CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-2-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) This question paper is divided into **two** Parts : **Part – A** and **Part – B**.

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Navya, Kartik and Samir were partners in a firm sharing profits and losses in the ratio of 4:3:1. Samir was given a guarantee that his share of profit in any year will not be less than Rs 57,000. Any deficiency on this account was to be borne by Navya and Kartik equally. The firm earned a profit of Rs 4,00,000 during the year ended 31st March, 2025. The amount of deficiency borne by Kartik was: [1 mark]

(A) Rs 3,500

(B) Rs 4,000

(C) Rs 3,000

(D) Rs 7,000

Correct Answer: (A) Rs 3,500

Solution:

Concept:

- A guaranteed partner receives at least the agreed minimum profit; deficiency equals the guarantee less the normal profit share.
- Charge the deficiency to the guaranteeing partners in the agreed deficiency-bearing ratio, which may differ from their profit-sharing ratio.

Step 1: Calculate Samir's normal share The total ratio is $4+3+1=8$. Samir is entitled to $1/8$ of the firm's profit before applying the guarantee.

$$\text{Normal share} = \text{Rs } 4,00,000 \times \frac{1}{8} = \text{Rs } 50,000.$$

Step 2: Allocate the guaranteed deficiency The shortfall is Rs $57,000$ − Rs $50,000$ = Rs $7,000$. Navya and Kartik bear it equally, so Kartik bears Rs $7,000/2$ = Rs $3,500$. Rs 7,000 is the entire deficiency, not Kartik's portion. Rs 4,000 and Rs 3,000 would split it in 4:3, contrary to the explicit equal-sharing agreement.

Step 3: Conclusion Kartik bears a deficiency of Rs 3,500. Hence, the correct option is (A).

Quick Tip to Solve: Find the guaranteed partner's normal share first; divide only the shortfall in the agreed guarantee ratio.

2. Nandita and Prabha were partners in a firm manufacturing furniture. They were sharing profits and losses in the ratio of 8:7. During the year ended 31st March 2025, Nandita withdrew Rs 80,000 in cash and Rs 20,000 as furniture for her personal use. The partnership deed provided for charging interest on partner's drawings @ 6% p.a. The amount of interest on Nandita's drawings for the year ended 31st March 2025 was: [1 mark]

(A) Rs 6,000

(B) Rs 1,200

(C) Rs 2,400

(D) Rs 3,000

Correct Answer: (D) Rs 3,000

Solution:

Concept:

- Drawings include both cash and goods withdrawn by a partner for personal use.
- When withdrawal dates are not specified, the standard annual drawings calculation uses an average period of six months: interest equals total drawings multiplied by rate and $6/12$.

Step 1: Include both forms of drawings Nandita has withdrawn cash as well as furniture for personal use. Both reduce the resources available to the partnership. Therefore, total drawings are Rs $80,000$ + Rs $20,000$ = Rs $1,00,000$. The profit-sharing ratio 8:7 does not enter the calculation.

Step 2: Apply the average period No withdrawal dates are given, so use the standard average period of six months.

$$\text{Interest} = \text{Rs } 1,00,000 \times \frac{6}{100} \times \frac{6}{12} = \text{Rs } 3,000.$$

Rs 6,000 uses a whole year, Rs 2,400 includes only cash for six months, and Rs 1,200 charges the furniture alone for a whole year. None includes both drawings on the required basis.

Step 3: Conclusion Interest on Nandita's drawings is Rs 3,000. Hence, the correct option is (D).

Quick Tip to Solve: Include drawings in kind as well as cash; when dates are absent, apply the standard six-month average.

3(a). As per Companies Act 2013, the balance in Securities Premium Account cannot be utilized for: [1 mark]

(A) Writing off preliminary expenses of the company.

(B) Writing off expenses of or commission paid or discount allowed on issue of shares or debentures of the company.

(C) Issuing partly paid up bonus shares to the existing shareholders of the company.

(D) Providing for premium payable on redemption of redeemable preference shares or debentures of the company.

Correct Answer: (C) Issuing partly paid up bonus shares to the existing shareholders of the company.

Solution:

Concept:

- Securities premium is a capital reserve whose uses are restricted under the Companies Act, 2013.
- Its permitted bonus-share use is the issue of fully paid bonus shares to members; this does not permit issuing partly paid bonus shares.

Step 1: Identify the forbidden qualification Option (C) specifies *partly paid up* bonus shares. The permitted application of securities premium for bonus shares is to pay up shares issued as fully paid bonus shares. The qualification in option (C) therefore makes that use impermissible.

Step 2: Check the remaining applications Writing off preliminary expenses, writing off the stated expenses, commission or discount on an issue of shares or debentures, and providing for the premium payable on redemption of redeemable preference shares or debentures are permitted uses in the CBSE treatment of securities premium. Thus (A), (B) and (D) describe permitted purposes and cannot answer a question asking what cannot be done.

Step 3: Conclusion The balance cannot be used for issuing partly paid up bonus shares. Hence, the correct option is (C).

Quick Tip to Solve: In a securities-premium MCQ about bonus shares, check the words fully paid versus partly paid before choosing.

OR

3(b). When the company issues shares at a premium, the amount of premium can be received by the company along with: [1 mark]

(A) Application money

(B) Allotment money

(C) Call money

(D) Any of the above or with all the above

Correct Answer: (D) Any of the above or with all the above

Solution:

Concept:

- The premium is the excess of the issue price over the nominal value of shares and is credited separately to Securities Premium Account.
- The terms of issue specify the instalment or instalments in which the premium is payable; it need not be confined to allotment.

Step 1: Apply the terms of issue A company can require the premium with application money, allotment money or call money. It can also divide the premium among these instalments according to the stated terms of issue. The classification of the premium as securities premium does not depend on the stage at which it is collected.

Step 2: Compare the scope of the options Each of (A), (B) and (C) describes a possible receipt stage, but none alone covers all permitted possibilities. Option (D) expressly includes any one stage as well as collection with all the stated stages. It is therefore the complete answer; assuming that premium must always be received on allotment would be too restrictive.

Step 3: Conclusion The premium can be received with any of the stated instalments or with all of them. Hence, the correct option is (D).

Quick Tip to Solve: Do not assume that premium is always due on allotment; follow the instalment terms specified in the issue.

4(a). Dilshad, Ajit and Deepna were partners in a firm sharing profits and losses in the ratio of 2:2:1. Their fixed capitals were: Rs 5,00,000, Rs 4,00,000 and Rs 1,00,000 respectively. After closing the accounts for the year ended 31st March 2025, it was discovered that interest on partners' capitals was provided @ 6% p.a. instead of 7% p.a. The adjustment entry to rectify the above error will be: [1 mark]

(A) Deepna's Current A/c Dr. 1,000; To Dilshad's Current A/c 1,000

(B) Dilshad's Current A/c Dr. 1,000; To Deepna's Current A/c 1,000

(C) Deepna's Capital A/c Dr. 1,000; To Dilshad's Capital A/c 1,000

(D) Dilshad's Capital A/c Dr. 1,000; To Deepna's Capital A/c 1,000

Correct Answer: (A) Deepna's Current A/c Dr. 1,000; To Dilshad's Current A/c 1,000

Solution:

Concept:

- An omitted interest-on-capital appropriation increases partners' interest entitlements but reduces divisible profit by the same total.
- For fixed capitals, corrections to interest and profit allocations are recorded in partners' Current Accounts.

Step 1: Calculate the net correction **Working Notes.** The rate shortfall is $7\% - 6\% = 1\%$. Additional interest is Rs 5,000 for Dilshad, Rs 4,000 for Ajit and Rs 1,000 for Deepna, totalling Rs 10,000. Their previously credited profits must decrease in 2:2:1 by Rs 4,000, Rs 4,000 and Rs 2,000 respectively. Net adjustments are therefore a credit of Rs 1,000 to Dilshad, nil to Ajit and a debit of Rs 1,000 to Deepna.

Step 2: Record the adjusting entry

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Deepna's Current A/c Dr. To Dilshad's Current A/c (Being net adjustment of deficient interest on capitals and consequent profit allocation.)		1,000	 1,000

The debit and credit are equal. Option (B) reverses the adjustment, while (C) and (D) use Capital Accounts despite the fixed-capital method.

Step 3: Conclusion Debit Deepna's Current Account and credit Dilshad's Current Account by Rs 1,000. Hence, the correct option is (A).

Quick Tip to Solve: For a past interest error, offset extra interest against the reduced profit share before deciding who owes whom.

OR

4(b). Kabir, Divya and Mansha were partners in a firm sharing profits and losses in the ratio of 5:4:1. With effect from 1st April 2025, they decided to share the future profits and losses in the ratio of 4:1:5. For this purpose, the goodwill of the firm was valued at Rs 3,00,000. The necessary journal entry for the treatment of goodwill because of change in profit sharing ratio will be: [1 mark]

(A) Kabir's Capital A/c Dr. 75,000; Divya's Capital A/c Dr. 2,25,000; To Mansha's Capital A/c 3,00,000

(B) Mansha's Capital A/c Dr. 3,00,000; To Kabir's Capital A/c 75,000; To Divya's Capital A/c 2,25,000

(C) Mansha's Capital A/c Dr. 1,20,000; To Kabir's Capital A/c 30,000; To Divya's Capital A/c 90,000

(D) Kabir's Capital A/c Dr. 30,000; Divya's Capital A/c Dr. 90,000; To Mansha's Capital A/c 1,20,000

Correct Answer: (C) Mansha's Capital A/c Dr. 1,20,000; To Kabir's Capital A/c 30,000; To Divya's Capital A/c 90,000

Solution:

Concept:

- A sacrificing partner is compensated by gaining partners when the profit-sharing ratio changes.
- Sacrifice equals old share less new share; compensation equals the firm's goodwill multiplied by the fraction sacrificed.

Step 1: Calculate sacrifices and gain **Working Notes.** Kabir sacrifices $5/10 - 4/10 = 1/10$; Divya sacrifices $4/10 - 1/10 = 3/10$. Mansha gains $5/10 - 1/10 = 4/10$. At goodwill of Rs 3,00,000, compensation is Rs 30,000 to Kabir and Rs 90,000 to Divya. Mansha bears their total, Rs 1,20,000, which equals Rs $3,00,000 \times 4/10$.

Step 2: Charge the gaining partner

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	Mansha's Capital A/c Dr.		1,20,000	
	To Kabir's Capital A/c			30,000
	To Divya's Capital A/c			90,000
	(Being goodwill adjusted for the change in profit-sharing ratio.)			

Debits equal credits at Rs 1,20,000. Options (A) and (D) charge the sacrificing partners, reversing the required treatment. Option (B) incorrectly transfers the entire goodwill instead of only the value of the gain.

Step 3: Conclusion Mansha's Capital Account is debited Rs 1,20,000; Kabir and Divya are credited Rs 30,000 and Rs 90,000. Hence, the correct option is (C).

Quick Tip to Solve: Multiply total goodwill by each sacrificed fraction; do not distribute the whole goodwill merely in the sacrifice ratio.

5. In case of dissolution of a partnership firm, the losses, including deficiencies of capital, shall be paid first: [1 mark]

(A) by partners individually and equally

(B) by partners individually in their profit sharing ratio

(C) out of capital of the partners

(D) out of profits

Correct Answer: (D) out of profits

Solution:

Concept:

- On dissolution, losses including deficiencies of capital are met first out of profits, then out of capital, and finally by partners individually in their profit-sharing ratio.
- The order for absorbing losses is distinct from the order for paying outside liabilities and partners' claims from available assets.

Step 1: Identify the first source The question asks which source is used *first* to meet losses, including capital deficiencies. Available profits are applied before partners' capital is reduced. Only a balance remaining after profits have been exhausted proceeds to the next source.

Step 2: Place the alternatives in order Option (C), partners' capital, is the second source, not the first. Option (B), individual contributions in the profit-sharing ratio, is the final source for any remaining deficiency. Option (A) incorrectly prescribes equal individual contributions without regard to the profit-sharing ratio. This leaves the application of profits as the first step.

Step 3: Conclusion Losses, including deficiencies of capital, shall first be paid out of profits. Hence, the correct option is (D).

Quick Tip to Solve: For dissolution losses remember the sequence: profits, capital, then partners personally in the profit-sharing ratio.

6(a). Hira Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each at a premium of 10%. The whole amount was payable with application. Applications were received for 4,00,000 equity shares. The company decided to allot the shares on pro-rata basis to all the applicants. The amount refunded by the company was: [1 mark]

(A) Rs 22,00,000

(B) Rs 20,00,000

(C) Rs 24,00,000

(D) Nil

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

Solution:

Concept:

- Application receipts include securities premium when the whole issue price is payable on application.
- In a fully paid issue, excess application money cannot be adjusted against later instalments because no such instalments remain due.

Step 1: Calculate the money received Premium per share is Rs $10 \times 10\% =$ Rs 1, so the application amount per share is Rs 11. Money received on 4,00,000 applications is therefore $4,00,000 \times$ Rs $11 =$ Rs $44,00,000$.

Step 2: Deduct the amount required for allotment Only 2,00,000 shares are issued, requiring $2,00,000 \times$ Rs $11 =$ Rs $22,00,000$. The surplus refunded is Rs $44,00,000 -$ Rs $22,00,000 =$ Rs $22,00,000$. Pro-rata allotment gives applicants half the shares requested, with the remaining money refunded. Rs 20,00,000 ignores the premium, Rs 24,00,000 does not reconcile receipts with the issue price, and nil incorrectly assumes future instalments against which to adjust the surplus.

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

Quick Tip to Solve: When the full price is payable on application, multiply excess shares applied for by face value plus premium.

OR

6(b). Debentures which do not have a specific charge on the assets of the company are known as: [1 mark]

(A) Non-convertible debentures

(B) Irredeemable debentures

(C) Unsecured debentures

(D) Bearer debentures

Correct Answer: (C) Unsecured debentures

Solution:

Concept:

- Security classifies debentures by whether they carry a charge on company assets; unsecured debentures carry no such specific security.
- Convertibility, redemption and registration or transfer are separate classification bases and do not determine the security offered.

Step 1: Identify the classification basis The decisive words are *do not have a specific charge on the assets*. They refer to security provided for debentureholders. Debentures of this description are unsecured debentures; their name indicates the absence of the stated asset charge.

Step 2: Eliminate the other classifications Non-convertible debentures cannot be converted into shares, which says nothing about asset security. Irredeemable debentures concern the terms of repayment, not the presence of a charge. Bearer debentures concern ownership and transfer by delivery, again a separate issue. Thus (A), (B) and (D) cannot be selected on the security description supplied.

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

Quick Tip to Solve: Match the wording to the classification axis: asset charge means security, conversion means shares, and redemption means repayment.

7. Xiom Ltd. issued 30,000, 12% debentures of Rs 100 each at a certain rate of discount, redeemable at 10% premium after three years. Balance in Securities Premium Account before issuing these debentures was Rs 5,00,000 and after writing off loss on issue of debentures, the balance in Securities Premium Account was Rs 50,000. These debentures were issued at a discount of: [1 mark]

(A) 10%

(B) 12%

(C) 5%

(D) 3%

Correct Answer: (C) 5%

Solution:

Concept:

- Loss on issue of debentures includes both discount on issue and premium payable on redemption.
- The reduction in Securities Premium Account equals the loss written off against that account; discount percentage uses total face value as its base.

Step 1: Calculate the loss written off Securities premium has fallen from Rs 5,00,000 to Rs 50,000. Therefore, the loss written off is

$$5,00,000 - 50,000 = \text{Rs } 4,50,000.$$

Total face value is $30,000 \times 100 = \text{Rs } 30,00,000$.

