CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-4-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Reena and Teena were partners in a firm sharing profits and losses in the ratio of 2:1. Teena withdrew Rs 20,000 at the beginning of each month during the year ended 31st March, 2025. Interest on drawings was to be charged @ 6% per annum. Interest on Teena's drawings for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 7,800

(B) Rs 7,200

(C) Rs 9,600

(D) Rs 6,600

Correct Answer: (A) Rs 7,800

Solution:

Concept:

- Interest is charged for the time each drawing remains withdrawn, using the annual rate.
- For equal monthly drawings at the beginning of each month, average time is $(12+1)/2 = 6.5$ months.

Step 1: Find total drawings and time Total drawings are $20,000 \times 12 =$ Rs $2,40,000$. The April drawing bears interest for 12 months and the March drawing for one month, so the average is 6.5 months.

Step 2: Calculate interest and compare options Interest $= 2,40,000 \times \frac{6}{100} \times \frac{6.5}{12} =$ Rs $7,800$. Rs 7,200 uses six months and Rs 6,600 uses 5.5 months; both describe different timing. Rs 9,600 also fails the stated rate and time.

Step 3: Conclusion The interest is Rs 7,800. Hence, the correct option is (A).

Quick Tip to Solve: For beginning-of-month drawings use 6.5 months; do not use the six-month midpoint.

OR

1(b). Rohan and Sohan were partners in a firm sharing profits and losses equally. Rohan withdrew Rs 15,000 at the beginning of each quarter during the year ended 31st March, 2025. Interest on Rohan's drawings will be calculated for an average period of: [1 mark]

(A) 6 months

(B) 4 1/2 months

(C) 7 1/2 months

(D) 6 1/2 months

Correct Answer: (C) 7 1/2 months

Solution:

Concept:

- Equal periodic withdrawals permit the use of an average period.
- Average period is $(\text{first period} + \text{last period})/2$ when the intervals are equal.

Step 1: List the interest periods Drawings occur on 1st April, 1st July, 1st October and 1st January. Up to 31st March their interest periods are respectively 12, 9, 6 and 3 months.

Step 2: Average the four periods The average is $(12+9+6+3)/4 = 30/4 = 7.5$ months. The amount of each withdrawal and the partners' profit ratio do not affect this time. Six months corresponds to middle-of-quarter drawings, 4.5 months to quarter-end drawings, and 6.5 months to beginning-of-month drawings.

Step 3: Conclusion The average period is $7\frac{1}{2}$ months. Hence, the correct option is (C).

Quick Tip to Solve: Write the four quarter-start dates first; the shortest period is three months, not zero.

2. P, Q and R were partners in a firm sharing profits and losses in the ratio of 6:5:4. They admitted S as a new partner for 1/8th share in the profits of the firm. It was agreed that Q would retain his original share. The sacrificing ratio of P and R will be: [1 mark]

(A) 6:5

(B) 4:5

(C) 3:2

(D) 5:4

Correct Answer: (C) 3:2

Solution:

Concept:

- Sacrificing share equals old share minus new share.
- When Q retains his share, P and R bear the new partner's share in their mutual old ratio unless a different ratio is stated.

Step 1: Exclude the non-sacrificing partner The old shares are $P = 6/15$, $Q = 5/15$, and $R = 4/15$.

Since Q retains $5/15$, his sacrifice is zero. Thus only P and R supply S's $1/8$ share.

Step 2: Find and verify the sacrifices P and R share the sacrifice in $6 : 4 = 3 : 2$. Their sacrifices are $(1/8)(3/5) = 3/40$ and $(1/8)(2/5) = 1/20$; these add to $1/8$. Options 6:5 and 4:5 wrongly involve Q's ratio component, while 5:4 does not preserve P and R's mutual old ratio.

Step 3: Conclusion The sacrificing ratio of P and R is $3 : 2$. Hence, the correct option is (C).

Quick Tip to Solve: Remove the partner who retains the original share, then simplify the other old ratio components.

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3. Ravi, Sunil and Amit were partners in a firm sharing profits and losses in the ratio of 4:3:5. On 1st April, 2025, Ravi retired. Sunil and Amit decided to share future profits in the ratio of 2:3. After all adjustments with respect to general reserve, goodwill and revaluation, etc., the balances in the capital accounts of Ravi, Sunil and Amit stood at Rs 3,00,000; Rs 2,40,000 and Rs 3,60,000 respectively. It was decided that the amount payable to Ravi will be brought by Sunil and Amit in such a way so as to make their capitals proportionate to their new profit sharing ratio. The amount brought in by Sunil and Amit will be: [1 mark]

(A) Sunil Rs 1,00,000, Amit Rs 2,00,000

(B) Sunil Rs 1,20,000, Amit Rs 1,80,000

(C) Sunil Rs 1,50,000, Amit Rs 1,50,000

(D) Sunil Rs 80,000, Amit Rs 2,20,000

Correct Answer: (B) Sunil Rs 1,20,000, Amit Rs 1,80,000

Solution:

Concept:

- Cash introduced equals required capital minus the adjusted existing capital.
- Continuing partners' final capitals must be proportional to their new profit-sharing ratio.

Step 1: Determine the required total capital Sunil and Amit have adjusted capitals of Rs 2,40,000 and Rs 3,60,000, totalling Rs 6,00,000. They must introduce Rs 3,00,000 to pay Ravi, so their total capitals after the contribution will be Rs 9,00,000.

Step 2: Allocate capital and find cash introduced Required capitals in $2 : 3$ are $9,00,000(2/5) =$ Rs $3,60,000$ and $9,00,000(3/5) =$ Rs $5,40,000$. Cash introduced is therefore Rs 1,20,000 and Rs 1,80,000. All other listed pairs sum to Rs 3,00,000 but leave final capitals outside the required 2:3 ratio.

Step 3: Conclusion Sunil brings Rs 1,20,000 and Amit brings Rs 1,80,000. Hence, the correct option is (B).

Quick Tip to Solve: Check final capitals after adding the proposed cash; their ratio must be 2:3.

4(a). 6,000 shares of Rs 25 each were forfeited for non-payment of final call money of Rs 5 per share. The maximum discount that the company can allow on reissue of these shares will be: [1 mark]

(A) Rs 30,000

(B) Rs 90,000

(C) Rs 1,20,000

(D) Rs 1,50,000

Correct Answer: (C) Rs 1,20,000

Solution:

Concept:

- Reissue discount cannot exceed the forfeited amount attributable to the shares reissued.
- Forfeited capital per share equals called-up face value less unpaid calls, where no premium is involved.

Step 1: Calculate the amount already received Each share has face value Rs 25 and an unpaid final call of Rs 5. Capital already received and forfeited is therefore $25 - 5 = \text{Rs } 20$ per share.

Step 2: Apply the maximum-discount limit For 6,000 shares, the forfeited amount is $6,000 \times 20 = \text{Rs } 1,20,000$. This is the greatest reissue discount permissible. Rs 30,000 is the unpaid call, Rs 1,50,000 is full face value and exceeds the amount available, while Rs 90,000 is below the maximum.

Step 3: Conclusion The maximum discount is Rs 1,20,000. Hence, the correct option is (C).

Quick Tip to Solve: Maximum reissue discount uses capital already received, not the unpaid final call.

OR

4(b). 5,000 shares of Rs 20 each were forfeited for non-payment of second and final call of Rs 4 per share. The minimum amount that the company must collect at the time of reissue of these shares will be: [1 mark]

(A) Rs 20,000

(B) Rs 80,000

(C) Rs 1,00,000

(D) Rs 1,20,000

Correct Answer: (A) Rs 20,000

Solution:

Concept:

- Discount on reissue cannot exceed the forfeited capital relating to those shares.
- Minimum cash collected equals face value less maximum permissible discount.

Step 1: Find forfeiture available per share Of the Rs 20 face value, the second and final call of Rs 4 was unpaid. Thus Rs 16 per share had been received and is available to cover discount on reissue.

Step 2: Find minimum reissue collection Minimum reissue price is $20 - 16 = \text{Rs } 4$ per share. For 5,000 shares, cash collected is $5,000 \times 4 = \text{Rs } 20,000$. Rs 80,000 is the forfeited amount rather than

minimum cash; Rs 1,00,000 is face value, and Rs 1,20,000 exceeds face value. Neither represents the minimum.

Step 3: Conclusion The minimum collection is Rs 20,000. Hence, the correct option is (A).

Quick Tip to Solve: Subtract the forfeited amount from face value before multiplying by the number of shares.

5(a). Ravi, Sohan and Neena were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 1st April 2025, Sohan retired and his share was taken up by Ravi and Neena in the ratio of 2:1. The new profit sharing ratio between Ravi and Neena will be: [1 mark]

(A) 3:2

(B) 2:1

(C) 5:4

(D) 7:3

Correct Answer: (D) 7:3

Solution:

Concept:

- A continuing partner's new share equals old share plus the share acquired from the retiring partner.
- The given takeover ratio applies to Sohan's share, not to the entire future profit.

Step 1: Split the retiring share Sohan's old share is $3/10$. Ravi acquires $(3/10)(2/3) = 2/10$, while Neena acquires $(3/10)(1/3) = 1/10$. These gains total $3/10$, exactly Sohan's share.

Step 2: Add gains to old shares Ravi's new share is $5/10 + 2/10 = 7/10$, and Neena's is $2/10 + 1/10 = 3/10$. Their sum is one and the new ratio is 7:3. The option 2:1 is the gaining ratio only; 3:2 and 5:4 do not result from adding the stated gains to the old shares.

Step 3: Conclusion The new ratio between Ravi and Neena is $7 : 3$. Hence, the correct option is (D).

Quick Tip to Solve: Add the acquired share to each existing share; the takeover ratio alone is not the new ratio.

OR

5(b). Kunal, Raj and Leela were partners in a firm sharing profits and losses in the ratio of 4:3:2. On 1st April, 2025, Kunal retired. Raj and Leela decided to share profits in the future in the ratio of 5:3. The gaining ratio between Raj and Leela will be: [1 mark]

(A) 5:3

(B) 3:2

(C) 21:11

(D) 7:5

Correct Answer: (C) 21:11

Solution:

Concept:

- Gain in profit share equals new share minus old share.
- Convert the old and new shares to a common denominator before taking their differences.

Step 1: Calculate each continuing partner's gain Raj's old share is $3/9 = 1/3$, and Leela's is $2/9$. Their new shares are $5/8$ and $3/8$. Raj gains $5/8 - 1/3 = 7/24 = 21/72$; Leela gains $3/8 - 2/9 = 11/72$.

Step 2: Simplify and check the ratio The gaining ratio is $(21/72) : (11/72) = 21 : 11$. Total gain is $32/72 = 4/9$, matching Kunal's retired share. Option 5:3 is the new ratio, 3:2 is the old ratio between Raj and Leela, and 7:5 is neither the calculated gains nor their simplified ratio.

Step 3: Conclusion The gaining ratio is $21 : 11$. Hence, the correct option is (C).

Quick Tip to Solve: Subtract old shares from new shares separately, then cancel their common denominator.

6(a). Rohan and Meeta were partners in a firm sharing profits and losses in the ratio of 5:4. Their capitals were Rs 3,00,000 and Rs 2,00,000 respectively. They admitted Kabir as a new partner for 1/5th share in the profits of the firm. Kabir brought Rs 1,50,000 as his capital. Kabir's share in the goodwill of the firm was: [1 mark]

(A) Rs 50,000

(B) Rs 20,000

(C) Rs 1,00,000

(D) Rs 2,50,000

Correct Answer: (B) Rs 20,000

Solution:

Concept:

- Implied total capital equals incoming partner's capital divided by the incoming profit share.
- Hidden goodwill equals implied total capital less actual combined capital, including the incoming capital.

Step 1: Infer total capital and goodwill Kabir brings Rs 1,50,000 for a $1/5$ share, implying total capital $1,50,000/(1/5) =$ Rs $7,50,000$. Actual combined capital is $3,00,000 + 2,00,000 + 1,50,000 =$

Rs $6,50,000$. Hidden goodwill is therefore Rs 1,00,000.

Step 2: Find the incoming partner's share Kabir's goodwill share is $1,00,000 \times 1/5 =$ Rs $20,000$. Rs 1,00,000 is goodwill of the whole firm, not Kabir's share. Rs 2,50,000 incorrectly omits his capital from actual combined capital, and Rs 50,000 does not follow from his one-fifth entitlement.

Step 3: Conclusion Kabir's share of goodwill is Rs 20,000. Hence, the correct option is (B).

Quick Tip to Solve: Include the new partner's capital in actual total capital before finding hidden goodwill.

OR

6(b). Ravi, Nisha and Priya were partners in a firm sharing profits and losses in the ratio of 4:3:1. Ravi retired and the balance in his Capital Account after making necessary adjustments on account of reserves and revaluation of assets and re-assessment of liabilities was Rs 2,40,000. Nisha and Priya agreed to pay him Rs 2,70,000 in full settlement of his claim. The value of goodwill of the firm was: [1 mark]

(A) Rs 30,000

(B) Rs 90,000

(C) Rs 60,000

(D) Rs 1,20,000

Correct Answer: (C) Rs 60,000

Solution:

Concept:

- The excess of retirement settlement over adjusted capital represents the retiring partner's goodwill share.
- Firm's goodwill equals the retiring partner's goodwill share divided by that partner's old profit share.

Step 1: Identify Ravi's goodwill entitlement Ravi's adjusted capital is Rs 2,40,000 and settlement is Rs 2,70,000. The excess $2,70,000 - 2,40,000 =$ Rs $30,000$ is his share of goodwill, since reserves and revaluation have already been adjusted.

Step 2: Gross up to goodwill of the firm Ravi's old share is $4/(4+3+1) = 4/8 = 1/2$. Hence firm's goodwill is $30,000/(1/2) =$ Rs $60,000$. Rs 30,000 is only Ravi's entitlement. Rs 90,000 and Rs 1,20,000 apply incorrect multipliers to that entitlement and do not correspond to his half share.

Step 3: Conclusion The goodwill of the firm is Rs 60,000. Hence, the correct option is (C).

