CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-3-1

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. Dharam and Karan were partners in a firm sharing profits and losses in the ratio of 7:3. On 1st April, 2025, they admitted Vinod as a new partner in the firm. Dharam surrendered 1/3rd of his share in favour of Vinod and Karan surrendered 1/4th of his share in favour of Vinod. The new profit sharing ratio will be: [1 mark]

(A) 7:3:1

(B) 56:27:10

(C) 27:56:10

(D) 56:27:37

Correct Answer: (D) 56:27:37

Solution:

Concept:

- New share = old share minus the share sacrificed. A fraction surrendered is a fraction of the partner's own old share.
- The incoming partner receives the sum of the old partners' sacrifices.

Step 1: Calculate retained shares Dharam retains $\frac{7}{10}(1-\frac{1}{3})=\frac{7}{15}=\frac{56}{120}$. Karan retains $\frac{3}{10}(1-\frac{1}{4})=\frac{9}{40}=\frac{27}{120}$.

Step 2: Calculate Vinod's share and compare options Vinod receives $\frac{7}{30}+\frac{3}{40}=\frac{37}{120}$. The three shares add to one. Options (A), (B) and (C) do not give these retained shares and the total sacrifice to Vinod.

Step 3: Conclusion The new profit sharing ratio is $56:27:37$. Hence, the correct option is (D).

Quick Tip to Solve: Multiply each old share by its retained fraction before making the common denominator.

2. Assertion (A): In case of admission of a new partner in the partnership firm, there is a need to ascertain the new profit sharing ratio among all the partners.

Reason (R): On admission of a new partner, the profit sharing ratio among the old partners will change, keeping in view their respective contribution to the profit sharing ratio of the incoming partner.

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

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

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

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

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

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

Solution:

Concept:

- After admission, profits must be divided among the continuing partners and the incoming partner.
- Each old partner's new share equals the old share less the share surrendered to the new partner.

Step 1: Evaluate Assertion (A) The assertion is correct. The old agreement covers only the old partners; admission introduces another claimant to future profits, so a new ratio among all partners must be determined.

Step 2: Evaluate Reason (R) The reason is correct in the stated admission arrangement: the old partners surrender agreed portions of their profit shares to the incoming partner, and their shares in the total profits change accordingly.

Step 3: Check the explanation The contributions made by the old partners determine their remaining shares and the incoming partner's share. This directly explains why a fresh ratio among all partners is required. Thus (B) wrongly denies the explanatory link, while (C) and (D) wrongly reject a true statement.

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

Quick Tip to Solve: Calculate old share minus sacrifice for each partner to see why a fresh ratio is needed.

3(a). **Atul, Bajaj and Madan were partners in a firm sharing profits and losses in the ratio of 1:2:5. The partnership deed provides that interest on a partner's drawings shall be charged @ 18% per annum. During the year ended 31st March, 2025, Bajaj withdrew Rs 7,000 at the end of each quarter. Interest on Bajaj's drawings will be:** [1 mark]

(A) Rs 1,890

(B) Rs 3,150

(C) Rs 420

(D) Rs 5,040

Correct Answer: (A) Rs 1,890

Solution:

Concept:

- Interest on equal periodic drawings equals total drawings multiplied by the annual rate and the average time outstanding.
- For drawings at each quarter-end, the times to the year-end are $9, 6, 3, 0$ months.

Step 1: Find total drawings and average time Total drawings are $4 \times \text{Rs } 7,000 = \text{Rs } 28,000$. The average period is $(9 + 6 + 3 + 0)/4 = 4.5$ months. The final withdrawal earns no interest because it is made on the closing date.

Step 2: Apply the rate and reject alternatives Interest $= 28,000 \times \frac{18}{100} \times \frac{4.5}{12} = \text{Rs } 1,890$. Rs 3,150 corresponds to beginning-of-quarter drawings; Rs 5,040 charges a full year on all drawings. Rs 420 does not reflect the four actual time periods.

Step 3: Conclusion Interest on Bajaj's drawings is Rs 1,890. Hence, the correct option is (A).

Quick Tip to Solve: For equal quarter-end drawings use 4.5 months, not the six-month average of some other schedules.

OR

3(b). **Damodar, Rao and Shridharan were partners in a firm sharing profits and losses in the ratio of 3:1:1. Their fixed capitals were Rs 4,00,000; Rs 3,00,000 and Rs 2,00,000 respectively. Interest on capital is allowed at the rate of 6% per annum. Journal entry for allowing interest on Rao's capital will be:** [1 mark]

(A) Profit & Loss Appropriation A/c Dr. 18,000; To Rao's Capital A/c 18,000

(B) Profit & Loss Appropriation A/c Dr. 18,000; To Rao's Current A/c 18,000

(C) Interest on Capital A/c Dr. 18,000; To Rao's Current A/c 18,000

(D) Interest on Capital A/c Dr. 18,000; To Rao's Capital A/c 18,000

Correct Answer: (C) Interest on Capital A/c Dr. 18,000; To Rao's Current A/c 18,000

Solution:

Concept:

- Interest on capital is calculated on the eligible capital at the agreed annual rate.

