals the old share less the portion transferred to the incoming partner.
- The incoming partner's share equals the sum acquired from the old partners.

Step 1: Calculate the remaining shares Anya's old share is $5/7$ and Sanya's is $2/7$. Anya transfers $2/7$, leaving $5/7 - 2/7 = 3/7$. Sanya transfers $1/7$, leaving $2/7 - 1/7 = 1/7$.

Step 2: Form and verify the new ratio Vanya receives $2/7 + 1/7 = 3/7$. Thus, in the stated order Anya, Sanya and Vanya, the new shares are $3/7, 1/7, 3/7$, whose sum is 1. The ratio is $3 : 1 : 3$. Option (A) swaps the old partners' remaining shares; (B) retains both old shares; (D) assigns Vanya an incorrect share.

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

Quick Tip to Solve: Subtract the stated acquired fractions from each old partner separately, then put the shares in the requested order.

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13. Manav and Adi were partners in a firm sharing profits and losses in the ratio of 5 : 3. Roy was admitted with 1/5th share in the profits of the firm. At the time of Roy's admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at Rs. 4,00,000. The claim on account of workmen's compensation was determined at Rs. 4,40,000. The excess amount of claim over the reserve will be debited to: [1 mark]

(A) Realisation Account

(B) Revaluation Account

(C) Roy's Capital Account

(D) Bank Account

Correct Answer: (B) Revaluation Account

Solution:

Concept:

- An existing workmen compensation reserve meets the liability to the extent of the reserve available.

- Any claim exceeding that reserve is a revaluation loss belonging to the old partners.

Step 1: Determine the uncovered liability The determined claim is Rs 4,40,000, while the existing reserve is Rs 4,00,000. The excess liability is therefore $4,40,000 - 4,00,000 = \text{Rs } 40,000$. The reserve absorbs the first Rs 4,00,000 of the claim.

Step 2: Choose the account bearing the loss The uncovered Rs 40,000 is debited to Revaluation Account, because it is a loss identified at reconstitution. It is ultimately borne by Manav and Adi in their old ratio $5 : 3$, not charged directly to Roy. Realisation Account applies to dissolution; Bank Account records cash movements and does not measure this revaluation loss.

Step 3: Conclusion The excess claim of Rs 40,000 is debited to Revaluation Account. Hence, the correct option is (B).

Quick Tip to Solve: Compare the claim with the reserve first; only the shortfall goes to Revaluation Account.

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14. Sonia and Monu are partners in a firm. On 1st December, 2023, Monu advanced a loan of Rs. 3,00,000 to the firm. There is no partnership deed. On 31st March, 2024, Monu was entitled to get interest on loan amounting to: [1 mark]

(A) Rs. 18,000

(B) Rs. 4,500

(C) Nil

(D) Rs. 6,000

Correct Answer: (D) Rs. 6,000

Solution:

Concept:

- In the absence of a partnership deed, a partner is entitled to interest on a loan advanced to the firm at 6% per annum.
- Simple interest is $I = P \times r \times t$, where P is principal and t is time in years.

Step 1: Identify the period The loan runs from 1 December 2023 to 31 March 2024, covering four months. Thus, $t = 4/12$ year. The absence of a deed does not make interest on a partner's loan nil.

Step 2: Compute and check the options

$$I = 3,00,000 \times \frac{6}{100} \times \frac{4}{12} = \text{Rs } 6,000.$$

Rs 18,000 is interest for a whole year; Rs 4,500 covers only three months. Nil ignores the statutory entitlement.

Step 3: Conclusion Monu is entitled to interest of Rs $6,000$. Hence, the correct option is (D).

Quick Tip to Solve: Count December to March as four months before applying the annual loan-interest rate.

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15. At the time of forfeiture of shares, Share Capital Account will be debited with: [1 mark]

(A) Unpaid amount on forfeited shares

(B) Face value of shares forfeited

(C) Paid up amount on forfeited shares

(D) Called up amount on forfeited shares

Correct Answer: (D) Called up amount on forfeited shares

Solution:

Concept:

- Forfeiture cancels the share capital previously called up on the forfeited shares.
- The called-up amount includes both the capital already received and the capital called but unpaid.

Step 1: Identify the debit Share Capital Account is debited with the number of forfeited shares multiplied by the capital called up per share. Capital not yet called has never been credited to this account and cannot be reversed.

Step 2: Distinguish the alternatives The unpaid amount is credited to the relevant unpaid call account; capital already received is credited to Share Forfeiture Account. Face value is the debit only if the shares were fully called up, so it is not the general rule. Paid-up capital alone omits the unpaid called capital.

Step 3: Conclusion Share Capital Account is debited with the called-up amount on forfeited shares. Hence, the correct option is (D).

Quick Tip to Solve: Use called-up capital for the debit; split its credit between unpaid calls and forfeited receipts.

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16. Parachita Ltd. invited applications for issuing 80,000 equity shares of Rs. 100 each at par. The amount was payable as under:

On Application - Rs. 30 per share

On Allotment - Rs. 20 per share

On first and final call - Balance amount

Applications were received for 2,00,000 equity shares. Allotment was made to all applicants on pro-rata basis. The amount received at the time of allotment was: [1 mark]

(A) Rs. 16,00,000

(B) Rs. 24,00,000

(C) Nil

(D) Rs. 40,00,000

Correct Answer: (C) Nil

Solution:

Concept:

- Excess application money is adjusted towards allotment when shares are allotted pro-rata.

- Fresh allotment receipts equal allotment due less excess application money available for adjustment, subject to a minimum of nil.

Step 1: Calculate excess application money

$$\text{Application received} = 2,00,000 \times 30 = \text{Rs } 60,00,000,$$
$$\text{Application required} = 80,000 \times 30 = \text{Rs } 24,00,000,$$
$$\text{Excess} = 60,00,000 - 24,00,000 = \text{Rs } 36,00,000.$$

Step 2: Adjust against allotment Allotment due is $80,000 \times 20 = \text{Rs } 16,00,000$. The excess application money more than covers this amount, so no fresh money is received on allotment. Rs 16,00,000 is the amount due before adjustment; Rs 24,00,000 is application capital required, while Rs 40,00,000 is the final call due.

Step 3: Conclusion The amount received at allotment is Nil. Hence, the correct option is (C).

Quick Tip to Solve: Compare excess application money with allotment due before treating the latter as a bank receipt.

17. Pass necessary journal entries for the following transactions in the books of Aman, Anil and Anant at the time of dissolution of the firm after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

(i) The firm had a balance of Rs. 2,40,000 in General Reserve on the date of dissolution.

(ii) Realisation expenses Rs. 16,000 were paid by the partner, Anant.

(iii) Aman had given a loan of Rs. 70,000 to the firm which was fully settled at Rs. 68,000. [3 marks]

Solution:

Concept:

- Accumulated reserves are transferred to partners' capital accounts in their profit-sharing ratio. As no ratio is given, the three partners share equally.
- Realisation expenses paid by a partner debit Realisation and credit that partner's Capital Account.
- A partner's loan is settled separately from capital. A reduction in the amount payable produces a gain on realisation.

Step 1: Transfer General Reserve Journal of Aman, Anil and Anant

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr.		2,40,000	
	To Aman's Capital A/c			80,000
	To Anil's Capital A/c			80,000
	To Anant's Capital A/c			80,000
	(Being General Reserve distributed equally among the partners)			

Each partner receives $2,40,000/3 = \text{Rs } 80,000$. General Reserve is not an external liability and is therefore distributed directly.

Step 2: Record expenses paid by Anant Journal (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		16,000	
	To Anant's Capital A/c			16,000
	(Being realisation expenses paid by Anant on behalf of the firm)			

The firm owes Anant reimbursement, so his capital account is credited; there is no immediate bank payment by the firm.

Step 3: Settle Aman loan Journal (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Aman's Loan A/c Dr.		70,000	
	To Bank A/c			68,000
	To Realisation A/c			2,000
	(Being Aman loan fully discharged for Rs 68,000 and the concession transferred to Realisation)			

The liability of Rs 70,000 is completely removed. The difference $70,000 - 68,000 = \text{Rs } 2,000$ is a gain; the debit and aggregate credits are equal.

Step 4: Conclusion General Reserve is shared equally, Anant is credited Rs 16,000, and settlement of Aman's loan yields a realisation gain of Rs 2,000.

Quick Tip to Solve: Keep partner loans separate from capital and credit the concession on their settlement to Realisation.

18(a). Aman Ltd. took over the assets of Rs. 15,00,000 and liabilities of Rs. 17,00,000 of Kamini Ltd. for a purchase consideration of Rs. 30,00,000. Aman Ltd. paid 40% of the purchase consideration by cheque and the balance amount by issue of fully paid equity shares of Rs. 100 each at a premium of 50% in favour of Kamini Ltd.

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

Solution:

Concept:

- Goodwill equals purchase consideration less net assets acquired; net assets are assets less liabilities.
- Shares issued to a vendor are recorded at face value in Share Capital and the excess issue price in Securities Premium.

Step 1: Calculate goodwill and settlement

$$\begin{aligned} \text{Net assets} &= 15,00,000 - 17,00,000 = -\text{Rs } 2,00,000, \\ \text{Goodwill} &= 30,00,000 - (-2,00,000) = \text{Rs } 32,00,000, \\ \text{Cheque} &= 30,00,000 \times 40\% = \text{Rs } 12,00,000, \\ \text{Shares consideration} &= 30,00,000 - 12,00,000 = \text{Rs } 18,00,000. \end{aligned}$$

Each share is issued for $100 + 50 = \text{Rs } 150$, so $18,00,000/150 = 12,000$ shares are issued. Share capital is Rs 12,00,000 and securities premium is Rs 6,00,000.

Step 2: Record acquisition and discharge Journal of Aman Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr.		30,00,000	
	To Kamini Ltd. A/c			30,00,000
	(Being purchase consideration due to Kamini Ltd.)			
	Sundry Assets A/c Dr.		15,00,000	
	Goodwill A/c Dr.		32,00,000	
	To Sundry Liabilities A/c			17,00,000
	To Business Purchase A/c			30,00,000
	(Being assets and liabilities acquired and goodwill recognised)			
	Kamini Ltd. A/c Dr.		30,00,000	
	To Bank A/c			12,00,000
	To Equity Share Capital A/c			12,00,000
	To Securities Premium A/c			6,00,000
	(Being vendor settled by cheque and 12,000 shares of Rs 100 issued at Rs 150 each)			

Acquisition debits and credits both total Rs 47,00,000. The settlement extinguishes the entire Rs 30,00,000 payable to the vendor.

Step 3: Conclusion Goodwill is Rs 32,00,000; the vendor receives Rs 12,00,000 by cheque and 12,000 equity shares at Rs 150 each.

Quick Tip to Solve: Retain the negative sign on net assets: liabilities exceeding assets increase the goodwill required.

OR

18(b). Astha Ltd. took over assets of Rs. 20,00,000 and took over liabilities of Rs. 1,00,000 of Nabha Ltd. for a purchase consideration of Rs. 18,00,000. Astha Ltd. paid half of the amount of purchase consideration through a bank draft and the balance amount was settled by issuing 12% Debentures of Rs. 100 each at a discount of 10% in favour of Nabha Ltd.

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

Solution:

Concept:

- Capital Reserve arises when the net assets taken over exceed purchase consideration.
- Debentures issued at discount settle the vendor at their issue price; their full nominal value is credited to Debentures Account.