Step 2: Separate redemption premium from issue discount Redemption premium is $30,00,000 \times 10\% = \text{Rs } 3,00,000$. The remaining loss is the issue discount:

$$\text{Discount} = 4,50,000 - 3,00,000 = \text{Rs } 1,50,000,$$
$$\text{Discount rate} = \frac{1,50,000}{30,00,000} \times 100 = 5\%.$$

A 10%, 12% or 3% discount would produce total losses of Rs 6,00,000, Rs 6,60,000 or Rs 3,90,000 respectively, inconsistent with the reduction in securities premium. The 12% coupon rate concerns interest, not issue discount.

Step 3: Conclusion The debentures were issued at a discount of 5%. Hence, the correct option is (C).

Quick Tip to Solve: Subtract redemption premium from the loss written off before dividing by the total face value to find the issue-discount rate.

8(a). Zubin, Nidhi and Reena were partners in a firm sharing profits and losses in the ratio of 2:1:2. The firm closes its books on 31st March every year. On 31st July, 2025 Reena died. Her share in the profits of the firm from the last balance sheet till the date of death was to be calculated on the basis of previous year's profit. The profit of the firm for the year ended 31st March, 2025 was Rs 6,00,000. Reena's share of profit till the date of her death was: [1 mark]

(A) Rs 2,40,000

(B) Rs 6,00,000

(C) Rs 60,000

(D) Rs 80,000

Correct Answer: (D) Rs 80,000

Solution:

Concept:

- When profit up to death is estimated from the previous year's profit, apportion that annual profit for the elapsed time.
- The deceased partner receives the estimated profit multiplied by her old profit-sharing fraction.

Step 1: Estimate profit for the elapsed period The accounting year starts on 1st April, 2025 and Reena died on 31st July, 2025, so the relevant period is four months. Based on the previous annual profit,

$$\text{Estimated profit} = 6,00,000 \times \frac{4}{12} = \text{Rs } 2,00,000.$$

Step 2: Apply Reena's share In the ratio $2:1:2$, Reena has $2/(2+1+2) = 2/5$ of the profits. Her entitlement is

$$2,00,000 \times \frac{2}{5} = \text{Rs } 80,000.$$

Rs 2,40,000 would be her full-year share; Rs 6,00,000 is the firm's full annual profit. Rs 60,000 would use three months instead of the four months actually elapsed.

Step 3: Conclusion Reena's share of profit up to her death is Rs 80,000. Hence, the correct option is (D).

Quick Tip to Solve: Count April through July as four months, then apply Reena's fraction of $2/5$ to the time-apportioned profit.

OR

8(b). On the dissolution of the partnership firm of Puneet and Binny, an unrecorded asset of Rs 56,000 was given to an unrecorded creditor of Rs 70,000 in settlement of his claim of Rs 50,000 and the balance was paid to him in cash. Realisation Account will be ____ by ____. [1 mark]

(A) debited, Rs 20,000

(B) credited, Rs 20,000

(C) debited, Rs 14,000

(D) credited, Rs 14,000

Correct Answer: (A) debited, Rs 20,000

Solution:

Concept:

- An unrecorded asset taken by an unrecorded creditor directly requires no separate entry for the asset transferred in settlement.
- Cash paid to settle an unrecorded liability is charged to Realisation Account: debit Realisation Account and credit Bank Account for the cash paid.

Step 1: Find the remaining creditor claim The creditor's total claim is Rs 70,000. The asset is accepted against Rs 50,000 of that claim, even though its stated value is Rs 56,000. Thus the unpaid balance is

$$70,000 - 50,000 = \text{Rs } 20,000.$$

The agreed settlement value, rather than the asset's stated value, determines the cash payment.

Step 2: Identify the account and side Since both the asset and creditor were unrecorded, their direct settlement creates no separate asset-transfer entry. Payment of the remaining Rs 20,000 is debited to Realisation Account, with the same amount credited to Bank Account. A credit to Realisation would represent a receipt, not this payment. Rs 14,000 incorrectly deducts Rs 56,000 from the claim and ignores the agreed Rs 50,000 settlement amount.

Step 3: Conclusion Realisation Account will be debited by Rs 20,000. Hence, the correct option is (A).

Quick Tip to Solve: Use the amount of the creditor's claim discharged by the asset: $70,000 - 50,000$, not $70,000 - 56,000$.

9. Shiv, Riya and Rohit were partners in a firm. On 1st October, 2024 Rohit had given a loan of Rs 2,00,000 to the firm, at an interest rate of 10% p.a. as per the partnership agreement. The accountant of the firm is emphasizing that interest on loan will be paid at 6% p.a. The amount of interest on loan paid to Rohit for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 20,000

(B) Rs 10,000

(C) Rs 12,000

(D) Rs 6,000

Correct Answer: (B) Rs 10,000

Solution:

Concept:

- Interest on a partner's loan is calculated at the rate agreed in the partnership agreement. The default rate of 6% applies only when no rate is agreed.
- Simple interest equals principal multiplied by annual rate and the fraction of the year for which the loan is outstanding.

Step 1: Select the agreed rate and loan period The partnership agreement expressly fixes interest at 10% p.a., so the accountant cannot replace it with the default 6%. From 1st October, 2024 to 31st March, 2025, the loan remains outstanding for six months.

Step 2: Calculate interest for six months

$$\text{Interest} = 2,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 10,000.$$

Rs 20,000 applies the correct rate for an entire year. Rs 12,000 applies the incorrect 6% rate for a full year, while Rs 6,000 applies that incorrect rate for six months. Only the agreed rate and actual loan period must be used.

Step 3: Conclusion Interest on Rohit's loan for the year ended 31st March, 2025 is Rs 10,000. Hence, the correct option is (B).

Quick Tip to Solve: Check the agreement before using 6%, and halve annual interest because this loan started on 1st October.

10(a). **Sameer, Rajat and Aastha were partners in a firm sharing profits and losses in the ratio of 2:3:1. Rajat retired from the firm on 31st March, 2025. On the date of Rajat's retirement, the Balance Sheet of the firm showed a balance of Rs 2,40,000 in Workmen Compensation Fund. The claim on account of workmen compensation amounted to Rs 1,80,000. The amount credited to Rajat's capital account on the treatment of Workmen Compensation Fund would be:** [1 mark]

(A) Rs 1,20,000

(B) Rs 20,000

(C) Rs 30,000

(D) Rs 10,000

Correct Answer: (C) Rs 30,000

Solution:

Concept:

- When a workmen compensation claim exists, retain enough of the Workmen Compensation Fund to meet it.
- The surplus fund belongs to all old partners and is credited to their capital accounts in their old profit-sharing ratio.

Step 1: Determine the distributable surplus The fund contains Rs 2,40,000, but Rs 1,80,000 is needed for the workmen compensation claim. Therefore,

$$\text{Surplus} = 2,40,000 - 1,80,000 = \text{Rs } 60,000.$$

Only this excess is available for credit to the old partners; the claim must first be provided for.

Step 2: Calculate Rajat's entitlement Rajat's fraction in the old ratio $2:3:1$ is $3/6$. His credit is

$$60,000 \times \frac{3}{6} = \text{Rs } 30,000.$$

Rs 1,20,000 incorrectly distributes Rajat's share of the entire fund without reserving the claim. Rs 20,000 and Rs 10,000 are the shares of Sameer and Aastha respectively, not Rajat's share.

Step 3: Conclusion Rajat's Capital Account is credited with Rs 30,000. Hence, the correct option is (C).

Quick Tip to Solve: Deduct the actual claim from the fund first, then multiply the Rs 60,000 surplus by Rajat's old share of $3/6$.

OR

10(b). Meera, Varun and Tarun were partners in a firm sharing profits and losses in the ratio of 5:2:3. Meera retired and Varun and Tarun decided to share future profits and losses equally. On Meera's retirement, the goodwill of the firm was valued at Rs 5,00,000. The amount that was debited to Varun's and Tarun's capital account for the treatment of goodwill was: [1 mark]

(A) Varun Rs 3,00,000, Tarun Rs 2,00,000

(B) Varun Rs 1,50,000, Tarun Rs 1,00,000

(C) Varun Rs 1,00,000, Tarun Rs 1,50,000

(D) Varun Rs 1,25,000, Tarun Rs 1,25,000

Correct Answer: (B) Varun Rs 1,50,000, Tarun Rs 1,00,000

Solution:

Concept:

- A retiring partner is compensated for her old share of the firm's goodwill by the continuing partners in their gaining ratio.
- Each continuing partner's gain is the new profit-sharing fraction less the old fraction; the goodwill debit equals total goodwill multiplied by that gain.

Step 1: Compute the continuing partners' gains Under the old ratio $5:2:3$, Varun's share is $2/10$ and Tarun's is $3/10$. Each new share is $1/2$. Hence,

$$\text{Varun's gain} = \frac{1}{2} - \frac{2}{10} = \frac{3}{10},$$
$$\text{Tarun's gain} = \frac{1}{2} - \frac{3}{10} = \frac{2}{10}.$$

Their gaining ratio is $3:2$, and their total gain equals Meera's old share of $5/10$.

Step 2: Allocate Meera's goodwill compensation Meera's entitlement is $5,00,000 \times 5/10 = \text{Rs } 2,50,000$. The debits are

$$\text{Varun} = 5,00,000 \times \frac{3}{10} = \text{Rs } 1,50,000,$$
$$\text{Tarun} = 5,00,000 \times \frac{2}{10} = \text{Rs } 1,00,000.$$

These total Rs 2,50,000. Option (A) distributes the firm's whole goodwill, (C) reverses the gains, and (D) uses the equal new ratio instead of the gaining ratio.

Step 3: Conclusion Debit Varun's Capital Account by Rs 1,50,000 and Tarun's Capital Account by Rs 1,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Multiply total goodwill by each continuing partner's gain directly; equal future shares do not imply equal gains.

11. Amita, Shivani and Tarush were partners in a firm sharing profits and losses in the ratio of 4:3:2. Tarush's share of profit at the end of the year amounted to Rs 1,80,000. Amita's share of profit at the end of the year was: [1 mark]

(A) Rs 2,70,000

(B) Rs 3,60,000

(C) Rs 1,80,000

(D) Rs 2,00,000

Correct Answer: (B) Rs 3,60,000

Solution:

Concept:

- Partners receive profit in their agreed profit-sharing ratio. One ratio unit equals a known partner's profit divided by that partner's ratio number.
- The ratio between two partners' actual shares equals the ratio between their corresponding profit-sharing numbers.

Step 1: Find the value of one ratio unit In the ratio $4 : 3 : 2$, Tarush receives two units. These two units are worth Rs 1,80,000, so

$$\text{One ratio unit} = \frac{1,80,000}{2} = \text{Rs } 90,000.$$

There are nine units in all; hence the firm's total profit would be Rs 8,10,000.

Step 2: Apply Amita's four units Amita is entitled to four ratio units. Thus,

$$\text{Amita's share} = 90,000 \times 4 = \text{Rs } 3,60,000.$$

Rs 2,70,000 corresponds to Shivani's three units, and Rs 1,80,000 merely repeats Tarush's two units. Rs 2,00,000 is not four units of Rs 90,000 and does not preserve the given sharing ratio.

Step 3: Conclusion Amita's share of profit is Rs 3,60,000. Hence, the correct option is (B).

Quick Tip to Solve: Amita's ratio number is twice Tarush's, so double his Rs 1,80,000 share directly without finding total profit.

12. On 1st April, 2024 Vinar Ltd. issued Rs 5,00,000, 9% debentures of Rs 100 each at 10% discount. Interest is payable half yearly on 30th September and 31st March every year. The amount of interest written off on 31st March, 2025 was: [1 mark]

(A) Rs 50,000

(B) Rs 25,000

(C) Rs 22,500

(D) Rs 45,000

Correct Answer: (D) Rs 45,000

Solution:

Concept:

- Debenture interest is calculated on the nominal value of debentures at the stated coupon rate, irrespective of their issue price.
- Interest is paid half-yearly, but the total interest expense for the accounting year is written off to the Statement of Profit and Loss at year-end.

Step 1: Calculate each half-year's interest Debentures of nominal value Rs 5,00,000 carry interest at 9% p.a. They were issued on 1st April, 2024 and remain outstanding for the full accounting year. Each half-yearly payment is

$$5,00,000 \times \frac{9}{100} \times \frac{6}{12} = \text{Rs } 22,500.$$

Step 2: Determine the expense written off at year-end The two half-year periods end on 30th September, 2024 and 31st March, 2025. The year's total interest transferred to the Statement of Profit and Loss on 31st March is

$$22,500 + 22,500 = \text{Rs } 45,000.$$

Rs 22,500 is only the second half-year's payment, not the year's expense written off. Rs 50,000 is the 10% issue discount, and Rs 25,000 is half that discount; neither is interest calculated at 9%.

Step 3: Conclusion Interest written off on 31st March, 2025 amounts to Rs 45,000. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish half-yearly interest paid from annual interest written off: two payments of Rs 22,500 make the year's Rs 45,000 expense.

13. Bishan Ltd. acquired assets worth Rs 12,60,000 and took over liabilities of Rs 2,40,000 of Nimi Ltd. for a purchase consideration of Rs 9,40,000. Bishan Ltd. issued 12% debentures of Rs 100 each at a discount of 6% in favour of Nimi Ltd. for payment of purchase consideration. The number of debentures issued were: [1 mark]

(A) 12,600

(B) 9,400

(C) 9,600

(D) 10,000

Correct Answer: (D) 10,000

Solution:

Concept:

- Debentures issued to a vendor settle the agreed purchase consideration at their issue price, which may differ from face value.
- Number of debentures equals purchase consideration divided by issue price per debenture. A separately stated purchase consideration need not equal net assets acquired.

Step 1: Determine the issue price Each Rs 100 debenture is issued at a discount of 6%. Thus the amount credited towards settlement for each debenture is

$$100 - 100 \times \frac{6}{100} = \text{Rs } 94.$$

The 12% rate is the coupon rate for subsequent interest and does not determine the issue price.

Step 2: Divide the agreed consideration by issue price The vendor must receive Rs 9,40,000 through debentures, so

$$\text{Number issued} = \frac{9,40,000}{94} = 10,000.$$

Although net assets are $12,60,000 - 2,40,000 = \text{Rs } 10,20,000$, the explicitly agreed purchase consideration controls this calculation. The options 12,600, 9,400 and 9,600, when multiplied by Rs 94, give Rs 11,84,400, Rs 8,83,600 and Rs 9,02,400 respectively; none settles Rs 9,40,000.

Step 3: Conclusion Bishan Ltd. issued 10,000 debentures to Nimi Ltd. Hence, the correct option is (D).

Quick Tip to Solve: Divide the stated purchase consideration by Rs 94, the discounted issue price; do not divide net assets by face value.

14. Assertion (A): The retiring partner or the executors of the deceased partner are entitled to their share of goodwill at the time of retirement or death.

Reason (R): Goodwill is earned by the firm with the efforts of all the existing partners (including the retiring or deceased partner).

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

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

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

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

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

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

Solution:

Concept:

- Goodwill represents the value of a firm's reputation and capacity to earn profits above the normal level.
- On retirement or death, the outgoing partner's share of goodwill belongs to that partner or the deceased partner's estate; gaining partners compensate this share.

Step 1: Evaluate the assertion Assertion (A) is correct. The retiring partner, or the executors representing a deceased partner, is entitled to the outgoing partner's share of the firm's goodwill at the date of retirement or death.

Step 2: Evaluate the reason Reason (R) is also correct. The goodwill existing at that date has been built through the collective efforts of all the existing partners, including the partner who retires or dies.

Step 3: Connect the reason to the entitlement The outgoing partner helped create that goodwill but will no longer participate in the firm's future profits. Compensation recognises this existing interest. Thus R explains A directly: option (B) wrongly denies the explanation, while (C) and (D) incorrectly 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: Link the outgoing partner's contribution to existing goodwill with the compensation due from the partners who gain the future profit share.

