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

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. 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:

- The agreed rate in the partnership agreement governs interest on a partner's loan; the default rate applies only when no rate is agreed.
- Simple interest is $I = P \times r \times t$, where P is principal, r is the annual rate and t is time in years.

Step 1: Choose the applicable rate The agreement specifies 10% p.a., so the accountant cannot substitute 6% p.a. The loan runs from 1 October 2024 to 31 March 2025, a period of six months.

Step 2: Calculate the interest

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

Rs 20,000 would be interest for a whole year at the agreed rate. Rs 12,000 and Rs 6,000 use the inapplicable rate of 6% for twelve and six months respectively.

Step 3: Conclusion Interest payable to Rohit is Rs $10,000$. Hence, the correct option is (B).

Quick Tip to Solve: Use the agreed 10% rate first, then halve annual interest for October to March.

2(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:

- A Workmen Compensation Fund first meets the existing compensation claim.
- Only the excess fund is distributed to all old partners in their old profit-sharing ratio, including the retiring partner.

Step 1: Identify the distributable excess The fund is Rs 2,40,000, but Rs 1,80,000 is needed to meet the compensation claim. Thus, the surplus available for partners is

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

Distributing the entire fund would ignore the liability.

Step 2: Compute Rajat's share Rajat's old share is $3/(2+3+1) = 3/6$. Hence his capital account is credited with

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

Rs 1,20,000 is half the whole fund, while Rs 20,000 and Rs 10,000 are the other partners' shares of the surplus.

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

Quick Tip to Solve: Subtract the claim before multiplying the surplus by Rajat's old share of 3/6.

OR

2(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:

- The retiring partner is entitled to goodwill valued in the old profit-sharing ratio.
- The continuing partners bear this compensation in their gaining ratio; gain equals new share minus old share.

Step 1: Find goodwill due and gaining ratio Meera's share is $5/10$, so goodwill due to her is $5,00,000 \times 5/10 = \text{Rs } 2,50,000$. Varun gains $1/2 - 2/10 = 3/10$, and Tarun gains $1/2 - 3/10 = 2/10$. Their gaining ratio is therefore $3 : 2$.

Step 2: Allocate the compensation Varun is debited $2,50,000 \times 3/5 = \text{Rs } 1,50,000$; Tarun is debited $2,50,000 \times 2/5 = \text{Rs } 1,00,000$. Option (A) incorrectly allocates total firm goodwill, (C) reverses the gains and (D) uses the equal new ratio instead of the gaining ratio.

Step 3: Conclusion Varun: Rs $1,50,000$; Tarun: Rs $1,00,000$, both debited. Hence, the correct option is (B).

Quick Tip to Solve: Equal future shares do not mean equal gains: subtract each continuing partner's old share.

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3. 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:

- Profit is divided in the agreed profit-sharing ratio.
- The profit amounts of any two partners have the same ratio as their agreed shares.

Step 1: Find the value of one ratio unit Amita, Shivani and Tarush share profits in the ratio $4 : 3 : 2$. Tarush's two ratio units represent Rs 1,80,000, so each ratio unit represents

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

Step 2: Find Amita's four units Amita receives four ratio units, giving

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

Rs 2,70,000 is Shivani's three-unit share; Rs 1,80,000 is Tarush's share itself. Rs 2,00,000 does not preserve the required $4 : 2$ ratio between Amita and Tarush.

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

Quick Tip to Solve: Amita has twice Tarush's ratio share, so directly double Rs 1,80,000.

4. 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, irrespective of discount on issue.
- Half-yearly payment splits the annual interest into two instalments; the annual expense includes both instalments.

Step 1: Compute each half-yearly payment The nominal debenture amount is Rs 5,00,000 and the annual coupon rate is 9%. Interest for each six-month period is

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

The 10% discount affects issue proceeds, not the interest base.

Step 2: Find the interest written off at year end The debentures were outstanding for the full year from 1 April 2024. The interest expense transferred to the Statement of Profit and Loss on 31 March 2025 includes both half-yearly instalments:

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

Rs 22,500 is only one instalment; Rs 50,000 is the issue discount, and Rs 25,000 is half that discount.

Step 3: Conclusion The annual debenture interest written off is Rs $45,000$. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish the March payment of Rs 22,500 from the full-year interest expense of Rs 45,000.

5. 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:

- When debentures settle purchase consideration, their total issue value must equal the agreed consideration.
- Issue price equals face value minus discount; the coupon rate determines later interest and does not determine the number issued.

Step 1: Determine the issue price Each debenture has face value Rs 100 and is issued at a discount of 6%. Hence its issue price is

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

The agreed purchase consideration is Rs 9,40,000; it is not replaced by the net assets acquired.

Step 2: Calculate the number issued

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

A check gives $10,000 \times 94 = \text{Rs } 9,40,000$. The alternative 9,400 divides by face value and ignores discount; 12,600 uses the assets figure. Neither 9,600 nor these other counts produces the agreed consideration at Rs 94 each.

Step 3: Conclusion The company issues $10,000$ debentures. Hence, the correct option is (D).

Quick Tip to Solve: Divide agreed consideration by Rs 94, the issue price, and ignore the 12% coupon for this calculation.

6. 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 the firm's established reputation and profit-earning advantage.
- The retiring partner or deceased partner's estate is compensated for that partner's share in existing goodwill.

Step 1: Judge the assertion Assertion (A) is correct. Retirement or death does not remove the outgoing partner's entitlement to the goodwill already built up while that partner belonged to the firm. The amount is based on the partner's old profit share.

Step 2: Judge the reason Reason (R) is correct. The existing goodwill has been earned through the combined efforts of the existing partners, including the retiring or deceased partner.

Step 3: Check the explanatory connection The reason directly explains the entitlement: the outgoing partner helped create the existing goodwill and therefore must receive compensation for that share when the continuing partners retain its benefit. Thus option (B) wrongly denies the explanatory link, while (C) and (D) each wrongly call one statement incorrect.

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

Quick Tip to Solve: Link the outgoing partner's past contribution to goodwill with the right to compensation on exit.

7. 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 a retiring partner's share is acquired is the gaining ratio, not automatically the new profit-sharing ratio.

Step 1: Distribute Vani's share Vani's old share is $5/10$. Vanya acquires $(5/10)(2/5) = 2/10$, while Ajay acquires $(5/10)(3/5) = 3/10$. These gains exhaust Vani's entire $5/10$ share.

Step 2: Add gains to the old shares Vanya's new share is $3/10 + 2/10 = 5/10$, and Ajay's is $2/10 + 3/10 = 5/10$. Thus their new ratio is $5 : 5 = 1 : 1$, with total shares equal to one. Options (A), (B) and (C) do not give these equal resulting shares; the original and gaining ratios alone cannot be used as the new ratio.

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

Quick Tip to Solve: Add each gain to the existing share: Vanya gains 2/10 and Ajay gains 3/10.

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8. 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 shares acquired from the old partners add up to the incoming partner's total share.
- A fraction of Amar's share must be multiplied by his total share before it is expressed as a fraction of the firm's profit.

Step 1: Calculate the share acquired from Devki Amar's total share is $1/5$. He takes one-third of that

share from Devki, so the share obtained from Devki is

$$\frac{1}{3} \times \frac{1}{5} = \frac{1}{15}.$$

It is not one-third of the firm's total profit.

Step 2: Find the balance acquired from Neena The remaining share is

$$\frac{1}{5} - \frac{1}{15} = \frac{3-1}{15} = \frac{2}{15}.$$

Option (A), $2/3$, is the fraction of Amar's own share acquired from Neena, not the required fraction of firm profit. Option (C) is Devki's sacrifice, and option (D) is Neena's old share.

Step 3: Conclusion Amar acquires $\frac{2}{15}$ share from Neena. Hence, the correct option is (B).

Quick Tip to Solve: Neena gives the remaining two-thirds of Amar's one-fifth: multiply 2/3 by 1/5.

9. 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 guaranteed profit. Deficiency equals the guarantee less the normal profit share.
- The partners who bear the deficiency use the specified guarantee 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's normal share is Rs $4,00,000 \times \frac{1}{8}$ = Rs $50,000$. His guaranteed amount is Rs 57,000, so the deficiency is $57,000 - 50,000$ = Rs $7,000$.

Step 2: Allocate the deficiency Navya and Kartik bear the deficiency equally. Kartik therefore bears $7,000 \div 2$ = Rs $3,500$. Rs 7,000 in option (D) is the total deficiency, not Kartik's share. Neither Rs 4,000 nor Rs 3,000 is half of the calculated deficiency.

Step 3: Conclusion Kartik bears a deficiency of $\boxed{\text{Rs } 3,500}$. Hence, the correct option is (A).

Quick Tip to Solve: First find Samir's one-eighth share; divide only the shortfall, not the guarantee, equally.

10. 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 withdrawn and goods or assets taken by a partner for personal use.
- When dates of drawings are not specified, interest is calculated for an average period of six months: $I = D \times r \times \frac{6}{12}$.

Step 1: Identify total drawings Nandita took Rs 80,000 in cash and furniture worth Rs 20,000 for personal use. Both are drawings, so total drawings are $80,000 + 20,000 = \text{Rs } 1,00,000$. The profit-sharing ratio $8 : 7$ does not affect interest on drawings.

Step 2: Apply the average period No withdrawal dates are given. Using the standard average period of six months, interest is

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

Option (A) uses a full year incorrectly; option (C) omits furniture. Option (B) is not the interest on the combined drawings for the average period.

Step 3: Conclusion Interest on Nandita's drawings is $\boxed{\text{Rs } 3,000}$. Hence, the correct option is (D).

Quick Tip to Solve: Include furniture taken personally in drawings, and use six months when dates are unspecified.

11(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 receipt whose use is restricted to specified purposes under the Companies Act, 2013.
- Bonus shares issued by utilising securities premium must be fully paid bonus shares.

Step 1: Check the permitted purposes Writing off preliminary expenses is permitted. Writing off issue expenses, commission or discount on shares or debentures is also permitted. Providing for the premium payable on redemption of redeemable preference shares or debentures is a specified use. Thus options (A), (B) and (D) do not answer the negative question.

Step 2: Identify the prohibited wording Option (C) states that partly paid-up bonus shares are issued. Securities premium can be used to issue fully paid bonus shares to members; the phrase partly paid-up therefore makes this option impermissible. The distinction concerns the paid-up status of the bonus shares, not whether bonus shares are allowed at all.