- Under the fixed capital method, interest and other routine partner adjustments are credited to the partner's current account.

Step 1: Compute Rao's interest Rao's fixed capital is Rs 3,00,000. His annual interest is $3,00,000 \times 6/100 = \text{Rs } 18,000$. The partners' profit sharing ratio is not used for this calculation.

Step 2: Record the allowance

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Interest on Capital A/c Dr. To Rao's Current A/c (Being interest allowed on Rao's fixed capital)		18,000	 18,000

The allowance entry debits Interest on Capital A/c. Its subsequent transfer to Profit & Loss Appropriation A/c is a separate entry. Options (A) and (D) incorrectly credit fixed capital; option (B) uses the appropriation account instead of the interest allowance account.

Step 3: Conclusion Interest on Capital A/c is debited and Rao's Current A/c is credited by Rs 18,000. Hence, the correct option is (C).

Quick Tip to Solve: With fixed capitals, credit the current account for interest; distinguish allowance from transfer.

4(a). Paramount Ltd. forfeited 2,000 equity shares of Rs 100 each, Rs 80 called up, issued at a premium of 10%, for non-payment of first call of Rs 20 per share. On forfeiture of these shares, Equity Share Capital Account will be ____ by ____. [1 mark]

(A) debited, Rs 1,60,000

(B) credited, Rs 1,60,000

(C) debited, Rs 2,00,000

(D) credited, Rs 2,00,000

Correct Answer: (A) debited, Rs 1,60,000

Solution:

Concept:

- On forfeiture, Share Capital A/c is debited with the called-up nominal capital on the forfeited shares.
- Issue premium belongs to Securities Premium and is excluded from nominal share capital.

Step 1: Identify the relevant capital The face value is Rs 100 but only Rs 80 per share has been called. Therefore, the capital previously credited and now cancelled is $2,000 \times \text{Rs } 80 = \text{Rs } 1,60,000$.

Step 2: Determine debit or credit Forfeiture reverses the called-up capital by debiting Equity Share Capital A/c. The Rs 20 unpaid first call affects the credit for the unpaid call, not the amount of capital cancelled. A credit would increase capital instead of cancelling it; Rs 2,00,000 incorrectly uses the full face value.

Step 3: Conclusion Equity Share Capital A/c will be debited by Rs 1,60,000. Hence, the correct option is (A).

Quick Tip to Solve: For forfeiture, multiply shares by nominal capital called up, excluding securities premium.

OR

4(b). Rudali Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each at a premium of Rs 2 per share. Rs 5 per share (including premium) was payable on application. Applications for 2,60,000 shares were received. An applicant for 5,000 shares paid his entire share money along with application. The amount received on application was: [1 mark]

(A) Rs 10,00,000

(B) Rs 12,00,000

(C) Rs 12,35,000

(D) Rs 13,35,000

Correct Answer: (D) Rs 13,35,000

Solution:

Concept:

- Total receipts on application include the stipulated application money on every share applied for and any excess voluntarily paid.
- Full issue price per share equals nominal value plus the issue premium.

Step 1: Calculate ordinary application receipts Applications were received for 2,60,000 shares. At Rs 5 each, the ordinary amount received is $2,60,000 \times 5 = \text{Rs } 13,00,000$. Use applications received rather than the smaller number offered for issue.

Step 2: Add the extra full-payment amount The full issue price is $10 + 2 = \text{Rs } 12$ per share. For 5,000 shares, the extra receipt beyond Rs 5 already counted is $5,000 \times (12 - 5) = \text{Rs } 35,000$. Therefore total receipts are $13,00,000 + 35,000 = \text{Rs } 13,35,000$. Options (A), (B) and (C) omit or miscount some applications or the advance payment.

Step 3: Conclusion The amount received on application was Rs 13,35,000. Hence, the correct option is (D).

Quick Tip to Solve: Count the Rs 5 application amount once for all applications, then add only the extra Rs 7 on 5,000 shares.