15. Vani, Vanya and Ajay were partners in a firm sharing profits and losses in the ratio of 5:3:2. Vani retired and her share was taken over by Vanya and Ajay in the ratio of 2:3. The new profit sharing ratio between Vanya and Ajay after Vani's retirement was: [1 mark]

(A) 2:1

(B) 5:3

(C) 3:2

(D) 1:1

Correct Answer: (D) 1:1

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the retiring partner.
- The ratio in which the retiring partner's share is acquired is the gaining ratio; it need not equal the new profit sharing ratio.

Step 1: Allocate Vani's retiring share Vani's old share is $5/10$. Vanya and Ajay acquire it in the ratio $2:3$, so their gains are

$$\text{Vanya's gain} = \frac{5}{10} \times \frac{2}{5} = \frac{2}{10},$$
$$\text{Ajay's gain} = \frac{5}{10} \times \frac{3}{5} = \frac{3}{10}.$$

Step 2: Add each gain to the existing share Vanya already holds $3/10$, while Ajay holds $2/10$. Hence,

$$\text{Vanya's new share} = \frac{3}{10} + \frac{2}{10} = \frac{5}{10},$$
$$\text{Ajay's new share} = \frac{2}{10} + \frac{3}{10} = \frac{5}{10}.$$

Their shares add to one. Options (A), (B) and (C) give unequal shares and therefore do not agree with the acquisition calculation; in particular, $3:2$ is only the old ratio of the continuing partners.

Step 3: Conclusion The new profit sharing ratio of Vanya and Ajay is $5:5 = 1:1$. Hence, the correct option is (D).

Quick Tip to Solve: First divide only Vani's share in the gaining ratio, then add those gains to Vanya's and Ajay's old shares.

16. Devki and Neena were partners in a firm sharing profits and losses in the ratio of 4:3. Amar was admitted as a new partner for 1/5th share in the profits of the firm. Amar acquired 1/3rd of his share from Devki. How much share did Amar acquire from Neena? [1 mark]

(A) 2/3

(B) 2/15

(C) 1/15

(D) 3/7

Correct Answer: (B) 2/15

Solution:

Concept:

- The incoming partner's total share equals the sum of the shares surrendered by the old partners.
- A stated fraction of the incoming partner's share must be multiplied by that partner's total share to obtain a fraction of the firm's profits.

Step 1: Calculate the share obtained from Devki Amar's total share is $1/5$, and Devki provides one-third of this share. Therefore,

$$\text{Share from Devki} = \frac{1}{3} \times \frac{1}{5} = \frac{1}{15}.$$

This is a share of the firm's profits, not a fraction of Devki's old share.

Step 2: Subtract it from Amar's total share Neena supplies the balance:

$$\text{Share from Neena} = \frac{1}{5} - \frac{1}{15} = \frac{2}{15}.$$

Option (A), $2/3$, is the fraction of Amar's share supplied by Neena, not her sacrifice as a fraction of total profits. Option (C) is Devki's sacrifice, and option (D), $3/7$, is Neena's old share. The two sacrifices sum to $3/15 = 1/5$, as required.

Step 3: Conclusion Amar acquired $\frac{2}{15}$ share of the firm's profits from Neena. Hence, the correct option is (B).

Quick Tip to Solve: When an incoming partner gets one-third of his share from one partner, multiply his total share by two-thirds for the other partner's sacrifice.

17. Bose and Roy were partners in a firm sharing profits and losses in the ratio of 2:1. Bose withdrew the following amounts from the firm for personal use during the year ending 31st March, 2025:

(i) For the first three months, he withdrew Rs 3,000 at the beginning of every month.

(ii) For the remaining months, he withdrew Rs 4,000 at the end of every month.

Interest on drawings was to be charged @ 6% p.a. The books of the firm are closed on 31st March every year. Calculate interest on Bose's drawings for the year ending 31st March, 2025. [3 marks]

Solution:

Concept:

- Interest on each drawing runs from its withdrawal date to the financial year-end. At rate $r\%$ per annum, interest equals drawing $\times\, r/100 \times$ months$/12$.
- For equal drawings at regular monthly intervals, the average period is half the sum of the first and last drawing periods. Different withdrawal patterns must be calculated separately.

Step 1: Find interest on the first three drawings **Working Notes:** The accounting year runs from 1st April, 2024 to 31st March, 2025. Bose withdraws Rs 3,000 on 1st April, 1st May and 1st June. These amounts remain withdrawn for 12, 11 and 10 months respectively. Thus,

$$\text{Total first-period drawings} = 3,000 \times 3 = \text{Rs } 9,000,$$
$$\text{Average period} = \frac{12+10}{2} = 11 \text{ months},$$
$$\text{Interest} = 9,000 \times \frac{6}{100} \times \frac{11}{12} = \text{Rs } 495.$$

Step 2: Find interest on the remaining nine drawings The remaining drawings are Rs 4,000 each at the end of July, August, September, October, November, December, January, February and March. Their periods to 31st March are 8, 7, 6, 5, 4, 3, 2, 1 and 0 months. The last drawing earns no interest because it is made at the year-end.

$$\text{Total remaining drawings} = 4,000 \times 9 = \text{Rs } 36,000,$$
$$\text{Average period} = \frac{8+0}{2} = 4 \text{ months},$$
$$\text{Interest} = 36,000 \times \frac{6}{100} \times \frac{4}{12} = \text{Rs } 720.$$

The usual full-year monthly averages cannot be applied to these shorter groups. The partners' profit sharing ratio does not affect the interest charged on Bose's own withdrawals.

Step 3: Conclusion Interest on Bose's drawings for the year ended 31st March, 2025 is Rs 495 + Rs $720 = \boxed{\text{Rs } 1,215}$.

Quick Tip to Solve: Write the first and last withdrawal dates for each pattern: April–June beginnings give 11 months on average, while July–March ends give 4 months.

18(a). **Sarita and Veena were partners in a firm sharing profits and losses in the ratio of 3:2. The balance in their capital and current accounts as on 1st April, 2024 were as under:**

Particulars	Sarita (Rs)	Veena (Rs)
Capital Accounts	4,00,000	3,00,000
Current Accounts	80,000 (Cr.)	60,000 (Dr.)

The partnership deed provided that Sarita was to be paid salary @ Rs 2,000 per month whereas Veena was to get commission of Rs 30,000 for the year. Interest on capital was to be allowed @ 8% p.a. The drawings of Sarita and Veena for the year ended 31st March, 2025 were Rs 20,000 and Rs 15,000 respectively. After preparing Profit and Loss Appropriation Account for the year ended 31st March, 2025, Rs 36,000 and Rs 24,000 were credited respectively to the current accounts of Sarita and Veena as their share of divisible profit. Prepare Current Accounts of Sarita and Veena. [3 marks]

Solution:

Concept:

- Under the fixed capital method, salary, commission, interest on capital, drawings and shares of profit are recorded in partners' current accounts.
- A credit opening balance and appropriations are credited; a debit opening balance and drawings are debited. The difference is carried down to balance each account.

Step 1: Calculate the appropriations to be credited **Working Notes:** Sarita's annual salary is Rs $2,000 \times 12 =$ Rs $24,000$; Veena's annual commission is Rs 30,000. Interest on the unchanged fixed capitals is

$$\text{Sarita} = 4,00,000 \times \frac{8}{100} = \text{Rs } 32,000,$$

$$\text{Veena} = 3,00,000 \times \frac{8}{100} = \text{Rs } 24,000.$$

The stated divisible-profit shares of Rs 36,000 and Rs 24,000 are already after appropriations and are credited directly. No interest on drawings or current-account balances is specified, so none is charged or allowed.

Step 2: Prepare the partners' current accounts

Partners' Current Accounts
For the year ended 31st March, 2025

Dr.			Cr.		
Particulars	Sarita Rs	Veena Rs	Particulars	Sarita Rs	Veena Rs
To Balance b/d	–	60,000	By Balance b/d	80,000	–
To Drawings	20,000	15,000	By Salary	24,000	–
To Balance c/d	1,52,000	3,000	By Commission	–	30,000
			By Interest on Capital	32,000	24,000
			By Profit and Loss Appropriation	36,000	24,000
Total	1,72,000	78,000	Total	1,72,000	78,000
			By Balance b/d (1st April, 2025)	1,52,000	3,000

Sarita's credit total is Rs 1,72,000 against drawings of Rs 20,000. Veena's credit total is Rs 78,000 against her opening debit balance and drawings totalling Rs 75,000. In both accounts the balancing figure appears on the debit side as Balance c/d and is brought down as a credit balance in the next year.

Step 3: Conclusion At 31st March, 2025, Sarita's Current Account has a credit balance of Rs 1,52,000 and Veena's Current Account has a credit balance of Rs 3,000.

Quick Tip to Solve: Put Veena's opening Rs 60,000 on the debit side first; credit her commission, interest and profit before finding the closing balance.

OR

18(b). Manya, Vivek and Vishal were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2025, they decided to share future profits and losses in the ratio of 3:5:2. Their Balance Sheet as at 31st March, 2025 showed the following balances:

(i) General Reserve Rs 2,40,000.

(ii) Debit balance of Rs 60,000 in Profit and Loss Account.

Goodwill of the firm was valued at Rs 6,00,000 and revaluation of assets and re-assessment of liabilities resulted in a gain of Rs 2,00,000. Partners decided to distribute the amount of General Reserve and Profit and Loss Account. They also decided that revalued values of assets and liabilities were not to be recorded in the books. Pass necessary journal entries to give effect to the above.

[3 marks]

Solution:

Concept:

- Existing reserves and accumulated losses belong to the partners in their old profit sharing ratio and are transferred accordingly.
- A gaining partner compensates a sacrificing partner for goodwill. When revalued asset and liability amounts are not recorded, the net revaluation gain is adjusted through partners' capital accounts using the change in shares.

Step 1: Compute sacrifice, gain and adjustments **Working Notes:** The old ratio is $5:3:2$ and the new ratio is $3:5:2$. Thus,

$$\text{Manya's sacrifice} = \frac{5}{10} - \frac{3}{10} = \frac{1}{5},$$
$$\text{Vivek's gain} = \frac{5}{10} - \frac{3}{10} = \frac{1}{5},$$
$$\text{Vishal's change} = \frac{2}{10} - \frac{2}{10} = 0.$$

Vivek compensates Manya for goodwill by Rs $6,00,000 \times 1/5 =$ Rs $1,20,000$. The unrecorded revaluation gain requires a further transfer of Rs $2,00,000 \times 1/5 =$ Rs $40,000$ from Vivek to Manya. This equals crediting the gain in the old ratio and reversing it in the new ratio, while leaving the asset and liability book values unchanged.

Step 2: Distribute the reserve and accumulated loss **Journal (amounts in Rs; 1st April, 2025)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	General Reserve A/c Dr.		2,40,000	
	To Manya's Capital A/c			1,20,000
	To Vivek's Capital A/c			72,000
	To Vishal's Capital A/c			48,000
	(General Reserve distributed in the old ratio of $5:3:2$.)			
1-4-2025	Manya's Capital A/c Dr.		30,000	
	Vivek's Capital A/c Dr.		18,000	
	Vishal's Capital A/c Dr.		12,000	
	To Profit and Loss A/c			60,000
	(Accumulated loss transferred to partners in the old ratio of $5:3:2$.)			

The reserve increases partners' capital balances, whereas the debit balance of Profit and Loss Account reduces them. Both entries close the respective accumulated balances completely.

Step 3: Record goodwill and revaluation compensation

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	Vivek's Capital A/c Dr.		1,20,000	
	To Manya's Capital A/c			1,20,000
	(Goodwill adjusted for Vivek's gain and Manya's sacrifice of $1/5$.)			
1-4-2025	Vivek's Capital A/c Dr.		40,000	
	To Manya's Capital A/c			40,000
	(Revaluation gain adjusted without changing recorded asset and liability values.)			

Vishal neither gains nor sacrifices, so no goodwill or revaluation compensation is required for him. No Goodwill Account is opened, and the revalued values are not entered in asset or liability accounts.

Step 4: Conclusion General Reserve of Rs 2,40,000 and the accumulated loss of Rs 60,000 are distributed in $5:3:2$. Vivek's Capital Account is debited and Manya's credited by Rs 1,20,000 for goodwill and Rs 40,000 for unrecorded revaluation gain.

Quick Tip to Solve: Use the old ratio for balances already in the books, but use the change in share for goodwill and a revaluation gain that must remain unrecorded.

19(a). **Miraya Ltd. took over assets of Rs 70,00,000 and liabilities of Rs 12,00,000 of Vishal Ltd. for a purchase consideration of Rs 64,00,000. The payment of purchase consideration was made by issue of 50,000, 11% debentures of Rs 100 each at a premium of 20% to Vishal Ltd. and the balance through a cheque. Pass necessary journal entries for the above transactions in the books of Miraya Ltd.** [3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor. Goodwill equals purchase consideration less the net assets acquired.
- Debentures are credited at face value; the excess issue price is credited to Securities Premium. The vendor is debited with the total settlement amount.

Step 1: Compute goodwill and the cheque amount **Working Notes** Purchase consideration exceeds net assets, creating goodwill:

$$\text{Net assets} = 70,00,000 - 12,00,000 = \text{Rs } 58,00,000,$$
$$\text{Goodwill} = 64,00,000 - 58,00,000 = \text{Rs } 6,00,000.$$

The debenture issue price is Rs 120. Thus $50,000 \times 120 = \text{Rs } 60,00,000$ settles part of the price: face value Rs 50,00,000 plus premium Rs 10,00,000. The cheque pays $64,00,000 - 60,00,000 = \text{Rs } 4,00,000$.

Step 2: Record the acquisition in Miraya Ltd.'s books

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Business Purchase A/c Dr.		64,00,000	–
	To Vishal Ltd.		–	64,00,000
	(Being purchase consideration payable to Vishal Ltd.)			
–	Sundry Assets A/c Dr.		70,00,000	–
	Goodwill A/c Dr.		6,00,000	–
	To Sundry Liabilities A/c		–	12,00,000
	To Business Purchase A/c		–	64,00,000
	(Being assets and liabilities taken over and goodwill recognised.)			

Step 3: Record settlement of the vendor

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Vishal Ltd. Dr.		64,00,000	–
	To 11% Debentures A/c		–	50,00,000
	To Securities Premium A/c		–	10,00,000
	To Bank A/c		–	4,00,000
	(Being purchase consideration discharged by debentures at 20% premium and the balance by cheque.)			

Step 4: Conclusion Goodwill is $\boxed{\text{Rs } 6,00,000}$; the cheque payment is $\boxed{\text{Rs } 4,00,000}$.

Quick Tip to Solve: Use Rs 120 per debenture to settle the vendor, but credit Debentures at Rs 100 per debenture; separate the Rs 20 premium.

OR

19(b). Delta Ltd. invited applications for issuing 30,000, 9% debentures of Rs 100 each at a premium of Rs 30 per debenture. The full amount was payable on application. Applications were received for 40,000 debentures. Applications for 2,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on pro rata basis. Pass the necessary journal entries for the above transactions in the books of Delta Ltd. [3 marks]

Solution:

Concept:

- When the full issue price is payable on application, cash received equals applications multiplied by face value plus premium per debenture.
- Application money on allotted debentures is transferred to Debentures and Securities Premium. All excess application money must be refunded because no allotment or call remains payable.