Quick Tip to Solve: The excess settlement belongs to the retiring partner; divide by the old share to value the firm.

7. Ankur and Angad were partners in a firm sharing profits and losses in the ratio of 8:7. On 1st July, 2024, Angad advanced a loan of Rs 8,00,000 to the firm. There is no partnership deed. Angad demands interest on loan @ 10% p.a. On 31st March, 2025, the amount of interest on loan due to Angad will be: [1 mark]

(A) Rs 36,000

(B) Rs 48,000

(C) Rs 80,000

(D) Rs 60,000

Correct Answer: (A) Rs 36,000

Solution:

Concept:

- In the absence of an agreed rate, interest on a partner's loan is allowed at 6% per annum.
- Interest on a loan is a charge against profits; the profit-sharing ratio does not determine it.

Step 1: Identify rate and period Angad cannot insist on his demanded rate of 10% without an agreement. The applicable rate is 6% p.a. From 1st July, 2024 to 31st March, 2025 the loan remains outstanding for nine months.

Step 2: Calculate the amount

$$\text{Interest} = 8,00,000 \times \frac{6}{100} \times \frac{9}{12} = \text{Rs } 36,000.$$

Rs 48,000 uses a full year at 6%; Rs 80,000 uses a full year at 10%; Rs 60,000 uses nine months at the unsupported rate of 10%.

Step 3: Conclusion Interest due is Rs 36,000. Hence, the correct option is (A).

Quick Tip to Solve: Count July through March as nine months and use 6% where the deed is silent.

8(a). ____ debentures refer to those debentures where a charge is created on the assets of the company for the purpose of payment in case of default. [1 mark]

(A) Unsecured

(B) Secured

(C) Convertible

(D) Registered

Correct Answer: (B) Secured

Solution:

Concept:

- Secured debentures carry a charge on specified assets or the assets of the company.
- Security provides creditors recourse to the charged assets when the company defaults.

Step 1: Identify the defining feature The question explicitly states that a charge is created on company assets to secure payment in case of default. This is the defining characteristic of secured debentures.

Step 2: Distinguish the other classifications Unsecured debentures do not carry such a charge. Convertible debentures are classified by their conversion into shares, whereas registered debentures are classified by registration of the holder. Neither conversion nor registration alone creates the stated security.

Step 3: Conclusion The blank is Secured. Hence, the correct option is (B).

Quick Tip to Solve: Link the words charge on assets directly with secured debentures.

OR

8(b). As per the provisions of Companies Act, 2013, the amount received as Securities Premium cannot be utilised to: [1 mark]

(A) Issue fully paid bonus shares to the members

(B) Write off preliminary expenses of the company

(C) Purchase fixed assets

(D) Purchase its own shares, i.e. buyback of shares

Correct Answer: (C) Purchase fixed assets

Solution:

Concept:

- Securities Premium is a capital receipt whose uses are restricted to prescribed purposes.
- Permitted uses include fully paid bonus shares, preliminary expenses and qualifying buyback of own shares.

Step 1: Check the permitted uses Issuing fully paid bonus shares to members, writing off preliminary expenses and buying back the company's own shares are permitted applications of Securities Premium under the relevant provisions.

Step 2: Identify the prohibited application Purchasing fixed assets is a general capital expenditure, but it is not a permitted application of the Securities Premium Account. The fact that an expenditure is capital in nature does not make it an authorised use. Thus (A), (B) and (D) are eliminated.

Step 3: Conclusion Securities Premium cannot be utilised to purchase fixed assets. Hence, the correct option is (C).

Quick Tip to Solve: Check the statutory list of premium uses; capital expenditure alone is not enough.

9. A business earned an average profit of Rs 2,00,000 during the last few years. The value of net assets of the business is Rs 17,00,000 and the normal rate of return in a similar business is 10%. The value of goodwill of the business by capitalisation of super-profits method will be: [1 mark]

(A) Rs 17,00,000

(B) Rs 2,00,000

(C) Rs 3,00,000

(D) Rs 30,000

Correct Answer: (C) Rs 3,00,000

Solution:

Concept:

- Normal profit is capital employed multiplied by the normal rate of return.
- Goodwill by capitalisation of super profits is Super profit $\times$ 100/Normal rate in percent.

Step 1: Find super profit

$$\text{Normal profit} = 17,00,000 \times \frac{10}{100} = \text{Rs } 1,70,000,$$
$$\text{Super profit} = 2,00,000 - 1,70,000 = \text{Rs } 30,000.$$

Step 2: Capitalise the excess profit

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

Rs 17,00,000 is net assets, Rs 2,00,000 is average profit, and Rs 30,000 is super profit before capitalisation; none is the required goodwill.

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

Quick Tip to Solve: First deduct normal profit; then capitalise only the excess at 10%.

10. Asha, Manan and Niyati were partners in a firm sharing profits and losses in the ratio of 3:2:1. With effect from 1st April, 2025, they agreed to share profits and losses equally. Due to change in the profit sharing ratio, Asha's gain or sacrifice will be: [1 mark]

(A) Sacrifice 1/6

(B) Gain 1/6

(C) Sacrifice 1/12

(D) Gain 1/12

Correct Answer: (A) Sacrifice 1/6

Solution:

Concept:

- A partner sacrifices when the old profit share exceeds the new share.
- Sacrifice = Old share − New share; a negative result indicates gain.

Step 1: Express both shares The old ratio totals $3+2+1=6$, so Asha's old share is $3/6=1/2$. With three partners sharing equally, her new share is $1/3$.

Step 2: Compare old and new shares

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

Her entitlement decreases, so this is a sacrifice, not a gain. Options (B) and (D) therefore have the wrong direction; (C) has the wrong amount because the common denominator is six.

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

Quick Tip to Solve: For an individual sacrifice, subtract the new fraction from the old fraction.

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11. Dinesh, Siddharth and Naina were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March, 2025, they decided to dissolve the firm. On this date, the firm had debtors amounting to Rs 2,10,000 and provision for doubtful debts of Rs 20,000. On dissolution, debtors of Rs 10,000 proved bad and the remaining debtors realised 90%. Amount realised from debtors will be: [1 mark]

(A) Rs 1,71,000

(B) Rs 2,00,000

(C) Rs 1,80,000

(D) Rs 1,89,000

Correct Answer: (C) Rs 1,80,000

Solution:

Concept:

- Cash realised depends on actual recovery from gross debtors after specific bad debts.
- The existing provision is an accounting allowance, not a further reduction in the stated gross recovery base.

Step 1: Remove the irrecoverable debt Total debtors are Rs 2,10,000. The specific bad debt of Rs 10,000 yields no cash. Remaining debtors are $2,10,000 - 10,000 = \text{Rs } 2,00,000$.

Step 2: Apply the recovery percentage

$$\text{Cash realised} = 2,00,000 \times \frac{90}{100} = \text{Rs } 1,80,000.$$

Deducting the Rs 20,000 provision again would incorrectly reduce the recovery base. Rs 2,00,000 ignores the 10% shortfall; Rs 1,89,000 applies 90% before removing bad debts. Rs 1,71,000 incorrectly applies 90% to net book debtors.

Step 3: Conclusion Amount realised from debtors is Rs 1,80,000. Hence, the correct option is (C).

Quick Tip to Solve: Ignore the old provision when calculating cash from an explicitly stated gross recovery.

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12. Amik Ltd. issued 70,000, 9% Debentures of Rs 100 each at a premium of 5%, redeemable at a premium of 10%. 'Loss on Issue of Debentures Account' will be debited in the books of Amik Ltd. by: [1 mark]

(A) Rs 10,50,000

(B) Rs 7,00,000

(C) Rs 3,50,000

(D) Rs 6,30,000

Correct Answer: (B) Rs 7,00,000

Solution:

Concept:

- Loss on issue includes discount on issue and premium payable on redemption.
- Premium received on issue is separately credited to Securities Premium; it is not netted against the initial loss debit.

Step 1: Find the face value and redemption premium

$$\text{Face value} = 70,000 \times 100 = \text{Rs } 70,00,000,$$
$$\text{Redemption premium} = 70,00,000 \times 10\% = \text{Rs } 7,00,000.$$

Step 2: Determine the debit to loss There is no discount on issue. Thus Loss on Issue of Debentures is debited with the redemption premium of Rs 7,00,000. The issue premium of Rs 3,50,000 is separately credited to Securities Premium. Rs 10,50,000 adds both premiums incorrectly, Rs 3,50,000 nets them, and Rs 6,30,000 incorrectly uses the 9% coupon rate.

Step 3: Conclusion Loss on Issue of Debentures Account is debited by Rs 7,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Keep issue premium and redemption premium separate when finding the initial loss debit.

13. A portion of the uncalled capital reserved by a company to be called only in the event of winding up of the company is called: [1 mark]

(A) Subscribed but not fully paid capital

(B) Unissued capital

(C) Subscribed capital

(D) Reserve capital

Correct Answer: (D) Reserve capital

Solution:

Concept:

- Uncalled capital is the part of subscribed share capital not yet called up for payment.
- Reserve capital is the portion of uncalled capital reserved for a call only on winding up.

Step 1: Match the restriction in the question The company has reserved part of its uncalled capital specifically so that it can be called only when the company is wound up. This special restriction identifies reserve capital.

Step 2: Eliminate the broader terms Subscribed but not fully paid capital describes a wider category and does not impose a winding-up restriction. Unissued capital has not been offered for subscription. Subscribed capital is the capital taken up by shareholders. None of these terms captures the stated special reserve.

Step 3: Conclusion The portion is Reserve capital. Hence, the correct option is (D).

Quick Tip to Solve: Use the winding-up-only condition to distinguish reserve capital from ordinary uncalled capital.

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14. White Ltd. purchased Plant and Machinery worth Rs 3,96,000 from Nath Ltd. The purchase consideration was paid by issue of 9% Debentures of Rs 100 each at 10% discount. The number of debentures issued were: [1 mark]

(A) 3,960

(B) 4,000

(C) 4,400

(D) 3,600

Correct Answer: (C) 4,400

Solution:

Concept:

- At a discount, the issue price equals face value less the discount.
- Number issued equals purchase consideration divided by issue price per debenture.

Step 1: Calculate issue price Each debenture has face value Rs 100, but the 10% discount reduces its settlement value:

$$100 - 100 \times \frac{10}{100} = \text{Rs } 90.$$

The 9% is the annual interest rate and does not determine issue price.

Step 2: Divide consideration by issue price

$$\text{Number of debentures} = \frac{3,96,000}{90} = 4,400.$$

Multiplying $4,400 \times 90$ recovers the full purchase consideration. Option (A) uses face value without discount, option (D) corresponds to Rs 110 per debenture, and option (B) does not settle Rs 3,96,000 at the stated issue price.

Step 3: Conclusion White Ltd. issued 4,400 debentures. Hence, the correct option is (C).

Quick Tip to Solve: Divide the purchase consideration by Rs 90, not by the Rs 100 face value.

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15. Assertion (A): Goodwill is an intangible asset.

Reason (R): Goodwill is the value of the reputation of a firm in respect of profits expected in future over and above the normal profits.

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 incorrect, but Reason (R) is correct.

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

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

Solution:

Concept:

- An intangible asset has economic value without physical substance.
- Goodwill represents reputation-based capacity to earn profits above the normal return.

Step 1: Judge the Assertion The Assertion is correct. Goodwill is an asset because it provides future economic benefits, while it is intangible because it has no physical form that can be touched.

Step 2: Judge the Reason The Reason is correct. Goodwill measures the value of a firm's reputation in relation to expected future earnings above normal profits. It is not a physical stock of goods or machinery.

Step 3: Test the explanatory connection The Reason explains the Assertion: the reputation and superior earning capacity described are non-physical benefits. This establishes why goodwill is intangible. Thus (B) wrongly denies the connection, while (C) and (D) wrongly reject one of the two correct statements.

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

Quick Tip to Solve: After checking both statements, ask whether reputation explains the absence of physical substance.

16. Anita and Priyal were partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April, 2024, their capital accounts showed balances of Rs 3,00,000 and Rs 4,00,000 respectively. The partnership deed provided for interest on capital @ 8% p.a. The firm earned a profit of Rs 28,000 for the year ended 31st March, 2025. Interest on capital allowed to Anita and Priyal was: [1 mark]

(A) Anita Rs 24,000, Priyal Rs 32,000

(B) Anita Rs 16,000, Priyal Rs 12,000

(C) Anita Rs 12,000, Priyal Rs 16,000

(D) Anita Rs 16,800, Priyal Rs 11,200

Correct Answer: (C) Anita Rs 12,000, Priyal Rs 16,000

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the deed makes it a charge. When profit is insufficient, distribute it in the ratio of the interest entitlements.
- Annual interest equals capital multiplied by the agreed annual rate.

Step 1: Compute full interest Anita: $3,00,000 \times 8/100 = \text{Rs } 24,000$. Priyal: $4,00,000 \times 8/100 = \text{Rs } 32,000$. Total entitlement is Rs 56,000, which exceeds available profit of Rs 28,000.

Step 2: Restrict interest to available profit The interest ratio is $24,000 : 32,000 = 3 : 4$. Hence Anita receives $28,000 \times 3/7 = \text{Rs } 12,000$, and Priyal receives $28,000 \times 4/7 = \text{Rs } 16,000$. Option (A) exceeds available profit; (B) reverses the amounts; (D) wrongly uses the profit-sharing ratio of 3:2.

Step 3: Conclusion Anita: Rs 12,000; Priyal: Rs 16,000. The correct option is (C).

Quick Tip to Solve: For insufficient profit, compare the interest entitlements before using any profit-sharing ratio.

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17. Aarav, Karan and Meera were partners in a firm sharing profits and losses equally. On 31st March, 2023, Karan retired. On the date of his retirement, Rs 1,80,000 became due to him. Aarav and Meera agreed to pay Karan in two equal yearly instalments plus interest @ 12% p.a. on unpaid balance, starting from 31st March, 2024. The firm closes its books on 31st March every year. Prepare Karan's loan account till it is fully paid. [3 marks]

Solution:

Concept:

- The retiring partner becomes a creditor for the amount transferred to the loan account.
- Equal principal instalments are calculated by dividing the original loan by the number of instalments. Interest is added separately on the unpaid principal.