5. Chaman, Raman and Suman were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2025, they decided to share the future profits in the ratio of 2:3:5. For this purpose, it was agreed that the goodwill of the firm be valued at Rs 1,00,000. The treatment of goodwill without opening goodwill account will be: [1 mark]

(A) Debit Chaman's Capital A/c by Rs 30,000 and Credit Suman's Capital A/c by Rs 30,000

(B) Debit Suman's Capital A/c by Rs 30,000 and Credit Chaman's Capital A/c by Rs 30,000

(C) Debit Chaman's Capital A/c and Suman's Capital A/c by Rs 15,000 each and credit Raman's Capital A/c by Rs 30,000

(D) Debit Raman's Capital A/c by Rs 30,000 and Credit Chaman's Capital A/c and Suman's Capital A/c by Rs 15,000 each

Correct Answer: (B) Debit Suman's Capital A/c by Rs 30,000 and Credit Chaman's Capital A/c by Rs 30,000

Solution:

Concept:

- Sacrificing share = old share minus new share; a negative sacrifice is a gain.
- Without opening Goodwill A/c, the gaining partner compensates the sacrificing partner through their capital accounts.

Step 1: Identify the sacrifice and gain Chaman sacrifices $5/10 - 2/10 = 3/10$. Raman's share remains $3/10$, so he neither gains nor sacrifices. Suman gains $5/10 - 2/10 = 3/10$.

Step 2: Calculate compensation and its direction Compensation is Rs $1,00,000 \times 3/10 =$ Rs $30,000$. Suman is debited as the gaining partner, while Chaman is credited as the sacrificing partner. Option (A) reverses the direction; (C) and (D) incorrectly involve Raman despite his unchanged share.

Step 3: Conclusion Debit Suman's Capital A/c and credit Chaman's Capital A/c by Rs 30,000. Hence, the correct option is (B).

Quick Tip to Solve: Write old minus new beside each partner: positive receives compensation, negative pays it.

6(a). On 1st April, 2024, Mobi Ltd. issued 3,000, 9% Debentures of Rs 1,000 each at a premium of 5%. The total amount of interest due on debentures for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 2,70,000

(B) Rs 1,50,000

(C) Rs 27,000

(D) Rs 15,000

Correct Answer: (A) Rs 2,70,000

Solution:

Concept:

- Debenture interest is calculated on the face value of debentures at their stated coupon rate.
- Premium received on issue does not increase the nominal principal on which interest is payable.

Step 1: Find nominal debenture capital and period The nominal principal is $3,000 \times$ Rs $1,000 =$ Rs $30,00,000$. The debentures were issued on 1st April, 2024, so they are outstanding for the full year ending 31st March, 2025.

Step 2: Compute the coupon interest Annual interest is $30,00,000 \times 9/100 =$ Rs $2,70,000$. The 5% premium is an issue receipt, not the interest rate. Rs 1,50,000 uses 5% instead of 9%; Rs 27,000 and Rs 15,000 also misstate the scale of the principal.

Step 3: Conclusion Total interest due on debentures is Rs 2,70,000. Hence, the correct option is (A).

Quick Tip to Solve: Ignore issue premium in coupon interest: number of debentures times face value times coupon rate.

OR

6(b). A company may reserve a portion of its uncalled capital to be called only in the event of winding up of the company. Such uncalled amount is called: [1 mark]

(A) Uncalled capital

(B) Paid-up capital

(C) Called-up capital

(D) Reserve capital

Correct Answer: (D) Reserve capital

Solution:

Concept:

- Reserve capital is the portion of uncalled share capital reserved to be called only on winding up.
- Called-up capital is the amount demanded; paid-up capital is the amount actually paid against that demand.

Step 1: Apply the defining restriction The question identifies a part of uncalled capital subject to a special restriction: it can be called only when the company is wound up. This restricted portion is specifically termed reserve capital.

Step 2: Distinguish the remaining options Uncalled capital is the broader amount not yet demanded and need not all be reserved for winding up. Paid-up capital has already been received, and called-up capital has already been demanded. Neither describes an amount left uncalled until winding up. Reserve capital must also be distinguished from capital reserve, which is a reserve arising from capital profits.

Step 3: Conclusion The uncalled amount is reserve capital. Hence, the correct option is (D).

Quick Tip to Solve: The words "called only on winding up" identify reserve capital, not capital reserve.

7(a). **Anup, Bharti and Manoj were partners in a firm sharing profits and losses in the ratio of 11:8:1. From 1st April, 2025, they decided to share the future profits in the ratio of 2:2:1. The gain or sacrifice of each partner due to change in profit sharing ratio will be:** [1 mark]

(A) Anup's gain $\frac{3}{20}$, Manoj's sacrifice $\frac{3}{20}$

(B) Anup's sacrifice $\frac{3}{20}$, Manoj's gain $\frac{3}{20}$

(C) Anup's gain $\frac{3}{20}$, Manoj's gain $\frac{3}{20}$

(D) Anup's sacrifice $\frac{3}{20}$, Manoj's sacrifice $\frac{3}{20}$

Correct Answer: (B)

Anup's sacrifice $\frac{3}{20}$, Manoj's gain $\frac{3}{20}$

Solution:

Concept:

- Sacrifice equals old share minus new share; a negative sacrifice is a gain.
- Express both sets of shares with a common denominator before comparing them.