Step 1: Determine the receipt, allotment and refunds **Working Notes** Issue price per debenture is $100 + 30 = \text{Rs } 130$. Therefore the application money received is $40,000 \times 130 = \text{Rs } 52,00,000$. Applications for 2,000 debentures are rejected, requiring a refund of $2,000 \times 130 = \text{Rs } 2,60,000$. The remaining applications are for 38,000 debentures against an allotment of 30,000, giving the allotment ratio $30,000 : 38,000 = 15 : 19$.

$$\begin{aligned} \text{Excess on pro rata applications} &= (38,000 - 30,000) \times 130 \\ &= \text{Rs } 10,40,000, \\ \text{Total refund} &= 2,60,000 + 10,40,000 = \text{Rs } 13,00,000. \end{aligned}$$

Money retained is Rs 39,00,000: face value Rs 30,00,000 and securities premium Rs 9,00,000.

Step 2: Record application money in Delta Ltd.'s books

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr.		52,00,000	–
	To Debenture Application A/c		–	52,00,000
	(Being applications received for 40,000 debentures at Rs 130 each.)			

Step 3: Transfer the amount due and refund the excess

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Debenture Application A/c Dr.		52,00,000	–
	To 9% Debentures A/c		–	30,00,000
	To Securities Premium A/c		–	9,00,000
	To Bank A/c		–	13,00,000
	(Being 30,000 debentures allotted at Rs 30 premium and excess application money, including rejected applications, refunded.)			

The entry balances at Rs 52,00,000 and closes the Application Account.

Step 4: Conclusion Debenture capital is Rs 30,00,000 and securities premium is Rs 9,00,000; the total refund is $\boxed{\text{Rs } 13,00,000}$.

Quick Tip to Solve: Include both rejected applications and excess pro rata applications in the refund; multiply the surplus 10,000 debentures by Rs 130, not Rs 100.

20(a). **Average profits of a firm during the last few years were Rs 1,60,000. The normal rate of return in a similar business is 10%. If the goodwill of the firm is Rs 4,00,000 at four years purchase of super profit, find the capital employed by the firm.** [3 marks]

Solution:

Concept:

- Under the years' purchase of super profits method, goodwill equals super profit multiplied by the number of years' purchase.
- Super profit is the excess of average profit over normal profit. Normal profit equals capital employed multiplied by the normal rate of return divided by 100.

Step 1: Recover the annual super profit from goodwill **Working Notes** The goodwill of Rs 4,00,000 represents four years' purchase of super profit. Dividing the goodwill by four therefore gives the annual excess profit earned over the normal return:

$$\text{Super profit} = \frac{\text{Goodwill}}{\text{Years' purchase}} = \frac{4,00,000}{4} = \text{Rs } 1,00,000.$$

The number four is a multiplier used to value goodwill; it is not the normal rate of return and must not be used to divide the average profit.

Step 2: Find the normal annual profit Average profit contains both the normal return and the super profit. Deducting the excess profit from the average profit gives the normal earning attributable to the capital employed:

$$\begin{aligned}\text{Normal profit} &= \text{Average profit} - \text{Super profit}\\ &= 1,60,000 - 1,00,000 = \text{Rs } 60,000.\end{aligned}$$

Step 3: Capitalise the normal profit at the normal return A normal return of 10% means that Rs 10 of normal annual profit arises from every Rs 100 employed. Hence:

$$\begin{aligned}\text{Capital employed} &= \frac{\text{Normal profit} \times 100}{\text{Normal rate (\%)}}\\ &= \frac{60,000 \times 100}{10} = \text{Rs } 6,00,000.\end{aligned}$$

As a check, 10% of Rs 6,00,000 is Rs 60,000. Subtracting this from Rs 1,60,000 yields super profit Rs 1,00,000, and multiplying by four reproduces the given goodwill of Rs 4,00,000.

Step 4: Conclusion The capital employed by the firm is $\boxed{\text{Rs } 6,00,000}$.

Quick Tip to Solve: Work backwards: divide goodwill by four, subtract this super profit from average profit, then capitalise only the resulting normal profit at 10%.

OR

20(b). A business earned average profits of Rs 60,000 during the last three years. The normal rate of return on similar business is 12%. The value of net assets of the business is Rs 4,00,000. Calculate the value of goodwill by:

(i) Capitalisation of average profits method.

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

Solution:

Concept:

- Capitalisation converts a maintainable annual profit into capital value at the normal return: capitalised value equals profit multiplied by 100 divided by the normal rate in percent.
- Under capitalisation of average profits, goodwill is capitalised average profit less actual capital employed. Under capitalisation of super profits, goodwill is the capitalised value of the excess over normal profit.

Step 1: Identify the capital employed and profit rate **Working Notes** Capital employed is the given net assets, Rs 4,00,000. Average annual profit is Rs 60,000 and the normal rate of return is 12%. The given profit is already the average for the last three years, so it is not divided by three again. Both methods use the same average profit and capital employed.

Step 2: Apply capitalisation of average profits for part (i) First find the capital which would normally earn Rs 60,000 per year at 12%:

$$\text{Capitalised average profit} = \frac{60,000 \times 100}{12} = \text{Rs } 5,00,000.$$

This is the value of the business as a whole. Deduct the actual net assets to isolate the value of goodwill:

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

Step 3: Apply capitalisation of super profits for part (ii) Normal profit is the return that comparable businesses would earn on the actual capital. Subtract it from the average profit to find the excess annual earning:

$$\text{Normal profit} = 4,00,000 \times \frac{12}{100} = \text{Rs } 48,000,$$

$$\text{Super profit} = 60,000 - 48,000 = \text{Rs } 12,000.$$

Capitalise the annual super profit at the same normal return:

$$\text{Goodwill} = \frac{12,000 \times 100}{12} = \text{Rs } 1,00,000.$$

The answers agree because capitalising the normal profit of Rs 48,000 gives Rs 4,00,000, precisely the net assets deducted under part (i).

Step 4: Conclusion (i) Capitalisation of average profits: goodwill $= \boxed{\text{Rs } 1,00,000}$.

(ii) Capitalisation of super profits: goodwill $= \boxed{\text{Rs } 1,00,000}$.

Quick Tip to Solve: Capitalise Rs 60,000 and then deduct net assets for part (i); capitalise only the Rs 12,000 excess profit for part (ii), without deducting net assets again.

21. Pass necessary journal entries in the books of Mitali Ltd. for issue of debentures in the following cases:

(i) Issued 7,000, 9% debentures of Rs 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years.

(ii) Issued 8,000, 11% debentures of Rs 100 each at a premium of 10%, redeemable at a premium of 5% after 5 years. [4 marks]

Solution:

Concept:

- Debentures are credited at their face value. Bank is debited with the actual issue proceeds; an issue premium is credited to Securities Premium Account.
- Loss on Issue of Debentures includes the discount on issue and the premium payable on redemption. The redemption premium is recognised as a liability when the debentures are issued.

Step 1: Calculate the amounts for case (i) **Working Notes:** Face value $= 7,000 \times \text{Rs } 100 = \text{Rs } 7,00,000$. The issue price is Rs 90 per debenture, whereas the redemption amount is Rs 105 per debenture.

$$\text{Bank receipt} = 7,000 \times 90 = \text{Rs } 6,30,000,$$
$$\text{Issue discount} = 7,00,000 \times 10\% = \text{Rs } 70,000,$$
$$\text{Redemption premium} = 7,00,000 \times 5\% = \text{Rs } 35,000,$$
$$\text{Loss on issue} = 70,000 + 35,000 = \text{Rs } 1,05,000.$$

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr.		6,30,000	
	Loss on Issue of Debentures A/c Dr.		1,05,000	
	To 9% Debentures A/c			7,00,000
	To Premium on Redemption of Debentures A/c			35,000
	(Being 7,000 debentures of Rs 100 issued at 10% discount, redeemable after five years at 5% premium.)			

Total debit and credit are each Rs 7,35,000. The 9% rate concerns interest and does not alter the proceeds on issue.

Step 3: Calculate and record case (ii) **Working Notes:** Face value $= 8,000 \times \text{Rs } 100 = \text{Rs } 8,00,000$.

$$\text{Bank receipt} = 8,000 \times 110 = \text{Rs } 8,80,000,$$
$$\text{Securities premium} = 8,00,000 \times 10\% = \text{Rs } 80,000,$$
$$\text{Redemption premium} = 8,00,000 \times 5\% = \text{Rs } 40,000.$$

There is no discount on issue, so the loss recognised at issue is only the redemption premium of Rs 40,000.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr.		8,80,000	
	Loss on Issue of Debentures A/c Dr.		40,000	
	To 11% Debentures A/c			8,00,000
	To Securities Premium A/c			80,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 8,000 debentures of Rs 100 issued at 10% premium, redeemable after five years at 5% premium.)			

Total debit and credit are each Rs 9,20,000. The issue premium and the redemption premium are recorded separately because the former is a capital receipt and the latter is a repayment obligation.

Step 4: Conclusion Case (i) records Bank Rs 6,30,000 and loss Rs 1,05,000; case (ii) records Bank Rs 8,80,000, Securities Premium Rs 80,000 and loss Rs 40,000. The entries above recognise the redemption obligations at issue.

Quick Tip to Solve: First credit debentures at face value; then calculate Bank from the issue price and add any redemption premium to the debit-side loss.

22. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Arjun and Kunal after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

(i) Arjun was appointed to look after dissolution work for which he was allowed a remuneration of Rs 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Arjun were Rs 9,500.

(ii) A creditor to whom the firm owed Rs 9,000, accepted stock of Rs 3,000 at a discount of 10% and the balance was paid to him in cash.

(iii) Kunal had given a loan of Rs 20,000 to the firm. He was paid Rs 19,000 in full settlement of his loan.

(iv) A piece of furniture, which was not recorded in the books was taken over by Arjun at Rs 27,000 whereas its expected value was Rs 30,000. [4 marks]

Solution:

Concept:

- After assets and external liabilities have been transferred to Realisation Account, cash settlement of those liabilities is debited to Realisation. An asset accepted directly by a creditor needs no separate entry.
- A partner's loan is settled through the partner's Loan Account, separately from Capital Account. Any concession on its settlement is a realisation gain.

- Remuneration allowed to a partner for dissolution is a realisation expense. An unrecorded asset taken over by a partner is debited to that partner's Capital Account at the agreed value and credited to Realisation.

Step 1: Record Arjun's remuneration in transaction (i) **Journal of Arjun and Kunal**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Realisation A/c Dr.		10,000	
	To Arjun's Capital A/c			10,000
	(Being remuneration allowed to Arjun for dissolution work, expenses to be borne by him.)			

No entry is passed for the Rs 9,500 actually paid by Arjun: he agreed to bear the expenses and paid them personally. The firm's liability remains the agreed remuneration of Rs 10,000; the difference is not another expense or gain of the firm.

Step 2: Settle the creditor in transaction (ii) **Working Notes:** Stock is accepted for $3,000 \times 90\% =$ Rs $2,700$. Thus cash paid is $9,000 - 2,700 =$ Rs $6,300$. Both the stock and the creditor have already been transferred to Realisation Account, so their direct settlement creates no separate journal entry. Only the cash balance is recorded.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Realisation A/c Dr.		6,300	
	To Bank A/c			6,300
	(Being balance paid to creditor after stock was accepted at Rs 2,700 against Rs 9,000 due.)			

Step 3: Settle Kunal's loan in transaction (iii) Kunal's loan is not an external liability transferred to Realisation. Debit its full balance of Rs 20,000 to close it. The firm pays Rs 19,000, producing a gain of $20,000 - 19,000 =$ Rs $1,000$.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Kunal's Loan A/c Dr.		20,000	
	To Bank A/c			19,000
	To Realisation A/c			1,000
	(Being Kunal's loan settled for Rs 19,000 and the balance credited as realisation gain.)			

Step 4: Record the unrecorded furniture in transaction (iv) Use the agreed takeover price of Rs 27,000, not its expected value of Rs 30,000. There is no book balance to transfer because the furniture was unrecorded.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Arjun's Capital A/c Dr.		27,000	
	To Realisation A/c			27,000
	(Being unrecorded furniture taken over by Arjun at the agreed value.)			

The debit reduces the amount payable to Arjun, while the credit recognises the value realised by the

firm.

Step 5: Conclusion Record remuneration of Rs 10,000, cash payment to the creditor of Rs 6,300, loan settlement of Rs 19,000 with a gain of Rs 1,000, and furniture taken over at Rs 27,000. Each entry has equal debits and credits.

Quick Tip to Solve: Separate a partner's loan from external liabilities, and use the agreed takeover price for assets; personally borne dissolution expenses need no firm entry.

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23. Shanta Ltd. has an authorized capital of Rs 30,00,000 divided into equity shares of Rs 100 each. The company invited applications for issuing 28,000 shares. Applications for 27,000 shares were received and allotment was made to all the applicants in full. All calls were made and were duly received except on 300 shares on which the final call of Rs 20 per share was not received. The company forfeited 200 of these shares on which final call was not received. [6 marks]

23(i). The nominal capital of the company is: [1 mark]

(A) Rs 27,00,000

(B) Rs 28,00,000

(C) Rs 30,00,000

(D) Rs 26,70,000

Correct Answer: (C) Rs 30,00,000

Solution:

Concept:

- Nominal capital means authorised or registered capital: the maximum share capital stated in the company's Memorandum of Association.
- Issued, subscribed and paid-up capital describe later stages of raising capital; they do not change the authorised ceiling merely because fewer shares are taken up.

Step 1: Identify the authorised amount The passage explicitly states that Shanta Ltd. has authorised capital of Rs 30,00,000, divided into shares of Rs 100 each. This is its nominal capital, representing $30,00,000/100 = 30,000$ authorised shares.

Step 2: Distinguish the other options Rs 28,00,000 is the face value of the 28,000 shares offered for issue, so option (B) represents issued capital. Rs 27,00,000 is the face value of the 27,000 shares initially subscribed, so option (A) uses subscription instead. Rs 26,70,000 in option (D) is the fully paid portion after excluding the 300 shares with an unpaid final call. None measures the authorised ceiling. Calls in arrears and forfeiture do not reduce nominal capital.

Step 3: Conclusion Nominal capital is Rs 30,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For nominal capital, locate the word "authorised" in the passage; do not deduct unpaid calls or forfeited shares from that ceiling.

23(ii). The issued capital of the company is: [1 mark]

(A) Rs 27,00,000

(B) Rs 28,00,000

(C) Rs 30,00,000

(D) Rs 26,70,000

Correct Answer: (B) Rs 28,00,000

Solution:

Concept:

- Issued capital is the part of authorised capital offered for subscription. It equals the number of shares offered multiplied by their face value.
- Subscribed capital refers to shares taken up by applicants. Under-subscription and calls in arrears do not retrospectively change the amount offered for issue.

Step 1: Calculate the value of shares offered Shanta Ltd. invited applications for 28,000 shares of Rs 100 each. Therefore,

$$\text{Issued capital} = 28,000 \times \text{Rs } 100 = \text{Rs } 28,00,000.$$

Use the number offered, even though applications were received for only 27,000 shares.

Step 2: Check all alternatives against the definition Option (A), Rs 27,00,000, is based on the shares initially subscribed. Option (C), Rs 30,00,000, is the authorised maximum. Option (D), Rs 26,70,000, values the 26,700 fully paid shares. These describe different capital categories. Option (B) alone equals the face value of all shares offered. The unpaid final call and subsequent forfeiture affect later capital balances, not this issue offer.

Step 3: Conclusion Issued capital is Rs 28,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Match "invited applications for" to issued capital and "applications received" to subscribed capital before choosing the number of shares.

23(iii). Subscribed and fully paid-up capital of Shanta Ltd. is: [1 mark]

(A) Rs 26,70,000

(B) Rs 26,64,000

(C) Rs 27,00,000

(D) Rs 28,00,000

Correct Answer: (A) Rs 26,70,000

Solution:

Concept:

- Subscribed and fully paid-up capital includes only shares on which the entire face value has been received.