Step 3: Conclusion Issuing partly paid-up bonus shares is not a permitted use. Hence, the correct option is (C).

Quick Tip to Solve: For bonus shares funded from securities premium, check for the words fully paid; partly paid fails.

OR

11(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 issue price comprises the nominal value of a share plus any securities premium.
- The terms of issue determine the instalment or instalments with which the premium is payable.

Step 1: Examine the possible instalments A company may require premium with application money, with allotment money, or with call money, according to its issue terms. The premium is not compulsorily attached to allotment in every issue, even though many numerical questions make it payable at that stage.

Step 2: Choose the inclusive option Options (A), (B) and (C) each describe a possible receipt stage, but each considered alone is incomplete as a general answer. Premium may also be split across the stages. Option (D), any of the above or with all the above, covers these permissible arrangements and is therefore the comprehensive choice.

Step 3: Conclusion Premium may be received with any or all of the specified instalments. Hence, the correct option is (D).

Quick Tip to Solve: Read the issue terms to locate premium; never automatically attach it only to allotment.

12(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:

- For fixed capitals, adjustments relating to interest and profit are made through partners' current accounts.
- Additional interest reduces the residual profit; compare each partner's extra interest with their share of that reduction.

Step 1: Calculate the additional interest and profit reduction The shortfall in the interest rate is $7\% - 6\% = 1\%$. Extra interest due to Dilshad, Ajit and Deepna is respectively Rs 5,000, Rs 4,000 and Rs 1,000. Total additional interest is Rs 10,000, reducing distributable profit by this amount. In ratio $2 : 2 : 1$, their profit shares must decrease by Rs 4,000, Rs 4,000 and Rs 2,000.

Step 2: Pass the net adjustment The net effects are: Dilshad, credit $5,000 - 4,000 =$ Rs $1,000$; Ajit, nil; Deepna, debit $2,000 - 1,000 =$ Rs $1,000$. The entry is: Deepna's Current A/c Dr. Rs 1,000; To Dilshad's Current A/c Rs 1,000. Narration: Being the net adjustment for interest on fixed capitals undercredited by one percentage point. Option (B) reverses the direction, while (C) and (D) wrongly use fixed capital accounts.

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

Quick Tip to Solve: Offset each extra interest credit against the reduced profit share; use current accounts for fixed capitals.

OR

12(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:

- On a change in profit-sharing ratio, gaining partners compensate sacrificing partners for goodwill.
- Sacrifice equals old share minus new share; a negative result represents a gain.

Step 1: Determine sacrifice and gain Kabir sacrifices $\frac{5}{10} - \frac{4}{10} = \frac{1}{10}$. Divya sacrifices $\frac{4}{10} - \frac{1}{10} = \frac{3}{10}$. Mansha gains $\frac{5}{10} - \frac{1}{10} = \frac{4}{10}$. The sacrifices total $\frac{4}{10}$, equal to Mansha's gain.

Step 2: Record compensation through capital accounts For goodwill valued at Rs 3,00,000, Kabir receives $3,00,000 \times \frac{1}{10} = \text{Rs } 30,000$, and Divya receives Rs 90,000. Mansha must pay Rs 1,20,000. Entry: Mansha's Capital A/c Dr. Rs 1,20,000; To Kabir's Capital A/c Rs 30,000; To Divya's Capital A/c Rs 90,000. Narration: Being goodwill adjusted for Mansha's gain in favour of the sacrificing partners. Options (A) and (D) reverse the compensation; option (B) transfers the entire goodwill rather than the gained share.

Step 3: Conclusion Mansha 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 change in share; do not distribute the full goodwill in the sacrifice ratio.

13. 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:

- Losses on dissolution, including deficiencies of capital, are settled first out of profits, next out of capital and finally by partners individually.
- If individual contributions are necessary, partners contribute in their profit-sharing ratio.

Step 1: Apply the prescribed order The question asks for the first source for meeting losses, including capital deficiencies. Available profits are applied first. Only after profits are insufficient is partners' capital used. Individual contributions arise only for the balance still remaining after the preceding sources have been exhausted.

Step 2: Compare all four alternatives Option (D), out of profits, is therefore first. Option (C), out of partners' capital, comes next. Option (B), individual contributions in the profit-sharing ratio, describes the final source. Option (A) is incorrect because equal contributions are not the general rule; the applicable ratio is the agreed profit-sharing ratio.

Step 3: Conclusion Losses are paid first out of profits. Hence, the correct option is (D).

Quick Tip to Solve: Remember the loss-settlement sequence: profits, then capital, then partners in the profit-sharing ratio.

14(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:

- The application amount includes premium when the entire issue price is payable on application.
- On pro-rata allotment, application money exceeding the total amount due on allotted shares is

refunded if no later instalment remains.

Step 1: Calculate the issue price and receipts Premium per share is $10 \times \frac{10}{100} = \text{Rs } 1$. The issue price is therefore $10 + 1 = \text{Rs } 11$. Applications for 4,00,000 shares bring in $4,00,000 \times 11 = \text{Rs } 44,00,000$.

Step 2: Calculate the excess to refund The company issues only 2,00,000 shares and needs $2,00,000 \times 11 = \text{Rs } 22,00,000$. Refund is $44,00,000 - 22,00,000 = \text{Rs } 22,00,000$. Option (B) omits the premium on excess applications; (C) has no basis in the issue terms. Nil is incorrect because the whole issue price is already paid and no future call can absorb the excess.

Step 3: Conclusion The amount refunded is $\boxed{\text{Rs } 22,00,000}$. Hence, the correct option is (A).

Quick Tip to Solve: With the whole price on application, multiply excess applied shares by face value plus premium.

OR

14(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:

- Secured debentures are backed by a charge on company assets; unsecured debentures do not carry such security.
- Security, convertibility, redemption and transferability are different bases for classifying debentures.

Step 1: Identify the classification being tested The phrase no specific charge on company assets concerns security available to debenture holders. Such debentures are described as unsecured debentures. Their holders do not acquire the security interest associated with secured debentures merely by holding the instrument.

Step 2: Eliminate unrelated descriptions Non-convertible debentures in option (A) cannot be converted into shares; this says nothing about a charge on assets. Irredeemable debentures in option (B) concern repayment terms. Bearer debentures in option (D) concern ownership and transfer by delivery. Only option (C) addresses the absence of security stated in the question.

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

Quick Tip to Solve: Match charge on assets to security; conversion, repayment and bearer status answer different classifications.

15. 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 comprises the discount allowed at issue plus the premium payable on redemption.
- The amount written off against Securities Premium equals its opening balance less its remaining balance.

Step 1: Find the total loss written off The Securities Premium balance falls from Rs 5,00,000 to Rs 50,000. Therefore, loss on issue written off is $5,00,000 - 50,000 = \text{Rs } 4,50,000$. The face value of the issue is $30,000 \times 100 = \text{Rs } 30,00,000$.

Step 2: Deduct redemption premium and test the issue discount Redemption premium is $30,00,000 \times 10/100 = \text{Rs } 3,00,000$. Thus, issue discount is $4,50,000 - 3,00,000 = \text{Rs } 1,50,000$, giving $1,50,000/30,00,000 \times 100 = 5\%$. Discounts of 10%, 12% and 3% would produce total losses of Rs 6,00,000, Rs 6,60,000 and Rs 3,90,000 respectively; none matches the actual write-off.

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 total loss before computing the discount percentage.

16(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:

- A deceased partner receives the estimated profit from the last balance-sheet date to the date of death, using the stated historical basis.
- Partner's profit share = annual profit $\times$ elapsed fraction of year $\times$ profit-sharing fraction.

Step 1: Identify the period and profit share The last balance sheet was on 31st March, 2025. Reena died on 31st July, 2025, so the relevant period is April to July: four months. In the ratio $2:1:2$, her share is $2/(2+1+2) = 2/5$.

Step 2: Estimate profit and allocate Reena's share The estimated profit for four months is $6,00,000 \times 4/12 = \text{Rs } 2,00,000$. Reena's share is $2,00,000 \times 2/5 = \text{Rs } 80,000$. Rs 2,40,000 is her share for a full year, Rs 6,00,000 is the firm's annual profit, and Rs 60,000 does not use both the correct four-month period and her share.

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

Quick Tip to Solve: Count months after the last balance sheet first, then apply the deceased partner's fraction.

OR

16(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:

- When an unrecorded asset is handed directly to an unrecorded creditor, no separate entry is passed for the asset so transferred.
- Cash paid to settle the remaining claim is recorded by debiting Realisation Account and crediting Bank Account.

Step 1: Calculate the cash settlement The creditor's total claim is Rs 70,000. He accepts the unrecorded asset in settlement of Rs 50,000 of that claim, leaving $70,000 - 50,000 = \text{Rs } 20,000$ payable in cash. The asset's stated value of Rs 56,000 does not replace the agreed settlement value of Rs 50,000.

Step 2: Identify the Realisation entry and reject other options The cash payment is recorded as Realisation A/c Dr. Rs 20,000; To Bank A/c Rs 20,000. Thus Realisation is debited. Crediting it would reverse the treatment of the payment. Rs 14,000 is the difference between Rs 70,000 and the asset's stated Rs 56,000 value, which ignores the expressly agreed Rs 50,000 settlement.

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

Quick Tip to Solve: For a creditor settlement, use the value accepted against the claim to find the cash balance.

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

(i) For the first four months, he withdrew Rs 4,000 at the beginning of each month.

(ii) For the remaining months, he withdrew Rs 5,000 at the end of each 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 Gupta's drawings for the year ending 31st March, 2025. [3 marks]

Solution:

Concept:

- Interest on each drawing is $D \times r/100 \times t/12$, where D is the amount, r the annual rate and t the outstanding months.
- For equal monthly drawings, multiply their total by the average of the first and last outstanding periods. Treat different withdrawal patterns separately.