Step 1: Compute reserve and debentures

$$\text{Net assets} = 20,00,000 - 1,00,000 = \text{Rs } 19,00,000,$$
$$\text{Capital Reserve} = 19,00,000 - 18,00,000 = \text{Rs } 1,00,000,$$
$$\text{Bank draft} = 18,00,000/2 = \text{Rs } 9,00,000.$$

The remaining Rs 9,00,000 is discharged through debentures issued at $100 - 10 = \text{Rs } 90$ each. Number

issued $= 9,00,000/90 = 10,000$. Nominal value is Rs 10,00,000 and discount is Rs 1,00,000. The 12% rate concerns interest, not the issue price.

Step 2: Record the business purchase and settlement Journal of Astha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr.		18,00,000	
	To Nabha Ltd. A/c			18,00,000
	(Being purchase consideration payable to Nabha Ltd.)			
	Sundry Assets A/c Dr.		20,00,000	
	To Sundry Liabilities A/c			1,00,000
	To Business Purchase A/c			18,00,000
	To Capital Reserve A/c			1,00,000
	(Being net assets taken over and capital reserve recognised)			
	Nabha Ltd. A/c Dr.		18,00,000	
	Discount on Issue of Debentures A/c Dr.		1,00,000	
	To Bank A/c			9,00,000
	To 12% Debentures A/c			10,00,000
	(Being vendor settled by bank draft and 10,000 debentures issued at 10 percent discount)			

The final entry totals Rs 19,00,000 on each side. Discount is separately debited so that the debentures remain recorded at their face value.

Step 3: Conclusion Capital Reserve is Rs 1,00,000. Astha Ltd. issues 10,000 debentures and pays Rs 9,00,000 through a bank draft.

Quick Tip to Solve: Divide the vendor balance by Rs 90 issue price, then multiply the number by Rs 100 for the debenture credit.

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19. Lalit, Madhur and Neel were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Neel retired and his capital after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was Rs. 10,00,000. Lalit and Madhur agreed to pay Neel Rs. 22,00,000 in full settlement of his claim.

Pass necessary journal entries for the treatment of goodwill and making final payment to Neel.

[3 marks]

Solution:

Concept:

- The excess of the agreed retirement payment over the adjusted capital balance represents the retiring partner's share of goodwill.
- The continuing partners compensate the retiring partner in their gaining ratio. In the absence of a new ratio, they continue in their relative old ratio.

Step 1: Determine the goodwill compensation Neel's adjusted capital is Rs 10,00,000 and his full settlement is Rs 22,00,000. Therefore his goodwill compensation is

$$\text{Neel's share of goodwill} = 22,00,000 - 10,00,000 = \text{Rs } 12,00,000.$$

This excess is credited to Neel's Capital Account; it is not an additional revaluation profit.

Step 2: Calculate the burden on the continuing partners Lalit and Madhur's old shares are equal. Their continuing ratio, and hence gaining ratio, is $2:2=1:1$. Each bears $12,00,000 \times \frac{1}{2} =$ Rs $6,00,000$. After this adjustment Neel's capital becomes $10,00,000 + 12,00,000 =$ Rs $22,00,000$.

Step 3: Record goodwill and final settlement Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Lalit's Capital A/c Dr.		6,00,000	
	Madhur's Capital A/c Dr.		6,00,000	
	To Neel's Capital A/c			12,00,000
	(Being Neel's share of goodwill adjusted in the gaining ratio of 1:1)			
	Neel's Capital A/c Dr.		22,00,000	
	To Bank A/c			22,00,000
	(Being full and final payment made to Neel on retirement)			

The payment debits Neel's entire credit balance, so his Capital Account closes with no amount remaining payable.

Step 4: Conclusion Lalit and Madhur are debited Rs 6,00,000 each for goodwill; Neel is credited Rs 12,00,000 and paid Rs 22,00,000 through bank.

Quick Tip to Solve: First subtract adjusted capital from the settlement; only this excess is charged to the gaining partners.

20(a). From the following information, calculate the value of goodwill of the firm:

(i) On the basis of capitalisation of super profits, and

(ii) On the basis of capitalisation of average profits.

Average profit for the last four years - Rs. 20,00,000

Capital Employed - Rs. 25,00,000

Normal Rate of Return - 20%

Net Assets of the business - Rs. 25,00,000 [3 marks]

Solution:

Concept:

- Normal profit is capital employed multiplied by the normal rate of return; super profit is average profit minus normal profit.
- Goodwill equals capitalised super profit, or capitalised average profit less net assets. Capitalisation at rate $r\%$ means multiplying annual profit by $100/r$.

Step 1: Calculate normal profit and super profit The given Rs 20,00,000 is already the average annual

profit for four years; it must not be divided by four again. The normal return on capital employed is

$$\begin{aligned}\text{Normal profit} &= 25,00,000 \times \frac{20}{100}\\ &= \text{Rs } 5,00,000,\\ \text{Super profit} &= 20,00,000 - 5,00,000\\ &= \text{Rs } 15,00,000.\end{aligned}$$

Thus Rs 15,00,000 is the annual earning in excess of the normal return.

Step 2: Apply capitalisation of super profits Capitalising the excess annual profit gives the capital value attributable to goodwill:

$$\begin{aligned}\text{Goodwill} &= \text{Super profit} \times \frac{100}{\text{Normal rate}}\\ &= 15,00,000 \times \frac{100}{20}\\ &= \text{Rs } 75,00,000.\end{aligned}$$

The rate is used as 20 in the fraction $100/20$, or equivalently as 0.20 in division.

Step 3: Apply capitalisation of average profits First calculate the total capital value supported by the firm's average annual earnings:

$$\begin{aligned}\text{Capitalised average profit} &= 20,00,000 \times \frac{100}{20}\\ &= \text{Rs } 1,00,00,000,\\ \text{Goodwill} &= 1,00,00,000 - 25,00,000\\ &= \text{Rs } 75,00,000.\end{aligned}$$

Net assets are subtracted only after capitalising average profit. Both methods agree because the given capital employed and net assets are equal.

Step 4: Conclusion The value of goodwill is Rs 75,00,000 under both (i) capitalisation of super profits and (ii) capitalisation of average profits.

Quick Tip to Solve: At a 20 percent normal return, capitalisation multiplies annual profit by five; distinguish total capital value from goodwill.

OR

20(b). A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. Goodwill appeared in their books at Rs. 3,00,000. B retired from the firm on 1st April, 2024. On that date, the goodwill of the firm was valued at Rs. 5,40,000.

Pass the necessary Journal entries in the books of the firm for the treatment of goodwill on B's retirement. [3 marks]

Solution:

Concept:

- Existing goodwill is written off by debiting all partners in the old profit-sharing ratio before adjusting the retiring partner's share of newly valued goodwill.
- The retiring partner's share of the full current goodwill is borne by continuing partners in their gaining ratio; goodwill need not remain in the books.

Step 1: Write off existing goodwill in the old ratio The old ratio of A, B and C is $2:3:1$, with total parts 6. Therefore the existing goodwill of Rs 3,00,000 is charged as follows:

$$A = 3,00,000 \times \frac{2}{6} = 1,00,000, \quad B = 3,00,000 \times \frac{3}{6} = 1,50,000, \quad C = 3,00,000 \times \frac{1}{6} = 50,000.$$

All three partners bear this write-off because the existing asset belongs to the old firm.

Step 2: Determine B's compensation and the gaining ratio B's share of the newly valued goodwill is $5,40,000 \times \frac{3}{6} =$ Rs $2,70,000$. With no new ratio specified, A and C continue in their old relative ratio $2:1$, which is also their gaining ratio. A bears $2,70,000 \times \frac{2}{3} =$ Rs $1,80,000$, and C bears $2,70,000 \times \frac{1}{3} =$ Rs $90,000$. Use the full valuation after writing off the old balance, not merely the increase in goodwill.

Step 3: Pass the journal entries on 1 April 2024 Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr.	A's Capital A/c Dr.		1,00,000	
2024	B's Capital A/c Dr.		1,50,000	
	C's Capital A/c Dr.		50,000	
	To Goodwill A/c			3,00,000
	(Being existing goodwill written off in the old ratio of 2:3:1)			
1 Apr.	A's Capital A/c Dr.		1,80,000	
2024	C's Capital A/c Dr.		90,000	
	To B's Capital A/c			2,70,000
	(Being B's share of goodwill adjusted in the gaining ratio of 2:1)			

The Goodwill Account becomes nil. B's net capital credit from these two entries is Rs 1,20,000, after the old goodwill write-off.

Step 4: Conclusion Write off old goodwill of Rs 3,00,000 in 2:3:1; then debit A Rs 1,80,000 and C Rs 90,000 and credit B Rs 2,70,000.

Quick Tip to Solve: Clear old goodwill in the old ratio first; compensate the retiring partner for the full current goodwill in the gaining ratio.

21. Pass necessary journal entries for the issue of 9% Debentures in the books of Beeta Ltd. in the following cases:

(i) Issued 4,000, 9% Debentures of Rs. 100 each at a discount of 5%, redeemable at a premium of 10%.

(ii) Issued 6,000, 9% Debentures of Rs. 100 each at a premium of 10%, redeemable at a premium of 5%. [4 marks]

Solution:

Concept:

- Debentures are credited at their face value. Bank is debited with the issue proceeds actually received.
- Loss on Issue of Debentures includes the discount on issue and the premium payable on redemption. Premium received on issue is credited separately to Securities Premium Reserve.

Step 1: Case (i): calculate the issue proceeds and loss The face value is $4,000 \times 100 =$ Rs $4,00,000$. The discount is $4,00,000 \times 5\% =$ Rs $20,000$, so cash received is Rs 3,80,000. The redemption premium is $4,00,000 \times 10\% =$ Rs $40,000$. Thus, Loss on Issue of Debentures is $20,000 + 40,000 =$ Rs $60,000$. The 9% rate determines interest on debentures; it does not determine the issue discount or redemption premium.

Step 2: Case (i): record the issue Journal of Beeta Ltd. (Amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,80,000	
	Loss on Issue of Debentures A/c Dr.		60,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 4,000 debentures issued at 5% discount, redeemable at 10% premium)			

The total debit and total credit are each Rs 4,40,000.

Step 3: Case (ii): calculate and record the issue The face value is $6,000 \times 100 =$ Rs $6,00,000$. Issue premium is Rs 60,000, making the bank receipt Rs 6,60,000. Redemption premium is $6,00,000 \times 5\% =$ Rs $30,000$; this is debited to Loss on Issue of Debentures. Premium received and premium payable are recorded separately.

Journal of Beeta Ltd. (Amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,60,000	
	Loss on Issue of Debentures A/c Dr.		30,000	
	To 9% Debentures A/c			6,00,000
	To Securities Premium Reserve A/c			60,000
	To Premium on Redemption of Debentures A/c			30,000
	(Being 6,000 debentures issued at 10% premium, redeemable at 5% premium)			

Both sides of this entry total Rs 6,90,000. No redemption payment is recorded on the issue date.

Step 4: Conclusion Case (i): Bank Dr. Rs 3,80,000 and Loss on Issue Dr. Rs 60,000. Case (ii): Bank Dr. Rs 6,60,000 and Loss on Issue Dr. Rs 30,000, with the respective credits shown above.

Quick Tip to Solve: Calculate issue proceeds and redemption premium separately; credit the debenture account only with face value.

22. A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2024 stood as follows:

Balance Sheet of A, B and C as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	80,000	Cash in hand	1,10,000
Bills Payable	50,000	Cash at Bank	60,000
General Reserve	20,000	Debtors	50,000
Capitals:		Stock	60,000
A	2,80,000	Investments	80,000
B	1,20,000	Building	2,90,000
C	1,00,000		
Total	6,50,000	Total	6,50,000

C died on 30th June, 2024. As per the partnership agreement, the executors of C were entitled to:

(i) Amount standing to the credit of his Capital Account.