Step 1: Compare the shares Old shares of Anup, Bharti and Manoj are respectively $11/20, 8/20, 1/20$. Their new shares are $2/5, 2/5, 1/5$, or $8/20, 8/20, 4/20$. Thus Bharti retains the same share.

Step 2: Identify sacrifice and gain Anup sacrifices $11/20 - 8/20 = 3/20$, whereas Manoj gains $4/20 - 1/20 = 3/20$. Option (A) reverses their positions; (C) incorrectly shows both gaining and (D) incorrectly shows both sacrificing. The total gain must equal the total sacrifice.

Step 3: Conclusion Anup sacrifices $3/20$, Bharti has no gain or sacrifice, and Manoj gains $3/20$. Hence, the correct option is (B).

Quick Tip to Solve: Subtract new shares from old shares; positive results show sacrifice and negative results show gain.

OR

7(b). Arun, Varun and Tarun were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March, 2025, Arun died. Varun and Tarun decided to share future profits equally. The gaining ratio of Varun and Tarun will be: [1 mark]

(A) 1:1

(B) 3:2

(C) 2:3

(D) 5:2

Correct Answer: (C) 2:3

Solution:

Concept:

- A continuing partner gains the excess of the new profit share over the old share.
- Gaining ratio is based on increases in shares, not on the final shares alone.

Step 1: Calculate individual gains Varun and Tarun have old shares $3/10$ and $2/10$. As they will share profits equally, their new shares are each $1/2 = 5/10$. Varun gains $5/10 - 3/10 = 2/10$; Tarun gains $5/10 - 2/10 = 3/10$.

Step 2: Compare the ratios The gaining ratio is $(2/10) : (3/10) = 2 : 3$. The gains total $5/10$, exactly Arun's former share. Option (A) confuses equal new shares with equal gains, (B) repeats the old ratio of the survivors, and (D) does not represent the computed increases.

Step 3: Conclusion The gaining ratio of Varun and Tarun is $2 : 3$. Hence, the correct option is (C).

Quick Tip to Solve: Find each survivor's new share minus old share before simplifying their gaining ratio.

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8. Divya and Bholi were partners in a firm sharing profits and losses in the ratio of 3:1. On 1st April, 2024, their fixed capitals were Rs 8,00,000 and Rs 6,00,000 respectively. On 30th September, 2024, Bholi introduced Rs 50,000 as additional capital. Partnership deed provided that interest on capital will be allowed @ 12% p.a. Interest on Bholi's capital for the year ended 31st March, 2025 was: [1 mark]

(A) Rs 78,000

(B) Rs 75,000

(C) Rs 72,000

(D) Rs 3,000

Correct Answer: (B) Rs 75,000

Solution:

Concept:

- Interest on capital is computed using the capital amount, annual rate and the period for which capital remains invested.

- Additional capital introduced during a year earns interest only for its period of use.

Step 1: Interest on opening capital Bholi's opening capital of Rs 6,00,000 remains invested throughout the year. Interest is $6,00,000 \times 12/100 =$ Rs $72,000$. The profit-sharing ratio does not determine interest on capital.

Step 2: Add interest on additional capital The additional Rs 50,000 introduced on 30th September remains for six months, October to March. Interest is $50,000 \times 12/100 \times 6/12 =$ Rs $3,000$. Total interest is Rs 72,000 + Rs 3,000 = Rs 75,000. Option (A) allows a full year on the addition; (C) omits the addition and (D) omits opening capital.

Step 3: Conclusion Interest on Bholi's capital is Rs 75,000. Hence, the correct option is (B).

Quick Tip to Solve: Calculate interest separately for opening capital and each addition, using their actual periods.

9(a). Persons who have entered into partnership with one another are collectively called: [1 mark]

(A) Firm

(B) Partnership

(C) Partners

(D) Partners' firm

Correct Answer: (A) Firm

Solution:

Concept:

- The partnership definition distinguishes individual partners from their collective name.
- The relation among persons carrying on the business is partnership; those persons collectively constitute a firm.

Step 1: Apply the collective description Persons who have entered into partnership with one another are individually called partners and collectively called a firm. Since the question specifically asks for their collective description, the required term is firm.

Step 2: Distinguish the alternatives Partnership, option (B), describes the relationship among the persons rather than their collective name. Partners, option (C), identifies the persons individually. Partners' firm, option (D), is not the defined collective term. The word collectively is therefore decisive when choosing between these closely related expressions.