Step 1: Interest on the first four drawings The accounting year runs from 1st April, 2024 to 31st March, 2025. The first four drawings of Rs 4,000 occur on 1st April, 1st May, 1st June and 1st July. They remain outstanding for 12, 11, 10 and 9 months respectively. Thus the total drawings are $4 \times 4,000 = \text{Rs } 16,000$, and the average period is $(12+9)/2 = 10.5$ months. Interest is

$$I_1 = 16,000 \times \frac{6}{100} \times \frac{10.5}{12} = \text{Rs } 840.$$

Step 2: Interest on the remaining eight drawings The remaining drawings of Rs 5,000 occur at the ends of August through March. Their outstanding periods are 7, 6, 5, 4, 3, 2, 1 and 0 months. In particular, the 31st March drawing earns no interest for this year. Total drawings are $8 \times 5,000 = \text{Rs } 40,000$, and their average period is $(7+0)/2 = 3.5$ months. Therefore,

$$I_2 = 40,000 \times \frac{6}{100} \times \frac{3.5}{12} = \text{Rs } 700.$$

Step 3: Combine both groups Total interest on drawings is $I_1 + I_2 = 840 + 700 = \text{Rs } 1,540$. As a check, the sum of amount-month products is $4,000(12+11+10+9) + 5,000(7+6+5+4+3+2+1+0) = 3,08,000$. Multiplying by $6/(100 \times 12)$ again gives Rs 1,540. The partners' profit-sharing ratio is irrelevant to calculating interest on Gupta's own drawings.

Step 4: Conclusion Interest on Gupta's drawings for the year ended 31st March, 2025 is Rs 1,540.

Quick Tip to Solve: Write the first and last outstanding months for each pattern before choosing an average period.

18(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:

- Net assets acquired equal agreed assets less liabilities. Purchase consideration above net assets is recognised as goodwill.
- Debentures issued for consideration are credited at face value; their issue premium is credited to Securities Premium Account.

Step 1: Compute goodwill and the settlement amounts Net assets taken over are $70,00,000 - 12,00,000 =$ Rs $58,00,000$. Purchase consideration is Rs 64,00,000, so goodwill is $64,00,000 - 58,00,000 =$ Rs $6,00,000$. Face value of debentures issued is $50,000 \times 100 =$ Rs $50,00,000$. Premium is $50,00,000 \times 20/100 =$ Rs $10,00,000$; their total issue value is Rs 60,00,000. The cheque is therefore $64,00,000 - 60,00,000 =$ Rs $4,00,000$.

Step 2: Record the business taken over in Miraya Ltd.'s journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		70,00,000	
	Goodwill A/c Dr.		6,00,000	
	To Sundry Liabilities A/c			12,00,000
	To Vishal Ltd. A/c			64,00,000

(Being assets and liabilities taken over and goodwill recognised at the agreed purchase consideration.)
The debit total and credit total are each Rs 76,00,000.

Step 3: Record discharge of purchase consideration

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Vishal Ltd. A/c 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 50,000 debentures of Rs 100 each issued at 20% premium and the balance paid by cheque.) Vishal Ltd.'s account is fully settled. The 11% coupon rate determines future interest and does not change the issue value.

Step 4: Conclusion Goodwill is Rs 6,00,000; debentures are credited by Rs 50,00,000, Securities Premium by Rs 10,00,000 and Bank by Rs 4,00,000, as journalised above.

Quick Tip to Solve: Use face value plus issue premium to value debentures given to the vendor; pay only the residual by bank.

OR

18(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, application receipts include both face value and premium.
- On pro rata allotment, excess application money must be refunded if no further instalment is due. Debentures are credited at face value, with premium separately credited.

Step 1: Calculate receipts and pro rata refunds Issue price per debenture is $100 + 30 =$ Rs 130. Application receipts are $40,000 \times 130 =$ Rs $52,00,000$. Rejected applications require a refund of $2,000 \times 130 =$ Rs $2,60,000$. The remaining 38,000 applicants receive 30,000 debentures, so the allotment ratio is $30,000 : 38,000 = 15 : 19$. Excess money for these applicants is $(38,000 - 30,000) \times 130 =$ Rs $10,40,000$. As everything is payable on application, this excess is also refunded. Total refund is Rs 13,00,000.

Step 2: Record receipt of application money

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		52,00,000	
	To Debenture Application A/c			52,00,000

(Being full application money received for 40,000 debentures at Rs 130 each.)

Step 3: Record allotment and refund of the excess The face value allotted is $30,000 \times 100 =$ Rs $30,00,000$, and the premium is $30,000 \times 30 =$ Rs $9,00,000$.

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 a premium of Rs 30 each and rejected as well as excess pro rata application money refunded.) The application account closes, and net bank receipts are Rs 39,00,000, equal to the total issue value.

Step 4: Conclusion Credit 9% Debentures by Rs 30,00,000 and Securities Premium by Rs 9,00,000; refund Rs 13,00,000 through Bank, as journalised above.

Quick Tip to Solve: When the full price is due on application, refund all surplus money because no later call can absorb it.

19(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, capital balances remain unchanged. Salary, commission, interest on capital, drawings and share of profit are recorded in partners' current accounts.
- A credit opening balance is entered on the credit side and a debit opening balance on the debit side. Each current account must be balanced separately.

Step 1: Calculate the annual appropriations Sarita's annual salary is $2,000 \times 12 = \text{Rs } 24,000$. Veena's commission is Rs 30,000. Interest is calculated on fixed capitals, not after adding or deducting the opening current-account balances:

$$\text{Sarita's interest} = 4,00,000 \times \frac{8}{100} = \text{Rs } 32,000,$$
$$\text{Veena's interest} = 3,00,000 \times \frac{8}{100} = \text{Rs } 24,000.$$

The divisible profits of Rs 36,000 and Rs 24,000 are already given; they are credited in addition to these appropriations.

Step 2: Prepare the partners' Current Accounts

Partners' Current Accounts

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 A/c	36,000	24,000
Total	1,72,000	78,000	Total	1,72,000	78,000

Closing balances are carried down on the debit side because credits exceed debits. They are brought down on the credit side on 1st April, 2025. Sarita's balance is $80,000 + 24,000 + 32,000 + 36,000 - 20,000 = 1,52,000$; Veena's is $30,000 + 24,000 + 24,000 - 60,000 - 15,000 = 3,000$.

Step 3: Conclusion The closing current-account balances on 31st March, 2025 are Sarita: Rs 1,52,000 (Cr.) and Veena: Rs 3,000 (Cr.).

Quick Tip to Solve: Apply 8% to the fixed capitals only; include the given divisible profit separately from salary, commission and interest.

OR

19(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 old partners in their old ratio, here $5:3:2$.
- The gaining partner compensates the sacrificing partner for goodwill. When revalued amounts are not recorded, adjust the net revaluation gain through capitals using the change in shares.

Step 1: Calculate sacrifice, gain and the adjustments Manya's sacrifice is $5/10 - 3/10 = 2/10$, Vivek's gain is $5/10 - 3/10 = 2/10$, and Vishal's share is unchanged. Goodwill compensation is therefore $6,00,000 \times 2/10 =$ Rs $1,20,000$, payable by Vivek to Manya. The revaluation gain would first be credited in the old ratio and reversed in the new ratio because asset and liability values remain unchanged. Its net effect is to credit Manya by $2,00,000 \times 2/10 =$ Rs $40,000$ and debit Vivek by the same amount; Vishal has no net adjustment.

Step 2: Pass the necessary journal entries

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	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
(Being general reserve distributed in the old ratio of 5:3:2.)				
	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
(Being accumulated debit balance of Profit and Loss Account written off in the old ratio.)				
	Vivek's Capital A/c Dr.		1,20,000	
	To Manya's Capital A/c			1,20,000
(Being goodwill adjusted for Vivek's gain and Manya's sacrifice.)				
	Vivek's Capital A/c Dr.		40,000	
	To Manya's Capital A/c			40,000
(Being net revaluation gain adjusted through capitals without changing the book values of assets and liabilities.)				

Each entry has equal total debits and credits. The reserve is credited and the accumulated loss debited to all three partners in their old shares; goodwill and revaluation adjustments affect only Manya and Vivek.

Step 3: Conclusion The four entries distribute the reserve, write off the loss, and transfer Rs 1,20,000 for goodwill and Rs 40,000 for revaluation gain from Vivek's capital to Manya's capital.

Quick Tip to Solve: Only Manya sacrifices and Vivek gains: apply their change of 2/10 to both goodwill and the unrecorded revaluation gain.

20. Average profits of a firm during the last few years were Rs 80,000. The normal rate of return in a similar business is 10%. If the goodwill of the firm is Rs 2,00,000 at four years purchase of super profit, find the capital employed by the firm. [3 marks]

Solution:

Concept:

- Goodwill under the super-profit method is $G = S \times n$, where G is goodwill, S is annual super profit and n is the number of years' purchase.
- Super profit is average profit less normal profit: $S = A - N$. Normal profit is the normal return on capital employed: $N = C \times r/100$, where C is capital employed and r is the normal rate in percent.

Step 1: Find annual super profit from goodwill The firm's goodwill is Rs 2,00,000 and represents

four years' purchase of super profit. Hence divide goodwill by four, rather than multiply it:

$$S = \frac{G}{n} = \frac{2,00,000}{4} = \text{Rs } 50,000.$$

This is the annual excess earned over the normal return available in a similar business. It is not the whole average profit, which is separately given as Rs 80,000.

Step 2: Calculate the normal profit Using average profit $A = \text{Rs } 80,000$, deduct the super profit to obtain the normal profit:

$$N = A - S = 80,000 - 50,000 = \text{Rs } 30,000.$$

The normal rate of return must be applied to this normal profit in reverse to find the underlying capital. Capitalising the whole average profit would also include the excess profit represented by goodwill.

Step 3: Calculate and verify capital employed Since the normal profit is 10% of capital employed,

$$30,000 = C \times \frac{10}{100},$$
$$C = \frac{30,000 \times 100}{10} = \text{Rs } 3,00,000.$$

Check: the normal return on Rs 3,00,000 at 10% is Rs 30,000. Therefore super profit is Rs $80,000 - 30,000 = 50,000$, and four years' purchase is Rs $50,000 \times 4 = 2,00,000$, exactly the goodwill given.

Step 4: Conclusion The capital employed by the firm is $\boxed{\text{Rs } 3,00,000}$.

Quick Tip to Solve: Work backwards: divide goodwill by four, subtract that super profit from Rs 80,000, then capitalise the balance at 10%.

21. 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 are transferred, their realisation and settlement are recorded through Realisation Account. A partner's loan is settled separately through the partner's Loan Account.
- A partner who agrees to bear dissolution expenses receives only the agreed remuneration. An unrecorded asset taken over by a partner is debited to the partner's Capital Account at the agreed value.