(ii) Interest on capital which amounted to Rs. 6,000.

(iii) His share of goodwill which was Rs. 30,000.

(iv) His share of profit from the date of the last Balance Sheet up to the date of death which amounted to Rs. 18,000.

(v) C's executors were paid half the amount due immediately and the balance was to be paid in two equal yearly instalments along with interest @ 6% p.a.

Pass the necessary journal entries for the above transactions on C's death. [4 marks]

Solution:

Concept:

- Accumulated reserves belong to all partners in their old profit-sharing ratio. The deceased partner receives his capital, reserve share, interest, goodwill and profit up to death.
- The continuing partners compensate the deceased partner for goodwill in their gaining ratio. Interest on the executors' loan is calculated on the outstanding principal.

Step 1: Determine the amount due to C C's share of General Reserve is $20,000 \times \frac{1}{5} = \text{Rs } 4,000$. In the absence of a new ratio, A and B continue in their relative old ratio $2:2 = 1:1$. Each gains $\frac{1}{2} - \frac{2}{5} = \frac{1}{10}$, so each bears Rs 15,000 of C's goodwill.

$$\begin{aligned} \text{Amount due to C} &= 1,00,000 + 4,000 + 6,000 + 30,000 + 18,000 \\ &= \text{Rs } 1,58,000. \\ \text{Immediate payment} &= 1,58,000 \div 2 = \text{Rs } 79,000. \\ \text{Balance loan} &= \text{Rs } 79,000. \end{aligned}$$

The remaining principal is payable in two equal annual instalments of Rs 39,500 each.

Step 2: Journal entries on 30 June 2024 Journal of A, B and C (Amounts in Rs; all entries dated 30 June 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Being reserve distributed in the old ratio 2:2:1)		20,000	 8,000 8,000 4,000
	Interest on Capital A/c Dr. To C's Capital A/c (Being interest on C's capital credited)		6,000	 6,000
	A's Capital A/c Dr. B's Capital A/c Dr. To C's Capital A/c (Being C's goodwill adjusted in the gaining ratio 1:1)		15,000 15,000	 30,000
	Profit and Loss Suspense A/c Dr. To C's Capital A/c (Being C's profit up to the date of death credited)		18,000	 18,000
	C's Capital A/c Dr. To C's Executors' A/c (Being the total amount due transferred to executors)		1,58,000	 1,58,000
	C's Executors' A/c Dr. To Cash A/c To C's Executors' Loan A/c (Being half paid immediately and the balance transferred to loan)		1,58,000	 79,000 79,000

Cash is used for the immediate payment because cash in hand is sufficient. The interest and future instalments arise after death; their settlement schedule follows.

Step 3: Work out the subsequent yearly instalments For the first year, interest is $79,000 \times 6\% =$ Rs $4,740$. On 30 June 2025, the payment is $39,500 + 4,740 =$ Rs $44,240$. The remaining principal is Rs 39,500. For the second year, interest is $39,500 \times 6\% =$ Rs $2,370$. The final payment on 30 June 2026 is $39,500 + 2,370 =$ Rs $41,870$.

The instalments of principal are equal; the total annual payments differ because interest falls with the outstanding loan. These future payments are not debited to C's Capital Account on the date of death.

Step 4: Conclusion C's executors are entitled to Rs 1,58,000: Rs 79,000 is paid immediately and Rs 79,000 becomes a loan. The yearly payments including interest are Rs 44,240 and Rs 41,870.

Quick Tip to Solve: Include the deceased partner's share of reserve before halving the amount due, then charge interest only on unpaid principal.

23(a). **Sia, Manav and Ajay were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2024, their Balance Sheet was as follows:**

Balance Sheet of Sia, Manav and Ajay as at 31st March, 2024

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		4,00,000	Land and Building	8,50,000
Bank Overdraft		3,00,000	Machinery	6,00,000
Capitals:			Investments	2,00,000
Sia	9,00,000		Stock	6,00,000
Manav	8,00,000		Debtors	3,00,000
Ajay	2,00,000	19,00,000	Bank	1,00,000
Employee's Provident Fund		2,00,000	Profit and Loss Account	1,50,000
		28,00,000		28,00,000

On 31st March, 2024, Manav retired from the firm and the remaining partners decided to carry on the business. The assets and liabilities were revalued which resulted into a gain of Rs. 1,20,000 because of the increase in the value of Land and Building by the same amount.

(i) 40% of Land and Building were taken by retiring partner at revalued value.

(ii) Goodwill of the firm be valued at Rs. 4,00,000. Sia and Ajay decided to share future profits and losses in the ratio of 3 : 2.

(iii) The total capital of the new firm will be Rs. 20,00,000 which will be in proportion of the new profit sharing ratio of Sia and Ajay. For this, necessary cash was brought in or was paid off to the partners, as the case may be.

Prepare Partners' Capital Accounts. [6 marks]

Solution:

Concept:

- Accumulated losses and revaluation profit belong to all old partners in their old ratio, $2:2:1$.
- The retiring partner receives goodwill compensation from the gaining partners in their gaining ratio.
- The continuing partners bring cash equal to required capital less their adjusted capital; settlement of the retiring partner is separate.

Step 1: Distribute the existing loss and revaluation gain The debit balance of Profit and Loss Account, Rs 1,50,000, is written off to Sia, Manav and Ajay in the old ratio, giving debits of Rs 60,000, Rs 60,000 and Rs 30,000 respectively. Employee's Provident Fund is a liability and is not distributed as a reserve. The land appreciation gives revaluation profit of Rs 1,20,000, credited in the same ratio: Rs 48,000, Rs 48,000 and Rs 24,000 respectively.

Step 2: Adjust goodwill and the land taken over Sia's gain is $3/5 - 2/5 = 1/5$; Ajay's gain is $2/5 - 1/5 = 1/5$. Thus the gaining ratio is $1:1$. Manav's goodwill entitlement is $4,00,000 \times 2/5 =$ Rs $1,60,000$. Debit Sia and Ajay by Rs 80,000 each and credit Manav by Rs 1,60,000. The revalued land and building is $8,50,000 + 1,20,000 =$ Rs $9,70,000$; Manav takes 40%, or Rs 3,88,000, debited to his capital account.

Step 3: Determine settlement and required capitals After these adjustments, Sia's capital is $9,00,000 - 60,000 + 48,000 - 80,000 =$ Rs $8,08,000$; Ajay's is $2,00,000 - 30,000 + 24,000 - 80,000 =$ Rs $1,14,000$.

Required capitals out of Rs 20,00,000 in the ratio $3:2$ are Rs 12,00,000 and Rs 8,00,000. They bring Rs 3,92,000 and Rs 6,86,000 respectively. Manav's remaining balance is $8,00,000 - 60,000 + 48,000 + 1,60,000 - 3,88,000 =$ Rs $5,60,000$, settled through bank.

Step 4: Prepare the capital accounts Sia's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Profit and Loss A/c	60,000	By Balance b/d	9,00,000
To Manav (goodwill)	80,000	By Revaluation	48,000
To Balance c/d	12,00,000	By Bank	3,92,000
Total	13,40,000	Total	13,40,000

Manav's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Profit and Loss A/c	60,000	By Balance b/d	8,00,000
		By Revaluation	48,000
To Land and Building	3,88,000	By Sia (goodwill)	80,000
To Bank (settlement)	5,60,000	By Ajay (goodwill)	80,000
Total	10,08,000	Total	10,08,000

Ajay's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Profit and Loss A/c	30,000	By Balance b/d	2,00,000
To Manav (goodwill)	80,000	By Revaluation	24,000
To Balance c/d	8,00,000	By Bank	6,86,000
Total	9,10,000	Total	9,10,000

Step 5: Conclusion Sia and Ajay bring Rs 3,92,000 and Rs 6,86,000. Their closing capitals are Rs 12,00,000 and Rs 8,00,000; Manav is paid Rs 5,60,000 after taking land and building of Rs 3,88,000.

Quick Tip to Solve: First adjust losses, revaluation and goodwill; only then compare the continuing partners with their target capitals.

OR

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

Balance Sheet of Karan and Arjun as at 31st March, 2024

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Capitals:			Machinery		4,00,000
Karan	5,00,000		Furniture		2,00,000
Arjun	5,00,000	10,00,000	Debtors	4,00,000	
General Reserve		1,50,000	Less: Provision for Doubtful Debts 50,000		3,50,000
Workmen's Compensation Fund		1,50,000	Stock		1,50,000
			Cash		2,00,000
		13,00,000			13,00,000

On 1st April, 2024, Nakul was admitted into the partnership for 1/4th share in the profits of the firm on the following terms:

(i) Nakul brought Rs. 4,00,000 as his capital and his share of goodwill premium in cash. Goodwill of the firm was valued at Rs. 2,00,000.

(ii) Furniture was valued at Rs. 2,50,000.

(iii) A provision for doubtful debts @ 10% is to be maintained on debtors.

(iv) The liability against Workmen's Compensation Fund was estimated at Rs. 1,20,000.

(v) After the above adjustments, the capitals of Karan and Arjun were to be adjusted taking Nakul's capital as the base. Excess or shortage in the capital accounts of Karan and Arjun was to be adjusted by opening current accounts.

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

Solution:

Concept:

- Unless otherwise specified, old partners sacrifice in their old ratio; the new ratio is found after reserving the incoming partner's share.
- Revaluation profit and accumulated reserves belong to the old partners in their old ratio.
- Capital adjustments through current accounts change fixed capitals without additional cash receipts or payments.

Step 1: Find the new ratio and goodwill premium Nakul receives $1/4$, leaving $3/4$ for Karan and Arjun in their old ratio $3:2$. Their shares are $9/20$ and $6/20$; the new ratio is $9:6:5$. The sacrificing ratio remains $3:2$. Nakul brings goodwill premium $2,00,000 \times 1/4 =$ Rs $50,000$, credited as Rs 30,000 to Karan and Rs 20,000 to Arjun, besides his capital of Rs 4,00,000.

Step 2: Prepare revaluation account Furniture appreciation is Rs 50,000. Required doubtful debts provision is $4,00,000 \times 10\% =$ Rs $40,000$; the old provision of Rs 50,000 is reduced by Rs 10,000, a gain. Thus revaluation profit is Rs 60,000, divided Rs 36,000 and Rs 24,000. The Workmen's Compensation Fund exceeds the estimated liability by Rs 30,000; this surplus is distributed separately as Rs 18,000 and Rs 12,000. The remaining Rs 1,20,000 is retained as liability.

Revaluation Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Karan's Capital	36,000	By Furniture	50,000
To Arjun's Capital	24,000	By Provision for Doubtful Debts	10,000
Total	60,000	Total	60,000

Step 3: Calculate capital targets and current-account adjustments General Reserve of Rs 1,50,000 is credited in the old ratio: Karan Rs 90,000 and Arjun Rs 60,000. The adjusted capitals are therefore

$$Karan : 5,00,000 + 90,000 + 18,000 + 36,000 + 30,000 = 6,74,000,$$
$$Arjun : 5,00,000 + 60,000 + 12,000 + 24,000 + 20,000 = 6,16,000.$$

Nakul's Rs 4,00,000 for a quarter share implies total capital Rs 16,00,000. Hence Karan requires $16,00,000 \times 9/20 =$ Rs $7,20,000$ and Arjun Rs 4,80,000. Karan's shortage of Rs 46,000 is debited to his Current Account and credited to capital. Arjun's surplus Rs 1,36,000 is debited to capital and credited to his Current Account. No cash is moved for these adjustments.