- Shares with an unpaid final call are not fully paid-up; forfeiture of some such shares does not change the number of fully paid shares.

Step 1: Identify the fully paid shares All 27,000 applicants were allotted shares, but the final call was unpaid on 300 shares. Thus the number fully paid is $27,000 - 300 = 26,700$. The 200 forfeited shares belong to these 300 defaulting shares, so they must not be deducted a second time.

Step 2: Apply the face value and compare Each fully paid share has a face value of Rs 100:

$$26,700 \times 100 = \text{Rs } 26,70,000.$$

Rs 27,00,000 includes the defaulting shares; Rs 28,00,000 is issued capital. Rs 26,64,000 does not equal the face value of the fully paid shares.

Step 3: Conclusion Subscribed and fully paid-up capital is Rs 26,70,000. Hence, the correct option is (A).

Quick Tip to Solve: Deduct all 300 defaulting shares from 27,000 before multiplying by Rs 100; do not deduct the 200 forfeited shares again.

23(iv). The amount of 'share capital' presented in the balance sheet of Shanta Ltd. will be: [1 mark]

(A) Rs 28,00,000

(B) Rs 26,70,000

(C) Rs 27,00,000

(D) Rs 26,94,000

Correct Answer: (D) Rs 26,94,000

Solution:

Concept:

- Share capital includes subscribed capital less calls in arrears, together with the amount originally paid on forfeited shares awaiting reissue.
- Forfeiture cancels the called-up capital of the forfeited shares; the amount already received on them remains in Share Forfeiture Account.

Step 1: Compute the capital of outstanding shares After forfeiture, $27,000 - 200 = 26,800$ shares remain. Final-call arrears survive on $300 - 200 = 100$ shares only. Therefore capital paid on outstanding shares is

$$26,800 \times 100 - 100 \times 20 = \text{Rs } 26,78,000.$$

Step 2: Add the amount paid on forfeited shares The forfeited shares had received $100 - 20 = \text{Rs } 80$ each. Their Share Forfeiture balance is $200 \times 80 = \text{Rs } 16,000$. Thus the balance-sheet total is

$$26,78,000 + 16,000 = \text{Rs } 26,94,000.$$

Rs 28,00,000 is issued capital; Rs 27,00,000 ignores unpaid calls. Rs 26,70,000 includes only fully

paid shares and omits the other amounts shown under share capital.

Step 3: Conclusion Share capital presented in the balance sheet is Rs 26,94,000. Hence, the correct option is (D).

Quick Tip to Solve: Include Rs 16,000 received on forfeited shares after deducting arrears on only the 100 shares still outstanding.

23(v). In the 'Notes to Accounts', the amount disclosed under 'Share Forfeiture Account' will be:

[1 mark]

(A) Rs 20,000

(B) Rs 24,000

(C) Rs 16,000

(D) Rs 4,000

Correct Answer: (C) Rs 16,000

Solution:

Concept:

- Share Forfeiture Account is credited with capital money already received on the shares actually forfeited.
- The unpaid call is excluded from the forfeiture credit; it is cancelled separately when the shares are forfeited.

Step 1: Determine the paid amount per forfeited share All calls had been made on the Rs 100 share, but the final call of Rs 20 remained unpaid. The amount received per forfeited share is therefore $100 - 20 = \text{Rs } 80$.

Step 2: Apply the number actually forfeited Only 200 of the 300 defaulting shares were forfeited. Therefore,

$$\text{Share Forfeiture balance} = 200 \times 80 = \text{Rs } 16,000.$$

Rs 20,000 is their face value, not the amount received. Rs 24,000 incorrectly uses all 300 defaulting shares, while Rs 4,000 is the unpaid call on the 200 forfeited shares.

Step 3: Conclusion Share Forfeiture Account is disclosed at Rs 16,000 in the Notes to Accounts. Hence, the correct option is (C).

Quick Tip to Solve: Multiply the 200 shares actually forfeited by Rs 80 received, not by Rs 100 called up or Rs 20 unpaid.

23(vi). The amount of 'calls in arrears' disclosed in 'Notes to Accounts' will be: [1 mark]

(A) Rs 2,000

(B) Rs 10,000

(C) Rs 8,000

(D) Nil

Correct Answer: (A) Rs 2,000

Solution:

Concept:

- Calls in arrears are called amounts unpaid on shares that remain outstanding.
- When shares are forfeited, their unpaid calls are cancelled along with their called-up capital; these calls no longer form part of the disclosed arrears.

Step 1: Remove the forfeited shares from the defaulting shares The final call was unpaid on 300 shares, but 200 of these were forfeited. The number of shares on which arrears remain is $300 - 200 = 100$.

Step 2: Calculate the remaining unpaid call The final call is Rs 20 per share. Thus,

$$\text{Calls in arrears} = 100 \times 20 = \text{Rs } 2,000.$$

The original arrears of Rs 6,000 reduce by Rs 4,000 on forfeiture. Nil is incorrect because 100 defaulting shares remain outstanding. Rs 10,000 and Rs 8,000 do not represent the unpaid Rs 20 call on these 100 shares.

Step 3: Conclusion Calls in arrears disclosed in Notes to Accounts are Rs 2,000. Hence, the correct option is (A).

Quick Tip to Solve: Cancel arrears on the 200 forfeited shares first, then calculate the unpaid Rs 20 call on the remaining 100 shares.

24. Anish, Bindu and Chandni were partners in a firm sharing profits and losses in the ratio of 2:2:1. Anish died on 31st December, 2023. After all necessary adjustments, Anish's Capital Account showed a credit balance of Rs 5,00,000. Anish's executors were paid Rs 1,00,000 in cash on 1st January, 2024 and the balance in two equal yearly instalments starting from 31st December, 2024 with interest @ 12% p.a. on the unpaid amount. The firm closes its books on 31st March every year. Prepare Anish's Executors Account till the amount is finally paid. [6 marks]

Solution:

Concept:

- The deceased partner's adjusted capital is transferred to the credit of the Executors Account. Cash payments debit this liability account, whereas interest payable credits it.
- Equal yearly instalments repay equal amounts of principal, with interest added separately on the outstanding principal. Accrued simple interest is not added to the principal for computing further interest.

- Since the books close on 31st March, interest is accrued for January–March and April–December separately: $I = P \times r \times t$, where P is principal, $r = 12\%$ per annum and t is time in years.

Step 1: Work out principal repayments and interest **Working Notes** After the cash payment on 1st January, 2024, unpaid principal is

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

Each principal instalment is $4,00,000/2 = \text{Rs } 2,00,000$. The profit-sharing ratio is not used because all adjustments to Anish's capital have already been completed.

$$\begin{aligned} I_{\text{Jan.–Mar. 2024}} &= 4,00,000 \times 12\% \times 3/12 = 12,000, \\ I_{\text{Apr.–Dec. 2024}} &= 4,00,000 \times 12\% \times 9/12 = 36,000, \\ I_{\text{Jan.–Mar. 2025}} &= 2,00,000 \times 12\% \times 3/12 = 6,000, \\ I_{\text{Apr.–Dec. 2025}} &= 2,00,000 \times 12\% \times 9/12 = 18,000. \end{aligned}$$

All interest amounts above are in Rs. The first annual payment on 31st December, 2024 is Rs $2,00,000 + 12,000 + 36,000 = 2,48,000$. The final payment on 31st December, 2025 is Rs $2,00,000 + 6,000 + 18,000 = 2,24,000$.

Step 2: Prepare the account up to 31st March, 2024 **Anish's Executors Account**

Dr.					Cr.
Date	Particulars	Rs	Date	Particulars	Rs
01-01-24	To Cash A/c	1,00,000	31-12-23	By Anish's Capital	5,00,000
31-03-24	To Balance c/d	4,12,000	31-03-24	By Interest A/c	12,000
	Total	5,12,000		Total	5,12,000

The closing credit balance of Rs 4,12,000 comprises principal of Rs 4,00,000 and accrued interest of Rs 12,000. The transferred capital is the final amount due at death, so no fresh goodwill or profit adjustment is needed.

Step 3: Record the first instalment and the next year-end balance **Anish's Executors Account: year ended 31st March, 2025**

Dr.					Cr.
Date	Particulars	Rs	Date	Particulars	Rs
31-12-24	To Bank A/c	2,48,000	01-04-24	By Balance b/d	4,12,000
31-03-25	To Balance c/d	2,06,000	31-12-24	By Interest A/c	36,000
			31-03-25	By Interest A/c	6,000
	Total	4,54,000		Total	4,54,000

The first payment clears Rs 48,000 interest and Rs 2,00,000 principal. Interest for January–March, 2025 is therefore charged only on the remaining principal of Rs 2,00,000, giving the closing liability of Rs 2,06,000.

Step 4: Settle the final amount on 31st December, 2025 **Anish's Executors Account: final settlement**

Dr.					Cr.
Date	Particulars	Rs	Date	Particulars	Rs
31-12-25	To Bank A/c	2,24,000	01-04-25	By Balance b/d	2,06,000
			31-12-25	By Interest A/c	18,000
	Total	2,24,000		Total	2,24,000

Total payments are Rs $1,00,000 + 2,48,000 + 2,24,000 = 5,72,000$, equal to original capital of Rs

5,00,000 plus total interest of Rs 72,000. The account closes on 31st December, 2025; no further interest accrues after settlement.

Step 5: Conclusion After the initial Rs 1,00,000 cash payment, the executors receive Rs 2,48,000 on 31st December, 2024 and Rs 2,24,000 on 31st December, 2025. Total interest is Rs 72,000, and Anish's Executors Account is fully settled.

Quick Tip to Solve: Split each calendar year's interest at 31st March, but calculate it on unpaid principal only; the Rs 12,000 and Rs 6,000 accrued interest balances do not themselves earn interest.

25(a). Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases:

(i) Sanya Ltd. forfeited 2,000 shares of Rs 10 each, issued at a premium of Rs 2 per share, Rs 8 called up, for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 700 shares were reissued to Dev as Rs 8 paid up for Rs 10 per share.

(ii) Moksh Ltd. forfeited 5,000 shares of Rs 10 each on which first call of Rs 3 per share was not received. The second and final call of Rs 2 per share has not yet been called. Out of these, 2,000 shares were issued to Geeta as Rs 8 paid up for Rs 7 per share. [6 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up capital. Credit the unpaid instalment account and credit Share Forfeiture with capital money already received.
- Securities Premium is reversed only if the premium previously credited remains unpaid. On reissue, a discount is debited to Share Forfeiture, and only the surplus relating to the shares actually reissued is transferred to Capital Reserve.

Step 1: Work out Sanya Ltd.'s forfeiture amounts **Working Notes: Case (i)** Rs 8 is called-up capital; the Rs 2 premium is additional. The unpaid Rs 5 allotment contains Rs 3 capital and Rs 2 premium. Capital already received is therefore Rs $8 - 3 = 5$ per share.

$$\text{Capital cancelled} = 2,000 \times 8 = \text{Rs } 16,000,$$
$$\text{Unpaid premium} = 2,000 \times 2 = \text{Rs } 4,000,$$
$$\text{Unpaid allotment} = 2,000 \times 5 = \text{Rs } 10,000.$$

Forfeiture credit is $2,000 \times 5 = \text{Rs } 10,000$. Reissue premium is $700 \times (10 - 8) = \text{Rs } 1,400$. With no reissue discount, Capital Reserve receives $700 \times 5 = \text{Rs } 3,500$.

Step 2: Record Sanya Ltd.'s journal entries **Journal of Sanya Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Allotment A/c To Share Forfeiture A/c (Being 2,000 shares forfeited for unpaid allotment, including unpaid premium.)		16,000 4,000	 10,000 10,000
–	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 700 shares reissued to Dev at Rs 10 each as Rs 8 paid up.)		7,000	 5,600 1,400
–	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on the 700 reissued shares transferred to Capital Reserve.)		3,500	 3,500

Step 3: Work out Moksh Ltd.'s forfeiture and reissue **Working Notes: Case (ii)** The final call of Rs 2 has not been made, so called-up capital is Rs $10 - 2 = 8$ per share. Since the first call of Rs 3 is unpaid, Rs $8 - 3 = 5$ per share has been received.

$$\text{Capital cancelled} = 5,000 \times 8 = \text{Rs } 40,000,$$
$$\text{First call unpaid} = 5,000 \times 3 = \text{Rs } 15,000,$$
$$\text{Forfeiture credit} = 5,000 \times 5 = \text{Rs } 25,000.$$

The reissue discount is $2,000 \times (8 - 7) = \text{Rs } 2,000$. The forfeited amount attributable to the reissued shares is $2,000 \times 5 = \text{Rs } 10,000$. Therefore, the surplus transferable to Capital Reserve is Rs $10,000 - 2,000 = 8,000$. Capital of Rs 2 per share remains uncalled; it is not an arrear.

Step 4: Record Moksh Ltd.'s journal entries **Journal of Moksh Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (Being 5,000 shares forfeited for non-payment of first call.)		40,000	 15,000 25,000
–	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 2,000 shares reissued to Geeta at Rs 7 each as Rs 8 paid up.)		14,000 2,000	 16,000
–	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on the 2,000 reissued shares transferred to Capital Reserve.)		8,000	 8,000

Step 5: Conclusion Capital Reserve is credited with **Rs 3,500 in Sanya Ltd.** and **Rs 8,000 in Moksh**

Ltd. The unreissued shares retain Share Forfeiture balances of Rs 6,500 and Rs 15,000, respectively.

Quick Tip to Solve: Compare reissue proceeds with the paid-up amount, not face value: Rs 10 against Rs 8 is a premium for Sanya, while Rs 7 against Rs 8 is a discount for Moksh.

OR

25(b). Raga Ltd. invited applications for issuing 85,000 equity shares of Rs 100 each at par. The amount was payable as follows:

On Application - Rs 30 per share

On Allotment - Rs 40 per share

On First and final call - balance

Applications were received for 80,000 shares and allotment was made to all the applicants in full. When the allotment was due, one shareholder failed to pay the amount on 300 shares held by him and another shareholder holding 500 shares paid the entire amount on his shares. The first and final call was duly received, along with arrears of allotment.

Pass necessary journal entries for the above transactions in the books of Raga Ltd. Open 'Calls in Arrears Account' and 'Calls in Advance Account' wherever necessary. [6 marks]

Solution:

Concept:

- Share capital is recorded for shares actually subscribed and allotted. Application money is transferred to Share Capital; allotment and call amounts are first made due and then their receipts are recorded.
- Calls in Arrears records an amount due but unpaid. Calls in Advance records money received before the relevant call becomes due and is adjusted when that call is made.

Step 1: Calculate the instalments and adjustments **Working Notes** Only 80,000 shares are subscribed and allotted; the unissued 5,000 shares create no journal entry. The first and final call per share is Rs $100 - 30 - 40 = 30$.

$$\begin{aligned} \text{Application received} &= 80,000 \times 30 = \text{Rs } 24,00,000, \\ \text{Allotment due} &= 80,000 \times 40 = \text{Rs } 32,00,000, \\ \text{Allotment arrears} &= 300 \times 40 = \text{Rs } 12,000, \\ \text{Call received in advance} &= 500 \times 30 = \text{Rs } 15,000, \\ \text{Call due} &= 80,000 \times 30 = \text{Rs } 24,00,000. \end{aligned}$$

When allotment is received, bank collection equals Rs $32,00,000 - 12,000 + 15,000 = 32,03,000$. On the call date, the bank receives the call less the advance already held, plus the recovered allotment arrears:

$$24,00,000 - 15,000 + 12,000 = \text{Rs } 23,97,000.$$

The two special accounts distinguish the default on 300 shares from the advance payment on a

different holding of 500 shares.