Step 1: Record Arjun's remuneration

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		10,000	
	To Arjun's Capital A/c			10,000

(Being remuneration due to Arjun for undertaking dissolution work and bearing expenses.)

Arjun personally pays Rs 9,500 under his agreement to bear expenses. No separate entry for this payment is passed in the firm's books; it is not reimbursable.

Step 2: Settle the creditor The creditor accepts stock at $3,000 \times 90\% =$ Rs $2,700$. Thus the cash balance is $9,000 - 2,700 =$ Rs $6,300$. No separate entry is made for stock handed directly to the creditor because both stock and the liability have already been transferred to Realisation Account.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		6,300	
	To Bank A/c			6,300

(Being cash paid for the balance due to the creditor after acceptance of stock.)

Step 3: Discharge Kunal's loan

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 loan of Rs 20,000 settled for Rs 19,000, with the Rs 1,000 gain credited to Realisation Account.)

The loan was not an external liability transferred to Realisation Account. Its full balance must therefore

be debited to close the Loan Account.

Step 4: Record the unrecorded furniture

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 its agreed value.)

The expected value of Rs 30,000 is irrelevant to this entry: the actual agreed takeover amount is Rs 27,000. No Furniture Account transfer is needed for an asset absent from the books.

Step 5: Conclusion Realisation is debited with Rs 10,000 remuneration and Rs 6,300 cash settlement, and credited with Rs 1,000 loan-settlement gain and Rs 27,000 furniture taken over. Each journal entry balances.

Quick Tip to Solve: For the creditor, first value the stock at Rs 2,700 and pay only Rs 6,300; do not record the stock settlement a second time.

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22. 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 Account is credited with face value. Bank Account is debited with the actual issue proceeds; issue premium is credited to Securities Premium Account.
- Loss on Issue of Debentures includes discount on issue and premium payable on redemption. Premium on Redemption of Debentures Account is credited when the debentures are issued.

Step 1: Calculate amounts for the 9% debentures **Working Notes:** Face value $= 7,000 \times 100 =$ Rs $7,00,000$. Discount on issue $= 7,00,000 \times 10\% =$ Rs $70,000$. Bank proceeds $= 7,00,000 - 70,000 =$ Rs $6,30,000$. Redemption premium $= 7,00,000 \times 5\% =$ Rs $35,000$. Total loss on issue $= 70,000 + 35,000 =$ Rs $1,05,000$. The 9% rate determines interest, not issue proceeds.

Step 2: Journalise case (i)

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 each issued at 10% discount, redeemable at 5% premium after five years.)

Total debits and credits are each Rs 7,35,000.

Step 3: Calculate amounts for the 11% debentures **Working Notes:** Face value $= 8,000 \times 100 =$ Rs $8,00,000$. Issue premium $= 8,00,000 \times 10\% =$ Rs $80,000$. Bank proceeds $= 8,00,000 + 80,000 =$ Rs $8,80,000$. Redemption premium $= 8,00,000 \times 5\% =$ Rs $40,000$. There is no discount; the loss on issue is the redemption premium of Rs 40,000.

Step 4: Journalise case (ii)

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 each issued at 10% premium, redeemable at 5% premium after five years.)

Total debits and credits are each Rs 9,20,000. These entries record issue; actual repayment occurs after five years.

Step 5: Conclusion Case (i): bank receipt Rs 6,30,000 and loss on issue Rs 1,05,000. Case (ii): bank receipt Rs 8,80,000, securities premium Rs 80,000 and loss on issue Rs 40,000.

Quick Tip to Solve: Calculate issue price and redemption premium separately; the interest rates 9% and 11% do not change either face-value credit.

23. Suvasita Ltd. has an authorized capital of Rs 40,00,000 divided into equity shares of Rs 100 each. The company invited applications for 36,000 shares. Applications for 35,000 shares were received and shares were allotted in full to all the applicants. All calls were made and were duly received except on 400 shares on which the final call of Rs 20 per share was not received. The company forfeited 300 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 36,00,000

(B) Rs 35,00,000

(C) Rs 40,00,000

(D) Rs 34,60,000

Correct Answer: (C) Rs 40,00,000

Solution:

Concept:

- Nominal capital means authorised capital: the maximum share capital permitted by the company's memorandum.
- Issued and subscribed capital describe different stages of raising capital; calls in arrears and

forfeiture do not change the authorised limit.

Step 1: Identify the authorised amount The passage expressly gives authorised capital as Rs 40,00,000, divided into shares of Rs 100 each. Equivalently, the authorised number is $40,00,000/100 = 40,000$ shares.

Step 2: Distinguish the alternatives Rs 36,00,000 is the capital offered for subscription, while Rs 35,00,000 is the face value initially subscribed. Rs 34,60,000 relates to the shares fully paid up. None of those amounts replaces the authorised ceiling.

Step 3: Conclusion The nominal capital is Rs 40,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For nominal capital, use the authorised amount directly; ignore the later issue, calls and forfeiture figures.

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

(A) Rs 40,00,000

(B) Rs 36,00,000

(C) Rs 34,60,000

(D) Rs 35,00,000

Correct Answer: (B) Rs 36,00,000

Solution:

Concept:

- Issued capital is the face value of shares offered to the public for subscription.
- Subscribed capital is based on shares actually taken up; the amount of applications received does not reduce the number originally issued.

Step 1: Use the number offered The company invited applications for 36,000 shares of Rs 100 each. Therefore issued capital is

$$36,000 \times 100 = \text{Rs } 36,00,000.$$

Step 2: Check the other amounts Rs 40,00,000 is authorised capital and Rs 35,00,000 is the face value of the 35,000 shares subscribed. Rs 34,60,000 reflects fully paid shares. The final-call default and forfeiture affect later capital disclosures, not the amount offered for subscription.

Step 3: Conclusion The issued capital is Rs 36,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Multiply the 36,000 shares offered by face value Rs 100; use 35,000 only when finding subscribed capital.

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

(A) Rs 34,60,000

(B) Rs 35,00,000

(C) Rs 36,00,000

(D) Rs 40,00,000

Correct Answer: (A) Rs 34,60,000

Solution:

Concept:

- Fully paid shares are those on which the entire face value has been received. Partly paid shares do not form part of subscribed and fully paid capital.
- Fully paid capital equals the number of fully paid shares multiplied by the face value per share.

Step 1: Identify fully paid shares Out of the $35,000$ allotted shares, the final call is unpaid on 400 shares. Therefore, $35,000 - 400 = 34,600$ shares are fully paid. Forfeiture of 300 defaulting shares does not change this number because those shares were never included among the fully paid shares.

Step 2: Compute the capital and check the options Each fully paid share has a face value of Rs 100. Thus, fully paid capital is $34,600 \times 100 =$ Rs $34,60,000$. Option (B) includes all originally allotted shares; (C) is issued capital and (D) is authorised capital. None of these represents capital on fully paid shares.

Step 3: Conclusion Subscribed and fully paid up capital is $\boxed{\text{Rs } 34,60,000}$. Hence, the correct option is (A).

Quick Tip to Solve: Exclude all 400 defaulting shares when counting fully paid shares, including the 300 subsequently forfeited.

23(iv). The amount of 'share capital' presented in the Balance Sheet of Suvasita Ltd. will be: [1 mark]

(A) Rs 35,00,000

(B) Rs 34,60,000

(C) Rs 34,68,000

(D) Rs 34,92,000

Correct Answer: (D) Rs 34,92,000

Solution:

Concept:

- Share capital in the Balance Sheet includes paid up capital on outstanding shares and the amount received on forfeited shares pending reissue.
- Calls in arrears on shares still outstanding are deducted from their called up capital.

Step 1: Calculate paid up capital after forfeiture After forfeiture, outstanding shares are $35,000 - 300 = 34,700$. Their called up capital is $34,700 \times 100 =$ Rs $34,70,000$. The final call remains unpaid on $400 - 300 = 100$ shares, so calls in arrears are $100 \times 20 =$ Rs $2,000$. Paid up capital is therefore

Rs $34,68,000$.

Step 2: Add the forfeited amount and check the options The amount received on each forfeited share is $100 - 20 =$ Rs 80. Share Forfeiture Account therefore has $300 \times 80 =$ Rs $24,000$. Total share capital presented is $34,68,000 + 24,000 =$ Rs $34,92,000$. Option (C) omits forfeited money; (B) counts only fully paid shares; (A) ignores the unpaid final call.

Step 3: Conclusion Share capital presented in the Balance Sheet is $\boxed{\text{Rs } 34,92,000}$. Hence, the correct option is (D).

Quick Tip to Solve: For the Balance Sheet total, add forfeited money to paid up capital after deducting surviving calls in arrears.

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

[1 mark]

(A) Rs 6,000

(B) Rs 24,000

(C) Rs 30,000

(D) Rs 32,000

Correct Answer: (B) Rs 24,000

Solution:

Concept:

- On forfeiture, the amount already received towards share capital is credited to Share Forfeiture Account.
- The unpaid call is cancelled on forfeiture; it is not credited to Share Forfeiture Account.

Step 1: Find the amount received per forfeited share All calls were made on the Rs 100 shares, but the final call of Rs 20 was unpaid on the shares being forfeited. Hence the amount received per forfeited share is $100 - 20 =$ Rs 80.

Step 2: Calculate the forfeiture balance and check alternatives Only 300 shares were forfeited. The credit to Share Forfeiture Account is therefore $300 \times 80 =$ Rs $24,000$. Option (A), Rs $6,000$, is the unpaid call on those shares; (C), Rs $30,000$, is their face value; (D), Rs $32,000$, wrongly uses all 400 defaulting shares.

Step 3: Conclusion The Share Forfeiture Account balance disclosed is $\boxed{\text{Rs } 24,000}$. Hence, the correct option is (B).

Quick Tip to Solve: Multiply the 300 shares actually forfeited by Rs 80 received, not by the face value or unpaid call.

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

(A) Rs 6,000

(B) Rs 10,000

(C) Rs 2,000

(D) Rs 8,000

Correct Answer: (C) Rs 2,000

Solution:

Concept:

- Calls in arrears represent calls due but unpaid on shares that remain outstanding.
- Forfeiture cancels the arrears relating to the forfeited shares; only surviving defaults appear in the notes.

Step 1: Remove arrears on forfeited shares The final call of Rs 20 was originally unpaid on 400 shares, giving arrears of $400 \times 20 =$ Rs $8,000$. Forfeiture of 300 shares cancels arrears of $300 \times 20 =$ Rs $6,000$.