Step 4: Prepare partners capital accounts Karan's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
		By Balance b/d	5,00,000
To Balance c/d	7,20,000	By General Reserve	90,000
		By Compensation Fund	18,000
		By Revaluation	36,000
		By Premium for Goodwill	30,000
		By Current A/c	46,000
Total	7,20,000	Total	7,20,000

Arjun's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Current A/c	1,36,000	By Balance b/d	5,00,000
To Balance c/d	4,80,000	By General Reserve	60,000
		By Compensation Fund	12,000
		By Revaluation	24,000
		By Premium for Goodwill	20,000
Total	6,16,000	Total	6,16,000

Nakul's Capital Account (amounts in Rs)

Dr. Particulars	Amount	Particulars Cr.	Amount
To Balance c/d	4,00,000		
		By Bank (capital)	4,00,000
Total	4,00,000	Total	4,00,000

Step 5: Conclusion Revaluation profit is Rs 60,000. Closing capitals of Karan, Arjun and Nakul are Rs 7,20,000, Rs 4,80,000 and Rs 4,00,000 respectively. Karan has a current-account debit of Rs 46,000 and Arjun a current-account credit of Rs 1,36,000.

Quick Tip to Solve: Use Nakul's one-quarter capital to find total capital, then transfer old partners' differences to current accounts.

24. Nisha Ltd. was registered with a capital of Rs. 6,00,000 in shares of Rs. 100 each. It issued 4,000 shares. The amount was payable as follows:

On Application - Rs. 30 per share

On Allotment - Rs. 30 per share

On First and Final Call - Balance

The issue was fully subscribed and all amounts payable on application and allotment were duly received. Amit, a shareholder, failed to pay first and final call of Rs. 40 per share on his 200 shares. Answer the following questions: [6 marks]

24(i). The Authorised capital of Nisha Ltd. shown in 'Notes to Accounts' will be: [1 mark]

(A) Rs. 6,00,000

(B) Rs. 4,00,000

(C) Rs. 6,00,00,000

(D) Rs. 3,60,000

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

Solution:

Concept:

- Authorised capital is the maximum nominal share capital with which the company is registered.
- Issued capital and paid-up capital are different disclosures and do not alter the authorised amount.

Step 1: Read the registered capital Nisha Ltd. is registered with capital of Rs 6,00,000 divided into shares of Rs 100 each. This represents $6,00,000/100 = 6,000$ authorised shares, irrespective of the smaller number actually issued.

Step 2: Compare the options Option (A) matches the registered amount. Rs 4,00,000 in (B) is issued capital, calculated from 4,000 shares. Option (C), Rs 6,00,00,000, incorrectly multiplies the already stated capital by the face value again. Rs 3,60,000 in (D) has no basis as the authorised capital. Amit's unpaid call affects paid-up capital only.

Step 3: Conclusion Authorised capital is Rs 6,00,000. Hence the correct option is (A).

Quick Tip to Solve: For authorised capital, use the registered rupee amount directly; do not multiply that amount by face value.

24(ii). The Issued capital of Nisha Ltd. shown in 'Notes to Accounts' will be: [1 mark]

(A) Rs. 3,60,000

(B) Rs. 6,00,000

(C) Rs. 4,00,000

(D) Rs. 3,92,000

Correct Answer: (C) Rs. 4,00,000

Solution:

Concept:

- Issued capital equals the number of shares offered for subscription multiplied by their face value.
- Calls in arrears reduce paid-up capital, but do not reduce the nominal capital already issued.

Step 1: Compute the nominal value issued The company issued 4,000 shares of Rs 100 each. Therefore issued capital is $4,000 \times 100 = \text{Rs } 4,00,000$. The issue being fully subscribed confirms that all these shares were taken up.

Step 2: Separate issue size from payment collection Rs 6,00,000 in option (B) is authorised capital, the registered ceiling. Rs 3,92,000 in option (D) is paid-up capital after subtracting Amitś arrears of $200 \times 40 = \text{Rs } 8,000$ from Rs 4,00,000. Those arrears do not cancel the shares issued. Rs 3,60,000 in (A) does not equal the nominal value of the issued shares. Thus only option (C) answers the question.

Step 3: Conclusion Issued capital is Rs 4,00,000. Hence the correct option is (C).

Quick Tip to Solve: Multiply issued shares by face value; ignore unpaid calls when the question asks specifically for issued capital.

24(iii). 'Subscribed and not fully paid up capital' shown in 'Notes to Accounts' will be: [1 mark]

(A) Rs. 3,92,000

(B) Rs. 20,000

(C) Rs. 3,80,000

(D) Rs. 12,000

Correct Answer: (D) Rs. 12,000

Solution:

Concept:

- Shares with every amount due received are fully paid; shares with an unpaid call are shown separately as subscribed but not fully paid.
- Calls in arrears equal the number of defaulting shares multiplied by the unpaid amount per share.

Step 1: Identify the shares not fully paid Only Amit failed to pay the final call. Therefore the relevant category contains his 200 shares, rather than all 4,000 issued shares. Their face value is $200 \times 100 = \text{Rs } 20,000$.

Step 2: Calculate their paid-up amount Application and allotment have both been received, so each of these shares is paid up to $30 + 30 = \text{Rs } 60$. Thus the amount shown is $200 \times 60 = \text{Rs } 12,000$,

equivalently $20,000 - 8,000$. Rs 20,000 is their nominal amount before deducting arrears; Rs 3,80,000 is the fully paid category, while Rs 3,92,000 is total paid-up capital.

Step 3: Conclusion Subscribed and not fully paid-up capital is $\boxed{\text{Rs } 12,000}$. Hence, the correct option is (D).

Quick Tip to Solve: For the defaulting shares, multiply by the amount actually paid, after deducting the unpaid call.

24(iv). 'Subscribed and fully paid capital' of Nisha Ltd. shown in 'Notes to Accounts' will be: [1 mark]

(A) Rs. 20,000

(B) Rs. 3,80,000

(C) Rs. 12,000

(D) Rs. 3,92,000

Correct Answer: (B) Rs. 3,80,000

Solution:

Concept:

- Shares with every amount due received are fully paid; shares with an unpaid call are shown separately as subscribed but not fully paid.
- Calls in arrears equal the number of defaulting shares multiplied by the unpaid amount per share.

Step 1: Count fully paid shares Out of 4,000 subscribed shares, Amit has not paid the final call on 200 shares. All other shareholders paid all instalments. Hence fully paid shares number $4,000 - 200 = 3,800$.

Step 2: Value this category and compare options Each fully paid share has a paid-up value equal to its face value of Rs 100. Therefore $3,800 \times 100 =$ Rs $3,80,000$. Rs 20,000 is the nominal value of the defaulting shares; Rs 12,000 is their paid-up amount. Rs 3,92,000 includes that amount as well and represents total paid-up capital, not solely fully paid shares.

Step 3: Conclusion Subscribed and fully paid capital is $\boxed{\text{Rs } 3,80,000}$. Hence, the correct option is (B).

Quick Tip to Solve: First exclude the defaulting 200 shares; then value the remaining shares at Rs 100 each.

24(v). Calls in arrears of Nisha Ltd. will be: [1 mark]

(A) Rs. 12,000

(B) Rs. 20,000

(C) Rs. 8,000

(D) Nil

Correct Answer: (C) Rs. 8,000

Solution:

Concept:

- Shares with every amount due received are fully paid; shares with an unpaid call are shown separately as subscribed but not fully paid.
- Calls in arrears equal the number of defaulting shares multiplied by the unpaid amount per share.

Step 1: Find the unpaid instalment The total face value is Rs 100 per share, and Rs 30 each was payable on application and allotment. Thus the first and final call is $100 - 30 - 30 = \text{Rs } 40$ per share. Only this call remains unpaid by Amit.

Step 2: Compute arrears and test the choices Amit holds 200 shares, so calls in arrears are $200 \times 40 = \text{Rs } 8,000$. Rs 12,000 is what he has already paid, not what remains due. Rs 20,000 is the full face value of his shares. Nil cannot be correct because the question explicitly states that he failed to pay the call.

Step 3: Conclusion Calls in arrears are $\boxed{\text{Rs } 8,000}$. Hence, the correct option is (C).

Quick Tip to Solve: Use only the unpaid instalment of Rs 40, not the face value or the instalments already received.

24(vi). The amount of 'Share Capital' shown under 'Shareholders' Funds' in the Balance Sheet of Nisha Ltd. will be: [1 mark]

(A) Rs. 3,92,000

(B) Rs. 3,80,000

(C) Rs. 4,00,000

(D) Rs. 6,00,000

Correct Answer: (A) Rs. 3,92,000

Solution:

Concept:

- Shares with every amount due received are fully paid; shares with an unpaid call are shown separately as subscribed but not fully paid.
- Calls in arrears equal the number of defaulting shares multiplied by the unpaid amount per share.

Step 1: Determine called-up capital The company issued 4,000 shares of Rs 100 each, and the full face value has been called through application, allotment and the final call. Thus called-up subscribed capital is $4,000 \times 100 = \text{Rs } 4,00,000$. The authorised limit of Rs 6,00,000 does not measure actual

paid-up capital.

Step 2: Deduct unpaid calls The only arrears are Amit's $200 \times 40 = \text{Rs } 8,000$. Therefore balance-sheet share capital is $4,00,000 - 8,000 = \text{Rs } 3,92,000$. This also equals Rs 3,80,000 fully paid capital plus Rs 12,000 received on the partly paid shares. Rs 3,80,000 excludes Amit's receipts, while Rs 4,00,000 ignores his default.

Step 3: Conclusion Share Capital under Shareholders' Funds is $\boxed{\text{Rs } 3,92,000}$. Hence, the correct option is (A).

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

25. X and Y were partners in a firm sharing profits and losses in the ratio of 2 : 3. They agreed to dissolve the firm on 31st March, 2024. The Balance Sheet of the firm as on that date was as follows:

Balance Sheet of X and Y as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills Payable	50,000	Cash in hand	1,00,000
Loan by Y	2,00,000	Cash at Bank	2,00,000
General Reserve	1,00,000	Sundry Debtors 2,00,000	
Profit and Loss A/c	4,00,000	Less: Provision for Doubtful Debts 50,000	1,50,000
Loan by Mrs. X	1,00,000	Building	4,50,000
Capitals:		Machinery	5,00,000
X 5,00,000		Furniture	1,00,000
Y 5,00,000	10,00,000	Goodwill	3,50,000
	18,50,000		18,50,000

The following transactions took place at the time of dissolution:

(i) Building and Machinery realised Rs. 4,00,000 and Rs. 5,00,000 respectively.

(ii) X agreed to pay loan of Mrs. X and he took Furniture at Rs. 80,000.

(iii) Debtors realised Rs. 1,40,000.

(iv) Firm had to pay Rs. 10,000 for Outstanding Salary which were not provided earlier.

(v) Bills Payable were paid in full.

(vi) The expenses of dissolution amounted to Rs. 10,000.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- On dissolution, transfer non-cash assets at gross book values to the debit of Realisation Account and external liabilities and asset provisions to its credit.
- Credit asset realisations and assets taken over by a partner; debit liability settlements and dissolution expenses. Transfer the resulting loss to partners in their profit-sharing ratio of $2 : 3$.