Step 1: Calculate principal and interest The principal instalment is $1,80,000/2 = \text{Rs } 90,000$. For 2023–24, interest is $1,80,000 \times 12\% = \text{Rs } 21,600$; payment on 31 March 2024 is Rs 1,11,600. After this payment the principal outstanding is Rs 90,000. For 2024–25, interest is $90,000 \times 12\% = \text{Rs } 10,800$; final payment on 31 March 2025 is Rs 1,00,800. Interest is calculated for a full year on each opening unpaid balance.

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

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
31-3-2024 To Bank	1,11,600	31-3-2023 By Capital	1,80,000
31-3-2024 To Balance c/d	90,000	31-3-2024 By Interest	21,600
Total	2,01,600	Total	2,01,600
31-3-2025 To Bank	1,00,800	1-4-2024 By Balance b/d	90,000
		31-3-2025 By Interest	10,800
Total	1,00,800	Total	1,00,800

The first year's closing balance is carried forward as the next year's opening balance. The second year's bank payment clears both remaining principal and accrued interest; consequently there is no closing loan balance.

Step 3: Conclusion Karan is paid Rs 1,11,600 on 31 March 2024 and Rs 1,00,800 on 31 March 2025, fully settling his loan.

Quick Tip to Solve: Keep each principal instalment at Rs 90,000 and add interest on the opening unpaid loan separately.

18(a). Rohit, Ashish and Sameer entered into a partnership on 1st October, 2024 with capitals of Rs 12,00,000; Rs 6,00,000 and Rs 6,00,000 respectively. They decided to share the profits and losses in the ratio of 3:1:1. Partners were entitled to interest on capital @ 5% per annum as per the provisions of the partnership deed. Sameer was given a guarantee that his share of profit, after charging interest on capital, will not be less than Rs 1,50,000 per annum. Any deficiency arising on that account shall be met by Rohit. The profit for the year ended 31st March, 2025 amounted to Rs 5,60,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2025. [3 marks]

Solution:

Concept:

- Interest on capital is allowed for the actual period for which the capitals remain invested.
- A guarantee stated per annum must be proportionately reduced for a shorter accounting period; compare it with profit share excluding interest on capital.

Step 1: Calculate interest and distributable profit The firm operated from 1 October 2024 to 31 March 2025, i.e. six months. Interest on capital is: Rohit $12,00,000 \times 5\% \times 6/12 = \text{Rs } 30,000$; Ashish and Sameer each $6,00,000 \times 5\% \times 6/12 = \text{Rs } 15,000$. Total interest is Rs 60,000. Profit remaining for division is $5,60,000 - 60,000 = \text{Rs } 5,00,000$.

Step 2: Check the guarantee Shares of the remaining profit in 3:1:1 are Rohit Rs 3,00,000, Ashish Rs 1,00,000 and Sameer Rs 1,00,000. Sameer's guarantee for six months is $1,50,000 \times 6/12 = \text{Rs } 75,000$. His actual share exceeds this amount, so there is no deficiency and Rohit bears no additional charge.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31 March 2025

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Interest on Capital:		By Profit and Loss A/c	5,60,000
Rohit	30,000		
Ashish	15,000		
Sameer	15,000		
To Partners' Capital A/cs:			
Rohit	3,00,000		
Ashish	1,00,000		
Sameer	1,00,000		
Total	5,60,000	Total	5,60,000

Step 4: Conclusion Profit shares are Rohit Rs 3,00,000, Ashish Rs 1,00,000 and Sameer Rs 1,00,000, in addition to interest on capital. No guarantee deficiency arises.

Quick Tip to Solve: Reduce both annual interest and the annual guarantee to the actual six-month partnership period.

OR

18(b). Tara, Dev and Ishaan were partners in a firm sharing profits and losses in the ratio of 4:3:1. The partnership deed provided for charging interest on drawings @ 10% p.a. The drawings of Tara, Dev and Ishaan during the year ending 31st March, 2025 amounted to Rs 30,000; Rs 18,000 and Rs 12,000 respectively. After the final accounts were prepared, it was discovered that interest on drawings was not taken into consideration. Give necessary adjusting journal entry to correct the omission. Show your workings clearly. [3 marks]

Solution:

Concept:

- When only annual total drawings are given without dates, interest is calculated for the average period of six months.
- Interest on drawings debits individual partners; the resulting increase in distributable profit credits all partners in their profit-sharing ratio.

Step 1: Calculate omitted interest At 10% per annum for six months, Tara: $30,000 \times 10\% \times 6/12 =$ Rs $1,500$; Dev: $18,000 \times 10\% \times 6/12 =$ Rs 900; Ishaan: $12,000 \times 10\% \times 6/12 =$ Rs 600. Total omitted interest is Rs 3,000. As the dates of drawings are not specified, the usual average-period treatment applies.

Step 2: Find each net capital adjustment The additional distributable profit of Rs 3,000 is shared in 4:3:1. Tara receives $3,000 \times 4/8 =$ Rs $1,500$, Dev receives Rs 1,125 and Ishaan receives Rs 375. Tara's debit and credit cancel. Dev has a net credit of $1,125 - 900 =$ Rs 225; Ishaan has a net debit of $600 - 375 =$ Rs 225. The total debit therefore equals the total credit.

Step 3: Record the single adjusting entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Ishaan's Capital A/c Dr.		225	
	To Dev's Capital A/c			225
	(Being omitted interest on drawings and its distribution adjusted through partners' capitals)			

Only the net difference is recorded because the final accounts have already been prepared. Reopening the Profit and Loss Appropriation Account is unnecessary when a single capital adjustment is required.

Step 4: Conclusion Debit Ishaan's Capital Account Rs 225 and credit Dev's Capital Account Rs 225; Tara requires no net adjustment.

Quick Tip to Solve: Compute each partner's profit credit less drawings-interest debit before passing the net journal entry.

19. Sanjana and Mehul were partners in a firm sharing profits and losses in the ratio of 4:1. From 1st April, 2025, they decided to share future profits and losses in the ratio of 5:3. On this date, their balance sheet showed a balance of Rs 40,000 in General Reserve Account and a debit balance of Rs 1,80,000 in the Profit and Loss Account. The partners decided to distribute the General Reserve, but decided not to disturb the Profit and Loss Account, which will continue in the books of the reconstituted firm. Pass necessary journal entries for the above transactions on the reconstitution of the firm. Show your workings clearly. [3 marks]

Solution:

Concept:

- An existing general reserve belongs to partners in the old profit-sharing ratio.
- When an accumulated loss is retained in the books, adjust capitals for the difference between its burden under the old and new ratios.

Step 1: Distribute the general reserve The old ratio is 4:1. Sanjana receives $40,000 \times 4/5 = \text{Rs } 32,000$; Mehul receives $40,000 \times 1/5 = \text{Rs } 8,000$. Debit the reserve and credit their capitals. This closes the reserve as specifically agreed.

Step 2: Calculate the retained-loss adjustment Sanjana sacrifices $4/5 - 5/8 = 7/40$, while Mehul gains $3/8 - 1/5 = 7/40$. The retained debit balance of Rs 1,80,000 would otherwise fall on them in the new ratio. Sanjana's old burden is Rs 1,44,000 but her new burden is Rs 1,12,500, leaving Rs 31,500 to debit to her capital. Mehul's old burden is Rs 36,000 but his new burden is Rs 67,500, so his capital must be credited Rs 31,500. This restores the old partners' loss burdens without changing the Profit and Loss Account.

Step 3: Pass the journal entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	General Reserve A/c Dr.		40,000	
	To Sanjana's Capital A/c			32,000
	To Mehul's Capital A/c			8,000
	(Being general reserve distributed in the old ratio of 4:1)			
1-4-2025	Sanjana's Capital A/c Dr.		31,500	
	To Mehul's Capital A/c			31,500
	(Being retained accumulated loss adjusted for the change in profit-sharing ratio)			

Step 4: Conclusion Credit reserve shares of Rs 32,000 to Sanjana and Rs 8,000 to Mehul. Separately debit Sanjana and credit Mehul Rs 31,500 for the retained loss.

Quick Tip to Solve: For a retained debit balance, debit the sacrificing partner and credit the gaining partner for the loss adjustment.

20(a). Century Ltd. forfeited 5,000 shares of Rs 100 each issued at 40% premium for non-payment of allotment money of Rs 35 per share and first call of Rs 50 per share (including premium Rs 25). The second and final call of Rs 40 per share (including premium Rs 15) has not yet been called. Out of these, 3,000 shares were reissued as fully paid-up for Rs 90 per share. Pass necessary journal entries for forfeiture and reissue of forfeited shares in the books of Century Ltd. [3 marks]

Solution:

Concept:

- At forfeiture, debit Share Capital with called-up nominal capital only. Reverse securities premium only to the extent that premium already due remains unpaid.
- On reissue, discount is debited to Share Forfeiture. Transfer only the surplus relating to the shares actually reissued to Capital Reserve.

Step 1: Calculate called-up capital and unpaid premium Total issue price per share is $100+40 = \text{Rs } 140$. The final call of Rs 40 includes Rs 15 premium, so its uncalled nominal capital is $40 - 15 = \text{Rs } 25$. Called-up nominal capital is therefore $100 - 25 = \text{Rs } 75$ per share, or Rs 3,75,000 in total.

All Rs 40 premium is allocated between the first call (Rs 25) and final call (Rs 15). Hence allotment of Rs 35 contains no premium. The first-call premium due but unpaid is $5,000 \times 25 = \text{Rs } 1,25,000$. The amount received per share before forfeiture is $140 - 35 - 50 - 40 = \text{Rs } 15$, entirely capital. Thus Share Forfeiture is credited with $5,000 \times 15 = \text{Rs } 75,000$.

Step 2: Record forfeiture, reissue and transfer Journal of Century Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		3,75,000	
	Securities Premium A/c Dr.		1,25,000	
	To Share Allotment A/c			1,75,000
	To Share First Call A/c			2,50,000
	To Share Forfeiture A/c			75,000
	(Being 5,000 shares forfeited for unpaid allotment and first call)			
	Bank A/c Dr.		2,70,000	
	Share Forfeiture A/c Dr.		30,000	
	To Share Capital A/c			3,00,000
	(Being 3,000 forfeited shares reissued fully paid at Rs 90 each)			
	Share Forfeiture A/c Dr.		15,000	
	To Capital Reserve A/c			15,000
	(Being profit on 3,000 reissued shares transferred to capital reserve)			

Step 3: Compute the reserve on shares reissued For 3,000 shares, the forfeited amount attributable is $75,000 \times 3,000/5,000 =$ Rs $45,000$. Reissue discount is $3,000(100-90) =$ Rs $30,000$. Hence the realised capital profit is $45,000 - 30,000 =$ Rs $15,000$. The remaining Rs 30,000 stays in Share Forfeiture for the 2,000 shares not yet reissued.

Step 4: Conclusion Capital Reserve is credited with Rs 15,000; Share Forfeiture retains Rs 30,000 for unreissued shares.

Quick Tip to Solve: Separate the premium in each call first; uncalled final-call capital must never be debited on forfeiture.

OR

20(b). Almond Ltd. purchased a running business of Cashew Ltd. comprising of land and building Rs 85,00,000, machinery Rs 50,00,000 and sundry liabilities Rs 10,00,000 for a purchase consideration of Rs 1,00,00,000. Payment of Rs 10,00,000 was made through a cheque and the remaining amount by issue of 11% Debentures of Rs 100 each at a premium of 20%. Pass necessary journal entries for the above transactions in the books of Almond Ltd. [3 marks]

Solution:

Concept:

- Net assets acquired equal agreed assets less liabilities assumed. If net assets exceed purchase consideration, the difference is credited to Capital Reserve.
- Debentures issued at premium settle the vendor at their issue price; credit the face value to Debentures and the excess to Securities Premium.

Step 1: Determine net assets and capital reserve The agreed assets total $85,00,000 + 50,00,000 =$ Rs $1,35,00,000$. Deduct liabilities of Rs 10,00,000 to obtain net assets of Rs 1,25,00,000. Against these, the purchase consideration is only Rs 1,00,00,000. The resulting capital gain is:

$$\text{Capital Reserve} = 1,25,00,000 - 1,00,00,000 = \text{Rs } 25,00,000.$$

The vendor is credited with the agreed consideration, not with the gross assets acquired. No goodwill arises because consideration is below net assets.

Step 2: Calculate the number and nominal value of debentures After the cheque of Rs 10,00,000, the amount payable through debentures is Rs 90,00,000. Each Rs 100 debenture is issued for $100 + 20 =$ Rs 120. Therefore:

$$\text{Number issued} = 90,00,000/120 = 75,000,$$
$$\text{Nominal value} = 75,000 \times 100 = \text{Rs } 75,00,000,$$
$$\text{Premium} = 75,000 \times 20 = \text{Rs } 15,00,000.$$

The 11% rate determines future interest and does not determine the issue price or the purchase consideration.

Step 3: Record the business purchase and settlement Journal of Almond Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Land and Building A/c Dr.		85,00,000	
	Machinery A/c Dr.		50,00,000	
	To Sundry Liabilities A/c			10,00,000
	To Cashew Ltd. A/c			1,00,00,000
	To Capital Reserve A/c			25,00,000
	(Being assets and liabilities of Cashew Ltd. taken over)			
	Cashew Ltd. A/c Dr.		1,00,00,000	
	To Bank A/c			10,00,000
	To 11% Debentures A/c			75,00,000
	To Securities Premium A/c			15,00,000
	(Being purchase consideration discharged by cheque and 75,000 debentures at 20% premium)			

Step 4: Conclusion The company issues 75,000 debentures; Capital Reserve is Rs 25,00,000 and Securities Premium is Rs 15,00,000.

Quick Tip to Solve: Divide the vendor balance by Rs 120, the issue price, before calculating the debentures face value.