Step 2: Compute the remaining arrears and test the options The number of outstanding defaulting shares is $400 - 300 = 100$, so the arrears disclosed are $100 \times 20 =$ Rs $2,000$. Equivalently, $8,000 - 6,000 =$ Rs $2,000$. Option (A) gives cancelled arrears and (D) gives the original arrears before forfeiture. Option (B) has no basis in the outstanding unpaid call.

Step 3: Conclusion Calls in Arrears disclosed are $\boxed{\text{Rs } 2,000}$. Hence, the correct option is (C).

Quick Tip to Solve: Deduct the 300 forfeited shares from the 400 defaulting shares before multiplying by the Rs 20 call.

24. Gautam, Kunal and Abhay were partners in a firm sharing profits and losses in the ratio of 3:2:2. On 31st July, 2023, Gautam died. After all necessary adjustments, Gautam's capital account showed a credit balance of Rs 7,00,000. On 1st August, 2023 Gautam's executors were paid Rs 1,00,000 in cash and the balance was to be paid in two equal yearly instalments starting from 31st July, 2024, with interest @ 6% p.a. on the unpaid amount. The firm closes its books on 31st March every year.

Prepare Gautam'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 executor's account. Payments to the executor are debited to that account.
- Interest on outstanding principal is credited to the executor's account and charged as an expense. Here interest is simple: $I = P \times \frac{6}{100} \times \frac{m}{12}$, where P is unpaid principal and m is the number of months.
- Equal yearly instalments refer to equal principal repayments; interest accrued to each payment date is paid in addition. Interest is apportioned at 31st March because the firm closes its books on that date.

Step 1: Determine the principal instalments Gautam's adjusted capital of Rs $7,00,000$ becomes payable to his executors. After the cash payment of Rs $1,00,000$ on 1st August, 2023, unpaid principal is Rs $6,00,000$. Each of the two equal principal instalments is $6,00,000 \div 2 =$ Rs $3,00,000$. The old profit sharing ratio is unnecessary because all adjustments have already been completed.

Step 2: Apportion interest and calculate the two payments For the first eight months, from 1st August, 2023 to 31st March, 2024:

$$I_1 = 6,00,000 \times \frac{6}{100} \times \frac{8}{12} = \text{Rs } 24,000.$$

For April to July, 2024, interest is $6,00,000 \times 6\% \times 4/12 =$ Rs $12,000$. The first payment is therefore $3,00,000 + 24,000 + 12,000 =$ Rs $3,36,000$. Remaining principal is Rs $3,00,000$. For August, 2024 to March, 2025, interest is $3,00,000 \times 6\% \times 8/12 =$ Rs $12,000$. For April to July, 2025, it is $3,00,000 \times 6\% \times 4/12 =$ Rs $6,000$. Thus the final payment is $3,00,000 + 12,000 + 6,000 =$ Rs $3,18,000$.

Step 3: Prepare Gautam's Executors Account **Gautam's Executors Account**

Amounts in Rs; Dr. on the left and Cr. on the right.

Date	Particulars	Amount	Date	Particulars	Amount
2023			2023		
Aug. 1	To Cash A/c	1,00,000	Aug. 1	By Capital A/c	7,00,000
2024			2024		
Mar. 31	To Balance c/d	6,24,000	Mar. 31	By Interest A/c	24,000
	Total	7,24,000		Total	7,24,000
2024			2024		
July 31	To Bank A/c	3,36,000	Apr. 1	By Balance b/d	6,24,000
2025			July 31	By Interest A/c	12,000
Mar. 31	To Balance c/d	3,12,000	2025		
			Mar. 31	By Interest A/c	12,000
	Total	6,48,000		Total	6,48,000
2025			2025		
July 31	To Bank A/c	3,18,000	Apr. 1	By Balance b/d	3,12,000
			July 31	By Interest A/c	6,000
	Total	3,18,000		Total	3,18,000

The balances carried forward include accrued interest, but fresh interest is calculated only on the unpaid principal. Interest is not compounded on the carried forward ledger balance.

Step 4: Conclusion The executors receive Rs $3,36,000$ on 31st July, 2024 and Rs $3,18,000$ on 31st July, 2025, in addition to the initial Rs $1,00,000$. The account is fully settled on 31st July, 2025.

Quick Tip to Solve: Split each interest year into eight months and four months at 31st March; calculate interest on principal only.

25(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:

- Goodwill premium compensates old partners in their sacrificing ratio: sacrifice equals old share minus new share.
- Revaluation gains and losses belong to old partners in their old profit-sharing ratio. An investment fluctuation fund first absorbs the fall in investments; its surplus is distributed to old partners.

Step 1: Work out the sacrifice and investment adjustment **Working Notes.** All amounts are in Rs. Using the explicitly given new ratio $2:2:1$,

$$\text{Mitali's sacrifice} = \frac{3}{5} - \frac{2}{5} = \frac{1}{5},$$
$$\text{Karan's sacrifice} = \frac{2}{5} - \frac{2}{5} = 0.$$

Thus Mitali alone receives the goodwill premium of Rs 1,50,000. The printed statement of a $1/4$ share is inconsistent with the later explicit ratio, which gives Nitin $1/5$; the journal below follows that explicit new ratio. Capital and premium are the cash amounts actually specified.
Investments decrease by Rs $1,50,000 - 1,40,000 = 10,000$. The fund of Rs 20,000 covers this fall,

leaving Rs 10,000 for Mitali and Karan in $3:2$: Rs 6,000 and Rs 4,000 respectively. No investment loss is charged again to Revaluation Account.

Step 2: Record capital, goodwill and the investment fund

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 premium brought in cash by Nitin.)			
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	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 fall in investments absorbed and surplus fund distributed in the old ratio.)			

Step 3: Record sale of stock and revaluation adjustments

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2025	Cash A/c Dr.		70,000	
	Revaluation A/c Dr.		10,000	
	To Stock A/c			80,000
	(Being stock sold for Rs 70,000 and the loss transferred to revaluation.)			
1 Apr. 2025	Revaluation A/c Dr.		8,500	
	To Machinery A/c			8,500
	(Being overvaluation of machinery corrected.)			
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: Transfer the revaluation loss to the old partners The debit side of Revaluation Account is Rs $10,000 + 8,500 = 18,500$, while its credit side is Rs $10,000 + 3,500 = 13,500$. Hence the loss is Rs 5,000, borne by Mitali and Karan in $3 : 2$: Rs 3,000 and Rs 2,000.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
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 to old partners in their old ratio.)			

As a check, capitals become Mitali Rs $8,00,000 + 1,50,000 + 6,000 - 3,000 = 9,53,000$, Karan Rs $5,00,000 + 4,000 - 2,000 = 5,02,000$, and Nitin Rs 3,00,000. Cash becomes Rs $20,000 + 4,50,000 + 70,000 = 5,40,000$.

Step 5: Conclusion The required journal entries record Rs 4,50,000 introduced by Nitin, goodwill premium of Rs 1,50,000 credited entirely to Mitali, and revaluation loss of Rs 5,000 shared as Rs 3,000 and Rs 2,000.

Quick Tip to Solve: Use the explicitly stated new ratio to find sacrifice; do not distribute goodwill in the old ratio. Apply the investment fund before computing revaluation profit or loss.

OR

25(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:

- At retirement, revaluation profit and accumulated reserves belong to all old partners in their old ratio. Only the additional provision for doubtful debts is a revaluation loss.
- The continuing partners compensate the retiring partner for his goodwill in their gaining ratio. Cash introduced then adjusts their capitals to their new profit-sharing ratio.

Step 1: Calculate revaluation profit and goodwill adjustment **Working Notes.** All figures are in Rs. With no different ratio specified, Raghav and Meeta continue in their old relative ratio $5:3$. Their gains are

$$\text{Raghav} = \frac{5}{8} - \frac{5}{10} = \frac{1}{8},$$
$$\text{Meeta} = \frac{3}{8} - \frac{3}{10} = \frac{3}{40}.$$

The gaining ratio is $5:3$. Pranav's goodwill is $4,00,000 \times 2/10 = 80,000$, charged to Raghav Rs 50,000 and Meeta Rs 30,000; Pranav's capital is credited Rs 80,000.

The required provision is $80,000 \times 5\% = 4,000$. An existing provision of Rs 2,000 means only Rs 2,000 more is needed. Plant and machinery rises by Rs 20,000; furniture rises by Rs $1,62,000 - 1,60,000 = 2,000$. Revaluation profit is therefore Rs $20,000 + 2,000 - 2,000 = 20,000$, shared as Rs 10,000, Rs 6,000 and Rs 4,000. General Reserve Rs 40,000 is shared as Rs 20,000, Rs 12,000 and Rs 8,000.

Step 2: Prepare Revaluation Account

Revaluation Account

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

The credit balance is the gain earned before Pranav's retirement and is transferred to all three old partners in $5:3:2$.

Step 3: Calculate the cash to be introduced The adjusted capitals before the final cash adjustment are

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

Raghav and Meeta bring the cash needed to pay Pranav. Hence the aggregate continuing capital after introduction is Rs $2,30,000 + 1,88,000 + 2,42,000 = 6,60,000$. Divide this total in $5:3$:

$$\text{Raghav's final capital} = 6,60,000 \times 5/8 = 4,12,500,$$
$$\text{Meeta's final capital} = 6,60,000 \times 3/8 = 2,47,500.$$

Cash introduced by Raghav is Rs $4,12,500 - 2,30,000 = 1,82,500$; cash introduced by Meeta is Rs

$2,47,500 - 1,88,000 = 59,500$. Their total Rs 2,42,000 exactly pays Pranav, so the original cash balance of Rs 32,000 remains.

Step 4: Prepare Partners' Capital Accounts

Partners' Capital Accounts

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

Pranav's account closes on payment. Raghav's and Meeta's closing capitals satisfy $4,12,500 : 2,47,500 = 5 : 3$.

Step 5: Conclusion Revaluation profit is Rs 20,000. Pranav receives Rs 2,42,000. Raghav introduces Rs 1,82,500 and Meeta Rs 59,500, leaving capitals of Rs 4,12,500 and Rs 2,47,500 in the ratio 5:3.

Quick Tip to Solve: Charge only the increase of Rs 2,000 in the provision. First adjust all three capitals, then add Pranav's payout to the continuing capitals before dividing the resulting total in 5:3.