Step 1: Transfer the balances and classify excluded items Transfer debtors at Rs 2,00,000, building at

Rs 4,50,000, machinery at Rs 5,00,000, furniture at Rs 1,00,000 and goodwill at Rs 3,50,000: total Rs 16,00,000. Transfer the provision of Rs 50,000 separately to the credit. Bills payable of Rs 50,000 and Mrs. X's loan of Rs 1,00,000 are external liabilities. Cash in hand and bank are excluded. Y's loan is a partner loan, settled separately. General Reserve, Profit and Loss credit balance and capitals are dealt with in partners' capital accounts, not Realisation Account.

Step 2: Record realisations and settlements Building, machinery and debtors yield $4,00,000 + 5,00,000 + 1,40,000 =$ Rs $10,40,000$. Credit furniture taken by X at Rs 80,000 to Realisation Account and debit X's Capital Account. Debit Realisation Account and credit X's Capital Account with Rs 1,00,000 for Mrs. X's loan which he undertakes to pay. Debit bills payable settled in full, unrecorded salary paid and dissolution expenses at Rs 50,000, Rs 10,000 and Rs 10,000 respectively. No proceeds are specified for goodwill, so no realisation credit arises for it.

Step 3: Prepare Realisation Account Realisation Account of X and Y as at 31st March, 2024

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Sundry Debtors	2,00,000	By Provision for Doubtful Debts	50,000
To Building	4,50,000	By Bills Payable	50,000
To Machinery	5,00,000	By Loan by Mrs. X	1,00,000
To Furniture	1,00,000	By Bank: Building	4,00,000
To Goodwill	3,50,000	By Bank: Machinery	5,00,000
To X's Capital: Mrs. X's loan	1,00,000	By Bank: Debtors	1,40,000
To Bank: Bills Payable	50,000	By X's Capital: Furniture	80,000
To Bank: Outstanding Salary	10,000	By Partners' Capital A/cs: Loss	
To Bank: Dissolution Expenses	10,000	X $(2/5)$	1,80,000
		Y $(3/5)$	2,70,000
Total	17,70,000	Total	17,70,000

Step 4: Verify loss allocation Debit entries total Rs 17,70,000. Credits before the loss transfer total $50,000 + 50,000 + 1,00,000 + 10,40,000 + 80,000 =$ Rs $13,20,000$. The difference is a loss of Rs 4,50,000, transferred as $4,50,000 \times 2/5 =$ Rs $1,80,000$ to X and $4,50,000 \times 3/5 =$ Rs $2,70,000$ to Y. The account closes with equal totals; no balance is carried forward on dissolution.

Step 5: Conclusion Realisation loss is $\boxed{\text{Rs } 4,50,000}$, borne by X: Rs 1,80,000 and Y: Rs 2,70,000. Both sides total Rs 17,70,000.

Quick Tip to Solve: Transfer debtors gross and credit their provision separately; keep a partner loan outside Realisation Account.

26(a). Hira Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at 10% premium. The amount was payable as follows:

On Application - Rs. 3 per share

On Allotment - Rs. 3 per share (including premium)

On first and final call - Balance amount

Applications were received for 1,40,000 shares and shares were allotted on a pro-rata basis to all the applicants. The excess money received on application was adjusted towards sums due on allotment. All the shareholders paid the allotment money due except one shareholder who was allotted 1,000 shares. These shares were forfeited immediately. All these shares were reissued to Shashi as Rs. 5 paid up for Rs. 4 per share. First and final call has not been made.

Pass necessary journal entries in the books of Hira Ltd. Open Calls-in-Arrears Account wherever required. [6 marks]

Solution:

Concept:

- Application money is transferred to share capital for shares allotted; excess application money is adjusted against allotment, including premium.
- On forfeiture, debit only called-up share capital. Credit Share Forfeiture with capital already received; reverse securities premium only if it remains unpaid.
- Reissue discount is debited to Share Forfeiture. The remaining forfeiture balance relating to reissued shares is transferred to Capital Reserve.

Step 1: Compute pro-rata adjustment and arrears The allotment ratio is $1,00,000 : 1,40,000 = 5 : 7$. Application receipts are $1,40,000 \times 3 =$ Rs $4,20,000$; capital on application is Rs 3,00,000 and the excess is Rs 1,20,000. Allotment due is Rs 3,00,000, comprising capital Rs 2,00,000 and premium Rs 1,00,000. Net allotment receivable is therefore Rs 1,80,000.

The defaulter applied for $1,000 \times 7/5 = 1,400$ shares and paid Rs 4,200. Of this, Rs 3,000 is application capital and Rs 1,200 is adjusted against allotment. The adjustment first covers the Rs 1,000 premium, leaving Rs 200 towards allotment capital. Thus allotment arrears are $3,000 - 1,200 =$ Rs $1,800$, and bank receives $1,80,000 - 1,800 =$ Rs $1,78,200$. Premium has been received and is not reversed on forfeiture.

Step 2: Record issue and allotment Journal of Hira Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,20,000	
	To Share Application A/c			4,20,000
	(Being application money received on 1,40,000 shares)			
	Share Application A/c Dr.		4,20,000	
	To Equity Share Capital A/c			3,00,000
	To Share Allotment A/c			1,20,000
	(Being application capital transferred and excess adjusted against allotment)			
	Share Allotment A/c Dr.		3,00,000	
	To Equity Share Capital A/c			2,00,000
	To Securities Premium A/c			1,00,000
	(Being allotment including premium made due)			
	Bank A/c Dr.		1,78,200	
	Calls-in-Arrears A/c Dr.		1,800	
	To Share Allotment A/c			1,80,000
	(Being allotment received except arrears on 1,000 shares)			

Step 3: Record forfeiture, reissue and capital reserve Called-up capital is Rs 5 per share because the first and final call has not been made. Forfeited capital received is $4,200 - 1,000 =$ Rs $3,200$. Reissue discount is $1,000 \times (5-4) =$ Rs $1,000$. All forfeited shares are reissued, so capital reserve is $3,200 - 1,000 =$ Rs $2,200$.

Journal of Hira Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		5,000	
	To Calls-in-Arrears A/c			1,800
	To Share Forfeiture A/c			3,200
	(Being 1,000 shares forfeited for unpaid allotment)			
	Bank A/c Dr.		4,000	
	Share Forfeiture A/c Dr.		1,000	
	To Equity Share Capital A/c			5,000
	(Being 1,000 shares reissued to Shashi as Rs 5 paid-up at Rs 4 each)			
	Share Forfeiture A/c Dr.		2,200	
	To Capital Reserve A/c			2,200
	(Being surplus on all reissued shares transferred to capital reserve)			

Step 4: Conclusion Calls-in-Arrears of Rs 1,800 is cleared on forfeiture; Capital Reserve is Rs 2,200. No first and final call entry is required.

Quick Tip to Solve: For the defaulter, split excess application money into premium first and capital next before calculating the forfeiture credit.

OR

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

(i) Krisha Ltd. forfeited 1,000 shares of Rs. 10 each, fully called-up on which only Rs. 4,000 had been received. 500 of the forfeited shares were reissued for Rs. 8 per share fully paid-up.

(ii) XYZ Ltd. forfeited 20,000 shares of Rs. 10 each issued at a premium of Rs. 1 per share, for non-payment of second and final call of Rs. 2 per share. 70% of these shares were reissued at Rs. 7 per share fully paid-up. [6 marks]

Solution:

Concept:

- Forfeiture cancels called-up capital: debit Share Capital and credit unpaid calls and capital already received to Share Forfeiture.
- Reissue discount is the difference between paid-up value credited and cash received; it is charged to Share Forfeiture.
- Only the surplus attributable to shares actually reissued is transferred to Capital Reserve. Premium received earlier is retained.

Step 1: Case (i): calculate forfeiture and reissue amounts Krisha Ltd. has called up $1,000 \times 10 =$ Rs $10,000$. Capital received is Rs 4,000, so calls in arrears are Rs 6,000. On reissuing 500 shares fully paid at Rs 8, bank receives Rs 4,000 and capital credited is Rs 5,000; hence discount is Rs 1,000. The forfeiture amount attributable to these 500 shares is $4,000 \times 500/1,000 =$ Rs $2,000$. The surplus transferred is $2,000 - 1,000 =$ Rs $1,000$. The other 500 shares remain forfeited, with Rs 2,000 retained in Share Forfeiture.

Step 2: Case (i): journal entries Journal of Krisha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		10,000	
	To Calls-in-Arrears A/c			6,000
	To Share Forfeiture A/c			4,000
	(Being 1,000 fully called-up shares forfeited; only Rs 4,000 received)			
	Bank A/c Dr.		4,000	
	Share Forfeiture A/c Dr.		1,000	
	To Equity Share Capital A/c			5,000
	(Being 500 forfeited shares reissued at Rs 8 fully paid-up)			
	Share Forfeiture A/c Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Being surplus attributable to 500 reissued shares transferred)			

Step 3: Case (ii): calculate forfeiture and reissue amounts The final call unpaid is $20,000 \times 2 =$ Rs $40,000$. Capital already received is $20,000 \times (10 - 2) =$ Rs $1,60,000$. The premium of Rs 1 per share was received before the unpaid second and final call, so Securities Premium is not debited. Shares reissued are $20,000 \times 70\% = 14,000$. Cash received is $14,000 \times 7 =$ Rs $98,000$, and discount is $14,000 \times 3 =$ Rs $42,000$. Forfeiture attributable to reissued shares is $14,000 \times 8 =$ Rs $1,12,000$; capital reserve is $1,12,000 - 42,000 =$ Rs $70,000$. The forfeiture balance for 6,000 unreissued shares is Rs 48,000.

Step 4: Case (ii): journal entries Journal of XYZ Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		2,00,000	
	To Share Second and Final Call A/c			40,000
	To Share Forfeiture A/c			1,60,000
	(Being 20,000 shares forfeited for non-payment of second and final call)			
	Bank A/c Dr.		98,000	
	Share Forfeiture A/c Dr.		42,000	
	To Equity Share Capital A/c			1,40,000
	(Being 14,000 shares reissued fully paid-up at Rs 7 each)			
	Share Forfeiture A/c Dr.		70,000	
	To Capital Reserve A/c			70,000
	(Being surplus attributable to 14,000 reissued shares transferred)			

Step 5: Conclusion Capital Reserve: (i) Rs 1,000; (ii) Rs 70,000. Share Forfeiture balances relating to unreissued shares are respectively Rs 2,000 and Rs 48,000.

Quick Tip to Solve: Transfer only the forfeiture surplus for reissued shares; retain the balance for shares still awaiting reissue.

Part B (20 marks)

Option – I

(Analysis of Financial Statements)

27. **Statement I: Purchase of goodwill is classified as investing activity in case of all types of enterprises.**
Statement II: Payment of interest is classified as financing activity in case of all types of enterprises.
Choose the correct option from the following: [1 mark]

(A) Both statement I and statement II are true.

(B) Both statement I and statement II are false.

(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:

- Investing activities include cash paid to acquire long-term assets, including intangible assets such as goodwill.
- Interest paid is an operating cash flow for a financial enterprise, but a financing cash flow for a non-financial enterprise.

Step 1: Assess Statement I Goodwill is an intangible long-term asset. Cash paid to purchase it is an investing outflow, whether the enterprise is financial or non-financial. Therefore Statement I is true.

Step 2: Assess Statement II and compare the choices For a financial enterprise, interest paid forms part of its principal revenue-producing operations and is classified as operating activity. For other

enterprises it is classified as financing activity. The words "all types of enterprises" therefore make Statement II false. Options (A) and (C) incorrectly treat Statement II as true; option (B) incorrectly treats Statement I as false.

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

Quick Tip to Solve: For interest paid, identify whether the enterprise is financial before classifying the cash flow.