21. On 1st April, 2024, Smaran Ltd. issued 60,000, 11% Debentures of Rs 100 each at a premium of 10%, redeemable at par after five years. The company closed its books on 31st March every year. Pass necessary journal entries in the books of the company for issue of debentures, payment of interest on debentures and writing off interest for the year ended 31st March, 2025. [4 marks]

Solution:

Concept:

- Debentures issued above face value are credited at nominal value; the excess proceeds are credited to Securities Premium.
- Debenture interest is a charge against profit, calculated on nominal value for the period outstanding. It is transferred to the Statement of Profit and Loss.

Step 1: Calculate issue proceeds and annual interest The nominal debenture capital is $60,000 \times 100 =$ Rs $60,00,000$. A 10% premium gives $60,00,000 \times 10/100 =$ Rs $6,00,000$; bank therefore receives Rs 66,00,000.

The debentures remain outstanding throughout 1 April 2024 to 31 March 2025, so interest covers twelve months:

$$\text{Interest} = 60,00,000 \times \frac{11}{100} \times \frac{12}{12} = \text{Rs } 6,60,000.$$

Interest is calculated on Rs 60,00,000 face value; the Rs 6,00,000 issue premium earns no debenture interest. Redemption at par creates no premium on redemption or loss on issue to write off. Here writing off interest means charging the annual interest expense to profit and loss.

Step 2: Pass the journal entries Journal of Smaran Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2024	Bank A/c Dr.		66,00,000	
	To Debenture Application and Allotment A/c			66,00,000
	(Being application and allotment money received on 60,000 debentures)			
1 Apr 2024	Debenture Application and Allotment A/c Dr.		66,00,000	
	To 11% Debentures A/c			60,00,000
	To Securities Premium A/c			6,00,000
	(Being 60,000 debentures allotted at a premium of 10%)			
31 Mar 2025	Debenture Interest A/c Dr.		6,60,000	
	To Debentureholders A/c			6,60,000
	(Being interest due for the year at 11% on nominal debenture capital)			
31 Mar 2025	Debentureholders A/c Dr.		6,60,000	
	To Bank A/c			6,60,000
	(Being annual debenture interest paid)			
31 Mar 2025	Statement of Profit and Loss Dr.		6,60,000	
	To Debenture Interest A/c			6,60,000
	(Being debenture interest transferred as finance cost for the year)			

Step 3: Explain the closing treatment The first two entries distinguish receipt of application money from allotment. The interest-due entry recognises the expense and the liability to debentureholders; the payment entry clears that liability through Bank. Finally the debit balance in Debenture Interest is transferred to the Statement of Profit and Loss as finance cost. Thus the interest account closes and profit for the year is reduced by Rs 6,60,000. Securities Premium remains a separate capital balance of Rs 6,00,000.

Step 4: Conclusion Issue proceeds are Rs 66,00,000, including Rs 6,00,000 premium. Interest paid and charged to profit and loss for 2024–25 is Rs 6,60,000.

Quick Tip to Solve: Apply the coupon rate to face value, and use a full year because issue occurs on the first day of the financial year.

22. Anmol, Kapeesh and Meera were partners in a firm sharing profits and losses in the ratio of 4:3:3. The firm closes its books on 31st March every year. On 1st July, 2025, Kapeesh died. On that date his capital account showed a credit balance of Rs 2,50,000 and he had withdrawn Rs 20,000 till that date for personal use. On the date of Kapeesh's death, the firm had a General Reserve of Rs 90,000. The partnership deed provided that on the death of a partner, his executors will be entitled to the following:

(i) Balance in the capital account and interest on the same @ 12% p.a.

(ii) His share in the goodwill of the firm. The goodwill of the firm on Kapeesh's death was valued at Rs 1,40,000.

(iii) His share in the profits of the firm 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.

Prepare Kapeesh's Capital Account to be presented to his executors. [4 marks]

Solution:

Concept:

- A deceased partner is entitled to capital, accumulated reserves, interest on capital and profit up to death, together with his share of goodwill; drawings reduce the amount due.
- Kapeesh's profit share is $3/10$. The period from 1 April to 1 July is three months, so interest and estimated profit use $3/12$ of a year.

Step 1: Calculate reserve and goodwill Kapeesh receives his old profit-sharing proportion of the accumulated General Reserve:

$$90,000 \times \frac{3}{10} = \text{Rs } 27,000.$$

His share of goodwill is:

$$1,40,000 \times \frac{3}{10} = \text{Rs } 42,000.$$

The continuing partners Anmol and Meera gain in their relative old ratio, $4:3$, in the absence of any other arrangement. Hence goodwill is credited to Kapeesh's capital and debited to Anmol and Meera in that ratio. Neither the entire reserve nor the entire goodwill belongs to Kapeesh.

Step 2: Calculate interest and profit up to death Interest is allowed on the stated capital for three months:

$$2,50,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 7,500.$$

Estimated profit for the firm up to death is $6,00,000 \times 3/12 = \text{Rs } 1,50,000$. Kapeesh's share is therefore:

$$1,50,000 \times \frac{3}{10} = \text{Rs } 45,000.$$

Credit this estimated share through Profit and Loss Suspense Account. The drawings of Rs 20,000 are debited separately; no interest on drawings is specified.

Step 3: Prepare the capital account Kapeesh's Capital Account as at 1 July, 2025

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Drawings	20,000	By Balance b/d	2,50,000
To Executor's A/c	3,51,500	By General Reserve	27,000
		By Interest on Capital	7,500
		By Anmol's Capital A/c	24,000
		By Meera's Capital A/c	18,000
		By P&L Suspense A/c	45,000
Total	3,71,500	Total	3,71,500

The goodwill credit of Rs 42,000 is split as Rs 24,000 and Rs 18,000 between the gaining partners. The balance is transferred to the executor's account, closing the deceased partner's capital account. Thus the two sides agree without carrying a capital balance forward.

Step 4: Conclusion The amount payable to Kapeesh's executors is $\boxed{\text{Rs } 3,51,500}$.

Quick Tip to Solve: Use only three months for both interest and estimated profit, then deduct drawings once.

23. Bright Motors Ltd. was registered with an authorised capital of Rs 10,00,00,000 divided into equity shares of Rs 100 each. The company issued 3,00,000 shares to the public for subscription. The amount was payable as follows: On application - Rs 30 per share; On allotment - Rs 50 per share; On first and final call - balance. All the shares were fully subscribed. All amounts were duly received except from Raman, a holder of 500 shares, who failed to pay the first and final call. [6 marks]

23(i). Total number of shares into which the authorised share capital of the company is divided, is: [1 mark]

(A) 10,00,00,000

(B) 1,00,00,000

(C) 10,00,000

(D) 3,00,000

Correct Answer: (C) 10,00,000

Solution:

Concept:

- Authorised capital is the maximum nominal capital permitted by the memorandum. The number of shares is authorised capital divided by face value.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Identify the relevant capital The authorised capital is Rs 10,00,00,000 and each equity share has a face value of Rs 100. The 3,00,000 shares offered to the public are issued shares, a separate category.

Step 2: Divide by face value

$$\frac{10,00,00,000}{100} = 10,00,000 \text{ shares.}$$

Option (A) repeats the rupee capital as a share count; (B) divides incorrectly; (D) gives issued shares.

Only (C) gives the authorised number.

Step 3: Conclusion The answer is 10,00,000 shares. Hence, the correct option is (C).

Quick Tip to Solve: For a number of shares, divide rupee capital by face value; do not use the issue quantity.

23(ii). Amount of 'Subscribed and fully paid-up capital' of Bright Motors Ltd. will be: [1 mark]

(A) Rs 2,99,50,000

(B) Rs 3,00,00,000

(C) Rs 10,00,00,000

(D) Rs 2,99,90,000

Correct Answer: (A) Rs 2,99,50,000

Solution:

Concept:

- Fully paid-up subscribed capital includes only shares on which the entire called face value has been paid.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Identify fully paid shares Of the 3,00,000 subscribed shares, Raman has not paid the final call on 500 shares. Therefore fully paid shares number $3,00,000 - 500 = 2,99,500$.

Step 2: Calculate the fully paid portion

$$2,99,500 \times 100 = \text{Rs } 2,99,50,000.$$

Option (B) is the total called nominal capital; (C) is authorised capital. Option (D) includes the amount received on Raman's partly paid shares and is the overall paid-up capital, not the fully paid category.

Step 3: Conclusion The answer is Rs 2,99,50,000. Hence, the correct option is (A).

Quick Tip to Solve: Exclude all 500 defaulting shares from the fully paid category, not merely their unpaid call.

23(iii). Amount of 'Subscribed but not fully paid-up capital' of Bright Motors Ltd. will be: [1 mark]

(A) Rs 2,99,90,000

(B) Rs 2,99,50,000

(C) Rs 3,00,00,000

(D) Rs 40,000

Correct Answer: (D) Rs 40,000

Solution:

Concept:

- Subscribed but not fully paid-up capital is shown for the defaulting shares at the amount called less unpaid calls.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Find payment per defaulting share Application and allotment paid per share total $30 + 50 =$ Rs 80. The first and final call is $100 - 80 =$ Rs 20, unpaid by Raman on 500 shares.

Step 2: Value the partly paid category

$$500 \times 80 = \text{Rs } 40,000.$$

Thus (D) is correct. Option (A) is total paid-up capital, (B) belongs to fully paid shares, and (C) is the nominal amount called on all subscribed shares. None of those isolates the partly paid category.

Step 3: Conclusion The answer is Rs 40,000. Hence, the correct option is (D).

Quick Tip to Solve: For the partly paid category multiply defaulting shares by the amount actually paid per share.

23(iv). Amount of 'Share Capital' to be presented in the Balance Sheet of Bright Motors Ltd. will be: [1 mark]

(A) Rs 3,00,00,000

(B) Rs 2,99,50,000

(C) Rs 2,99,90,000

(D) Rs 10,00,00,000

Correct Answer: (C) Rs 2,99,90,000

Solution:

Concept:

- Share capital presented in the balance sheet is subscribed called-up capital less calls in arrears, or fully paid capital plus the paid portion of partly paid shares.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Compute calls in arrears The unpaid call is $100 - 30 - 50 =$ Rs 20 per share. On 500 shares calls in arrears equal $500 \times 20 =$ Rs $10,000$.

Step 2: Determine balance sheet amount

$$3,00,000 \times 100 - 10,000 = \text{Rs } 2,99,90,000.$$

Equivalently, add Rs 2,99,50,000 fully paid capital and Rs 40,000 partly paid capital. Option (A) ignores arrears; (B) omits the partly paid portion; (D) uses authorised capital.

Step 3: Conclusion The answer is Rs 2,99,90,000. Hence, the correct option is (C).

Quick Tip to Solve: Deduct only the unpaid call from total called-up capital when finding balance sheet share capital.

23(v). If the defaulting 500 shares are forfeited, 'Share Forfeiture Account' will be shown in the 'Notes to Accounts' at: [1 mark]

(A) Rs 10,000

(B) Rs 40,000

(C) Rs 50,000

(D) Rs 5,000

Correct Answer: (B) Rs 40,000

Solution:

Concept:

- Share Forfeiture Account is credited with capital money already received on forfeited shares; unpaid calls are excluded.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Identify capital received Raman paid application of Rs 30 and allotment of Rs 50 per share, so the company has received Rs 80 per share. The Rs 20 final call was never received.

Step 2: Calculate the forfeiture credit

$$500 \times (30 + 50) = \text{Rs } 40,000.$$

The shares are fully called at Rs 100 but only Rs 80 was collected. Option (A) is unpaid calls; (C) is nominal capital cancelled; (D) is neither the received capital nor the arrears. The forfeited amount shown in notes is (B).

Step 3: Conclusion The answer is Rs 40,000. Hence, the correct option is (B).

Quick Tip to Solve: Credit forfeiture with money received on capital, not the face value or the unpaid call.

23(vi). If all the forfeited shares are reissued @ Rs 90 per share fully paid-up, the amount credited to Capital Reserve Account will be: [1 mark]

(A) Rs 35,000

(B) Rs 40,000

(C) Rs 10,000

(D) Rs 50,000

Correct Answer: (A) Rs 35,000

Solution:

Concept:

- Profit on reissue equals the forfeiture balance relating to reissued shares less the discount allowed on reissue. This balance is transferred to Capital Reserve.
- Use the face value of Rs 100 and distinguish nominal capital, amounts received and unpaid calls.

Step 1: Calculate reissue discount Each share of Rs 100 is reissued as fully paid for Rs 90. Discount is Rs 10 per share, so discount on all 500 shares is $500 \times 10 = \text{Rs } 5,000$.

Step 2: Transfer the surplus Original forfeiture credit is $500 \times 80 = \text{Rs } 40,000$. Thus

$$40,000 - 5,000 = \text{Rs } 35,000.$$

Option (B) fails to deduct reissue discount; (C) is the original unpaid call; (D) is the shares' face value. Only (A) is the realised capital profit after reissue.

Step 3: Conclusion The answer is Rs 35,000. Hence, the correct option is (A).

Quick Tip to Solve: Deduct the reissue discount from the forfeiture credit for the shares actually reissued.

24(a). Arjun and Kavya were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2025 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Arjun 4,80,000 Kavya 5,20,000	10,00,000	Building	6,00,000
Investment Fluctuation Reserve	1,00,000	Investments	2,80,000
Creditors	4,00,000	Stock	3,76,000
		Debtors 1,60,000 less Provision 7,000	1,53,000
		Cash	91,000
Total	15,00,000	Total	15,00,000

On 1st April, 2025, Raghav was admitted as a new partner for 1/4th share in the profits of the firm on the following terms:

(i) Raghav shall bring Rs 5,00,000 as his capital.

(ii) Goodwill of the firm was valued at Rs 4,00,000. Raghav was unable to bring his share of goodwill premium in cash.

(iii) Provision for doubtful debts was to be created @ 10% on debtors.

(iv) Investments were valued at Rs 2,00,000 and building was to be brought down to Rs 5,00,000.

(v) Capitals of Arjun and Kavya were to be adjusted on the basis of Raghav's capital in the business. Actual cash was to be paid off or brought in by the old partners as the case may be.