26(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 called-up capital. Debit Securities Premium only if premium previously credited remains unpaid; credit the unpaid instalment and the capital amount already received to Share Forfeiture.
- On reissue, credit Share Capital with the paid-up amount. Reissue discount is debited to Share Forfeiture; an excess over paid-up value is Securities Premium.
- Transfer only the profit relating to reissued shares to Capital Reserve. The forfeiture balance relating to shares not yet reissued remains in Share Forfeiture.

Step 1: Compute Sanya Ltd. amounts **Working Notes:** Called-up capital is Rs $2,000 \times 8 = 16,000$.

Unpaid allotment is Rs $2,000 \times 5 = 10,000$, including unpaid premium Rs $2,000 \times 2 = 4,000$. Therefore capital received is Rs $16,000 - (10,000 - 4,000) = 10,000$, or Rs 5 per share. The unpaid premium must be reversed on forfeiture.

For 700 shares reissued, bank receives Rs $700 \times 10 = 7,000$; paid-up capital is Rs $700 \times 8 = 5,600$. Their difference, Rs 1,400, is fresh securities premium. The original forfeiture attributable to these shares is Rs $700 \times 5 = 3,500$.

Step 2: Record Sanya Ltd. entries

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

Step 3: Compute Moksh Ltd. amounts **Working Notes:** The final Rs 2 has not been called; hence called-up capital per share is Rs $10 - 2 = 8$. Capital received before forfeiture is Rs $8 - 3 = 5$ per share. Thus Share Capital is debited with Rs $5,000 \times 8 = 40,000$, the unpaid first call is Rs $5,000 \times 3 = 15,000$, and forfeiture credit is Rs 25,000.

For the 2,000 shares reissued as Rs 8 paid up for Rs 7, the discount is Rs $2,000(8 - 7) = 2,000$. The related original forfeiture is Rs $2,000 \times 5 = 10,000$, from which this discount is deducted.

Step 4: Record Moksh Ltd. entries

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

Step 5: Conclusion Sanya Ltd. transfers Rs 3,500 to Capital Reserve and retains Rs 6,500 in Share Forfeiture. Moksh Ltd. transfers Rs 8,000 to Capital Reserve and retains Rs 15,000 in Share Forfeiture.

Quick Tip to Solve: Compare reissue proceeds with the paid-up value, Rs 8 here, rather than the face value Rs 10; transfer forfeiture profit only for shares actually reissued.

OR

26(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:

- Application, allotment and call dues are based on the 80,000 shares actually allotted. The 5,000 unsubscribed shares generate no journal entry.
- Calls in Arrears records an instalment due but unpaid. Calls in Advance is a liability until the relevant call becomes due; it is then adjusted against that call.
- The first and final call is Rs $100 - 30 - 40 = 30$ per share. No interest is recorded because no interest rate or period is stated.

Step 1: Record application receipt and transfer **Working Notes:** Application receipt is Rs $80,000 \times 30 = 24,00,000$. All applicants receive full allotment, so the whole application balance is transferred to Share Capital and no refund is required.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Bank A/c Dr.		24,00,000	
–	To Share Application A/c			24,00,000
	(Being application money received on 80,000 shares.)			
–	Share Application A/c Dr.		24,00,000	
–	To Share Capital A/c			24,00,000
	(Being application money transferred to capital on allotment.)			

Step 2: Record allotment due and received Allotment due is Rs $80,000 \times 40 = 32,00,000$. The defaulting shareholder owes Rs $300 \times 40 = 12,000$. The holder of 500 shares pays his future call of Rs $500 \times 30 = 15,000$ in advance, in addition to allotment. Therefore the bank receives Rs $32,00,000 - 12,000 + 15,000 = 32,03,000$.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
–	Share Allotment A/c Dr.		32,00,000	
–	To Share Capital A/c			32,00,000
	(Being allotment of Rs 40 per share due on 80,000 shares.)			
–	Bank A/c Dr.		32,03,000	
–	Calls in Arrears A/c Dr.		12,000	
–	To Share Allotment A/c			32,00,000
–	To Calls in Advance A/c			15,000
	(Being allotment received, arrears on 300 shares recorded and call on 500 shares received in advance.)			

Step 3: Record the final call and clear both accounts Call due is Rs $80,000 \times 30 = 24,00,000$. Adjust the Rs 15,000 already received in advance. At the call stage bank receives Rs $24,00,000 - 15,000 + 12,000 = 23,97,000$, including recovery of the earlier allotment arrears.

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

Step 4: Show Calls in Arrears and Calls in Advance ledgers **Calls in Arrears Account**

Dr. Particulars	Rs	Cr. Particulars	Rs
To Share Allotment	12,000	By Bank	12,000
Total	12,000	Total	12,000

Calls in Advance Account

Dr. Particulars	Rs	Cr. Particulars	Rs
To Share First and Final Call	15,000	By Bank	15,000
Total	15,000	Total	15,000

Both accounts are closed by the transactions above; neither has a balance to carry down. Total bank receipts are Rs $24,00,000 + 32,03,000 + 23,97,000 = 80,00,000$, equal to the fully paid capital on 80,000 shares.

Step 5: Conclusion Share Capital is Rs 80,00,000, representing 80,000 fully paid shares of Rs 100 each. Calls in Arrears and Calls in Advance both have nil closing balances.

Quick Tip to Solve: At allotment subtract Rs 12,000 arrears and add Rs 15,000 advance; at the final call reverse these cash adjustments so total receipts equal the allotted capital.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27(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 concern acquisition or disposal of long-term assets and investments other than cash equivalents.
- Marketable securities held as cash equivalents form part of cash and cash equivalents; moving cash into them does not create an investing cash flow.

Step 1: Identify the cash-equivalent transaction In this question marketable securities are treated as short-term, highly liquid cash equivalents. Purchasing them for Rs 20,000 changes the composition of cash and cash equivalents and is excluded from investing activities.

Step 2: Check the other alternatives Sale of machinery for Rs 90,000 and sale of furniture for Rs 43,000 are disposals of tangible fixed assets and therefore investing inflows. Purchase of goodwill for Rs 5,00,000 is acquisition of an intangible long-term asset and therefore an investing outflow. Consequently options (A), (B) and (D) all describe investing activities.

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

Quick Tip to Solve: Check cash-equivalent status first: the paper treats marketable securities as cash equivalents, while machinery, goodwill and furniture are long-term assets.

OR

27(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 flow means a change in the total cash and cash equivalents of an enterprise.
- Transfers between cash in hand and a demand deposit in a bank are cash management transactions; they do not change total cash and cash equivalents.

Step 1: Examine the internal transfer When cash is deposited in the bank, cash in hand decreases and the bank balance increases by exactly the same amount. Thus, total cash and cash equivalents remain unchanged.

Step 2: Test the other alternatives Purchase of furniture through a cheque reduces the bank balance and is an investing cash outflow. Payment of salaries is an operating cash outflow. Issue of shares for cash increases the bank balance and is a financing cash inflow. Each changes total cash and cash equivalents.

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

Quick Tip to Solve: Add cash in hand and bank balance together: a transfer between them leaves the total unchanged.

28(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 expresses every line item as a percentage of revenue from operations.
- Common size percentage $= \dfrac{\text{Amount of the item}}{\text{Revenue from operations}} \times 100$.

Step 1: Identify the common base Revenue from operations is taken as the base and assigned 100%.

Expenses, other income and profits are expressed relative to that same base so that statements of different sizes can be compared.

Step 2: Distinguish the remaining choices Total income includes other income, so it is not the prescribed base. Total expenses and net profit after tax are individual components of the statement, rather than the common denominator for its percentages.

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

Quick Tip to Solve: In a common size income statement, first write revenue from operations as 100%, then divide each item by it.

OR

28(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:

- Common size statements express accounting amounts as percentages of a common base.
- In an income statement the base is revenue from operations; in a balance sheet it is total assets or the equivalent total equity and liabilities.

Step 1: Explain comparison on a common basis Percentage presentation removes the effect of different absolute business sizes. The percentage structure of a single firm can therefore be compared over different years, and the structures of different firms can be compared for the same year or over several years.

Step 2: Examine the alternative statements Comparative statements primarily show absolute and percentage changes between periods. An ordinary income statement reports income and expenses, while a cash flow statement reports cash movements. Neither of these by itself supplies the common percentage structure described in the question.

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

Quick Tip to Solve: For comparisons across firms of different sizes, look for amounts converted into percentages of a common base.

29. 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 amounts of cash with insignificant risk of 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: Judge Statement I The statement includes high liquidity, ready conversion into a known cash amount and insignificant value risk. These are precisely the characteristics of cash equivalents, so Statement I is true.

Step 2: Judge Statement II The words "three months or more" reverse the usual limit. To qualify normally, the maturity period must be three months or less from acquisition. A longer maturity is not justified merely by describing an investment as short term, so Statement II is false.

Step 3: Match the pair with the options Option (A) wrongly treats Statement I as false; option (B) wrongly treats Statement II as true; option (C) reverses both judgments. Only option (D) matches the true/false pair established above.

Step 4: Conclusion Statement I is true and Statement II is false. Hence, the correct option is (D).

Quick Tip to Solve: Check both the direction of the three-month limit and the starting date: maturity is measured from acquisition.

30. 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 $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$; inventory and prepaid expenses are excluded from quick assets.
- When the initial ratio is below one, paying a current liability reduces numerator and denominator equally and decreases the ratio.

Step 1: Apply the payment to the given ratio Let current liabilities be L, so quick assets are $0.8L$. Paying the outstanding electricity bill reduces both by Rs 41,000. The new ratio is $\dfrac{0.8L - 41,000}{L - 41,000}$. Its difference from 0.8 is $\dfrac{-8,200}{L - 41,000} < 0$, for the positive remaining liability balance. Thus the ratio decreases.

Step 2: Check all other transactions A credit sale increases debtors, which are quick assets, while inventory is already excluded; the ratio increases. Collection from debtors merely replaces one quick asset with another and leaves the ratio unchanged. Issue of shares for cash increases quick assets without increasing current liabilities, so the ratio increases.

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: With a ratio below 1:1, equal reductions in quick assets and current liabilities push the ratio further down.