Step 3: Conclusion They are collectively called a firm. Hence, the correct option is (A).

Quick Tip to Solve: Use the distinction: individually partners, collectively firm, and their relationship partnership.

OR

9(b). In the absence of partnership deed, partners are entitled to: [1 mark]

(A) Interest on Capital

(B) Share of profits/losses in the ratio of their capitals

(C) Interest @ 6% p.a. on loans/advances by them to the firm

(D) Remuneration for the firm's work

Correct Answer: (C) Interest @ 6% p.a. on loans/advances by them to the firm

Solution:

Concept:

- In the absence of an agreement, profits and losses are shared equally.
- A partner is entitled to interest at 6 percent per annum on a loan or advance beyond agreed capital, even without a deed.

Step 1: Apply the loan-interest rule A partner's loan or advance to the firm is distinct from capital contribution. When the partnership deed is absent, interest on such a loan or advance is allowed at 6% per annum. Thus option (C) states the applicable default entitlement.

Step 2: Test the other entitlements Interest on capital is not automatically allowed, so (A) is incorrect. Profits and losses are shared equally rather than in the ratio of capitals, so (B) is incorrect. Salary or remuneration for conducting the firm's work requires an agreement, so (D) is incorrect. Only the loan-interest entitlement in (C) follows without a deed.

Step 3: Conclusion Partners are entitled to interest at 6% p.a. on loans or advances made to the firm. Hence, the correct option is (C).

Quick Tip to Solve: Separate capital from a partner's loan: only the latter carries default interest at 6 percent p.a.

10. When capitals of the partners are fluctuating, then the adjustments for drawings, interest on drawings, interest on capital, partners' salary, etc. are shown in the ____. [1 mark]

(A) Current Account of partners

(B) Capital Account of partners

(C) Drawings Account

(D) Profit and Loss Appropriation Account

Correct Answer: (B) Capital Account of partners

Solution:

Concept:

- Under the fluctuating capital method, each partner has one capital account for capital and routine partner adjustments.
- Under the fixed capital method, routine adjustments are normally recorded in a separate current

account.

Step 1: Identify the method With fluctuating capitals, drawings and interest on drawings are debited to the partner's capital account. Interest on capital, partners' salary and the share of profit are credited to that same account. These transactions cause the capital balance to change.

Step 2: Eliminate competing accounts Current accounts, option (A), normally accompany fixed capitals. A drawings account, option (C), cannot record every listed adjustment. The Profit and Loss Appropriation Account, option (D), determines appropriations but is not the personal account in which all these partner adjustments accumulate. Hence the common destination is the partners' capital accounts.

Step 3: Conclusion The adjustments are shown in the Capital Account of partners. Hence, the correct option is (B).

Quick Tip to Solve: First identify fixed or fluctuating capitals; fluctuating capitals absorb routine partner adjustments.

11. Nigam Ltd. issued 40,000, 11% Debentures of Rs 100 each at a certain rate of discount. The debentures were to be redeemed at 20% premium. Existing balance of Securities Premium before issue of these debentures was Rs 13,00,000. After writing off 'Loss on issue of debentures', the balance in Securities Premium was Rs 3,00,000. The above debentures were issued at a discount of: [1 mark]

(A) 20%

(B) 15%

(C) 10%

(D) 5%

Correct Answer: (D) 5%

Solution:

Concept:

- Loss on issue of debentures includes discount on issue and premium payable on redemption.
- The reduction in Securities Premium equals the loss written off against that balance in this question.

Step 1: Find total loss and redemption premium Total loss written off is Rs 13,00,000 - Rs 3,00,000 = Rs 10,00,000. Nominal value of debentures is $40,000 \times 100 =$ Rs $40,00,000$. Premium on redemption is $40,00,000 \times 20/100 =$ Rs $8,00,000$.

Step 2: Derive the issue discount Discount on issue is Rs 10,00,000 - Rs 8,00,000 = Rs 2,00,000. Therefore the discount rate is $(2,00,000/40,00,000) \times 100 = 5\%$. The 20 percent in (A) is the redemption premium, not the issue discount; 15 percent and 10 percent would produce losses greater than the amount written off.

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

Quick Tip to Solve: Subtract redemption premium from total loss first, then divide the remaining discount by face value.

12. Deep Ltd. issued 6,000, 9% Debentures of Rs 500 each at Rs 490 per debenture. 9% Debentures Account will be credited by: [1 mark]

(A) Rs 2,70,000

(B) Rs 6,00,000

(C) Rs 29,40,000

(D) Rs 30,00,000

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

Solution:

Concept:

- The Debentures Account is credited with total nominal or face value of the debentures issued.
- Issue proceeds and discount are recorded separately; the coupon rate governs interest, not the principal credited.