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

Solution:

Concept:

- Revaluation losses belong to the old partners in their old ratio, $3 : 2$. An existing investment fluctuation reserve first absorbs the fall in investment value; only its surplus is distributed.
- When the old partners retain their relative shares, the new ratio is $9 : 6 : 5$. The incoming partner compensates the sacrificing partners for his share of goodwill.
- The stipulated capital of Raghav is Rs 5,00,000. Since capitals are to be proportionate to this capital, unpaid goodwill is debited to his Current Account, preserving the specified capital basis.

Step 1: Calculate revaluation and reserve adjustments The investment loss is $2,80,000 - 2,00,000 =$ Rs $80,000$. Use Rs 80,000 of the investment fluctuation reserve against this fall and transfer its remaining Rs 20,000 to Arjun and Kavya in $3 : 2$: Rs 12,000 and Rs 8,000.

The required doubtful-debt provision is $1,60,000 \times 10\% =$ Rs $16,000$, so the additional expense is $16,000 - 7,000 =$ Rs $9,000$. Building falls by Rs 1,00,000. Therefore the revaluation loss is Rs 1,09,000, shared as Rs 65,400 and Rs 43,600.

Step 2: Prepare the Revaluation Account

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Building	1,00,000	By Arjun's Capital	65,400
To Provision for Doubtful Debts	9,000	By Kavya's Capital	43,600
Total	1,09,000	Total	1,09,000

The investment reduction is directly matched against the existing reserve, so it does not produce an additional revaluation loss.

Step 3: Determine goodwill and required capitals Raghav's share of goodwill is $4,00,000 \times \frac{1}{4} =$ Rs $1,00,000$. The old partners sacrifice in $3 : 2$, giving credits of Rs 60,000 to Arjun and Rs 40,000 to Kavya. Debit Raghav's Current Account by Rs 1,00,000 because this premium has not been brought in cash and his stipulated capital must remain Rs 5,00,000.

$$\text{Total capital} = 5,00,000 \div \tfrac{1}{4} = \text{Rs } 20,00,000,$$
$$\text{Arjun's capital} = 20,00,000 \times \tfrac{9}{20} = \text{Rs } 9,00,000,$$
$$\text{Kavya's capital} = 20,00,000 \times \tfrac{6}{20} = \text{Rs } 6,00,000.$$

Adjusted balances before cash settlement are Rs 4,86,600 for Arjun and Rs 5,24,400 for Kavya. Their cash contributions are consequently Rs 4,13,400 and Rs 75,600.

Step 4: Prepare the Partners Capital Accounts

Partners' Capital Accounts (amounts in Rs)

Dr.				Cr.			
Particulars	Arjun	Kavya	Raghav	Particulars	Arjun	Kavya	Raghav
To Revaluation	65,400	43,600	—	By Balance b/d	4,80,000	5,20,000	—
To Balance c/d	9,00,000	6,00,000	5,00,000	By Inv. Fluc. Reserve	12,000	8,000	—
				By Raghav's Current	60,000	40,000	—
				By Cash	4,13,400	75,600	5,00,000
Total	9,65,400	6,43,600	5,00,000	Total	9,65,400	6,43,600	5,00,000

Raghav's Current Account has a debit balance of Rs 1,00,000. It records his unpaid goodwill separately from his capital. All three capital accounts balance at the agreed new profit-sharing proportions.

Step 5: Conclusion The revaluation loss is Rs 1,09,000. Closing capitals are Arjun Rs 9,00,000, Kavya Rs 6,00,000 and Raghav Rs 5,00,000. Arjun brings Rs 4,13,400 and Kavya Rs 75,600; unpaid goodwill is debited to Raghav's Current Account.

Quick Tip to Solve: Use the investment reserve against the investment fall first, and keep unpaid goodwill in the incoming partner's current account when his stated capital determines all capitals.

OR

24(b). Aarav, Kunal and Manav 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)
Sundry Creditors	70,000	Cash	2,30,000
Workmen Compensation Reserve	1,00,000	Debtors 90,000 less Provision 10,000	80,000
Capitals: Aarav 3,00,000 Kunal 2,50,000 Manav 1,50,000	7,00,000	Stock	1,60,000
		Machinery	2,50,000
		Building	1,50,000
Total	8,70,000	Total	8,70,000

Aarav retired on the above date and it was agreed that:

(i) Kunal and Manav will share future profits in the ratio of 1:4.

(ii) Goodwill of the firm be valued at Rs 6,00,000 and the retiring partner's share would be adjusted through the capital accounts of the remaining partners.

(iii) An unrecorded creditor of Rs 20,000 was to be taken into account.

(iv) Debtors of Rs 15,000 were to be written off as bad debts.

(v) Liability on account of workmen compensation amounted to Rs 40,000.

(vi) Amount payable to Aarav was transferred to his loan account.

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

[6 marks]

Solution:

Concept:

- Goodwill is adjusted through partners' capitals using gain or sacrifice: new share minus old share. A continuing partner who sacrifices is also entitled to compensation.
- An existing provision absorbs bad debts first. Only bad debts exceeding the provision and an unrecorded liability reduce revaluation profit.
- The workmen compensation reserve is used for the actual claim; its surplus belongs to all old partners in their old ratio of $5 : 3 : 2$.

Step 1: Calculate goodwill adjustment Kunal's change is $\frac{1}{5} - \frac{3}{10} = -\frac{1}{10}$: he sacrifices one tenth. Manav's gain is $\frac{4}{5} - \frac{2}{10} = \frac{6}{10}$. Aarav sacrifices his entire one-half share. On goodwill of Rs 6,00,000, Manav must be debited Rs 3,60,000; credit Aarav Rs 3,00,000 and Kunal Rs 60,000. Thus the compensation includes both sacrificing partners.

Step 2: Calculate reserve and revaluation adjustments Of the Rs 1,00,000 workmen compensation reserve, Rs 40,000 becomes the claim liability. Distribute the Rs 60,000 surplus as Rs 30,000, Rs 18,000 and Rs 12,000 to Aarav, Kunal and Manav respectively.

Bad debts of Rs 15,000 are covered by the existing provision to the extent of Rs 10,000. Only the balance Rs 5,000 is debited to Revaluation. Together with the unrecorded creditor of Rs 20,000 this gives a revaluation loss of Rs 25,000, allocated as Rs 12,500, Rs 7,500 and Rs 5,000 in the old ratio.

Step 3: Record goodwill and workmen compensation

Journal of the firm as at 31st March, 2025

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Manav's Capital A/c Dr. To Aarav's Capital A/c To Kunal's Capital A/c (Being goodwill adjusted for the sacrifice of Aarav and Kunal)		3,60,000	 3,00,000 60,000
	Workmen Compensation Reserve A/c Dr. To Workmen Compensation Claim A/c To Aarav's Capital A/c To Kunal's Capital A/c To Manav's Capital A/c (Being claim provided and surplus reserve distributed in the old ratio)		1,00,000	 40,000 30,000 18,000 12,000

Step 4: Record liability, bad debts and loss

Journal of the firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Revaluation A/c Dr. To Sundry Creditors A/c (Being unrecorded creditor recognised)		20,000	 20,000
	Provision for Doubtful Debts A/c Dr. Revaluation A/c Dr. To Debtors A/c (Being bad debts written off against provision and the excess charged to revaluation)		10,000 5,000	 15,000
	Aarav's Capital A/c Dr. Kunal's Capital A/c Dr. Manav's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred in the old ratio of 5:3:2)		12,500 7,500 5,000	 25,000

Step 5: Transfer Aarav settlement to loan Aarav's final capital balance is

$$3,00,000 + 3,00,000 + 30,000 - 12,500 = \text{Rs } 6,17,500.$$

As instructed, transfer the whole amount to his loan account; no cash payment is made.

Journal of the firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Aarav's Capital A/c Dr. To Aarav's Loan A/c (Being the amount due to the retiring partner transferred to his loan account)		6,17,500	 6,17,500

As a check, the continuing partners' resulting capital balances are Kunal Rs 3,20,500 and Manav a debit balance of Rs 2,03,000. No capital adjustment or cash settlement for them is instructed.

Step 6: Conclusion Aarav's Loan Account is credited with Rs 6,17,500. Manav bears goodwill of Rs 3,60,000, compensating Aarav Rs 3,00,000 and Kunal Rs 60,000.

Quick Tip to Solve: Calculate each continuing partner's change separately: Kunal sacrifices here, so only Manav bears goodwill compensation.

25(a). Astha Ltd. invited applications for issuing 1,00,000 equity shares of Rs 10 each. The amount per share was payable as follows: Rs 2 on application; Rs 3 on allotment; Rs 3 on first call and Rs 2 on second and final call. Applications were received for 1,50,000 shares. Applications for 30,000 shares were rejected and application money refunded. The shares were allotted on pro-rata basis to the applicants of 1,20,000 shares. Excess money received with applications was adjusted towards sums due on allotment. All shareholders paid the allotment money except Sarthak, who was allotted 2,000 shares. These shares were forfeited. The first call was made thereafter and duly received. The second and final call was not yet made. Pass necessary journal entries for the above transactions in the books of Astha Ltd. Open Calls-in-Arrears Account, wherever required. [6 marks]

Solution:

Concept:

- Application money in excess of the amount on allotted shares is adjusted against allotment; rejected applications are refunded.
- On forfeiture, debit Share Capital with called-up capital only. Credit unpaid calls to Calls-in-Arrears and capital already received to Share Forfeiture.

Step 1: Calculate pro-rata adjustment and Sarthak's default The ratio of allotment to applications accepted is $1,00,000 : 1,20,000 = 5 : 6$. Application receipts are $1,50,000 \times 2 =$ Rs $3,00,000$. Refund on rejected applications is $30,000 \times 2 =$ Rs $60,000$; excess application on accepted applications is $1,20,000 \times 2 - 1,00,000 \times 2 =$ Rs $40,000$. Sarthak applied for $2,000 \times 6/5 = 2,400$ shares and paid Rs 4,800. His excess application of Rs 800 reduces allotment due from Rs 6,000 to Rs 5,200. Thus net allotment cash is $3,00,000 - 40,000 - 5,200 =$ Rs $2,54,800$.

Step 2: Record application and allotment due Journal of Astha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 1,50,000 shares)		3,00,000	 3,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being applications adjusted and rejected money refunded)		3,00,000	 2,00,000 40,000 60,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment of Rs 3 per share due)		3,00,000	 3,00,000

Step 3: Record default, forfeiture and subsequent first call Journal of Astha Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being allotment received except Sarthak's balance)		2,54,800 5,200	 2,60,000
	Share Capital A/c Dr. To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 2,000 shares forfeited for allotment default)		10,000	 5,200 4,800
	Share First Call A/c Dr. To Share Capital A/c (Being first call due on 98,000 shares)		2,94,000	 2,94,000
	Bank A/c Dr. To Share First Call A/c (Being first call received in full)		2,94,000	 2,94,000

Step 4: Explain the forfeiture and call amounts At forfeiture only application and allotment have been called: $2 + 3 =$ Rs 5 per share. Therefore Share Capital is debited by $2,000 \times 5 =$ Rs $10,000$, Calls-in-Arrears is credited by Rs 5,200, and Share Forfeiture by the Rs 4,800 already received. This receipt includes the Rs 800 applied to allotment. Forfeiture precedes the first call, so the first call is made only on $1,00,000 - 2,000 = 98,000$ shares: $98,000 \times 3 =$ Rs $2,94,000$. Calls-in-Arrears is cleared on forfeiture. The second and final call has not been made, so no entry arises for it.

Step 5: Conclusion The forfeiture credit is Rs 4,800; first-call cash received is Rs 2,94,000. Calls-in-Arrears has no balance after forfeiture.

Quick Tip to Solve: Calculate the defaulter's application excess before finding arrears, and exclude forfeited shares from a later call.

OR

25(b). Orion Enterprises Ltd. invited applications for issue of 70,000 equity shares of Rs 10 each at a premium of Rs 1 per share. The amount was payable as follows:

On Application - Rs 4 per share (including premium Rs 1 per share)

On Allotment - Rs 6 per share

On First and final call - Balance

Applications were received for 2,00,000 shares. Allotment was made as under:

Category A: Applicants for 1,20,000 shares were allotted 60,000 shares.

Category B: Applicants for 80,000 shares were allotted 10,000 shares.

Excess money received with applications was adjusted towards sums due on allotment only. Meeta, from category A, who was allotted 500 shares, failed to pay allotment money and first and final call and Japna, from category B, who had applied for 1,600 shares, failed to pay the first and final call money.

Pass necessary journal entries in the books of Orion Enterprises Ltd. for the above transactions.

[6 marks]

Solution:

Concept:

- Issue price is Rs 11, comprising Rs 10 capital and Rs 1 premium. Application contains Rs 3 capital and Rs 1 premium; allotment is Rs 6 capital and the final call is Rs 1 capital.
- Apply each category's excess application to its own allotment only. Refund any balance because no excess is available for adjustment against the final call.

Step 1: Work out application adjustment category by category Category A: application received $1,20,000 \times 4 =$ Rs $4,80,000$; required on 60,000 shares, Rs 2,40,000. Excess Rs 2,40,000 is adjusted against allotment of Rs 3,60,000, leaving Rs 1,20,000 receivable. Category B: received $80,000 \times 4 =$ Rs $3,20,000$; required on 10,000 shares, Rs 40,000. Excess Rs 2,80,000 covers allotment Rs 60,000 and the remaining Rs 2,20,000 is refunded. Total application adjustment to allotment is $2,40,000 + 60,000 =$ Rs $3,00,000$. Premium on allotted shares is $70,000 \times 1 =$ Rs $70,000$.

Step 2: Calculate the individual defaults Meeta was allotted 500 shares in the ratio $60,000 : 1,20,000 = 1 : 2$, so she applied for 1,000 shares. Her application payment is Rs 4,000; amount required on allotted shares is Rs 2,000. The Rs 2,000 excess offsets allotment of $500 \times 6 =$ Rs $3,000$, leaving Rs 1,000 unpaid. Her final-call default is $500 \times 1 =$ Rs 500. Japna's allotment is $1,600 \times 10,000/80,000 = 200$ shares, so her final-call default is Rs 200. Her excess application was used on allotment and refunded; none carries forward to the call.