28(a). From the following, identify the incorrect statement related to 'Analysis of Financial Statements'.

[1 mark]

(A) Financial statement analysis is used only by the creditors.

(B) Financial statement analysis does not take price level changes into consideration.

(C) Financial statement analysis ignores non-monetary aspects.

(D) Financial statement analysis helps to identify the reasons for change in profitability and financial position of the firm.

Correct Answer: (A) Financial statement analysis is used only by the creditors.

Solution:

Concept:

- Financial statement analysis interprets accounting figures to assess profitability, financial position and changes over time.
- Its users include management, investors, creditors and other interested parties; its historical monetary information also imposes limitations.

Step 1: Identify the users Creditors use analysis to assess repayment capacity, but management uses it for decisions and investors use it to assess returns and risk. Thus the word *only* makes statement (A) incorrect.

Step 2: Check the remaining statements Conventional analysis uses historical accounting amounts without adjusting for price-level changes and excludes non-monetary factors. Hence (B) and (C) correctly describe limitations. Comparing results and positions across periods helps identify reasons for changes, so (D) is also correct.

Step 3: Conclusion Statement (A) is incorrect because financial statement analysis serves several groups of users. Hence, the correct option is (A).

Quick Tip to Solve: For this negative-stem question, test the restrictive word *only* against all users of financial statements.

OR

28(b). Choose the correct equation with respect to capital employed from the following: [1 mark]

(A) Capital Employed = Shareholders' funds - Non-current Liabilities

(B) Capital Employed = Non-current assets + Net working capital

(C) Capital Employed = Non-current assets - Net working capital

(D) Capital Employed = Share capital + Reserves and Surplus + Current Liabilities

Correct Answer: (B) Capital Employed = Non-current assets + Net working capital

Solution:

Concept:

- Capital employed is the long-term funds invested in the business: shareholders' funds plus non-current liabilities.
- Net working capital equals current assets less current liabilities.

Step 1: Express capital employed through assets Using the balance sheet equation, long-term funds equal total assets less current liabilities. Therefore,

$$\begin{aligned} \text{Capital employed} &= \text{Non-current assets} + \text{Current assets} \\ &\quad - \text{Current liabilities} \\ &= \text{Non-current assets} + \text{Net working capital.} \end{aligned}$$

Step 2: Check the alternatives Option (A) subtracts non-current liabilities instead of adding them. Option (C) subtracts net working capital instead of adding it. Option (D) adds current liabilities to owners' funds instead of adding non-current liabilities. Only (B) represents the long-term investment correctly.

Step 3: Conclusion Capital employed = Non-current assets + Net working capital. Hence, the correct option is (B).

Quick Tip to Solve: Replace net working capital by current assets minus current liabilities to verify the capital employed equation.

29(a). **Manish Ltd. had balance in Provision for Taxation Account of Rs. 9,00,000 and Rs. 12,00,000 as on 31st March, 2023 and 2024 respectively. Provision for tax made during the year was Rs. 6,00,000. The amount of tax paid during the year was:** [1 mark]

(A) Rs. 12,00,000

(B) Rs. 9,00,000

(C) Rs. 6,00,000

(D) Rs. 3,00,000

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

Solution:

Concept:

- Provision for taxation increases when tax expense is provided and decreases when tax is actually paid.
- Tax paid = Opening provision + Provision made during the year - Closing provision.

Step 1: Reconcile the provision The opening liability is Rs 9,00,000. The current-year provision adds Rs 6,00,000, making Rs 15,00,000 available before tax payment. The unpaid closing liability is Rs 12,00,000.

Step 2: Calculate cash tax paid

$$\text{Tax paid} = 9,00,000 + 6,00,000 - 12,00,000 = \text{Rs } 3,00,000.$$

The Rs 6,00,000 provision is an expense recognised, not necessarily cash paid. The two balances are outstanding liabilities at the beginning and end, not payments. Thus options (A), (B) and (C) do not reconcile the account.

Step 3: Conclusion Tax paid during the year is Rs 3,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Add the current-year provision to the opening liability, then subtract the unpaid closing balance to find cash paid.

OR

29(b). **Acquisition of machinery by issue of equity shares of Rs. 30,00,000 will result in:** [1 mark]

(A) Cash inflow from investing activities Rs. 30,00,000

(B) Cash outflow from investing activities Rs. 30,00,000

(C) Cash outflow from financing activities Rs. 30,00,000

(D) No flow of cash

Correct Answer: (D) No flow of cash

Solution:

Concept:

- A cash flow requires an actual inflow or outflow of cash or cash equivalents.

- An asset acquired by issuing shares directly is a non-cash investing and financing transaction.

Step 1: Identify the consideration The company receives machinery of Rs 30,00,000 and issues equity shares to the supplier in settlement. Machinery and share capital increase, but cash and bank balances do not change.

Step 2: Apply the cash flow test Since no cash is received or paid, neither an investing cash inflow nor an investing cash outflow arises; therefore (A) and (B) are incorrect. Issuing shares directly to the supplier also creates no financing cash outflow, excluding (C). Such a material non-cash transaction is disclosed elsewhere in the financial statements rather than included as a cash flow.

Step 3: Conclusion The transaction results in no flow of cash. Hence, the correct option is (D).

Quick Tip to Solve: Check whether shares were exchanged directly for the asset; direct settlement creates no cash flow on either side.

30. _____ will decrease Debt-Equity Ratio and will not change Current Ratio. [1 mark]

(A) Issue of equity shares for cash

(B) Issue of preference shares for cash

(C) Redemption of debentures

(D) Issue of shares for purchase of land and building

Correct Answer: (D) Issue of shares for purchase of land and building

Solution:

Concept:

- Debt-equity ratio equals long-term debt divided by shareholders' funds.
- Current ratio equals current assets divided by current liabilities.

Step 1: Test shares issued for land and building Issuing shares to acquire land and building increases shareholders' funds and non-current assets. Long-term debt stays unchanged. The larger equity denominator decreases the debt-equity ratio, while neither current assets nor current liabilities changes.

Step 2: Eliminate the cash transactions Issues of equity or preference shares for cash increase current assets, so (A) and (B) alter the current ratio. Redemption of debentures lowers long-term debt but uses cash, reducing current assets and altering the current ratio, so (C) does not meet both conditions. Direct issue of shares for non-current assets meets both conditions simultaneously.

Step 3: Conclusion Issue of shares for purchase of land and building decreases the debt-equity ratio without changing the current ratio. Hence, the correct option is (D).

Quick Tip to Solve: For an unchanged current ratio, first look for the transaction that changes neither current assets nor current liabilities.

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

(i) Public Deposits

(ii) Trademarks

(iii) Stores and Spare Parts [3 marks]

Solution:

Concept:

- Schedule III classifies liabilities by their nature and maturity, and assets as current or non-current.
- Borrowed funds, intangible assets and inventory are classified under different major heads and subheads.

Step 1: Classify public deposits (i) Public deposits represent money borrowed from the public and must be repaid. Under the standard long-term classification used for this item, the major head is Non-current liabilities and the subhead is Long-term borrowings. A deposit or instalment due within twelve months would instead be current; no such short maturity is specified here.

Step 2: Classify trademarks (ii) A trademark is an identifiable right with no physical substance which benefits the company over more than one accounting period. Its major head is Non-current assets and its subhead is Fixed assets: Intangible assets. It is not a tangible fixed asset merely because it has monetary value.

Step 3: Classify stores and spare parts (iii) Stores and spare parts held for ordinary consumption in operations are inventory. Their major head is Current assets and their subhead is Inventories. They are not trade receivables because no customer owes the company their value. The requested classifications are collected below.

Item	Major head	Subhead
Public deposits	Non-current liabilities	Long-term borrowings
Trademarks	Non-current assets	Fixed assets: Intangible assets
Stores and spare parts	Current assets	Inventories

Step 4: Conclusion Public deposits: Non-current liabilities–Long-term borrowings; Trademarks: Non-current assets–Intangible assets; Stores and spare parts: Current assets–Inventories.

Quick Tip to Solve: Classify the nature first: deposits are borrowings, trademarks are intangible rights, and consumable stores are inventory.

32. From the following information, prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2023 and 2024:

Particulars	Note No.	2023-24 (Rs.)	2022-23 (Rs.)
Revenue from operations		40,00,000	20,00,000
Employee benefit expenses		10,00,000	5,00,000
Other expenses		20,00,000	10,00,000
Tax rate 40%			

[3 marks]

Solution:

Concept:

- A comparative statement shows each amount in the previous and current years, the absolute change, and the percentage change.
- Absolute change = Current year amount - Previous year amount; percentage change = Absolute change / Previous year amount $\times 100$.
- Profit before tax = Revenue from operations - Total expenses; tax equals 40% of profit before tax.

Step 1: Calculate profit and tax for each year For 2022–23, total expenses are Rs $5,00,000 + 10,00,000 = 15,00,000$. Profit before tax is Rs $20,00,000 - 15,00,000 = 5,00,000$, tax is Rs $5,00,000 \times 40\% = 2,00,000$, and profit after tax is Rs 3,00,000. For 2023–24, expenses total Rs $10,00,000 + 20,00,000 = 30,00,000$, profit before tax is Rs 10,00,000, tax is Rs 4,00,000, and profit after tax is Rs 6,00,000.

Step 2: Prepare the comparative statement Comparative Statement of Profit and Loss for the years ended 31st March, 2023 and 2024

Particulars	2022–23 (Rs)	2023–24 (Rs)	Increase (Rs)	Change (%)
I. Revenue from operations	20,00,000	40,00,000	20,00,000	100
II. Expenses:				
Employee benefit expenses	5,00,000	10,00,000	5,00,000	100
Other expenses	10,00,000	20,00,000	10,00,000	100
Total expenses	15,00,000	30,00,000	15,00,000	100
III. Profit before tax (I–II)	5,00,000	10,00,000	5,00,000	100
IV. Tax expense (40%)	2,00,000	4,00,000	2,00,000	100
V. Profit after tax (III–IV)	3,00,000	6,00,000	3,00,000	100

For example, the percentage increase in revenue is $20,00,000/20,00,000 \times 100 = 100\%$. Each other figure also doubles, so every percentage increase is 100%.

Step 3: Conclusion Profit after tax increases from Rs 3,00,000 in 2022–23 to Rs 6,00,000 in 2023–24, an increase of Rs 3,00,000 or 100%.

Quick Tip to Solve: Use 2022–23 as the base year even though the question lists 2023–24 first; compute tax on profit, not revenue.

33(a). Calculate Current Assets and Quick Assets of a company from the following information:

Quick Ratio = 0.70 : 1

Inventory Turnover Ratio = 5 times

Inventory at the end was Rs. 20,000 more than inventory in the beginning

Gross Profit = Rs. 75,000

Current Liabilities = Rs. 80,000

Revenue from Operations = Rs. 4,00,000 [4 marks]

Solution:

Concept:

- Quick ratio equals quick assets divided by current liabilities. Quick assets exclude inventory and prepaid expenses; no prepaid expenses are given here.
- Inventory turnover ratio equals cost of revenue from operations divided by average inventory. Average inventory is half the sum of opening and closing inventory.
- Gross profit equals revenue from operations less cost of revenue from operations. Add closing inventory to quick assets to obtain current assets.

Step 1: Calculate quick assets The quick ratio of $0.70 : 1$ means quick assets are 70 percent of current liabilities. Therefore,

$$\text{Quick Assets} = 0.70 \times \text{Rs } 80,000 = \text{Rs } 56,000.$$

The denominator of this ratio is current liabilities, so the given ratio is applied to Rs 80,000.