Step 1: Calculate the face-value liability Each of the 6,000 debentures has a face value of Rs 500. Thus the amount credited to 9 percent Debentures Account is $6,000 \times 500 = \text{Rs } 30,00,000$, irrespective of the discounted issue price.

Step 2: Reconcile the other figures Cash proceeds are $6,000 \times 490 = \text{Rs } 29,40,000$, so option (C) gives proceeds instead of nominal value. The difference of Rs 60,000 is discount on issue. Option (A), Rs 2,70,000, is annual interest at 9 percent of face value; option (B), Rs 6,00,000, is neither the face-value liability nor the proceeds.

Step 3: Conclusion The 9 percent Debentures Account is credited by Rs 30,00,000. Hence, the correct option is (D).

Quick Tip to Solve: For the credit to Debentures Account, multiply the number issued by face value, ignoring issue price.

13. Mogra Ltd. purchased assets of Rs 14,40,000 from DK Ltd. It issued 9% Debentures of Rs 100 each at a discount of 4% in full satisfaction of the purchase consideration. The number of debentures issued to DK Ltd. were: [1 mark]

(A) 14,400

(B) 15,000

(C) 3,60,000

(D) 1,500

Correct Answer: (B) 15,000

Solution:

Concept:

- Debentures issued to a vendor settle purchase consideration at their issue price.
- Issue price equals face value less discount; number issued equals consideration divided by issue price.

Step 1: Determine issue value per debenture Face value is Rs 100 and discount is 4%. Discount per debenture is Rs 4, so each debenture settles $100 - 4 =$ Rs 96 of the amount due to DK Ltd. The 9 percent rate is the coupon rate and does not determine the issue price.

Step 2: Calculate and check the number Number issued is $14,40,000/96 = 15,000$. As a check, $15,000 \times 96 =$ Rs $14,40,000$. Option (A) incorrectly divides by face value, (C) divides by the discount amount, and (D) is too small to satisfy the purchase consideration at Rs 96 per debenture.

Step 3: Conclusion Mogra Ltd. issued 15,000 debentures. Hence, the correct option is (B).

Quick Tip to Solve: Divide the vendor's consideration by the discounted issue price, not by face value or the discount amount.

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14. On 31st March, 2025, the partnership between Hari and Om was dissolved. Hari was appointed to look after dissolution work for which he was allowed a commission of Rs 9,700. He agreed to bear the dissolution expenses. The actual expenses of dissolution amounted to Rs 8,900 which were paid by Hari's friend, Bhanu on his behalf. The amount debited to Realisation Account will be: [1 mark]

(A) Rs 9,700

(B) Rs 8,900

(C) Rs 10,000

(D) Nil

Correct Answer: (A) Rs 9,700

Solution:

Concept:

- When a partner undertakes dissolution work for a fixed commission, the commission is an expense of the firm and is debited to Realisation Account.
- If that partner also agrees to bear the actual expenses, those expenses are his responsibility; their payment does not create a second expense for the firm.

Step 1: Identify the firm's liability Hari is entitled to the agreed commission of Rs 9,700. Therefore Realisation Account is debited and Hari's Capital Account is credited by Rs 9,700.

Step 2: Distinguish the actual payment The actual Rs 8,900 was paid by Bhanu on Hari's behalf. Since Hari agreed to bear these expenses, this is a personal settlement between Hari and Bhanu. It does not debit the firm's Realisation Account. Thus Rs 8,900, Rs 10,000 and nil do not represent the firm's agreed dissolution expense.

Step 3: Conclusion Realisation Account is debited by Rs 9,700. Hence, the correct option is (A).

Quick Tip to Solve: Identify who agreed to bear expenses before looking at who physically paid them.

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15. Atul and Nisha were partners in a firm sharing profits and losses in the ratio of 4:1. Their capitals were Rs 1,20,000 and Rs 90,000 respectively. On 1st April, 2025, they admitted Mona as a new partner in the firm for 1/4th share in the future profits. Mona brought Rs 1,00,000 as her capital. The value of goodwill of the firm was: [1 mark]

(A) Rs 22,500

(B) Rs 4,00,000

(C) Rs 90,000

(D) Rs 1,00,000

Correct Answer: (C) Rs 90,000

Solution:

Concept:

- The incoming partner's capital divided by her profit share gives the implied total capital of the firm.
- Hidden goodwill equals implied total capital less the actual aggregate capital of all partners, including the incoming partner.

Step 1: Find the implied value Mona contributes Rs 1,00,000 for a $1/4$ share. Hence implied total capital is

$$\frac{1,00,000}{1/4} = \text{Rs } 4,00,000.$$

This is the capitalised value, not goodwill itself.