Step 3: Record application and allotment due Journal of Orion Enterprises Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 2,00,000 shares)		8,00,000	 8,00,000

	Share Application A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	  To Share Allotment A/c
	  To Bank A/c
	(Being application money adjusted and surplus refunded)
			8,00,000	
				2,10,000
				70,000
				3,00,000
				2,20,000

	Share Allotment A/c Dr. To Share Capital A/c (Being allotment due at Rs 6 on 70,000 shares)		4,20,000	 4,20,000

Step 4: Record receipts and calls in arrears Journal of Orion Enterprises Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being allotment received except Meeta's balance)		1,19,000 1,000	 1,20,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due at Rs 1 per share)		70,000	 70,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (Being call received except Meeta and Japna)		69,300 700	 70,000

Step 5: Reconcile receipts and arrears Net allotment cash is $4,20,000 - 3,00,000 - 1,000 =$ Rs $1,19,000$. The call due is Rs 70,000, of which $500 + 200 =$ Rs 700 remains unpaid, giving cash Rs 69,300. Total Calls-in-Arrears is $1,000 + 700 =$ Rs $1,700$. All securities premium is already received through application. No forfeiture is stated, so the shares remain outstanding and the arrears remain receivable.

Step 6: Conclusion Application surplus refunded is Rs 2,20,000; allotment cash is Rs 1,19,000; final-call cash is Rs 69,300; total Calls-in-Arrears is Rs 1,700.

Quick Tip to Solve: For each category, cap application adjustment at its allotment due; refund the remaining excess before calculating call defaults.

26. Arhan and Kanak were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2025 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Arhan 6,00,000 Kanak 8,00,000	14,00,000	Machinery	12,00,000
Bank Loan	7,00,000	Investments	7,00,000
Creditors	13,00,000	Debtors	10,00,000
		Stock	4,00,000
		Cash	1,00,000
Total	34,00,000	Total	34,00,000

The firm was dissolved on the above date and the following transactions took place:

(i) 50% of the creditors were given stock in full settlement of their dues. Remaining creditors were settled at 20% discount.

(ii) Investments were taken over by Kanak at Rs 8,40,000.

(iii) Debtors realized Rs 8,50,000 and machinery was sold at 70% of book value.

(iv) Realisation expenses amounted to Rs 1,20,000 which were paid by Arhan.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account is debited with non-cash assets at book value and credited with external liabilities transferred at book value.
- Asset proceeds and assets taken over by partners are credited; payment of liabilities and realisation expenses are debited. The balance is profit or loss shared in the old ratio.

Step 1: Transfer assets and liabilities Machinery Rs 12,00,000, investments Rs 7,00,000, debtors Rs 10,00,000 and stock Rs 4,00,000 total Rs 33,00,000. Cash is excluded from transfer. Bank loan Rs 7,00,000 and creditors Rs 13,00,000 are credited, totalling Rs 20,00,000.

Step 2: Calculate settlements and realisations Half the creditors, Rs 6,50,000, accept the entire stock in full settlement. Since both stock and creditors have already been transferred, no further entry is made for this direct settlement. Remaining creditors are paid $6,50,000 \times 80\% =$ Rs $5,20,000$. Machinery realises $12,00,000 \times 70\% =$ Rs $8,40,000$. Debtors realise Rs 8,50,000. Kanak is debited Rs 8,40,000 for investments taken over. The bank loan is paid at its book value of Rs 7,00,000 as no different settlement is specified. Expenses paid personally by Arhan are credited to his capital account, not to cash.

Step 3: Prepare Realisation Account Realisation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Machinery	12,00,000	By Bank Loan	7,00,000
To Investments	7,00,000	By Creditors	13,00,000
To Debtors	10,00,000	By Kanak's Capital	8,40,000
To Stock	4,00,000	By Cash (Debtors)	8,50,000
To Cash (Bank Loan)	7,00,000	By Cash (Machinery)	8,40,000
To Cash (Creditors)	5,20,000		
To Arhan's Capital (Expenses)	1,20,000		
To Partners' Capitals (Profit):			
Arhan	5,34,000		
Kanak	3,56,000		
Total	55,30,000	Total	55,30,000

Step 4: Verify the profit transfer Credit total before profit transfer is Rs 55,30,000. Debit total before profit transfer is $33,00,000 + 7,00,000 + 5,20,000 + 1,20,000 =$ Rs $46,40,000$. Thus realisation profit is Rs 8,90,000. Arhan receives $8,90,000 \times 3/5 =$ Rs $5,34,000$ and Kanak receives $8,90,000 \times 2/5 =$ Rs $3,56,000$. A nominal Realisation Account closes by transferring its profit, so there is no balance carried down.

Step 5: Conclusion Realisation profit is Rs 8,90,000, credited to Arhan Rs 5,34,000 and Kanak Rs 3,56,000.

Quick Tip to Solve: When creditors take an already-transferred asset, do not record its value again in Realisation Account.

Part B (20 marks)

Option I

(Analysis of Financial Statements)

27. Statement I: Quick Credit Ltd., a finance company, paid interest on borrowings amounting to Rs 80,000. This will be shown as cash outflow from operating activities in its Cash Flow Statement.

Statement II: Royal Foods Ltd., a non-financial enterprise, paid dividends amounting to Rs 2,30,000. It will be shown as cash outflow from operating activities in its Cash Flow Statement.

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

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

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

Solution:

Concept:

- For a financial enterprise, interest paid on borrowings is an operating cash flow.
- Dividends paid to shareholders are financing cash outflows.

Step 1: Examine Statement I Quick Credit Ltd. is a finance company. Borrowing and lending form part of its principal revenue-producing activities, so interest paid of Rs 80,000 is classified under operating activities. Statement I is true.

Step 2: Examine Statement II and options Royal Foods Ltd. pays dividends to providers of equity capital. The Rs 2,30,000 payment is a financing cash outflow, so Statement II is false. Therefore (B) reverses the truth values, (C) wrongly accepts Statement II and (D) wrongly rejects Statement I.

Step 3: Conclusion Statement I is true and Statement II is false. The correct option is (A).

Quick Tip to Solve: Check whether the enterprise is financial before classifying interest paid; dividends paid are financing.

28(a). The following information was obtained about the cash flows of XYZ Ltd. for the year ended 31st March, 2025: Cash inflows from operating activities Rs 28,000; cash used in investing activities Rs 32,000 and cash inflows from financing activities Rs 5,000. If the opening balance of cash and cash equivalents on 1st April, 2024 was Rs 25,000, the closing balance of cash and cash equivalents on 31st March, 2025 will be: [1 mark]

(A) Rs 90,000

(B) Rs 6,000

(C) Rs 26,000

(D) Rs 70,000

Correct Answer: (C) Rs 26,000

Solution:

Concept:

- Closing cash and cash equivalents equal opening cash and cash equivalents plus the net cash flows of all three activities.
- Cash used is negative; cash inflows are positive.

Step 1: Calculate net cash increase Operating inflow is Rs 28,000, investing outflow is Rs 32,000 and financing inflow is Rs 5,000. Hence

$$\text{Net increase} = 28,000 - 32,000 + 5,000 = \text{Rs } 1,000.$$

Step 2: Add the opening balance Opening cash and cash equivalents are Rs 25,000. Therefore

$$\text{Closing balance} = 25,000 + 1,000 = \text{Rs } 26,000.$$

Options (A), (B) and (D) do not satisfy this reconciliation; in particular, cash used in investing must be subtracted, not added.

Step 3: Conclusion Closing cash and cash equivalents are Rs 26,000. The correct option is (C).

Quick Tip to Solve: Assign a minus sign to cash used before adding the three activity totals to opening cash.

OR

28(b). The following information was obtained from the books of PQR Ltd.: Profit and Loss balance (Dr.) as at 31st March, 2024: Rs 30,000; Profit and Loss balance (Cr.) as at 31st March, 2025: Rs 56,000; Interim Dividend paid during the year: Rs 36,000. The net profit before taxation for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 86,000

(B) Rs 62,000

(C) Rs 1,22,000

(D) Rs 50,000

Correct Answer: (C) Rs 1,22,000

Solution:

Concept:

- An opening debit balance in Profit and Loss represents accumulated loss and is treated as a negative opening balance.
- Current profit equals closing retained balance minus opening retained balance plus dividends paid, when no other adjustment is given.

Step 1: Find the change in retained balance The opening balance is a debit of Rs 30,000, i.e. negative Rs 30,000. The closing balance is a credit of Rs 56,000. Their increase is

$$56,000 - (-30,000) = \text{Rs } 86,000.$$

Step 2: Restore the dividend appropriation Interim dividend of Rs 36,000 has reduced the retained balance and must be added back to find the profit earned. Thus

$$\text{Net profit before taxation} = 86,000 + 36,000 = \text{Rs } 1,22,000.$$

No tax adjustment is supplied. Option (A) omits dividend; (B) and (D) fail to treat the opening debit balance and the dividend consistently.

Step 3: Conclusion Net profit before taxation is Rs 1,22,000. The correct option is (C).

Quick Tip to Solve: Treat opening accumulated loss as negative, then add back the dividend paid during the year.

29. The Debt-Equity Ratio of a company is 2:1. Which of the following transactions will increase the Debt-Equity Ratio? [1 mark]

(A) Issue of Shares Rs 2,00,000

(B) Issue of 8% Debentures Rs 5,00,000

(C) Issue of Bonus shares Rs 4,00,000

(D) Payment to Creditors Rs 1,00,000

Correct Answer: (B) Issue of 8% Debentures Rs 5,00,000

Solution:

Concept:

- Debt-equity ratio equals long-term debt divided by shareholders' funds.
- An increase in long-term debt with unchanged shareholders' funds increases this ratio.

Step 1: Test the debenture issue Let shareholders' funds be E, so initial debt is $2E$. Issuing debentures of Rs 5,00,000 gives

$$\text{New ratio} = \frac{2E + 5,00,000}{E} = 2 + \frac{5,00,000}{E} > 2.$$

Thus option (B) increases the ratio.

Step 2: Test the remaining transactions Issue of shares increases equity and reduces the ratio, so (A) is incorrect. Bonus shares merely transfer reserves to share capital without changing total shareholders' funds, so (C) leaves it unchanged. Payment to trade creditors reduces current liabilities and cash; neither long-term debt nor shareholders' funds changes, so (D) also leaves this ratio unchanged.

Step 3: Conclusion Issue of 8% debentures of Rs 5,00,000 increases the Debt-Equity Ratio. The correct option is (B).

Quick Tip to Solve: Use long-term debt in the numerator; paying trade creditors does not change this numerator.

30(a). **Which of the following statements are correct?**

I. A low current ratio endangers the business and puts it at risk of facing a situation, where it will not be able to pay its short-term debts on time.

II. Trade payables turnover ratio expresses the relationship between net credit sales and average trade payables.

III. Operating profit ratio plus Gross profit ratio = 100.

IV. Inventory turnover ratio determines the number of times inventory is converted into revenue from operations during the accounting period under consideration. [1 mark]

(A) I and II

(B) II and III

(C) III and IV

(D) I and IV

Correct Answer: (D) I and IV

Solution:

Concept:

- Current ratio assesses short-term liquidity; inventory turnover assesses inventory utilisation.
- Trade payables turnover uses net credit purchases; operating ratio plus operating profit ratio equals 100%.

Step 1: Assess Statements I and II Statement I is correct: low current assets relative to current liabilities can create difficulty in paying short-term debts on time. Statement II is incorrect because trade payables turnover equals net credit purchases divided by average trade payables, not net credit sales.

Step 2: Assess Statements III and IV Statement III is incorrect: operating profit ratio and operating ratio are complementary, whereas gross profit ratio need not be the operating ratio. Statement IV is correct: inventory turnover measures how many times inventory is converted into revenue through sales in the accounting period. Thus (A) and (B) include false Statement II; (C) includes false Statement III.

Step 3: Conclusion Only Statements I and IV are correct. The correct option is (D).

Quick Tip to Solve: Pair payables with credit purchases, and pair operating profit ratio with operating ratio.

OR

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

(A) Turnover ratios

(B) Profitability ratios

(C) Solvency ratios

(D) Liquidity ratios

Correct Answer: (A) Turnover ratios

Solution:

Concept:

- Turnover or activity ratios measure efficiency in using business resources.
- Profitability, solvency and liquidity ratios respectively assess earnings, long-term financial position and short-term payment capacity.

Step 1: Identify the defining feature The question emphasises efficient operations and effective utilisation of resources. Turnover ratios compare business activity with the resources employed, such as inventory, receivables and working capital, and indicate the speed or effectiveness of their use.

Step 2: Eliminate the other categories Profitability ratios in (B) measure earning capacity rather than resource turnover. Solvency ratios in (C) examine long-term financial stability, while liquidity ratios in (D) examine ability to meet short-term liabilities. These objectives do not match the efficiency definition supplied.

Step 3: Conclusion These are turnover ratios. The correct option is (A).

Quick Tip to Solve: Words such as efficiency and utilisation of resources point directly to turnover or activity ratios.

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

(a) Interest Accrued on Investments

(b) Calls-in-Advance

(c) Mortgage Loans [3 marks]

Solution:

Concept:

- Schedule III groups assets and liabilities by their nature and whether they are current or non-current. A subhead identifies the more specific category within the major head.
- Accrued interest is income earned but not yet received. Calls-in-advance are amounts received from shareholders before the corresponding share capital is called up; mortgage loans are secured borrowings.

Step 1: Identify the nature of each item Interest accrued on investments is a receivable and is

presented as an other current asset. Calls-in-advance represent an obligation until the calls become due, so they are other current liabilities, rather than part of paid-up share capital. Mortgage loans are secured loans; in this classification question they are presented as long-term borrowings under non-current liabilities.

Step 2: Present the Balance Sheet classification Balance Sheet classification as per Schedule III, Part I

Item	Major head	Subhead
(a) Interest Accrued on Investments	Current Assets	Other Current Assets
(b) Calls-in-Advance	Current Liabilities	Other Current Liabilities
(c) Mortgage Loans	Non-current Liabilities	Long-term Borrowings (secured)

The security of a mortgage does not turn the borrowing into an asset. Similarly, accrued investment interest is classified separately from the principal amount invested.