Step 2: Find cost of revenue and average inventory Deduct gross profit from revenue from operations before applying the turnover formula:

$$\begin{aligned}\text{Cost of Revenue} &= \text{Rs } 4,00,000 - \text{Rs } 75,000 \\ &= \text{Rs } 3,25,000.\end{aligned}$$

$$\text{Average Inventory} = \frac{\text{Rs } 3,25,000}{5} = \text{Rs } 65,000.$$

Inventory turnover compares inventory with the cost of goods sold. Using revenue directly would include the profit element and overstate inventory.

Step 3: Calculate closing inventory Let opening inventory be x. Closing inventory is then $x + 20,000$, because the question states that it exceeds opening inventory by Rs 20,000. Thus,

$$\frac{x + (x + 20,000)}{2} = 65,000 \quad \Rightarrow \quad x = 55,000.$$

Closing inventory is therefore Rs $55,000$ + Rs $20,000$ = Rs $75,000$. Their average is Rs 65,000 and their difference is Rs 20,000, confirming both conditions.

Step 4: Determine current assets Current assets include the inventory held at the reporting date, so add closing inventory to quick assets:

$$\text{Current Assets} = \text{Rs } 56,000 + \text{Rs } 75,000 = \text{Rs } 1,31,000.$$

Opening inventory and average inventory are useful working figures for turnover, but neither represents the inventory included in closing current assets. No additional prepaid-expense adjustment is indicated by the information supplied.

Step 5: Conclusion Current Assets are $\boxed{\text{Rs } 1,31,000}$ and Quick Assets are $\boxed{\text{Rs } 56,000}$.

Quick Tip to Solve: When closing inventory is Rs 20,000 above opening inventory, it is Rs 10,000 above their average.

OR

33(b). Calculate 'Return on Investment' from the following information:

Net profit after interest and tax Rs. 6,00,000

10% Debentures Rs. 20,00,000

Capital employed Rs. 50,00,000

Tax rate 40% [4 marks]

Solution:

Concept:

- Return on investment measures profit before interest and tax as a percentage of capital employed: $\text{ROI} = \frac{\text{PBIT}}{\text{Capital Employed}} \times 100$.
- Profit after tax is the portion of profit before tax remaining after tax. At a 40 percent tax rate, profit after tax equals 60 percent of profit before tax.
- Interest on debentures is a financing charge. Add it back to profit before tax to obtain profit before interest and tax, which measures the return available on total capital employed.

Step 1: Convert profit after tax into profit before tax The supplied Rs 6,00,000 is after both interest and tax. Since tax is 40 percent of profit before tax, the remaining 60 percent is Rs 6,00,000:

$$\begin{aligned}\text{Profit before Tax} &= \frac{\text{Profit after Tax} \times 100}{100 - 40} \\ &= \frac{\text{Rs } 6,00,000 \times 100}{60} \\ &= \text{Rs } 10,00,000.\end{aligned}$$

Tax is therefore Rs 4,00,000, and subtracting it from Rs 10,00,000 reproduces the supplied net profit. Simply adding 40 percent of net profit would not reverse the tax deduction correctly.

Step 2: Calculate debenture interest and profit before interest and tax The annual interest on the 10 percent debentures is

$$\text{Interest} = \text{Rs } 20,00,000 \times \frac{10}{100} = \text{Rs } 2,00,000.$$

Interest has already been deducted in reaching the supplied net profit. Add it to profit before tax:

$$\text{PBIT} = \text{Rs } 10,00,000 + \text{Rs } 2,00,000 = \text{Rs } 12,00,000.$$

Reversing tax first and then adding interest is essential: the tax rate applies to profit after the interest deduction.

Step 3: Calculate the return on total capital employed Capital employed is already supplied as Rs 50,00,000. Use that total without adding the debentures again, since this would count their financing twice:

$$\text{ROI} = \frac{\text{Rs } 12,00,000}{\text{Rs } 50,00,000} \times 100 = 24\%.$$

The numerator includes the return available before the financing charge, making it consistent with the capital-employed denominator. This expresses the operating return per Rs 100 employed in the business.

Step 4: Conclusion Return on Investment is $\boxed{24\%}$.

Quick Tip to Solve: First divide profit after tax by 0.60, then add debenture interest; use the resulting PBIT for ROI.

34. Calculate Cash Flows from Operating and Investing Activities on the basis of the information given in the Balance Sheet of Pari Ltd. as at 31st March, 2024.

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

Particulars	Note No.	31.03.2024 Rs.	31.03.2023 Rs.
I - Equity and Liabilities:			
1. Shareholders' Funds			
(a) Share Capital		10,00,000	5,00,000
(b) Reserves and Surplus	1	5,00,000	3,00,000
2. Non-Current Liabilities			
Long-term Borrowings	2	4,00,000	4,00,000
3. Current Liabilities			
(a) Short-term Borrowings	3	-	1,00,000
(b) Short-term Provisions	4	1,00,000	50,000
Total		20,00,000	13,50,000
II - Assets			
1. Non-Current Assets			
(a) Property, Plant and Equipment and Intangible Assets		7,00,000	3,00,000
(b) Non-Current Investments		4,00,000	1,00,000
2. Current Assets			
(a) Inventories		2,00,000	2,50,000
(b) Trade Receivables		3,00,000	4,00,000
(c) Cash and Cash Equivalents		4,00,000	3,00,000
Total		20,00,000	13,50,000

Notes to Accounts:

Note No.	Particulars	31.03.2024 Rs.	31.03.2023 Rs.
1.	**Reserves and Surplus**		
	General Reserve	2,00,000	1,50,000
	Surplus i.e. Balance in Statement of Profit and Loss	3,00,000	1,50,000
		5,00,000	3,00,000
2.	**Long-term Borrowings**		
	10% Debentures	4,00,000	4,00,000
3.	**Short-term Borrowings**		
	Bank Overdraft	-	1,00,000
4.	**Short-term Provisions**		
	Provision for Taxation	1,00,000	50,000

[6 marks]

Solution:

Concept:

- Under the indirect method, start with profit before tax, add non-operating expenses and adjust for changes in operating working capital.
- An increase in a reserve through appropriation must be added back when reconstructing profit from the change in retained earnings.
- Acquisition of property, plant and equipment and non-current investments gives investing cash outflows. Tax paid is deducted from operating cash flow.

Step 1: Reconstruct profit before tax The increase in the balance of the Statement of Profit and Loss is Rs $3,00,000 - 1,50,000 = 1,50,000$. The transfer to General Reserve is Rs $2,00,000 - 1,50,000 = 50,000$. Thus profit after tax is Rs $2,00,000$. Adding the current year's provision for taxation of Rs $1,00,000$ gives profit before tax of Rs $3,00,000$. Debenture interest for the year is Rs $4,00,000 \times 10\% = 40,000$; it is added back because interest paid is classified as financing for this non-financial company.

Step 2: Calculate operating cash flow Pari Ltd.: Cash flows from operating activities for the year ended 31st March, 2024

Particulars	Amount (Rs)
Net profit before tax	3,00,000
Add: Interest on debentures	40,000
Operating profit before working capital changes	3,40,000
Add: Decrease in inventories (2,50,000 - 2,00,000)	50,000
Add: Decrease in trade receivables (4,00,000 - 3,00,000)	1,00,000
Cash generated from operations	4,90,000
Less: Income tax paid	(50,000)
Net cash from operating activities	4,40,000

The opening provision of Rs $50,000$ represents the tax paid during the year. The closing provision of Rs $1,00,000$ is the provision made for the current year. Their reconciliation is opening provision plus current provision less tax paid equals closing provision. No depreciation or disposal is given, so no such adjustment is introduced.

Step 3: Calculate investing cash flow The increase in property, plant and equipment and intangible assets is Rs $7,00,000 - 3,00,000 = 4,00,000$. The increase in non-current investments is Rs $4,00,000 - 1,00,000 = 3,00,000$. With no disposal or other adjustment given, these increases represent cash purchases.

Pari Ltd.: Cash flows from investing activities for the year ended 31st March, 2024

Particulars	Amount (Rs)
Purchase of property, plant and equipment and intangible assets	(4,00,000)
Purchase of non-current investments	(3,00,000)
Net cash used in investing activities	(7,00,000)

Share capital and debentures are financing items; their balances do not enter the investing calculation. The bank overdraft is also excluded from operating working capital. The decreases in inventories and receivables release cash and therefore increase operating cash flow.

Step 4: Conclusion Net cash from operating activities is Rs $4,40,000$. Net cash used in investing activities is Rs $7,00,000$, i.e. investing cash flow is Rs $-7,00,000$.

Quick Tip to Solve: Reconstruct profit using both retained earnings and reserve transfers before making the working capital adjustments.

Option – II (Computerised Accounting)

27. Identify the error which will be displayed on screen when the set of co-ordinates that a cell occupies on a worksheet is invalid. [1 mark]

(A) Correct a # NAME ? Error

(B) Correct # REF ! Error

(C) Correct a # N/A Error

(D) Correct a ##### Error

Correct Answer: (B) Correct # REF ! Error

Solution:

Concept:

- An invalid cell reference means that a formula refers to a cell address which no longer exists or cannot be used.
- Excel indicates an invalid reference by the error code `#REF!`.

Step 1: Identify the reference error The coordinates of a worksheet cell form its reference. If these coordinates are invalid, Excel cannot locate the referenced cell, so it displays the reference error.

Step 2: Eliminate the other codes `#NAME?` indicates an unrecognised name; `#N/A` means a value is unavailable. A string of hash symbols usually indicates insufficient column width, rather than an invalid cell address.

Step 3: Conclusion The error is `#REF!`; hence the correct option is (B).

Quick Tip to Solve: Remember REF as reference: deleted or invalid cell addresses lead to this error.

28(a). What is the result for the following function based on the data provided?

1	A	B
2	4.23	Mango
3	4.62	Orange
4	5.86	Banana
5	7.94	Pear

= LOOKUP(8,A2:A5,B2:B5)

= LOOKUP(3.5,A2:A5,B2:B5) [1 mark]

(A) Pear, #N/A

(B) Pear, Mango

(C) #N/A, Mango

(D) #N/A, #N/A

Correct Answer: (A) Pear, #N/A

Solution:

Concept:

- With an ascending lookup vector, LOOKUP returns the entry corresponding to the largest lookup value less than or equal to the search value.
- If the search value is smaller than the smallest entry, LOOKUP returns `#N/A`.

Step 1: Evaluate the first lookup The numbers in A2:A5 are already ascending. For a search value of 8, the largest listed value not exceeding it is 7.94. The corresponding entry in B5 is Pear.

Step 2: Evaluate the second lookup The search value 3.5 is below the smallest listed number, 4.23. There is therefore no eligible entry, and the result is `#N/A`, not Mango. The first lookup does not require an exact match, so it does not produce an error.

Step 3: Conclusion The two results are Pear and `#N/A`, respectively. Hence the correct option is (A).

Quick Tip to Solve: For approximate LOOKUP, first compare the search value with the minimum, then choose the floor entry.

OR

28(b). What is used to build single formula with multiple results in Excel? [1 mark]

(A) Derived value

(B) Vectors

(C) Round()

(D) Array

Correct Answer: (D) Array

Solution:

Concept:

- An array is a collection of values processed together by an array formula.
- An array formula can perform calculations on several values and return multiple results from one formula.

Step 1: Identify the required feature The question asks for one formula capable of producing several results. This is the purpose of an array formula, which operates on an array of values.