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

(i) Unpaid dividend

(ii) Raw materials

(iii) Building under construction [3 marks]

Solution:

Concept:

- The balance sheet classifies assets and liabilities into current and non-current heads according to their nature and the operating cycle.
- A declared but unpaid dividend is an amount owed to shareholders; raw materials are stocks for production; incomplete construction is capital expenditure not yet ready for use.

Step 1: Classify unpaid dividend Unpaid dividend is shown under the major head **Current liabilities** and the sub-head **Other current liabilities**. It is a liability because the declared amount remains payable to shareholders; it is not part of share capital or reserves merely because its recipients are shareholders.

Step 2: Classify raw materials Raw materials are shown under the major head **Current assets** and the sub-head **Inventories**. These materials are held for consumption in the manufacturing process during the normal operating cycle. Their physical form does not make them fixed assets: their intended use is production, not continuing service as equipment.

Step 3: Classify building under construction Building under construction is shown under the major head **Non-current assets**, within **Property, plant and equipment and intangible assets** (the fixed-assets grouping), as **Capital work-in-progress**. The construction cost is capital in nature, but the building has not yet reached the condition necessary for its intended use, so it is not included in completed buildings.

Step 4: Conclusion

Item	Major head	Sub-head / classification
Unpaid dividend	Current liabilities	Other current liabilities
Raw materials	Current assets	Inventories
Building under construction	Non-current assets	Property, plant and equipment and intangible assets: Capital work-in-progress

Quick Tip to Solve: For an unfinished long-term asset, use capital work-in-progress; for materials consumed in production, use inventories.

32. From the following information, prepare a comparative statement of profit and loss of Nexa Ltd. for the year ended 31st March, 2025.

Particulars	Note No.	2024–25 (Rs)	2023–24 (Rs)
Revenue from operations		10,00,000	5,00,000
Cost of revenue from operations		50% of Revenue from operations	50% of Revenue from operations
Employee benefit expenses		2,00,000	1,00,000
Tax Rate		25%	25%

[3 marks]

Solution:

Concept:

- Absolute change = Current year amount − Previous year amount.
- Percentage change $= \dfrac{\text{Absolute change}}{\text{Previous year amount}} \times 100$.
- Profit before tax equals revenue less expenses; tax is calculated on profit before tax and deducted to obtain profit after tax.

Step 1: Compute expenses and profits for both years For 2023–24, cost of revenue from operations is

$50\% \times 5,00,000 =$ Rs $2,50,000$. Total expenses are $2,50,000 + 1,00,000 =$ Rs $3,50,000$. Profit before tax is $5,00,000 - 3,50,000 =$ Rs $1,50,000$; tax is $25\% \times 1,50,000 =$ Rs $37,500$, leaving profit after tax of Rs 1,12,500.

For 2024–25, cost of revenue from operations is $50\% \times 10,00,000 =$ Rs $5,00,000$. Total expenses are $5,00,000 + 2,00,000 =$ Rs $7,00,000$. Profit before tax is Rs 3,00,000; tax is Rs 75,000 and profit after tax is Rs 2,25,000.

Step 2: Prepare the comparative statement

Nexa Ltd.
Comparative Statement of Profit and Loss
For the year ended 31st March, 2025

Particulars	2023–24 (Rs)	2024–25 (Rs)	Change (Rs)	Change (%)
Revenue from operations	5,00,000	10,00,000	5,00,000	100
Total revenue	5,00,000	10,00,000	5,00,000	100
Expenses:				
Cost of revenue from operations	2,50,000	5,00,000	2,50,000	100
Employee benefit expenses	1,00,000	2,00,000	1,00,000	100
Total expenses	3,50,000	7,00,000	3,50,000	100
Profit before tax	1,50,000	3,00,000	1,50,000	100
Tax expense (25%)	37,500	75,000	37,500	100
Profit after tax	1,12,500	2,25,000	1,12,500	100

All changes shown are increases. For example, the percentage increase in profit after tax is $\frac{1,12,500}{1,12,500} \times 100 = 100\%$. The unchanged tax rate is applied to each year's profit; it is not itself an expense amount.

Step 3: Conclusion Profit after tax increased from Rs 1,12,500 in 2023–24 to Rs 2,25,000 in 2024–25, an increase of Rs 1,12,500 or 100%.

Quick Tip to Solve: Calculate each year's tax on profit before tax, then use the previous year amount as the percentage-change denominator.

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:

- The gross profit ratio equals gross profit divided by revenue from operations, multiplied by 100. Thus, with gross profit at 20%, cost of revenue from operations is 80% of total revenue.
- Trade receivables turnover ratio $= \dfrac{\text{Net credit revenue from operations}}{\text{Average trade receivables}}$, where average trade receivables are half the sum of opening and closing balances.

Step 1: Calculate total revenue from operations Let total revenue from operations be S. Since gross profit is 20% of revenue, cost is $100\% - 20\% = 80\%$ of revenue. Therefore,

$$0.80S = 6,40,000, \qquad S = \frac{6,40,000}{0.80} = \text{Rs } 8,00,000.$$

Gross profit is consequently Rs 1,60,000; adding this to cost confirms the total revenue.

Step 2: Separate cash revenue and credit revenue Let credit revenue be C. Cash revenue is $33\frac{1}{3}\% = \frac{1}{3}$ of credit revenue, so total revenue is $C + \frac{C}{3} = \frac{4C}{3}$. Hence,

$$\frac{4C}{3} = 8,00,000 \quad \Rightarrow \quad C = \text{Rs } 6,00,000.$$

Cash revenue is Rs 2,00,000. The turnover ratio uses credit revenue only, because cash sales do not create trade receivables.

Step 3: Find the average and the two balances Using the turnover ratio of 4 times,

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

Let opening trade receivables be x. The closing balance is $x + 20,000$. Thus,

$$\frac{x + (x + 20,000)}{2} = 1,50,000 \quad \Rightarrow \quad 2x + 20,000 = 3,00,000 \quad \Rightarrow \quad x = 1,40,000.$$

The closing balance is therefore $1,40,000 + 20,000 = 1,60,000$. Their average is Rs 1,50,000, and $6,00,000/1,50,000 = 4$, agreeing with the given turnover.

Step 4: 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. The opening and closing balances lie Rs 10,000 on either side of their average.

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	15,20,000	9,80,000
	Accumulated Depreciation	(1,20,000)	(80,000)
	Net carrying amount	14,00,000	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 paid to acquire non-current assets and investments, and cash received from their disposal. Sale proceeds equal the carrying amount of the asset sold plus the profit on sale.
- For a non-financial company, cash issues of share capital, redemption of debentures, changes in bank overdraft and interest paid are financing activities. Depreciation and profit on sale are not separate investing cash flows.

Step 1: Work out the cost and accumulated depreciation of the machine sold The plant and machinery balances in Note 4 give gross cost separately from accumulated depreciation. The gross-cost reconciliation is:

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

Depreciation attached to the disposed machine must be removed from the accumulated depreciation account. Therefore,

$$\begin{aligned}\text{Accumulated depreciation on machine sold} &= 80,000 + 80,000 - 1,20,000\\ &= \text{Rs } 40,000.\end{aligned}$$

Here the first Rs 80,000 is opening accumulated depreciation and the second is the charge for the year.

Step 2: Calculate cash received from sale of machinery The machine's carrying amount at disposal was its cost less accumulated depreciation:

$$2,60,000 - 40,000 = \text{Rs } 2,20,000.$$

The machine was sold at a profit of Rs 8,000, so sale proceeds were

$$2,20,000 + 8,000 = \text{Rs } 2,28,000.$$

The entire Rs 2,28,000 is an investing inflow. The profit is included in this receipt and must not be added a second time.

Step 3: Prepare cash flows from investing activities Goodwill increased by $4,00,000 - 2,40,000 =$ Rs $1,60,000$, representing its purchase. Non-current investments increased by $5,44,000 - 3,40,000 =$ Rs $2,04,000$, representing purchases. No other movements in these accounts are given.

Particulars	Amount (Rs)
Purchase of plant and machinery	$(8,00,000)$
Sale of plant and machinery	$2,28,000$
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 non-cash and does not appear in this statement.

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 raised from issue of shares. Debentures decreased by $3,20,000 - 2,50,000 =$ Rs $70,000$, indicating redemption. Bank overdraft increased by $90,000 - 70,000 =$ Rs $20,000$, which is a financing inflow. The actual interest payment of Rs 32,000 is used directly.

Particulars	Amount (Rs)
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	$10,18,000$

Changes in inventories, trade receivables and trade payables belong to operating activities; they do not enter either of the two requested sections.

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: For machinery disposal, reconcile gross cost and accumulated depreciation separately, then add the sale profit to the carrying amount. Include the bank overdraft increase as a financing inflow.

OPTION - II (Computerised Accounting)

27(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 or ready-to-use accounting package is intended for standard accounting needs and a low volume of transactions.
- High adaptability means that the organisation can readily adjust its procedures to the available

package; extensive tailoring is therefore unnecessary.

Step 1: Match the organisation to the software category The organisation has very few accounting transactions and can adapt readily to a standard package. A generic package supplies the usual accounting functions economically and suits both stated features.

Step 2: Check the remaining choices Specific and tailored packages serve specialised requirements, so (A) and (C) do not match this standard low-volume situation. Option (D), which combines (A) and (C), is also unsuitable. The combination of low transaction volume and high adaptability identifies (B).

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

Quick Tip to Solve: Link low transaction volume and high adaptability with a generic, ready-to-use package; tailored software is needed for specialised requirements.

OR

27(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 a collection of values processed together in a spreadsheet formula.
- An array formula can perform the same calculation on several values and return multiple results from one formula.

Step 1: Identify the required spreadsheet feature The question asks for a single formula that produces multiple results. An array supplies a group of values to an array formula, enabling calculations on those values together and allowing the results to occupy more than one cell.

Step 2: Check the alternatives A derived value is an output of calculation, rather than the feature used to construct such a formula. Vectors are not the intended Excel feature here. Round() rounds a numerical result to a specified number of digits; it does not describe the multiple-result formula mechanism.

Step 3: Conclusion Array is used for this purpose. Hence, the correct option is (A).

Quick Tip to Solve: Associate a single formula returning several results with an array formula, rather than with a rounding function.

28. 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 processes transactions and information relating to a particular accounting function.
- The fixed assets accounting sub-system maintains asset cost, useful-life and depreciation information.

Step 1: Identify the source of depreciation Depreciation allocates the depreciable amount of a fixed asset over its useful life. The fixed assets accounting sub-system keeps the relevant asset records and generates depreciation calculations from them.