Step 2: Deduct actual capitals Actual aggregate capital is $1,20,000+90,000+1,00,000 = \text{Rs } 3,10,000$. Therefore goodwill is $4,00,000 - 3,10,000 = \text{Rs } 90,000$. Rs 22,500 is only Mona's one-fourth share of goodwill; Rs 1,00,000 is her capital contribution.

Step 3: Conclusion The goodwill of the firm is Rs 90,000. Hence, the correct option is (C).

Quick Tip to Solve: Deduct all three partners' actual capitals from the value implied by Mona's one-fourth share.

16. Yashoda and Devi were partners in a firm sharing profits and losses in the ratio of 3:2. On 31st March, 2025, their balance sheet showed land and building at Rs 20,00,000 and furniture at Rs 6,00,000. On that date they admitted Poonam as a new partner for 1/4th share in the future profits of the firm. On Poonam's admission, it was found that land and building is undervalued by 20%. On Poonam's admission, Revaluation Account will be: [1 mark]

(A) debited by Rs 5,00,000

(B) debited by Rs 25,00,000

(C) credited by Rs 25,00,000

(D) credited by Rs 5,00,000

Correct Answer: (D) credited by Rs 5,00,000

Solution:

Concept:

- An asset undervalued by 20% is recorded at 80% of its correct value.
- An increase in the value of an asset is credited to Revaluation Account; only the increase, not the revised total, is recorded there.

Step 1: Calculate the correct asset value Land and building has a book value of Rs 20,00,000. Since it is undervalued by 20%, its correct value is

$$20,00,000 \times \frac{100}{80} = \text{Rs } 25,00,000.$$

Step 2: Determine the revaluation credit The increase is $25,00,000 - 20,00,000 = \text{Rs } 5,00,000$. Land and Building Account is debited and Revaluation Account credited for this increase. Debit options reverse the accounting treatment, while Rs 25,00,000 is the revised asset value. Furniture has no specified change, so it creates no revaluation adjustment.

Step 3: Conclusion Revaluation Account is credited by Rs 5,00,000. Hence, the correct option is (D).

Quick Tip to Solve: For undervaluation by 20%, treat book value as 80% and credit only the resulting increase.

17. Tara, Meera and Neera were partners in a firm sharing profits and losses equally. Their capitals on 1st April, 2025 were Rs 4,00,000; Rs 3,00,000 and Rs 2,00,000 respectively. The firm closes its books on 31st March every year. Tara died on 30th June, 2025. The partnership deed provides that in the event of death of a partner, her legal representatives will be entitled to the following:

(i) Interest on capital @ 6% p.a.

(ii) Her share in the profits of the firm till the date of her death.

Tara had withdrawn Rs 8,000 for her treatment till 30th June, 2025 and interest on drawings @ 12% p.a. is to be charged. Her share in the profits of the firm was to be calculated on the basis of last year's profit. Last year's profit amounted to Rs 1,80,000. Prepare Tara's Capital Account to be presented to her legal representatives on her death. [3 marks]

Solution:

Concept:

- A deceased partner's capital is credited with interest on capital and profit earned up to the date of death.
- Drawings and interest on drawings are debited. Where the withdrawal dates are unspecified, drawings during the period use its average duration.

Step 1: Calculate Tara's entitlements From 1st April to 30th June is three months. Interest on capital is

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

Tara's share of estimated profit is

$$1,80,000 \times \frac{3}{12} \times \frac{1}{3} = \text{Rs } 15,000.$$

The equal profit-sharing ratio determines her one-third share; her capital does not determine it.

Step 2: Calculate the drawings charge Total drawings up to death are Rs 8,000. With no individual withdrawal dates stated, their average duration over this three-month period is $3/2 = 1.5$ months. Interest on drawings is

$$8,000 \times \frac{12}{100} \times \frac{1.5}{12} = \text{Rs } 120.$$

Both the drawings and this charge reduce the sum due to Tara's estate.

Step 3: Prepare the capital account Tara's Capital Account as at 30th June, 2025

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Drawings	8,000	By Balance b/d	4,00,000
To Interest on Drawings	120	By Interest on Capital	6,000
To Tara's Executor's A/c	4,12,880	By Profit and Loss Suspense A/c	15,000
Total	4,21,000	Total	4,21,000

The executor's account receives the final amount payable to Tara's legal representatives. The capital account is thereby closed; this transfer is not an immediate cash payment.

Step 4: Conclusion The amount transferred to Tara's Executor's Account is Rs 4,12,880.

Quick Tip to Solve: Use three months for capital interest and profit, but the average 1.5 months for undated drawings.