Step 3: Conclusion The classifications are: (a) Current Assets—Other Current Assets; (b) Current Liabilities—Other Current Liabilities; (c) Non-current Liabilities—Long-term Borrowings (secured).

Quick Tip to Solve: Separate the investment principal from accrued interest; exclude calls-in-advance from called-up share capital.

32. From the following information, prepare a Comparative Statement of Profit and Loss of AX Ltd. for the year ended 31st March, 2025:

Particulars	2024-25 (Rs)	2023-24 (Rs)
Revenue from Operations	50,00,000	25,00,000
Cost of Revenue from Operations	15,00,000	6,00,000
Other Expenses	5,00,000	4,00,000
Tax Rate	50%	

[3 marks]

Solution:

Concept:

- Absolute change equals the current-year amount less the previous-year amount. Percentage change equals $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$.
- Profit before tax is revenue from operations less the cost of revenue from operations and other expenses. Tax expense is 50% of profit before tax for each year; profit after tax is the residual.

Step 1: Calculate total expenses and profits For 2023-24, total expenses are Rs $6,00,000 + 4,00,000 = 10,00,000$. Profit before tax is Rs $25,00,000 - 10,00,000 = 15,00,000$; tax and profit after tax are each Rs 7,50,000.

For 2024-25, total expenses are Rs $15,00,000 + 5,00,000 = 20,00,000$. Profit before tax is Rs $50,00,000 - 20,00,000 = 30,00,000$; tax and profit after tax are each Rs 15,00,000.

Step 2: Prepare the comparative statement AX Ltd.

Comparative Statement of Profit and Loss for the year ended 31st March, 2025

Particulars	2023-24 Rs	2024-25 Rs	Increase Rs	Change %
Revenue from Operations	25,00,000	50,00,000	25,00,000	100
Cost of Revenue from Operations	6,00,000	15,00,000	9,00,000	150
Other Expenses	4,00,000	5,00,000	1,00,000	25
Total Expenses	10,00,000	20,00,000	10,00,000	100
Profit before Tax	15,00,000	30,00,000	15,00,000	100
Tax Expense (50%)	7,50,000	15,00,000	7,50,000	100
Profit after Tax	7,50,000	15,00,000	7,50,000	100

For example, cost of revenue increased by $9,00,000/6,00,000 \times 100 = 150\%$, while other expenses increased by $1,00,000/4,00,000 \times 100 = 25\%$.

Step 3: Conclusion Profit after tax rose from Rs 7,50,000 to Rs 15,00,000, an increase of Rs 7,50,000 or 100%.

Quick Tip to Solve: Use 2023-24 as the denominator for every percentage change, even though the question prints 2024-25 first.

33(a). (i) Calculate Revenue from Operations from the following information:

Average inventory - Rs 1,20,000

Inventory turnover ratio - 8 times

Goods are sold at a profit of 20% on revenue from operations.

(ii) Calculate Trade Payables Turnover Ratio from the following information:

Credit purchases during 2024-25: Rs 24,00,000

Creditors on 1st April, 2024: Rs 3,00,000; Bills Payables on 1st April, 2024: Rs 2,00,000

Creditors on 31st March, 2025: Rs 4,80,000; Bills Payables on 31st March, 2025: Rs 2,20,000

[4 marks]

Solution:

Concept:

- Inventory turnover ratio is $\dfrac{\text{Cost of revenue from operations}}{\text{Average inventory}}$. Thus cost is obtained by multiplying average inventory by the turnover ratio.
- If gross profit is 20% of revenue, cost is 80% of revenue. Trade payables turnover ratio is $\dfrac{\text{Net credit purchases}}{\text{Average trade payables}}$; trade payables include both creditors and bills payable.

Step 1: (i) Calculate cost of revenue from operations The inventory turnover ratio relates cost, rather than selling value, to average inventory:

$$\begin{aligned}\text{Cost of revenue from operations} &= 8 \times 1,20,000 \\ &= \text{Rs } 9,60,000.\end{aligned}$$

The eight inventory turnovers therefore represent goods costing Rs 9,60,000 during the period.

Step 2: (i) Convert cost into revenue from operations Let revenue from operations be R. Gross profit is $0.20R$, so cost is $R - 0.20R = 0.80R$. Hence

$$R = \frac{9,60,000}{0.80} = \text{Rs } 12,00,000.$$

As a check, gross profit is Rs $12,00,000 - 9,60,000 = 2,40,000$, which is exactly 20% of Rs 12,00,000. Multiplying cost by 120% would instead treat the profit percentage as a percentage of cost and would not meet the given condition.

Step 3: (ii) Calculate average trade payables Opening trade payables include creditors and bills payable:

$$\text{Opening trade payables} = 3,00,000 + 2,00,000 = \text{Rs } 5,00,000,$$

$$\text{Closing trade payables} = 4,80,000 + 2,20,000 = \text{Rs } 7,00,000,$$

$$\text{Average trade payables} = \frac{5,00,000 + 7,00,000}{2} = \text{Rs } 6,00,000.$$

Bills payable must be included at both dates because they are also obligations arising from credit purchases.

Step 4: (ii) Compute the turnover ratio Using credit purchases of Rs 24,00,000 and average trade payables of Rs 6,00,000,

$$\text{Trade payables turnover ratio} = \frac{24,00,000}{6,00,000} = 4 \text{ times}.$$

No purchase returns are given, so the stated credit purchases are used directly. A turnover ratio is expressed in times, whereas revenue from operations is expressed in rupees.

Step 5: Conclusion (i) Revenue from Operations = Rs 12,00,000. (ii) Trade Payables Turnover Ratio = 4 times.

Quick Tip to Solve: For profit on sales, divide cost by 80%; for payables turnover, include bills payable with creditors at both dates.

OR

33(b). From the details given below, calculate:

(i) Quick Ratio

(ii) Working Capital Turnover Ratio

Trade Receivables	**Rs 5,00,000**
Inventory	**Rs 2,40,000**
Marketable Securities	**Rs 1,20,000**
Cash	**Rs 80,000**
Prepaid Expenses	**Rs 60,000**
Bills Payable	**Rs 1,20,000**
Sundry Creditors	**Rs 2,40,000**
Expenses Payable	**Rs 1,40,000**
Debentures	**Rs 3,00,000**
Revenue from Operations	**Rs 24,00,000**

[4 marks]

Solution:

Concept:

- Quick ratio measures immediate liquidity: Quick Ratio = Quick Assets/Current Liabilities. Quick assets exclude inventory and prepaid expenses.
- Working capital is current assets less current liabilities. Working capital turnover ratio equals revenue from operations divided by working capital.

Step 1: Identify current assets and quick assets Trade receivables, inventory, marketable securities, cash and prepaid expenses are current assets. Thus,

$$\begin{aligned}\text{Current Assets} &= 5,00,000 + 2,40,000 + 1,20,000 \\ &\quad + 80,000 + 60,000 = \text{Rs } 10,00,000.\\ \text{Quick Assets} &= 10,00,000 - 2,40,000 - 60,000 \\ &= \text{Rs } 7,00,000.\end{aligned}$$

Prepaid expenses cannot be converted into cash to settle liabilities; inventory is also excluded when judging quick liquidity.

Step 2: Calculate (i) Quick Ratio Bills payable, sundry creditors and expenses payable are current liabilities. Debentures are long-term borrowings and do not form part of current liabilities for these calculations.

$$\begin{aligned}\text{Current Liabilities} &= 1,20,000 + 2,40,000 + 1,40,000 \\ &= \text{Rs } 5,00,000.\\ \text{Quick Ratio} &= \frac{7,00,000}{5,00,000} = 1.4 : 1.\end{aligned}$$

This means quick assets cover current liabilities 1.4 times.

Step 3: Calculate (ii) Working Capital Turnover Ratio Working capital uses all current assets, including

inventory and prepaid expenses; their exclusion applies only to quick assets. No opening working capital is supplied, so the available working capital is used.

$$\begin{aligned} \text{Working Capital} &= 10,00,000 - 5,00,000 \\ &= \text{Rs } 5,00,000. \\ \text{Working Capital Turnover Ratio} &= \frac{24,00,000}{5,00,000} \\ &= 4.8 \text{ times}. \end{aligned}$$

Step 4: Conclusion (i) Quick Ratio $= \boxed{1.4 : 1}$. (ii) Working Capital Turnover Ratio $= \boxed{4.8 \text{ times}}$.

Quick Tip to Solve: Exclude prepaid expenses and inventory only for quick assets; retain both in current assets for working capital.

34. (a) From the following information, calculate Cash Flows from Investing Activities:

Particulars	31.03.2025 (Rs)	31.03.2024 (Rs)
Machinery (At Cost)	6,00,000	2,60,000
Accumulated Depreciation	1,00,000	35,000

Additional Information: During the year, a machine costing Rs 80,000 on which accumulated depreciation was Rs 20,000, was sold at a loss of 20%.

(b) From the following information, calculate Cash Flows from Financing Activities:

Particulars	31.03.2025 (Rs)	31.03.2024 (Rs)
Equity Share Capital	15,00,000	10,00,000
10% Debentures	11,00,000	8,00,000
Bank Overdraft	3,00,000	2,00,000
Cash at Bank	78,000	54,000

Additional Information: Rs 3,00,000, 10% Debentures were issued on 1st October, 2024. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire machinery and cash received on its sale. Sale proceeds equal carrying amount less loss on sale.
- Financing activities include issues of shares and debentures, change in bank overdraft, and interest paid for a non-financial enterprise. Interest is calculated for the period each borrowing remains outstanding.

Step 1: Part (a): Find the sale proceeds The cost of the machine sold was Rs 80,000 and its

accumulated depreciation was Rs 20,000. Hence its carrying amount at disposal was:

$$\begin{aligned}\text{Carrying Amount} &= 80,000 - 20,000 = \text{Rs } 60,000,\\ \text{Loss on Sale} &= 60,000 \times 20\% = \text{Rs } 12,000,\\ \text{Sale Proceeds} &= 60,000 - 12,000 = \text{Rs } 48,000.\end{aligned}$$

The loss percentage is applied to carrying amount, which is the value against which profit or loss on disposal is determined.

Step 2: Part (a): Find purchases and present investing activities The machinery figures are at cost, so depreciation must not be deducted in the cost reconciliation:

$$\begin{aligned}\text{Purchases} &= \text{Closing Cost} + \text{Cost Sold} - \text{Opening Cost}\\ &= 6,00,000 + 80,000 - 2,60,000\\ &= \text{Rs } 4,20,000.\end{aligned}$$

Cash Flow from Investing Activities for the year ended 31st March, 2025:

Particulars	Amount (Rs)
Proceeds from sale of machinery	48,000
Purchase of machinery	(4,20,000)
Net cash used in investing activities	(3,72,000)

Accumulated depreciation is a non-cash balance; its change is not an investing cash payment.

Step 3: Part (b): Calculate financing receipts and interest The increase in equity share capital gives cash proceeds of Rs 5,00,000. The increase in debentures gives cash proceeds of Rs 3,00,000, consistent with the stated issue on 1st October, 2024. Bank overdraft increases by Rs 1,00,000 and is a financing inflow.

$$\begin{aligned}\text{Interest on Existing Debentures} &= 8,00,000 \times 10\%\\ &= \text{Rs } 80,000,\\ \text{Interest on New Debentures} &= 3,00,000 \times 10\% \times \frac{6}{12}\\ &= \text{Rs } 15,000,\\ \text{Total Interest Paid} &= 80,000 + 15,000\\ &= \text{Rs } 95,000.\end{aligned}$$

The new issue bears interest for October to March, a period of six months. No unpaid interest is given.

Step 4: Part (b): Present financing activities Cash Flow from Financing Activities for the year ended 31st March, 2025:

Particulars	Amount (Rs)
Proceeds from issue of equity shares	5,00,000
Proceeds from issue of debentures	3,00,000
Increase in bank overdraft	1,00,000
Interest paid on debentures	(95,000)
Net cash from financing activities	8,05,000

Cash at bank is a cash balance used in reconciling total cash movements. Its increase of Rs 24,000 is not a financing receipt or payment and is therefore excluded from this section.

Step 5: Conclusion (a) Net cash used in investing activities is $\boxed{\text{Rs } 3,72,000}$. (b) Net cash from financing activities is $\boxed{\text{Rs } 8,05,000}$.

Quick Tip to Solve: Reconcile machinery at cost, calculate sale proceeds at carrying value, and charge only six months of interest on the October debenture issue.

Option II (Computerised Accounting)

27(a). Fixed Asset Accounting sub-system generates information about: [1 mark]

(A) Loans

(B) Purchase expenses

(C) Depreciation

(D) Inventory purchased

Correct Answer: (C) Depreciation

Solution:

Concept:

- The fixed asset accounting sub-system maintains records of assets held for long-term use, including cost, depreciation and carrying amount.
- Depreciation allocates the depreciable cost of a fixed asset over its useful life.

Step 1: Identify the relevant information A fixed asset register records the purchase cost, acquisition date and depreciation of each fixed asset. The fixed asset accounting sub-system uses these records to calculate periodic depreciation and the resulting carrying amount. Hence depreciation directly belongs to this sub-system.

Step 2: Check the other options Loans are recorded through financing or loan-related records. Purchase expenses belong to purchase or expense processing. Inventory purchased concerns inventory and purchase accounting, because inventory is held for sale or consumption rather than long-term use. Thus options (A), (B) and (D) do not describe the characteristic information generated by the fixed asset accounting sub-system.

Step 3: Conclusion The correct option is $\boxed{\text{(C) Depreciation}}$.

Quick Tip to Solve: Connect fixed assets with their asset register: cost, accumulated depreciation and carrying amount.

OR

27(b). A column chart can be changed to a pie chart because:

I. Only one data series is used to plot it.

II. The plotted data values are positive.

III. The data values are not equal to zero also.

IV. More than seven categories of data can be represented.

Identify the correct option: [1 mark]

(A) All except point I are correct.

(B) All except point II are correct.

(C) All except point III are correct.

(D) All except point IV are correct.

Correct Answer: (D) All except point IV are correct.