Step 2: Distinguish the other sub-systems The expense accounting sub-system handles expenses generally; the specialised source of the depreciation computation is the fixed assets sub-system. The tax accounting sub-system deals with tax information, while the final accounts sub-system prepares financial statements using information generated by other sub-systems.

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

Quick Tip to Solve: For depreciation, identify the sub-system maintaining the asset register and its useful-life details.

29. 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 presents values visually, while its elements provide labels, symbols or supporting numerical information.
- A data table displays the underlying categories and numerical values in a tabular arrangement below a chart.

Step 1: Match the described position and information The question specifies both the data values and categories displayed below the chart. A data table provides this structured numerical detail beneath

the graphical display, letting the reader compare exact values with the plotted representation.

Step 2: Eliminate similar chart terms A data marker is a graphical representation, such as a column or plotted symbol. A data point is an individual value represented in the chart. Data labels annotate individual plotted values; they do not provide the full category-and-value table 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 clue "below the chart": a grid of categories and exact values is the data table.

30(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 consists of the physical components of a computer, such as its processor, keyboard and storage devices.
- Software consists of the programs and instructions that direct the hardware to perform tasks.

Step 1: Identify the two broad components A computer system needs physical equipment to accept, process, store and display data. It also needs instructions that tell that equipment what to do. These two broad components are hardware and software.

Step 2: Check the scope of the other options System software and application software are both categories within software. Pairing hardware with only system software or only application software omits the other software category. Listing system and application software alone omits the physical hardware altogether.

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

Quick Tip to Solve: Choose the broadest pair: hardware covers equipment, and software covers both system and application programs.

OR

30(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:

- The equity and liabilities group contains owners' funds and obligations of the business.
- Capital work in progress represents expenditure on capital assets still under construction and belongs to the assets group.

Step 1: Classify capital work in progress Capital work in progress is the accumulated cost of an asset whose construction or installation is not yet complete. It represents an asset under development, rather than an equity balance or a liability to an outside party.

Step 2: Check each remaining account Money received against share warrants is included in the equity and liabilities side under the prescribed classification. Deferred tax liability is a liability arising from tax timing differences. Trade payable is an amount owed to suppliers and is also a liability. None of these is the asset sought by the question.

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: In a "not equity and liability" question, look for an asset: unfinished capital construction remains an asset.

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

Solution:

Concept:

- A Computerized Accounting System uses accounting software and computer resources to record, process and report financial transactions.
- Its features arise from applying programmed accounting procedures to data stored in an organised electronic database.

Step 1: Speed A computerized accounting system processes a large volume of accounting data rapidly. After transactions are entered, the software can post them to the relevant accounts, calculate balances and prepare reports much faster than repeated manual processing. For example, a trial balance can be generated from the recorded ledger data without manually adding every account again.

Step 2: Accuracy The system performs arithmetic and posting operations according to programmed rules, reducing calculation and copying errors. Totals, balances and related reports are computed

consistently from the entered data. This feature depends on correct input and properly configured software: an incorrect transaction entered by a user can still lead to incorrect information, even when the arithmetic is accurate.

Step 3: Real-time user interface and updated information The system allows a user to interact with the software while transactions are processed. As a transaction is recorded, relevant account balances and linked information can be updated promptly. Users can therefore obtain current reports for decisions, such as checking the outstanding balance of a customer after recording a receipt, instead of waiting for a separate manual posting cycle.

Step 4: Conclusion Three features are speed, accuracy, and a real-time user interface that provides updated accounting information.

Quick Tip to Solve: Explain each feature through its practical accounting effect, and remember that accurate processing still requires correct input.

32. 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 uses this address to refer to the cell's value.
- Copying a formula tests the reference type: relative references adjust with the new location, whereas absolute references remain fixed.

Step 1: Cell reference A cell reference is the address of a cell, or of a range of cells, used to identify the location of data in a worksheet. For example, A1 refers to the cell at the intersection of column A and row 1, while A1:A5 refers to the range from A1 to A5. A formula such as =A1+B1 uses references to add the values stored in those cells, so changes to their contents are reflected in the formula result.

Step 2: Absolute cell reference An absolute cell reference fixes both the column and the row so that the address does not change when the formula is copied to another location. To make A1 absolute, prefix the column letter A with a dollar sign and separately prefix the row number 1 with a dollar sign. Both parts are thereby locked. For example, a formula in C2 may multiply the value in the relative cell B2 by a rate stored in the absolute reference to A1. When this formula is copied down to C3, B2 becomes B3, but the rate reference continues to point to A1 because both its column and row are locked. This is useful when several calculations must use one fixed rate.

Step 3: Relative cell reference A relative cell reference changes according to the displacement of a copied formula. It contains no dollar signs, for example A1. If =A1+B1 in C1 is copied one row down to C2, the formula becomes =A2+B2. If it is copied one column right to D1, it becomes =B1+C1. The relative positions of the referenced cells with respect to the formula cell are preserved.

Step 4: Conclusion A cell reference identifies a worksheet location. An absolute reference locks both column and row with dollar prefixes and stays fixed on copying; a relative reference, such as A1, adjusts with the copied formula.

Quick Tip to Solve: Trace a formula copied one row down: a relative B2 becomes B3, while a reference with both its column and row locked still points to its original cell.

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

Solution:

Concept:

- Text manipulation functions handle text strings or present values as text. The TEXT function converts a number into a text string in a specified numerical format.
- A spreadsheet formula begins with an equals sign; the function name is followed by its arguments in parentheses.

Step 1: State the function and its syntax The TEXT function is useful when an amount, date or other numerical value must be displayed in a particular readable form, especially when it is combined with words or symbols. Its syntax is `=TEXT(value, format_text)`.

Step 2: Explain the first argument The argument `value` supplies the number to be converted. It can be a number entered directly, a formula that gives a numerical result, or a reference to a cell containing the number. Thus, a cell reference allows the displayed text to update when the source amount changes.

Step 3: Explain the format argument and illustrate The argument `format_text` specifies the required number format and is enclosed in double quotation marks. For example, if cell L1 contains 23.5, enter `=TEXT(L1,"0.00")`. The output is the text `23.50`. The two zeros after the decimal point require two decimal places. The result is text, so the format describes its appearance rather than changing the value stored in L1.

Step 4: Conclusion TEXT produces formatted text from the supplied value. Its two arguments are the value to convert and the format code enclosed in quotation marks.

Quick Tip to Solve: Keep the format code inside double quotation marks and use 0.00 when two decimal places are required.

OR

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

Solution:

Concept:

- A chart contains separately selectable elements, such as the chart area, plot area, title, legend, axes and data series. Formatting changes the appearance of the selected element.
- The Current Selection group on the Format tab identifies the selected chart element and provides access to its formatting settings.

Step 1: Activate the chart Click anywhere inside the chart. Excel displays Chart Tools with the Design, Layout and Format tabs. The chart must be active before its chart-specific formatting controls are available. If the required element is easy to identify, it can also be selected directly by clicking it.

Step 2: Select the required chart element Open the Format tab. In its Current Selection group, click the arrow beside the Chart Elements box. From the list, choose the element whose format is to be

changed, such as Chart Title, Legend or a particular axis. Check that the box names the intended element before proceeding.

Step 3: Open the element's formatting controls On the same Format tab, in the Current Selection group, click Format Selection. This opens the Format Chart Element dialog box for the element selected. For example, selecting an axis opens its axis-formatting settings; selecting the legend opens the legend-formatting settings.

Step 4: Choose and apply the desired format In the dialog box, select the relevant category, then choose the required formatting options. The available categories depend on the element: examples include fill, border or line, and number-format settings for a value axis. Apply the choices and close the dialog box. Inspect the chart to confirm that the intended element has the required appearance.

Step 5: Conclusion The sequence is: activate the chart, choose the element through Format and Current Selection, click Format Selection, and set the required options in its formatting dialog box.

Quick Tip to Solve: Use the Chart Elements list when an axis, title or legend is difficult to select precisely with the mouse.

34. = SUM (E2E3) will give an error while using spreadsheet. Identify the error and state the various steps to correct this type of error. [6 marks]

Solution:

Concept:

- A spreadsheet formula must identify each cell or range unambiguously. In `SUM`, a colon joins the first and last cell references of a continuous range; a comma separates individual arguments.
- The error `#NAME?` indicates that the spreadsheet does not recognise a name used in a formula. Omitting the colon can turn two intended cell references into an undefined name.

Step 1: Identify the error in the printed formula In `=SUM(E2E3)`, the expression `E2E3` does not identify the range from cell E2 to cell E3. There is no separator between the two intended cell references. Excel therefore treats E2E3 as a name; unless that name has been defined in the workbook, it returns `#NAME?`. The function name SUM itself is correctly spelt.

Step 2: Locate and edit the incorrect reference Select the cell displaying the error. Inspect its formula in the formula bar, or press F2 to edit the cell. Check the function name, parentheses and the references inside the parentheses. Here the fault is the missing range separator between E2 and E3. Check that these are the two cells whose values are to be added.

Step 3: Insert the correct separator Place the cursor between E2 and E3 and insert a colon. The corrected formula is `=SUM(E2:E3)`. This includes both E2 and E3 in the range. Alternatively, enter `=SUM(E2,E3)`, using a comma to supply the two cells as separate arguments. Both expressions add the numeric values in the specified cells.

Step 4: Confirm and verify the result Press Enter to accept the corrected formula. Check that the error has disappeared and that the displayed total agrees with the values in E2 and E3. For example, if E2 contains 100 and E3 contains 200, the corrected formula returns 300. If an error remains, inspect the referenced cells for existing error values and confirm that the formula was entered exactly as

intended.

Step 5: Distinguish the related range error A space between references acts as the intersection operator. Thus `=SUM(E2 E3)`, with a space between E2 and E3, gives `#NULL!`, because these distinct cells have no intersection. That error is corrected by replacing the space with a colon for a continuous range, or a comma for separate arguments. The printed expression has no such space between the references; its literal undefined-name error is `#NAME?`.

Step 6: Conclusion The printed formula gives `#NAME?` when E2E3 is not a defined name. Correct the missing separator and enter `=SUM(E2:E3)`, or `=SUM(E2,E3)`, then verify the total.

Quick Tip to Solve: In SUM, insert a colon for E2 through E3, or a comma for the two separate cells; never join the references as E2E3.