Step 2: Record application and allotment becoming due **Journal of Raga Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr. To Share Application A/c (Being application money received on 80,000 shares at Rs 30 each.)		24,00,000	 24,00,000
–	Share Application A/c Dr. To Share Capital A/c (Being application money on allotted shares transferred to Share Capital.)		24,00,000	 24,00,000
–	Share Allotment A/c Dr. To Share Capital A/c (Being allotment due on 80,000 shares at Rs 40 each.)		32,00,000	 32,00,000

Step 3: Record allotment receipt with arrears and advance

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c To Calls in Advance A/c (Being allotment received except on 300 shares and first and final call received in advance on 500 shares.)		32,03,000 12,000	 32,00,000 15,000

Step 4: Record the call and settle both special accounts

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due on 80,000 shares at Rs 30 each.)		24,00,000	 24,00,000
–	Calls in Advance A/c Dr. To Share First and Final Call A/c (Being advance on 500 shares adjusted against the call now due.)		15,000	 15,000
–	Bank A/c Dr. To Share First and Final Call A/c To Calls in Arrears A/c (Being balance call money and arrears of allotment received.)		23,97,000	 23,85,000 12,000

The Rs 12,000 arrears are recovered and the Rs 15,000 advance is fully adjusted.

Step 5: Conclusion Total bank receipts and paid-up Share Capital are each **Rs 80,00,000**, representing 80,000 shares of Rs 100 each. Both Calls in Arrears and Calls in Advance are fully settled.

Quick Tip to Solve: At allotment, subtract Rs 12,000 arrears and add Rs 15,000 advance; at the call stage reverse these adjustments to obtain the final bank collection.

26(a). **Mitali and Karan were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31st March, 2025 was as follows:**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Mitali 8,00,000 Karan 5,00,000	13,00,000	Machinery	8,00,000
Investment Fluctuation fund	20,000	Furniture	5,00,000
Bank loan	1,30,000	Investments	1,50,000
Creditors	2,00,000	Debtors 1,10,000 less Provision 10,000	1,00,000
		Stock	80,000
		Cash	20,000
Total	16,50,000	Total	16,50,000

On 1st April, 2025, Nitin was admitted for 1/4 share in the profits of the firm on the following terms:
(i) Nitin will bring Rs 3,00,000 as Capital and Rs 1,50,000 for his share of goodwill premium in cash.
(ii) Stock was sold at Rs 70,000.
(iii) Machinery was found to be overvalued by Rs 8,500.
(iv) All debtors were found to be good, hence provision for doubtful debts was not required.
(v) A liability of Rs 3,500 included in creditors is not likely to arise.
(vi) The market value of the investments was Rs 1,40,000.
(vii) The new profit sharing ratio between Mitali, Karan and Nitin will be 2:2:1.
Pass necessary journal entries for the above transactions on Nitin's admission. [6 marks]

Solution:

Concept:

- Sacrifice equals old share minus new share; goodwill premium compensates the sacrificing partners.
- Revaluation gains and losses belong to the old partners in their old ratio, here $3:2$.
- Investment Fluctuation Fund first absorbs the decline in investments; its excess is distributed to old partners in their old ratio.

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

The question gives an admission share of $1/4$ but explicitly stipulates a new ratio of $2:2:1$. These are inconsistent; for goodwill allocation, use the expressly stated new ratio. Mitali's sacrifice is $3/5 - 2/5 = 1/5$; Karan's sacrifice is $2/5 - 2/5 = 0$. Hence the entire stated premium of Rs 1,50,000 belongs to Mitali. The premium itself is given, so no inferred firm goodwill is required.

$$\begin{aligned}\text{Investment decline} &= 1,50,000 - 1,40,000 = 10,000,\\ \text{Excess fund} &= 20,000 - 10,000 = 10,000,\\ \text{Revaluation loss} &= (10,000 + 8,500) - (10,000 + 3,500)\\ &= 5,000.\end{aligned}$$

Excess fund is credited Rs 6,000 to Mitali and Rs 4,000 to Karan. Revaluation loss is debited Rs 3,000 and Rs 2,000 respectively. The investment fall is absorbed by the fund and is not charged again to Revaluation Account.

Step 2: Record capital, goodwill and sale of stock **Journal of the firm (amounts in Rs)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2025	Cash A/c Dr.		4,50,000	
	To Nitin's Capital A/c			3,00,000
	To Premium for Goodwill A/c			1,50,000
	(Being capital and goodwill premium received in cash)			
1 Apr 2025	Premium for Goodwill A/c Dr.		1,50,000	
	To Mitali's Capital A/c			1,50,000
	(Being premium credited to the sole sacrificing partner)			
1 Apr 2025	Cash A/c Dr.		70,000	
	Revaluation A/c Dr.		10,000	
	To Stock A/c			80,000
	(Being stock sold and loss recognised)			

Step 3: Record changes in machinery, debtors and creditors

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2025	Revaluation A/c Dr.		8,500	
	To Machinery A/c			8,500
	(Being machinery reduced to its correct value)			
1 Apr 2025	Provision for Doubtful Debts A/c Dr.		10,000	
	To Revaluation A/c			10,000
	(Being provision no longer required written back)			
1 Apr 2025	Creditors A/c Dr.		3,500	
	To Revaluation A/c			3,500
	(Being liability not likely to arise written back)			

Step 4: Adjust the fund and transfer revaluation loss

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2025	Investment Fluctuation Fund A/c Dr.		20,000	
	To Investments A/c			10,000
	To Mitali's Capital A/c			6,000
	To Karan's Capital A/c			4,000
	(Being investment decline absorbed and surplus fund distributed in the old ratio)			
1 Apr 2025	Mitali's Capital A/c Dr.		3,000	
	Karan's Capital A/c Dr.		2,000	
	To Revaluation A/c			5,000
	(Being revaluation loss transferred in the old ratio of 3:2)			

Step 5: Conclusion The above entries record all admission adjustments. Revaluation loss is Rs 5,000; the excess Investment Fluctuation Fund is Rs 10,000; and the stated goodwill premium of Rs 1,50,000 is credited entirely to Mitali under the explicit new ratio $2:2:1$.

Quick Tip to Solve: Calculate each old partner's sacrifice separately: Karan's unchanged share earns no premium. Use the investment fund before considering a revaluation charge.

OR

26(b). Raghav, Meeta and Pranav were partners in a firm sharing profits and losses in the ratio of 5:3:2. Their balance sheet as at 31st March, 2025 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Raghav 2,50,000 Meeta 2,00,000 Pranav 1,50,000	6,00,000	Plant and Machinery	4,30,000
General Reserve	40,000	Furniture	1,60,000
Bills payable	30,000	Stock	90,000
Creditors	1,20,000	Debtors 80,000 less Provision 2,000	78,000
		Cash	32,000
Total	7,90,000	Total	7,90,000

On 1st April, 2025, Pranav retired from the firm on the following terms:

(i) Plant and Machinery was found to be undervalued by Rs 20,000.

(ii) Furniture was revalued at Rs 1,62,000.

(iii) The provision for doubtful debts on debtors was to be created @ 5%.

(iv) Goodwill of the firm was valued at Rs 4,00,000 and the same was to be adjusted through the capital accounts of the remaining partners.

(v) Pranav was paid in cash brought in by Raghav and Meeta in such a way so as to make the capital proportionate to the new profit sharing ratio.

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

Solution:

Concept:

- Revaluation profit and accumulated reserves are credited to all old partners in their old profit-sharing ratio $5:3:2$.
- The retiring partner's goodwill share is borne by continuing partners in their gaining ratio, without raising Goodwill Account.
- Cash contributions equal the required final capitals less the adjusted existing capitals. Contributions must also finance the retirement payment.

Step 1: Calculate revaluation profit and goodwill adjustment **Working Notes**

New provision is $80,000 \times 5\% =$ Rs $4,000$. Existing provision is Rs 2,000, so only the additional Rs 2,000 is charged to revaluation. Machinery increases by Rs 20,000 and furniture increases by $1,62,000 - 1,60,000 =$ Rs $2,000$. Revaluation profit is therefore $20,000 + 2,000 - 2,000 =$ Rs $20,000$, shared as Rs 10,000, Rs 6,000 and Rs 4,000. General Reserve of Rs 40,000 is shared as Rs 20,000, Rs 12,000 and Rs 8,000.

No different ratio is prescribed for Raghav and Meeta, so they continue in $5:3$. Their gains are

$$\frac{5}{8} - \frac{5}{10} = \frac{1}{8}, \qquad \frac{3}{8} - \frac{3}{10} = \frac{3}{40}; \qquad \text{gaining ratio} = 5:3.$$

Pranav's goodwill share is $4,00,000 \times 2/10 =$ Rs $80,000$. Debit Raghav's capital by Rs 50,000 and Meeta's by Rs 30,000; credit Pranav's capital by Rs 80,000.

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

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To Provision for Doubtful Debts A/c	2,000	By Plant and Machinery A/c	20,000
To Partners' Capital A/cs:		By Furniture A/c	2,000
Raghav	10,000		
Meeta	6,000		
Pranav	4,000		
Total	22,000	Total	22,000

Step 3: Determine cash contributions and final capitals After reserve, revaluation and goodwill adjustments, the capitals are:

$$\text{Raghav} = 2,50,000 + 20,000 + 10,000 - 50,000 = 2,30,000,$$
$$\text{Meeta} = 2,00,000 + 12,000 + 6,000 - 30,000 = 1,88,000,$$
$$\text{Pranav} = 1,50,000 + 8,000 + 4,000 + 80,000 = 2,42,000.$$

The continuing partners bring exactly Rs 2,42,000 to pay Pranav, leaving the firm's existing cash

unchanged. Their final total capital is

$$2,30,000 + 1,88,000 + 2,42,000 = \text{Rs } 6,60,000.$$

Allocate this total in $5:3$: Raghav requires Rs 4,12,500 and Meeta Rs 2,47,500. Therefore their cash contributions are

$$\text{Raghav} = 4,12,500 - 2,30,000 = \text{Rs } 1,82,500,$$

$$\text{Meeta} = 2,47,500 - 1,88,000 = \text{Rs } 59,500.$$

The contributions total Rs 2,42,000, exactly Pranav's settlement.

Step 4: Prepare Partners' Capital Accounts **Partners' Capital Accounts (amounts in Rs)**

Dr.				Cr.			
Particulars	Raghav	Meeta	Pranav	Particulars	Raghav	Meeta	Pranav
To Pranav's Capital A/c (goodwill)	50,000	30,000	–	By Balance b/d	2,50,000	2,00,000	1,50,000
To Cash A/c	–	–	2,42,000	By General Reserve A/c	20,000	12,000	8,000
To Balance c/d	4,12,500	2,47,500	–	By Revaluation A/c	10,000	6,000	4,000
				By Raghav's Capital A/c	–	–	50,000
				By Meeta's Capital A/c	–	–	30,000
				By Cash A/c	1,82,500	59,500	–
Total	4,62,500	2,77,500	2,42,000	Total	4,62,500	2,77,500	2,42,000
				By Balance b/d	4,12,500	2,47,500	–

Step 5: Conclusion Revaluation profit is Rs 20,000. Pranav receives Rs 2,42,000, funded by Raghav's contribution of Rs 1,82,500 and Meeta's contribution of Rs 59,500. Their final capitals are Rs 4,12,500 and Rs 2,47,500, in the ratio $5:3$.

Quick Tip to Solve: Add Pranav's settlement to the adjusted continuing capitals before allocating the total in 5:3; then subtract each existing adjusted capital to find cash brought in.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27. Statement-I: Cash equivalents mean short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Statement-II: An investment normally qualifies as a cash equivalent only when it has a short maturity period of three months or more from the date of acquisition.

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

(A) Both the Statements are false.

(B) Both the Statements are true.

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

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

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

Solution:

Concept:

- Cash equivalents are short-term, highly liquid investments readily convertible into known cash amounts and exposed to insignificant changes in value.
- The normal maturity criterion is three months or less from the date of acquisition, rather than three months or more.

Step 1: Evaluate Statement I Statement I correctly includes liquidity, conversion into a known cash amount, and insignificant risk of a change in value. These conditions make the investment close to cash for meeting short-term commitments. Thus Statement I is true, ruling out options (A) and (C).

Step 2: Evaluate Statement II Statement II reverses the maturity test: it says three months or more. The normal requirement is three months or less, measured from acquisition. A longer maturity does not automatically qualify an investment as a cash equivalent. Thus Statement II is false, which also rules out option (B).

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

Quick Tip to Solve: Underline both the direction of the three-month limit and the words "from acquisition" before judging a cash-equivalent statement.

28. The quick ratio of Theta Ltd. is 0.8:1. Which of the following transactions will result in decrease in this ratio? [1 mark]

(A) Sold goods on credit Rs 39,000.

(B) Cash collected from debtors Rs 76,000.

(C) Outstanding electricity bill paid Rs 41,000.

(D) Issue of shares Rs 5,00,000.

Correct Answer: (C) Outstanding electricity bill paid Rs 41,000.

Solution:

Concept:

- Quick ratio is quick assets divided by current liabilities. Quick assets exclude inventories and prepaid expenses.
- When the quick ratio is below unity, paying a current liability reduces both quick assets and current liabilities equally and decreases the ratio.

Step 1: Analyse payment of the outstanding bill Let current liabilities be L, so quick assets are $0.8L$. Paying the outstanding electricity bill reduces cash and current liabilities by Rs 41,000. For the remaining positive current liabilities,

$$\frac{0.8L - 41,000}{L - 41,000} - 0.8 = \frac{-8,200}{L - 41,000} < 0.$$

Thus, the payment reduces the quick ratio below its original value.

Step 2: Check the other transactions Credit sales increase debtors, a quick asset; the reduction in inventories does not reduce quick assets, so (A) increases the ratio. Collecting debtors merely exchanges receivables for cash, leaving quick assets unchanged, so (B) has no effect. A cash issue of shares raises cash without increasing current liabilities, so (D) increases the ratio.

Step 3: Conclusion Payment of the outstanding electricity bill of Rs 41,000 decreases the quick ratio. Hence, the correct option is (C).

Quick Tip to Solve: For a ratio below 1, subtracting the same positive amount from its numerator and denominator makes it smaller.

29(a). Which of the following transactions is NOT a cash flow from investing activity? [1 mark]

(A) Sale of machinery for cash Rs 90,000

(B) Purchase of goodwill Rs 5,00,000

(C) Purchase of marketable securities for cash Rs 20,000

(D) Sale of furniture for Rs 43,000 for cash

Correct Answer: (C) Purchase of marketable securities for cash Rs 20,000

Solution:

Concept:

- Investing activities include cash purchases and sales of non-current assets and investments other than cash equivalents.
- Short-term, highly liquid marketable securities held as cash equivalents are part of cash management. Movements between cash and cash equivalents are excluded from the cash flow statement.

Step 1: Identify the cash-management transaction In this question, marketable securities are treated as cash equivalents. Purchasing these for Rs 20,000 changes the composition of cash and cash equivalents: cash falls while cash equivalents rise by the same amount. It therefore does not constitute an investing cash flow.

Step 2: Compare the non-current asset transactions Machinery and furniture are tangible non-current assets; their cash sales in (A) and (D) produce investing inflows. Goodwill is an intangible non-current asset; purchasing it for cash in (B) produces an investing outflow. These differ from acquiring the marketable securities treated here as cash equivalents.

Step 3: Conclusion Purchase of marketable securities for cash of Rs 20,000 is not a cash flow from investing activity. Hence, the correct option is (C).

Quick Tip to Solve: Before classifying the purchase of securities, check whether they are cash equivalents; transfers within that pool are excluded.