Solution:

Concept:

- A pie chart shows the contribution of categories to one total; a single data series supplies the sector sizes.
- For a category value x and total T, its sector angle is $360^\circ x/T$.

Step 1: Check statements I, II and III Statement I is correct: a pie chart represents one data series. Statements II and III describe suitable values: positive, non-zero values produce visible sectors representing positive parts of the total.

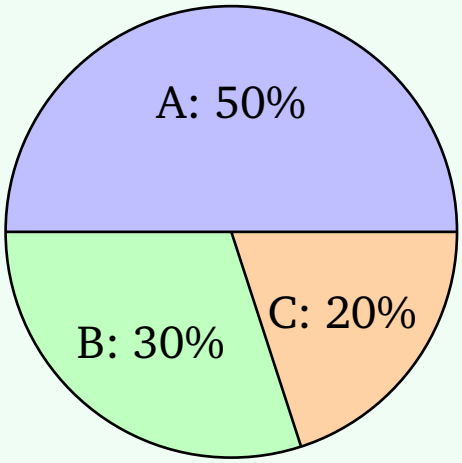


Illustration: one series with three positive categories

Step 2: Check statement IV and the options The usual suitability guideline is no more than seven categories, since too many sectors make comparison difficult. Thus IV is the unsuitable point. Options (A), (B) and (C) each reject a suitable condition and retain IV. Option (D) alone excludes IV.

Step 3: Conclusion All except point IV are correct. Hence, the correct option is (D).

Quick Tip to Solve: Check the number of categories before converting a column chart into a pie chart.

28. It is a widely accepted security control. It uses binary encoding format of storage to offer access to database. It is known as: [1 mark]

(A) Password security

(B) Data audit

(C) Data vault

(D) Data integrity

Correct Answer: (A) Password security

Solution:

Concept:

- Password security restricts database access to authorised users who supply the correct password.
- Access control protects accounting information from unauthorised retrieval or alteration.

Step 1: Identify the stated security control The description combines a widely accepted access control with the textbook reference to a binary encoding format of storage. This identifies password security: a user must know the password to gain access to the database.

Step 2: Distinguish the remaining choices Data audit tracks and checks entries and changes, including who made them. A data vault supplies additional protection for stored data. Data integrity describes the correctness and consistency of information; it is not the name of the stated access control.

Step 3: Conclusion The control is password security. Hence, the correct option is (A).

Quick Tip to Solve: Associate permission to enter a database with password security; an audit tracks activity.

29. A1: E2 refers to: [1 mark]

(A) Rows on Excel sheet

(B) Cells between starting point A1 to ending point E2

(C) Column on Excel sheet

(D) Alphabetic arrangement between A to E

Correct Answer: (B) Cells between starting point A1 to ending point E2

Solution:

Concept:

- A cell address combines a column letter with a row number.
- A colon between two cell addresses denotes the rectangular range including both endpoints.

Step 1: Interpret the endpoints A1 is the cell at column A and row 1; E2 is the cell at column E and row 2. The colon selects every cell in the rectangle from the first address to the second, including A1 and E2.

Step 2: Identify the complete selection The range contains columns A, B, C, D and E in rows 1 and 2, giving ten cells altogether. It does not select entire rows or an entire column. The letters identify columns, but A1:E2 is a cell range rather than an alphabetic arrangement.

Step 3: Conclusion A1:E2 means the cells between starting point A1 and ending point E2, inclusive.

Hence, the correct option is (B).

Quick Tip to Solve: Read a colon as "through", and include both the starting and ending cells in the range.

30(a). The accounting software which satisfies the requirement of large business organisations with multiusers and geographically scattered locations is: [1 mark]

(A) Generic software

(B) Tailored software

(C) Specific software

(D) Both (A) and (C)

Correct Answer: (B) Tailored software

Solution:

Concept:

- Tailored accounting software is developed to meet the specific and complex requirements of an organisation.
- Software selection depends on the scale of operations, users, locations and required information controls.

Step 1: Match the stated requirements A large organisation with several users and geographically dispersed locations needs a system designed around its own operational structure, access rights, reporting needs and integration of data from different locations.

Step 2: Compare the alternatives Tailored software can be designed to satisfy these complex requirements. Generic software is a standard package for common needs. Specific software serves a particular purpose or area, but that label alone does not establish an organisation-wide design for scattered locations. Thus combining generic and specific software is not the stated category.

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

Quick Tip to Solve: Use tailored software when the organisation needs a system built around complex, dispersed operations.

OR

30(b). Which of the following is not contained on formula tab on Excel ribbon? [1 mark]

(A) Page layout

(B) Function library

(C) Defined names

(D) Calculations

Correct Answer: (A) Page layout

Solution:

Concept:

- The Formulas tab groups commands used for inserting functions, naming ranges and managing calculation.
- Page Layout is a separate ribbon tab concerned with page setup and the printed appearance of worksheets.

Step 1: Locate the formula-related groups Function Library contains functions and insertion tools. Defined Names contains commands for managing names assigned to cells or ranges. Calculation contains tools controlling formula recalculation. Therefore options (B), (C) and (D) belong with the Formulas tab.

Step 2: Find the item outside this tab Page Layout is its own tab on the ribbon. Its tools concern margins, orientation, paper size and related page arrangement settings, so it is not a group contained on the Formulas tab.

Step 3: Conclusion Page layout is not contained on the Formulas tab. Hence, the correct option is (A).

Quick Tip to Solve: Group functions, names and calculation together; page setup belongs to the separate Page Layout tab.

31. What are the three categories in which entries can be classified while making voucher entry? [3 marks]

Solution:

Concept:

- Voucher entry records the accounting effect of a transaction in the computerised accounting system.
- The three categories asked for are opening entries, adjustment entries and closing entries, classified by their purpose in the accounting cycle.

Step 1: Opening entries Opening entries bring the balances of assets, liabilities and capital from the preceding accounting period into the books of the new period. They establish the starting position for subsequent transactions. For example, the opening balances of cash, debtors, creditors and capital are carried into the new year; they are not treated as fresh revenue or expense.

Step 2: Adjustment entries Adjustment entries record period-end changes needed to determine the

correct profit and financial position on the accrual basis. They recognise items such as outstanding expenses, prepaid expenses, accrued income, income received in advance and depreciation. For example, an unpaid salary relating to the current period must be recognised as an expense and a liability.

Step 3: Closing entries Closing entries transfer balances of nominal accounts to the Trading Account and Profit and Loss Account, as appropriate, to determine the result of the period. Revenue and expense balances are thereby closed. The resulting net profit or net loss is then transferred to the appropriate capital account or retained earnings, as applicable. These entries complete the period before the next period begins.

Step 4: Conclusion The three categories are opening entries, adjustment entries and closing entries.

Quick Tip to Solve: Link opening to brought-forward balances, adjustment to accruals, and closing to profit determination.

32. What is a 'Radar Chart'? What purpose does it serve? [3 marks]

Solution:

Concept:

- A radar chart compares several variables or categories on axes radiating from a common centre.
- Values belonging to the same data series are plotted on the corresponding axes and joined to form a polygon.

Step 1: Meaning and construction A radar chart is a graphical presentation in which a separate value axis is drawn for each category, with the axes radiating like spokes from a common centre. Category names appear around the outside. Each value is plotted on its category axis, and the points of a data series are joined in sequence to form a closed shape. More than one series can be plotted to compare their profiles.

Step 2: Purpose of a radar chart It shows the overall pattern of performance across several variables and highlights strengths, weaknesses and differences between series. The position of each point shows the magnitude of that category, while the shape makes differences in the overall profile easy to see. This is useful when comparison involves several related measures rather than a single total.

Step 3: Illustrate its use For example, the performance of two branches can be compared across sales, customer service, stock control and collection efficiency. Each branch is one series and each performance measure is one axis. Where measures use different units, convert them to a common rating scale before comparison so that the profile is meaningful. The chart helps identify which branch performs better on each measure and where improvement is needed.

Step 4: Conclusion A radar chart plots category values on radial axes and joins each series into a polygon. It serves to compare multivariable performance profiles and reveal relative strengths and weaknesses.

Quick Tip to Solve: Use the same scale on comparable radial axes so that profile differences reflect performance fairly.

33(a). What are the options available to select 'Minimum' and 'Maximum' type while changing conditional format? [4 marks]

Solution:

Concept:

- Conditional formatting changes the appearance of cells according to their values. In a colour scale or data bar rule, Minimum and Maximum specify the lower and upper limits of the scale.
- The Type selection determines how each endpoint is calculated; it is different from the colour or the value entered for that endpoint.

Step 1: Select the minimum and maximum from the data For the Minimum endpoint, select Lowest Value (Minimum Value) to use the smallest value in the selected range. For the Maximum endpoint, select Highest Value (Maximum Value) to use the largest value in that range. These endpoints change automatically if the smallest or largest data value changes.

Step 2: Select a numerical or percentage endpoint Number allows an actual numerical limit to be entered, for example a minimum of 0 and a maximum of 100. Percent specifies the endpoint as a percentage of the interval between the lowest and highest values. Thus 0 percent and 100 percent represent the lower and upper ends of that interval, respectively.

Step 3: Select a percentile or a formula endpoint Percentile sets the endpoint according to the position of a value in the distribution of the selected data, for example the 10th and 90th percentiles. Formula uses the numerical result of a formula as the endpoint, so the boundary may be linked to a calculation or cell reference. Percent and Percentile are distinct: the former uses the numerical interval, while the latter uses the distribution of observations.

Step 4: Conclusion The available endpoint types are Lowest Value for Minimum / Highest Value for Maximum, Number, Percent, Percentile and Formula. Choose the appropriate type separately for the two endpoints.

Quick Tip to Solve: Use Lowest Value and Highest Value for a scale that follows the data; use Number when its limits must stay fixed.

OR

33(b). The computer screen shows correct a #DIV/0! Error when a number is divided by zero in the calculations. Give the reason for showing this error (except the one given here). Also state the possible solutions to correct this error. [4 marks]

Solution:

Concept:

- The spreadsheet error #DIV/0! means that a division has no valid non-zero divisor. A cell reference used as a divisor must therefore be checked before the calculation.
- A blank divisor cell is treated as zero in ordinary division. Input correction or a conditional formula can prevent this error.

Step 1: Identify the additional reason Apart from an explicitly entered zero, the error arises when the formula refers to a blank or empty cell as its divisor. For example, if B1 is empty, the formula =A1/B1 produces #DIV/0!. The cell may be blank because the required input has not yet been entered or because the formula refers to the wrong cell.

Step 2: Correct the input or the reference Check the denominator cell and supply the correct non-zero value when it is available. If the reference is wrong, edit the formula to refer to the intended denominator cell. For instance, if the divisor is actually in B2, change =A1/B1 to =A1/B2. Do not insert an arbitrary non-zero number merely to remove the displayed error; the calculation must use the correct accounting data.

Step 3: Guard the formula until valid data is available Use an IF condition to test the divisor before dividing. For example, =IF(B1=0,"",A1/B1) displays a blank when B1 is zero or empty, and performs the division otherwise. An alternative is =IFERROR(A1/B1,"") to replace an error display with a blank or an appropriate message. IFERROR suppresses other errors too, so the original formula and input should still be checked. If a formula in the divisor cell returns zero, correct its underlying inputs when necessary.

Step 4: Conclusion An empty divisor cell, including one reached through an incorrect cell reference, also causes #DIV/0!. Correct the denominator or reference, and use an IF test or IFERROR to handle unavailable or zero divisors appropriately.

Quick Tip to Solve: When =A1/B1 displays #DIV/0!, inspect B1 first: an empty denominator can cause exactly the same error as zero.

34. Using the Formula tab and dialog box, write the formula to create function 'IF' on the given spreadsheet, where the total income minus expenses is 20% if it is more than Rs 50,000 and 10% if it is less than Rs 50,000. Also write the result statement. [6 marks]

Solution:

Concept:

- The IF function selects one of two results according to a logical test. Its three arguments are the logical test, the value if true and the value if false, in that order, separated by commas and enclosed in IF parentheses.
- The amount to which the percentage applies is net income: total income minus total expenses. For net income above Rs 50,000, use 20%; for net income below Rs 50,000, use 10%.

Step 1: Identify the cells and calculate the basis To express the cell references, let B2 contain total income and C2 contain total expenses; the formula is entered in a separate result cell, say D2. Thus `B2-C2` represents net income. When applying the formula to a worksheet, replace B2 and C2 by its actual total-income and total-expenses cell references. The comparison is made with net income, not with gross income alone.

Step 2: Open the IF function dialog box Select the result cell D2. On the Formulas tab, choose Logical in the Function Library group and then IF. Alternatively, choose Insert Function, select the Logical category, select IF and click OK. The Function Arguments dialog box displays the three boxes

Logical_test, Value_if_true and Value_if_false.

Step 3: Fill the three arguments Enter `B2-C2>50000` in Logical_test. Enter `(B2-C2)*20%` in Value_if_true and `(B2-C2)*10%` in Value_if_false. Click OK. The formula inserted in the result cell is

```
=IF(B2-C2>50000,
  (B2-C2)*20%,(B2-C2)*10%)
```

The percentages multiply the whole difference, so the parentheses around B2-C2 are essential. Enter 50000 without a comma in the logical test.

Step 4: State the result and check both branches Result statement: If total income minus total expenses is greater than Rs 50,000, the result is 20% of that difference; otherwise, the result is 10% of that difference. For example, net income of Rs 60,000 gives $60,000 \times 20\% =$ Rs $12,000$, whereas net income of Rs 40,000 gives $40,000 \times 10\% =$ Rs $4,000$. These are illustrations of the two branches. If only the applicable rate is required in another cell, use `=IF(B2-C2>50000,20%,10%)`. The amount formula above multiplies that rate by net income. The stated question gives no separate equality rule; with the usual two-branch formula, exactly Rs 50,000 follows the false branch and returns Rs 5,000.

Step 5: Conclusion With total income in B2 and total expenses in C2, the IF amount formula above returns 20% of net income above Rs 50,000 and 10% otherwise.

Quick Tip to Solve: Test the difference B2-C2 against 50000, and multiply the entire parenthesised difference by the chosen rate.