Step 2: Check the alternatives A derived value is a calculated outcome, not the mechanism for building a multiple-result formula. A vector describes a one-dimensional collection. ROUND() rounds a number to specified digits and does not name the required feature.

Step 3: Conclusion Array is the required feature. Hence the correct option is (D).

Quick Tip to Solve: Associate array formulas with processing a collection and returning several results together.

29. How many categories of function are available in Excel 2007? [1 mark]

(A) 2

(B) 6

(C) 12

(D) 7

Correct Answer: (C) 12

Solution:

Concept:

- Excel groups its built-in functions into categories according to the work they perform.
- The classification used for Excel 2007 in computerised accounting has twelve function categories.

Step 1: Recall the classification Examples of the categories include Financial, Date and Time, Math and Trig, Statistical, Lookup and Reference, Database, Text, Logical, Information and Engineering. These are functional groups, each containing multiple functions; the full classification has twelve categories.

Step 2: Match the count with the choices Counting these categories gives 12. The choices 2, 6, and 7 omit several groups and therefore do not represent the full classification asked for.

Step 3: Conclusion There are 12 categories. Hence the correct option is (C).

Quick Tip to Solve: Count function categories, rather than individual functions or buttons visible on the ribbon.

30(a). What is the outcome of an arithmetic expression or function called? [1 mark]

(A) Horizontal vector

(B) Derived value

(C) Basic value

(D) Vertical vector

Correct Answer: (B) Derived value

Solution:

Concept:

- A basic value is entered as input, whereas a derived value is obtained by calculation.
- An arithmetic expression or a function processes input values to produce a calculated result.

Step 1: Classify the outcome The result of evaluating an arithmetic expression or a function depends on the values supplied to it. Since it is calculated from these inputs, it is called a derived value.

Step 2: Eliminate the other choices A basic value is supplied directly rather than calculated. Horizontal and vertical vectors describe the arrangement of a series of values in a row or column; they do not name the outcome of a calculation.

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

Quick Tip to Solve: Ask whether the value was entered directly or calculated: a calculated outcome is derived.

OR

30(b). How are 'absolute cell reference' and 'mixed cell reference' identified in Excel? [1 mark]

(A) Using # sign

(B) Using ~ sign

(C) Using $ sign

(D) Using £ sign

Correct Answer: (C) Using $ sign

Solution:

Concept:

- A cell reference identifies a cell by its column letter and row number; a dollar sign ($) fixes the component immediately following it.
- An absolute reference fixes both components; a mixed reference fixes only the row or only the column.

Step 1: Identify the fixed components In `$A$1`, both column A and row 1 remain fixed when the formula is copied. In `$A1`, only column A is fixed, while in `A$1`, only row 1 is fixed. Thus both absolute and mixed references are recognised by the presence of the $ sign.

Step 2: Check the other symbols The # sign, the tilde (~) and the pound sign (£) do not fix a row or column in an Excel cell reference. Their presence cannot identify an absolute or mixed reference.

Step 3: Conclusion Absolute and mixed cell references are identified using the $ sign. Hence, the correct option is (C).

Quick Tip to Solve: Look immediately before the column letter and row number: two $ signs mean absolute, while one means mixed.

31. Explain the following:

(i) Contra voucher

(ii) Post-dated voucher

(iii) Receipt voucher [3 marks]

Solution:

Concept:

- A voucher records the accounting details of a transaction in a computerised accounting system.
- The voucher type is selected according to the nature of the transaction; a future date identifies a post-dated voucher.

Step 1: Explain the contra voucher A contra voucher records a transfer of funds between cash and bank accounts or between two bank accounts of the same business. Examples are cash deposited into the bank, cash withdrawn from the bank for office use, and transfers from one business bank account to another. It changes the composition of cash and bank balances without creating an income or an expense.

Step 2: Explain the post-dated voucher A post-dated voucher is entered with a transaction date later than the date on which it is recorded in the software. For example, a voucher entered on 1 April for a cheque dated 15 April is post-dated. It records the future-dated transaction in advance; the accounting effect is taken on the specified date according to the software settings. It is therefore distinguished by its future date, rather than by whether it records a receipt or a payment.

Step 3: Explain the receipt voucher A receipt voucher records money received by the business in cash or through its bank, for example an amount received from a customer against an outstanding debt. It identifies the cash or bank account receiving the money and the account from which the receipt arises. For collection from a customer, cash or bank is debited and the customer is credited. A transfer of the business's own cash into its bank is recorded as contra rather than as an external receipt.

Step 4: Conclusion A contra voucher records internal cash/bank transfers, a post-dated voucher carries a future transaction date, and a receipt voucher records money received by the business.

Quick Tip to Solve: First ask whether the funds move within the business or arrive from outside; then check whether the voucher carries a future date.

32. Explain 'cell reference', 'relative cell reference' and 'absolute cell reference'. [3 marks]

Solution:

Concept:

- A spreadsheet cell is identified by its column letter and row number, which together form its reference.
- Copying a formula adjusts relative references; a $ sign locks the row or column that follows it.

Step 1: Explain a cell reference A cell reference is the address of a cell used to locate it or use its value in a formula. For example, `B4` identifies the cell at the intersection of column B and row 4. In the formula `=B4+C4`, the references tell Excel which two cells supply the values to be added. Changing a referenced cell's value changes the calculated result.

Step 2: Explain a relative cell reference A relative reference changes automatically according to the displacement when its formula is copied to another cell. It is written without dollar signs, for example `A1`. If `=A1+B1` in cell C1 is copied one row down to C2, it becomes `=A2+B2`. If copied one column to the right instead, each column reference advances by one. Relative references therefore preserve the positions of the source cells relative to the formula.

Step 3: Explain an absolute cell reference An absolute reference remains unchanged when its formula is copied because both its column and row are fixed. It is written with a dollar sign before each component, for example `$A$1`. If the formula `=B2*$E$1` is copied from C2 to C3, it becomes `=B3*$E$1`. The reference B2 moves relatively, while the fixed rate in E1 continues to be used. This is useful when many amounts must use one common rate or constant.

Step 4: Conclusion A cell reference is a cell's address; a relative reference changes on copying, while an absolute reference such as `$A$1` remains fixed.

Quick Tip to Solve: Copy the formula mentally by one row: B2 becomes B3, but `$E$1` stays fixed because both components carry a dollar sign.

33(a). Explain 'customised' and 'tailored' accounting softwares. [4 marks]

Solution:

Concept:

- Accounting software records and processes financial transactions and produces accounting reports.
- Customised software adapts an existing package; tailored software is developed specifically to meet the requirements of a particular organisation.

Step 1: Explain customised accounting software Customised accounting software is an existing accounting package modified or configured to suit the requirements of a particular user. Its basic structure is already available, but features such as the chart of accounts, invoice formats, report formats and other permitted functions are adapted to the business. For example, a trading concern may customise an available package to use its own invoice layout and stock classification. This approach is useful where the standard package largely meets the requirements but some changes are necessary.

Step 2: Explain tailored accounting software Tailored accounting software is specially designed and developed for a particular organisation after studying its accounting needs. Its structure, input screens, processing procedures, controls and reports are built around that organisation's operations. For example, a large enterprise with many branches may need a system integrating branch accounts, inventory and organisation-specific management reports. Such software is suitable when an available package, even after modification, cannot adequately meet these requirements.

Step 3: Distinguish their development and suitability Customised software begins with an existing product and therefore ordinarily takes less development time and costs less than a system developed specifically for one organisation. Tailored software offers closer integration with specialised procedures and more control over its features, but usually requires greater expenditure, testing, staff training and continuing maintenance. The choice depends on the complexity of the business and the extent to which its needs can be met by modifying an available package.

Step 4: Conclusion Customised software modifies an existing accounting package for a user, whereas tailored software is designed and developed specifically for an organisation's accounting requirements.

Quick Tip to Solve: Identify the starting point: an existing package adapted for the business is customised; a system specially developed for its requirements is tailored.

OR

33(b). What is meant by 'data validation'? What is facilitated by 'Error Alert tab'? [4 marks]

Solution:

Concept:

- Data validation checks data entered in a spreadsheet against rules specified for a cell or range, improving the accuracy and consistency of input.
- An Error Alert is a message displayed when a user enters a value that does not satisfy the validation rule. Its style determines whether the invalid entry is blocked or may be accepted after a warning.

Step 1: Meaning of data validation Data validation is the spreadsheet facility used to define and control the type of data or values that may be entered in selected cells. The user sets a condition, and the spreadsheet checks new entries against that condition. For example, a cell recording a student's age may be restricted to whole numbers between 15 and 20; a cell for an accounting period may accept only dates within that period. Validation can also restrict entries to a specified list, such as Cash, Bank and Credit. These rules reduce invalid entries and help maintain reliable accounting data.

Step 2: Facilities provided by the Error Alert tab The Error Alert tab in the Data Validation dialog box facilitates the display and customisation of the message shown when invalid data is entered. The user can enable the error alert, select its style, and enter a suitable title and error message telling the user what is wrong and what input is allowed. The three alert styles are Stop, Warning and Information. Stop prevents acceptance of an invalid value and asks the user to retry or cancel. Warning alerts the user but allows a deliberate decision to accept the invalid value. Information informs the user of the rule violation and permits the entry to be retained. Thus, the tab controls both the feedback given and the strictness of enforcement.

Step 3: Conclusion Data validation restricts cell input according to specified rules. The Error Alert tab lets the user choose the alert style and specify the title and message displayed on violation of those rules.

Quick Tip to Solve: Distinguish the rule from its response: Settings defines valid input, while Error Alert defines the message and action for invalid input.

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

Solution:

Concept:

- The SUM function adds the numbers in its arguments. A continuous cell range is written with a colon between its first and last cell references.
- A `#NAME?` error occurs when a formula contains a name that the spreadsheet does not recognise. Omitting the colon from a range reference can cause this error.

Step 1: Identify the error and its cause The printed formula is `=SUM(B2B3)`. Its argument `B2B3` is not a valid cell reference or a range reference. A single cell reference has column letters followed by its row number, such as `B2`; the string `B2B3` combines two references without an operator. In an ordinary worksheet where no such name is defined, the spreadsheet treats it as an unrecognised name and displays `#NAME?`. The function name SUM is correctly spelt; the defect is the missing separator between the cell references.

Step 2: Open the formula for correction Select the cell displaying the error. Click the formula bar, press F2, or double-click the cell to edit the formula. Examine the function's argument and place the insertion point between `B2` and `B3`. The intended addition is of the two adjacent cells in column B, so they must be expressed as the continuous range from the first cell to the last cell.

Step 3: Insert the range operator and confirm Insert a colon between the two references, changing the formula to `=SUM(B2:B3)`. Press Enter to accept the corrected formula. The colon tells the spreadsheet to include all cells from B2 through B3, which here are precisely B2 and B3. The formula therefore calculates the sum of their numeric contents. For example, if B2 contains 100 and B3 contains 200, the corrected formula returns 300.

Step 4: Verify the correction Check that the formula bar now shows `=SUM(B2:B3)` and that the error has been replaced by the calculated sum, provided the input cells themselves contain no errors. For adding these same two cells, `=SUM(B2,B3)` is also a valid formula because the comma separates individual arguments. A `#NULL!` error instead concerns an invalid intersection of ranges, commonly using a space between ranges that do not intersect; the printed formula contains no such intersection operator.

Step 5: Conclusion The error is `#NAME?`, caused by the missing colon in the intended range reference. Select the error cell, edit the formula to `=SUM(B2:B3)`, and press Enter.

Quick Tip to Solve: In a SUM formula, use a colon for a continuous range and a comma for separate arguments; never join two cell references directly.