OR

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

(A) Purchase of furniture through a cheque

(B) Payment of salaries

(C) Issue of shares

(D) Cash deposited in the bank

Correct Answer: (D) Cash deposited in the bank

Solution:

Concept:

- Cash includes cash in hand and demand deposits with banks. A cash flow changes the total cash and cash-equivalent balance.

- A transfer from cash in hand to a bank account changes the location of cash but leaves total cash unchanged.

Step 1: Examine the bank deposit When cash is deposited in the bank, cash in hand decreases and the bank balance increases by an equal amount. Thus, their combined total is unchanged. This internal cash transfer is excluded from operating, investing and financing cash flows.

Step 2: Eliminate the external transactions Purchasing furniture by cheque in (A) reduces the bank balance and is an investing outflow. Paying salaries in (B) is an operating cash outflow. An issue of shares for cash in (C) increases cash and is a financing inflow. Each of these changes total cash, unlike the deposit into the entity's own bank account.

Step 3: Conclusion Cash deposited in the bank does not result in a flow of cash. Hence, the correct option is (D).

Quick Tip to Solve: Add cash in hand and bank cash before and after the transaction: an internal transfer leaves their sum unchanged.

30(a). In common size income statement, each item is expressed as a percentage of ____. [1 mark]

(A) Total income

(B) Total expenses

(C) Revenue from operations

(D) Net profit after tax

Correct Answer: (C) Revenue from operations

Solution:

Concept:

- A common-size income statement converts each income and expense amount into a percentage of revenue from operations.
- Revenue from operations is the common base and is shown as 100 percent, enabling comparison across periods or firms.

Step 1: Apply the common-size formula For any income-statement item, calculate

$$\text{Item percentage} = \frac{\text{Amount of the item}}{\text{Revenue from operations}} \times 100.$$

Using the same denominator for every item expresses costs and profits in relation to the scale of operating revenue.

Step 2: Distinguish the other suggested bases Total income includes other income and is not the prescribed base for this statement. Total expenses and net profit after tax are items whose percentages are calculated using revenue from operations; neither replaces that common denominator. Therefore, (A), (B) and (D) are unsuitable.

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

Quick Tip to Solve: Write revenue from operations as 100 percent first; divide every other income-statement figure by that same amount.

OR

30(b). The statements which are useful both in intra firm comparison over different years and also in inter firm comparison for the same year or for several years are known as: [1 mark]

(A) Comparative statement

(B) Common size statement

(C) Income statement

(D) Cash flow statement

Correct Answer: (B) Common size statement

Solution:

Concept:

- A common-size statement expresses each item as a percentage of a common base, such as revenue from operations or total assets.
- Expressing figures as percentages removes differences in absolute scale and helps both intra-firm and inter-firm comparisons.

Step 1: Identify the required comparison For one firm over time, common-size percentages reveal changes in the composition of expenses, assets or financing. For different firms, the percentages allow comparison even when their sales and total assets are very different in size. Hence the same technique serves both types of comparison in the question.

Step 2: Distinguish the alternative statements A comparative statement primarily presents successive periods' absolute figures and their increases or decreases. An income statement presents profit or loss, while a cash flow statement explains changes in cash. These are not the name of the percentage-based statements designed for the broad intra-firm and inter-firm comparison described here.

Step 3: Conclusion These are common-size statements. Hence, the correct option is (B).

Quick Tip to Solve: When comparison involves firms of different sizes as well as different years, think of percentages with a common base.

31. Classify the following items under the main heads and sub-heads (if any) of the Company's Balance Sheet according to Schedule III, Part I of Companies Act, 2013:

(i) Outstanding expenses

(ii) Work-in-progress

(iii) Capital Advances [3 marks]

Solution:

Concept:

- Schedule III presents liabilities and assets under current and non-current heads, with a further sub-head indicating the nature of each balance.
- Classification follows the substance of the item: unpaid expenses are obligations, work-in-progress is inventory, and capital advances relate to acquiring long-term assets.

Step 1: Classify outstanding expenses Outstanding expenses are expenses already incurred but not yet paid. They are normally payable within the operating cycle or within twelve months. Thus, their main head is **Current liabilities** and their sub-head is **Other current liabilities**. They are not borrowings because the obligation arises from an accrued expense, rather than a loan taken.

Step 2: Classify work-in-progress Work-in-progress represents goods still undergoing production. Such goods will be completed and sold during the normal operating cycle. Therefore, the main head is **Current assets** and the sub-head is **Inventories**. The goods need not be finished or sold already to form part of inventory.

Step 3: Classify capital advances Capital advances are amounts paid in advance towards the acquisition of capital assets. Under the prescribed CBSE Schedule III classification, the main head is **Non-current assets** and the sub-head is **Long-term loans and advances**. Until the asset is received, the payment is shown as an advance rather than as the completed property, plant or equipment.

Step 4: Conclusion

Item	Main head	Sub-head
Outstanding expenses	Current liabilities	Other current liabilities
Work-in-progress	Current assets	Inventories
Capital Advances	Non-current assets	Long-term loans and advances

Quick Tip to Solve: First identify whether the item is an obligation, inventory or a capital advance; then write both its main head and its sub-head.

32. From the following balance sheet of Benkley Ltd., prepare a Comparative Balance Sheet:

Balance Sheet of Benkley Ltd. as at 31st March, 2025

Particulars	Note No.	31.3.2025 (Rs)	31.3.2024 (Rs)
I. Equity and Liabilities:			
1. Shareholders' funds		18,00,000	12,00,000
Share capital			
2. Non-current liabilities		4,50,000	3,00,000
Long term borrowings			
3. Current liabilities		4,50,000	3,00,000
Short term borrowings			
Total		27,00,000	18,00,000
II. Assets			
1. Non-current assets		18,00,000	6,00,000
Property, Plant and Equipment and Intangible assets			
2. Current Assets		6,00,000	6,00,000
(a) Inventories			
(b) Cash and Cash Equivalents		3,00,000	6,00,000
Total		27,00,000	18,00,000

[3 marks]

Solution:

Concept:

- A comparative balance sheet places the previous and current year's balances side by side and shows their absolute and percentage changes.
- Absolute change equals current-year amount minus previous-year amount. Percentage change equals absolute change divided by the previous-year amount, multiplied by 100.

Step 1: Calculate the changes using 2024 as the base **Working Notes:** Use 31 March 2024 as the base date and subtract its amount from the corresponding 31 March 2025 amount. For share capital,

$$\text{Increase} = 18,00,000 - 12,00,000 = \text{Rs } 6,00,000,$$
$$\text{Percentage increase} = \frac{6,00,000}{12,00,000} \times 100 = 50\%.$$

Each category of borrowings increases by Rs 1,50,000 on a base of Rs 3,00,000, giving 50%. Non-current assets increase by Rs 12,00,000 on a base of Rs 6,00,000, giving 200%. Inventories remain unchanged. Cash falls by Rs 3,00,000 on a base of Rs 6,00,000, giving a 50% decrease.

Step 2: Prepare the comparative statement

Benkley Ltd.
Comparative Balance Sheet
as at 31 March 2024 and 31 March 2025
All amounts in Rs; parentheses indicate decreases.

Particulars	31.3.2024	31.3.2025	Change	%
I. Equity and Liabilities				
1. Shareholders' funds				
Share capital	12,00,000	18,00,000	6,00,000	50
2. Non-current liabilities				
Long-term borrowings	3,00,000	4,50,000	1,50,000	50
3. Current liabilities				
Short-term borrowings	3,00,000	4,50,000	1,50,000	50
Total	**18,00,000**	**27,00,000**	**9,00,000**	**50**
II. Assets				
1. Non-current assets				
Property, Plant and Equipment and Intangible assets	6,00,000	18,00,000	12,00,000	200
2. Current assets				
(a) Inventories	6,00,000	6,00,000	0	0
(b) Cash and Cash Equivalents	6,00,000	3,00,000	(3,00,000)	(50)
Total	**18,00,000**	**27,00,000**	**9,00,000**	**50**

Step 3: Verify the balancing totals Equity and liabilities increase by Rs $6,00,000 + 1,50,000 + 1,50,000 = 9,00,000$. Assets increase by Rs $12,00,000 + 0 - 3,00,000 = 9,00,000$. Both sides therefore rise from Rs 18,00,000 to Rs 27,00,000. The percentage change in the total is calculated independently as $9,00,000/18,00,000 \times 100 = 50\%$, rather than by adding the individual percentages.

Step 4: Conclusion Total assets and total equity and liabilities each increased by Rs 9,00,000, or 50%. The comparative balance sheet balances at Rs 27,00,000 on 31 March 2025.

Quick Tip to Solve: Always divide each change by its own 2024 balance; preserve the negative sign or parentheses for the decrease in cash.

33. The following information has been obtained from the books of Naval Ltd. Trade receivables turnover ratio of the company is 4 times, cost of revenue from operations Rs 6,40,000; gross profit ratio 20%, closing trade receivables were Rs 20,000 more than that in the beginning, cash revenue from operations being $33\frac{1}{3}\%$ of credit revenue from operations. Calculate its opening and closing trade receivables. [4 marks]

Solution:

Concept:

- Gross profit ratio is gross profit divided by revenue from operations, multiplied by 100. Thus cost is the remaining percentage of revenue.
- Trade receivables turnover ratio equals net credit revenue from operations divided by average trade receivables. Average receivables equal half the sum of opening and closing receivables.

Step 1: Calculate total revenue from operations **Working Notes:** Gross profit is 20% of revenue, so cost of revenue from operations is $100\% - 20\% = 80\%$ of revenue. The given Rs 6,40,000 is cost, not credit revenue. Therefore,

$$\text{Revenue from operations} = 6,40,000 \times \frac{100}{80} = \text{Rs } 8,00,000.$$

Step 2: Separate cash and credit revenue Cash revenue is $33\frac{1}{3}\% = \frac{1}{3}$ of credit revenue, not one-third of total revenue. Let credit revenue be C. Then cash revenue is $C/3$, so

$$\begin{aligned} C + \frac{C}{3} &= 8,00,000, \\ \frac{4C}{3} &= 8,00,000, \\ C &= 8,00,000 \times \frac{3}{4} = \text{Rs } 6,00,000. \end{aligned}$$

Cash revenue is consequently Rs 2,00,000. Cash sales do not create trade receivables and therefore are excluded from the turnover numerator.

Step 3: Find average trade receivables The turnover ratio is 4 times. Using credit revenue in the numerator,

$$\text{Average trade receivables} = \frac{6,00,000}{4} = \text{Rs } 1,50,000.$$

Hence the sum of opening and closing receivables is $2 \times 1,50,000 = \text{Rs } 3,00,000$.

Step 4: Solve for the opening and closing balances Let opening trade receivables be x. Closing receivables are $x + 20,000$. Thus

$$\begin{aligned} x + (x + 20,000) &= 3,00,000, \\ 2x &= 2,80,000, \\ x &= 1,40,000, \\ x + 20,000 &= 1,60,000. \end{aligned}$$

Check: the average is Rs 1,50,000, and $6,00,000/1,50,000 = 4$ times, as given.

Step 5: Conclusion Opening trade receivables are $\boxed{\text{Rs } 1,40,000}$ and closing trade receivables are $\boxed{\text{Rs } 1,60,000}$.

Quick Tip to Solve: When cash revenue is one-third of credit revenue, credit revenue is three-fourths of total revenue. Subtract and add half the Rs 20,000 difference to the average receivables.

34. From the following Balance Sheet of Rama Ltd. as at 31st March, 2025, calculate cash flows from Investing Activities and cash flows from Financing Activities.

Particulars	Note No.	31-3-2025 (Rs)	31-3-2024 (Rs)
I. Equity and Liabilities:			
1. Shareholders funds (a) Share Capital		21,00,000	10,00,000
(b) Reserves and Surplus	1	1,30,000	2,40,000
2. Non-current liabilities Long-term borrowings	2	2,50,000	3,20,000
3. Current Liabilities (a) Short-term borrowings	3	90,000	70,000
(b) Trade Payables		20,000	60,000
Total		25,90,000	16,90,000
II. Assets:			
1. Non-current Assets (a) Property, Plant and Equipment and Intangible Assets (i) Property Plant and Equipment	4	14,00,000	9,00,000
(ii) Intangible Assets	5	4,00,000	2,40,000
(b) Non-current Investments		5,44,000	3,40,000
2. Current Assets (a) Inventories		1,45,000	54,000
(b) Trade Receivables		62,000	1,26,000
(c) Cash and Cash Equivalents		39,000	30,000
Total		25,90,000	16,90,000

Notes to Accounts:

Note No.	Particulars	31-03-2025 (Rs)	31-03-2024 (Rs)
1.	Reserves and Surplus i.e. Balance in Statement of Profit and Loss	1,30,000	2,40,000
2.	Long-term borrowings 10% Debentures	2,50,000	3,20,000
3.	Short-term borrowings Bank overdraft	90,000	70,000
4.	Property, Plant and Equipment Plant and Machinery Accumulated Depreciation	 15,20,000 (1,20,000) 14,00,000	 9,80,000 (80,000) 9,00,000
5.	Intangible Assets: Goodwill	4,00,000	2,40,000

Additional Information:

(i) Depreciation amounting to Rs 80,000 was charged on plant and machinery during the year.

(ii) During the year a new machine costing Rs 8,00,000 was purchased and an old machine was sold at a profit of Rs 8,000.

(iii) Interest paid on debentures amounted to Rs 32,000. [6 marks]

Solution:

Concept:

- Investing activities include cash purchases and sales of non-current assets and investments. The sale proceeds of machinery equal its carrying amount plus profit on sale.
- For a non-financial company, financing activities include proceeds from share capital and borrowings, repayment of borrowings and interest paid. Bank overdraft shown as short-term borrowing is treated as financing here.
- Accumulated depreciation must be reconciled separately from the gross machinery balance to determine the carrying amount of machinery sold.

Step 1: Determine the original cost of the machinery sold **Working Notes:** Note 4 gives gross plant and machinery separately from accumulated depreciation. Use the gross balances to find the cost removed on disposal:

$$\begin{aligned}\text{Cost of machinery sold} &= 9,80,000 + 8,00,000 - 15,20,000\\ &= \text{Rs } 2,60,000.\end{aligned}$$

The Rs 8,00,000 purchase is an investing cash outflow. The decrease in the gross cost on disposal does not itself equal the cash received from the sale.

Step 2: Calculate the carrying amount and sale proceeds Opening accumulated depreciation plus the current year's charge, less the depreciation removed on the sold machine, gives closing accumulated depreciation. Therefore,

$$\begin{aligned}\text{Depreciation on machinery sold} &= 80,000 + 80,000 - 1,20,000\\ &= \text{Rs } 40,000,\\ \text{Carrying amount sold} &= 2,60,000 - 40,000\\ &= \text{Rs } 2,20,000,\\ \text{Sale proceeds} &= 2,20,000 + 8,000\\ &= \text{Rs } 2,28,000.\end{aligned}$$

As the sale made a profit, the profit is added to carrying amount. Check the net machinery reconciliation: $9,00,000 + 8,00,000 - 80,000 - 2,20,000 = 14,00,000$, agreeing with the balance sheet.

Step 3: Prepare cash flows from investing activities In the absence of any stated non-cash acquisition or disposal adjustment, the increase in goodwill is its cash purchase: $4,00,000 - 2,40,000 = \text{Rs } 1,60,000$. Similarly, purchase of non-current investments is $5,44,000 - 3,40,000 = \text{Rs } 2,04,000$.

Rama Ltd.
Cash Flow Statement (Extract)
for the year ended 31st March, 2025

Particulars	Amount (Rs)
A. Cash flows from Investing Activities	
Sale of plant and machinery	2,28,000
Purchase of plant and machinery	(8,00,000)
Purchase of goodwill	(1,60,000)
Purchase of non-current investments	(2,04,000)
Net cash used in Investing Activities	**(9,36,000)**

Parentheses denote cash outflows. Depreciation is a non-cash expense and is used only in the disposal working above, not shown as an investing payment.

Step 4: Prepare cash flows from financing activities Share capital increased by $21,00,000 - 10,00,000 =$ Rs $11,00,000$, treated as cash proceeds because no non-cash issue is specified. Debentures decreased by $3,20,000 - 2,50,000 =$ Rs $70,000$, representing redemption. Bank overdraft increased by $90,000 - 70,000 =$ Rs $20,000$, a borrowing inflow. Use the actual debenture interest paid, Rs 32,000, rather than applying 10% to the closing balance.

Particulars	Amount (Rs)
B. Cash flows from Financing Activities	
Proceeds from issue of shares	11,00,000
Redemption of debentures	(70,000)
Increase in bank overdraft	20,000
Interest paid on debentures	(32,000)
Net cash from Financing Activities	**10,18,000**

Inventories, trade receivables and trade payables relate to operating activities, which this question does not require. The change in the profit and loss balance is not itself a financing cash flow.

Step 5: Conclusion Net cash used in Investing Activities is $\boxed{\text{Rs } 9,36,000}$; net cash generated from Financing Activities is $\boxed{\text{Rs } 10,18,000}$.

Quick Tip to Solve: Reconcile gross machinery and accumulated depreciation separately before calculating sale proceeds. Include the bank overdraft increase under financing and use the interest actually paid.

OPTION - II (Computerised Accounting)

27(a). Mainly the components of computer are: [1 mark]

(A) Hardware and software

(B) System software and Hardware

(C) Application software and Hardware

(D) System software and Application software

Correct Answer: (A) Hardware and software

Solution:

Concept:

- Hardware means the physical components of a computer, such as the processor, memory, keyboard and monitor.
- Software means the programs and instructions that direct the hardware. Its categories include system software and application software.

Step 1: Identify the two broad components A computer requires physical equipment to process and store data, and instructions to control that equipment. These two broad components are hardware and software. The operating system and an accounting application both belong to the software component.

Step 2: Check the alternatives Option (A) includes both complete categories. Option (B) includes hardware but mentions only system software, leaving out application software. Option (C) similarly leaves out system software. Option (D) lists two categories of software and omits hardware altogether. Hence these alternatives do not give the complete main classification.

Step 3: Conclusion The main components are **hardware and software**. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish the main hardware/software division from the system/application subdivision within software.

OR

27(b). Which of the following is not a part of equity and liability group of accounts? [1 mark]

(A) Money received against share warrants

(B) Deferred tax liability

(C) Capital work in progress

(D) Trade payable

Correct Answer: (C) Capital work in progress

Solution:

Concept:

- Accounts are grouped according to their nature: assets represent resources, whereas equity and liabilities represent owners' funds and obligations.
- Capital work in progress is expenditure on a capital asset whose construction or installation is not yet complete.

Step 1: Identify the asset Capital work in progress represents the cost of an asset under construction. It is classified under non-current assets, so it does not belong to the equity and liabilities group.

Step 2: Check the other choices Money received against share warrants is included in shareholders' funds. Deferred tax liability is a liability, and trade payable is an obligation to suppliers. Thus options (A), (B) and (D) all fall within equity and liabilities; none is the required exception.

Step 3: Conclusion Capital work in progress is not part of the equity and liabilities group. Hence, the correct option is (C).

Quick Tip to Solve: For a negative classification question, first identify which option is a resource rather than a source of funds.

28. Which chart element details the data values and categories below the chart: [1 mark]

(A) Data marker

(B) Data labels

(C) Data tables

(D) Data point

Correct Answer: (C) Data tables

Solution:

Concept:

- A chart represents worksheet data visually through plotted series, categories and values.
- A data table is a grid displayed with a chart to show the underlying categories and numerical values.

Step 1: Locate the requested information The words data values and categories below the chart refer to a tabular display of the source values beneath the plotted chart. This is the chart's data table.

Step 2: Distinguish the other chart elements A data marker is a visual symbol, such as a bar or point, representing a value. Data labels annotate individual plotted values near their markers. A data point is a single value in a data series. None of these is the table of categories and values below the chart.

Step 3: Conclusion The required chart element is Data tables. Hence, the correct option is (C).

Quick Tip to Solve: Use the location clue: a grid below the chart is a data table; a value beside a marker is a data label.

29. Depreciation is generated from which of the following accounting sub-system: [1 mark]

(A) Tax accounting sub-system

(B) Expense accounting sub-system

(C) Fixed assets accounting sub-system

(D) Final accounts sub-system

Correct Answer: (C) Fixed assets accounting sub-system

Solution:

Concept:

- An accounting sub-system performs the processing associated with a particular class of transactions or records.
- The fixed assets accounting sub-system maintains asset cost, acquisition details and depreciation information.

Step 1: Identify the source of depreciation Depreciation is computed using information about fixed assets, such as cost, useful life, residual value and the depreciation method. These records are held and processed by the fixed assets accounting sub-system.

Step 2: Separate generation from reporting Depreciation is an expense and appears in the final accounts, but this does not make the expense or final accounts sub-system its originating source. The tax sub-system deals with tax-related accounting. The sub-system responsible for generating depreciation from the asset records is therefore the fixed assets sub-system.

Step 3: Conclusion Depreciation is generated from the Fixed assets accounting sub-system. Hence, the correct option is (C).

Quick Tip to Solve: Identify the sub-system holding the records used in the calculation, rather than the statement displaying the resulting expense.

30(a). Which type of software package is suitable for an organization where the volume of accounting transaction is very low and adaptability is very high? [1 mark]

(A) Specific

(B) Generic

(C) Tailored

(D) (A) and (C) both

Correct Answer: (B) Generic

Solution:

Concept:

- A generic accounting package is ready-made software intended to meet the common accounting requirements of many users.
- Package selection depends on transaction volume and how readily an organisation can adapt its procedures to the available software.

Step 1: Match the stated requirements The organisation has a very low volume of accounting transactions and very high adaptability. It can adopt the standard procedures of a ready-made generic package, so a specially developed package is unnecessary.

Step 2: Eliminate specialised packages Specific and tailored packages serve particular or specially designed requirements and are not the appropriate choice for the simple, highly adaptable situation described. Therefore (A) and (C), and hence their combined option (D), are excluded. The general-purpose ready-made package matches the conditions.

Step 3: Conclusion A Generic software package is suitable. Hence, the correct option is (B).

Quick Tip to Solve: Low transaction volume with high adaptability points to a ready-made generic package; read adaptability as the organisation adapting to it.

OR

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

(A) Array

(B) Derived value

(C) Vectors

(D) Round()

Correct Answer: (A) Array

Solution:

Concept:

- An array is an ordered collection of values on which a formula can perform calculations together.
- An array formula can process multiple values and can return multiple results from one formula.

Step 1: Identify the formula mechanism A single formula producing several results uses an array.

For example, multiplying two corresponding ranges as arrays can produce a collection of row-by-row products rather than only one product.

Step 2: Test the alternatives A derived value is simply a calculated output, not the mechanism for constructing a multiple-result formula. Vectors are mathematical collections but are not the named spreadsheet feature asked here. ROUND() rounds a number to a specified precision; rounding by itself does not provide the requested array-formula structure.

Step 3: Conclusion An Array is used to build a single formula with multiple results in Excel. Hence, the correct option is (A).

Quick Tip to Solve: Link the phrase single formula with multiple results to an array formula, rather than to an individual arithmetic function.

31. What is meant by cell reference, absolute cell reference and relative cell reference? [3 marks]

Solution:

Concept:

- A spreadsheet cell is identified by its column letter and row number; a formula can use this address to obtain the cell's contents.
- The reference type determines whether the address changes when a formula is copied to another cell.

Step 1: Cell reference A cell reference is the address used to identify a cell in a worksheet and to refer to its data in a formula. For example, A1 identifies the cell at the intersection of column A and row 1. A formula such as =A1*2 uses the value stored in that cell; changing its contents changes the calculated result.

Step 2: Absolute cell reference An absolute cell reference is a fixed address that does not change when the formula is copied or filled to another position. To make A1 absolute, place a dollar sign before the column letter A and another dollar sign before the row number 1; both the column and row are then locked. A formula that multiplies the value at this fixed address by 2 continues to use the cell in column A, row 1 when copied either downward or to the right. It is useful when many calculations use one fixed rate or constant.

Step 3: Relative cell reference A relative cell reference changes according to the relative movement of the formula when it is copied. It has no dollar signs; A1 is an example. If =A1*2 is entered in B1 and copied to B2, it becomes =A2*2. Copying the original formula from B1 to C1 instead makes it =B1*2. This allows the same calculation to be repeated automatically for corresponding rows or columns.

Step 4: Conclusion A cell reference identifies a worksheet cell. An absolute reference fixes both its column and row, whereas a relative reference adjusts its address when the formula is copied.

Quick Tip to Solve: Read both dollar signs in an absolute reference as locks: one locks the column and the other locks the row.

32. Explain any three features of Computerized Accounting System. [3 marks]

Solution:

Concept:

- A Computerised Accounting System records and processes accounting data using accounting software and a computer.
- Its features support efficient processing and useful reporting, while the quality of output still depends on correct input and settings.

Step 1: Speed A computerised system processes a large number of transactions and performs calculations rapidly. After transactions are entered, ledger balances, the trial balance and accounting reports can be generated quickly. For example, a business can obtain updated balances without manually totalling each ledger account after every transaction.

Step 2: Accuracy The system carries out calculations and posting according to programmed instructions. This reduces arithmetic errors and mistakes arising from repeated manual transfer of figures. However, accuracy depends on correct data entry, proper account selection and correctly configured software; entering an incorrect amount can still produce incorrect accounting information.

Step 3: Automation Once relevant data and processing rules are supplied, the system performs routine tasks automatically. For example, an entered transaction can update the related accounts, and configured rules can calculate depreciation or other recurring amounts. This avoids repeating the same work manually and helps keep records and reports consistent with the transactions processed.

Step 4: Conclusion Three features of a Computerised Accounting System are speed, accuracy and automation, which help process transactions efficiently and prepare accounting information.

Quick Tip to Solve: Explain each feature with an accounting effect: faster reports, fewer calculation errors, or automatic updating of related accounts.

33(a). What is Text Manipulation Function? Explain its syntax. [4 marks]

Solution:

Concept:

- Text manipulation functions prepare cell contents as text, for example by converting a number into formatted text or joining separate text items.
- The relevant spreadsheet functions are `TEXT` and `CONCATENATE`; their arguments specify the input and the required treatment.

Step 1: Explain TEXT and its syntax `TEXT` converts a numerical value into a text result using a specified number format:

`=TEXT(value, format_text).`

Here, `value` is a number, a formula yielding a number, or a reference to a cell containing one. `format_text` is the required format code enclosed in double quotation marks. For example, if A1 contains 125.5, `=TEXT(A1,"0.00")` returns the text `125.50`. The two zeroes after the decimal point

request two decimal places.

Step 2: Explain CONCATENATE and its syntax `CONCATENATE` joins separate text items into a single string:

`=CONCATENATE(text1, text2, ...).`

The arguments are text strings, numbers or individual cell references; up to 255 items can be supplied. For example, with A2 containing `Asha` and B2 containing `Sharma`, `=CONCATENATE(A2," ",B2)` returns `Asha Sharma`. The quoted space inserts the gap between the names. These functions are covered in NCERT, Spreadsheet, Section 2.1.4.3.

Step 3: Conclusion Thus, `TEXT(value, format_text)` creates formatted text from a number, while `CONCATENATE(text1, text2, ...)` combines text items into one string.

Quick Tip to Solve: Put format codes and literal spaces inside double quotation marks; keep cell references outside quotation marks.

OR

33(b). Write the steps to change format of selected chart element. [4 marks]

Solution:

Concept:

- Formatting controls a chart element's appearance, such as its fill, border or text style.
- Select the intended element before choosing its formatting options; the available settings depend on that element.

Step 1: Activate the chart Click anywhere inside the chart. This displays **Chart Tools**, including the **Design**, **Layout** and **Format** tabs in the textbook interface.

Step 2: Select the required element Open the **Format** tab. In the **Current Selection** group, open the arrow beside the **Chart Elements** box and choose the element to be formatted, such as the chart area, legend or a data series. Alternatively, click the required element directly in the chart.

Step 3: Open its formatting controls On the **Format** tab, click **Format Selection** in the **Current Selection** group. The corresponding Format dialog box opens for the selected element.

Step 4: Choose and apply the appearance In the Format dialog box, choose the required category and its formatting options. For example, to colour the chart area's background, select its fill settings and choose the desired colour. Check the chart to confirm the change affects the intended element. This procedure follows NCERT, Graphs and Charts for Business Data, Section 4.2.2.2.

Step 5: Conclusion The sequence is: activate the chart, select the element, choose **Format Selection**, and set the required formatting options.

Quick Tip to Solve: Check the name shown in the Chart Elements box before changing a fill or border, so the intended element is formatted.

34. Name the error which will be displayed when a given number is divided by zero e.g. 25/0. State the reasons and the steps to be taken to correct this error. [6 marks]

Solution:

Concept:

- In a spreadsheet, division requires a non-zero denominator. In a formula a/b, a is the numerator and b is the denominator or divisor.
- A zero divisor makes the quotient undefined. A reference to an empty cell used as a divisor can also cause the division-by-zero error because the empty cell is treated as zero in the calculation.
- Correcting an error means checking the formula and the underlying input data. An error-handling formula can control the display while valid data are awaited, but does not make division by zero mathematically valid.

Step 1: Identify the error displayed Entering `=25/0` in a spreadsheet produces the error `#DIV/0!`, called the division-by-zero error. The divisor is zero, so the spreadsheet cannot calculate a valid numerical result. The answer is neither zero nor 25: there is no number which, when multiplied by zero, gives 25.

Step 2: State why the error occurs The error may arise when a formula explicitly contains zero as its divisor, as in `=25/0`. It also occurs when the formula refers to a cell containing zero: for example, `=A1/B1` fails when B1 contains 0. A third common cause is that the divisor cell has been left blank because its data have not yet been entered. Finally, the divisor may be a calculated expression or another formula whose result is zero. Thus, cells that appear to contain data must still be checked for the value actually used in the division.

Step 3: Locate and correct the underlying cause Select the cell displaying the error and inspect its formula in the formula bar. Identify the divisor and trace any cell reference used for it. Check that the formula refers to the intended denominator cell; if a wrong reference was selected, replace it with the correct reference. If a required input is blank, enter the correct data. If zero was entered by mistake, replace it with the verified non-zero value. For a calculated divisor, check its inputs and formula to find why it evaluates to zero. For example, when the intended divisor is 5, the corrected formula `=25/5` gives 5. Do not replace a genuine zero with an arbitrary number just to remove the error.

Step 4: Guard against missing or genuinely zero divisors If the denominator may legitimately be zero or may not yet be available, test it before performing the division. For example, use

```
=IF(B1=0,"",A1/B1).
```

This displays a blank when B1 is zero or is an empty cell, and calculates A1 divided by B1 when a valid non-zero divisor is present. The blank indicates that no quotient is being displayed; it is not a calculated answer of zero. After correcting the input or reference, recalculate and verify that the result agrees with the intended calculation. This prevents the error from recurring while preserving the meaning of the data.

Step 5: Conclusion The error is `#DIV/0!`. It is caused by a zero or blank divisor, including a referenced or calculated divisor that evaluates to zero. Correct the formula reference or supply the correct non-zero input; where zero or missing data are legitimate, use an IF condition to avoid performing the invalid division.

Quick Tip to Solve: For `#DIV/0!`, inspect the denominator first: check for zero, a blank cell, a wrong reference or a formula returning zero before changing the calculation.