18(a). **Laxmi, Rani and Priya were partners in a firm sharing profits and losses in the ratio of 5:7:8. Their fixed capitals were Rs 8,00,000; Rs 7,00,000 and Rs 5,00,000 respectively. The partnership deed provided interest on capital @ 9% per annum. For the year ending 31st March, 2025, interest on capital was provided @ 12% per annum. Showing your workings clearly, pass a single adjustment entry to rectify the error.** [3 marks]

Solution:

Concept:

- Excess interest on capital must be withdrawn from the partners in the amounts wrongly credited.
- Reversal increases divisible profit, which is restored in the profit-sharing ratio. With fixed capitals, the net correction passes through current accounts.

Step 1: Calculate excess interested credited The excess rate is $12\% - 9\% = 3\%$. Therefore excess credits are Laxmi: $8,00,000 \times 3\% =$ Rs $24,000$; Rani: $7,00,000 \times 3\% =$ Rs $21,000$; Priya: $5,00,000 \times 3\% =$ Rs $15,000$. Their total is Rs 60,000. These amounts must first be debited back to the partners.

Step 2: Restore profit in the correct ratio The excess interest reduced divisible profit by Rs 60,000. Restore it in the ratio $5 : 7 : 8$, whose sum is 20.

Particulars (Rs)	Laxmi	Rani	Priya
Excess interest: debit	24,000	21,000	15,000
Profit restored: credit	15,000	21,000	24,000
Net adjustment	9,000 Dr.	Nil	9,000 Cr.

Laxmi was overcredited by Rs 9,000 overall, Rani needs no net change, and Priya was undercredited by Rs 9,000. Total net debits equal total net credits.

Step 3: Pass the single adjustment entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Laxmi's Current A/c Dr.		9,000	
	To Priya's Current A/c			9,000
	(Being excess interest on fixed capitals rectified by a single net adjustment)			

Fixed capital balances remain intact; the partners' current accounts record the rectification.

Step 4: Conclusion Laxmi's Current A/c: debit Rs 9,000. Priya's Current A/c: credit Rs 9,000. Rani: nil.

Quick Tip to Solve: Reverse excess interest, redistribute the same total as profit, then post only the net current-account amounts.

OR

18(b). Sukesh and Surbhi were partners in a firm sharing profits and losses in the ratio of 5:3. On 1st April, 2024, they admitted Suman, as a new partner for 1/5th share in the profits of the firm with a minimum guaranteed profit of Rs 1,20,000. Any deficiency arising on that account will be borne by Sukesh. The net profit of the firm for the year ended 31st March, 2025 was Rs 5,50,000. Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2025. [3 marks]

Solution:

Concept:

- An incoming partner's share is deducted from the whole; the continuing partners divide the balance in their old ratio unless otherwise stated.
- A guaranteed partner receives the higher of her normal share and the guaranteed amount. The named guarantor alone bears any deficiency.

Step 1: Determine normal profit shares Suman receives $1/5$, leaving $4/5$ to Sukesh and Surbhi in the ratio $5:3$. Thus their new shares are $(4/5)(5/8) = 1/2$ and $(4/5)(3/8) = 3/10$. The new ratio is $5:3:2$. From profit of Rs 5,50,000, normal shares are Sukesh Rs 2,75,000, Surbhi Rs 1,65,000 and Suman Rs 1,10,000.

Step 2: Apply the guarantee Suman's minimum guaranteed share is Rs 1,20,000, so the deficiency is $1,20,000 - 1,10,000 =$ Rs $10,000$. Sukesh alone bears this deficiency. His final share is $2,75,000 - 10,000 =$ Rs $2,65,000$. Surbhi's share remains Rs 1,65,000 and Suman receives Rs 1,20,000. The deficiency is a reallocation of profit, not an additional expense of the firm.

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

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Sukesh's Capital A/c	2,65,000	By Profit and Loss A/c	5,50,000
To Surbhi's Capital A/c	1,65,000	(Net profit)	
To Suman's Capital A/c	1,20,000		
Total	5,50,000	Total	5,50,000

The final appropriations exhaust the net profit exactly, and only Sukesh's normal entitlement is reduced by the guarantee.

Step 4: Conclusion Profit is appropriated as Sukesh Rs 2,65,000; Surbhi Rs 1,65,000; and Suman Rs 1,20,000.

Quick Tip to Solve: Compute normal shares first, then subtract Suman's Rs 10,000 deficiency solely from Sukesh.

19(a). Oasis Ltd. purchased building worth Rs 12,00,000, machinery worth Rs 1,90,000 and furniture worth Rs 3,00,000 from Nitara Ltd. and took over its liabilities of Rs 90,000 for a purchase consideration of Rs 15,30,000. Oasis Ltd. paid the purchase consideration by issuing 11% Debentures of Rs 100 each at a discount of 10%. Pass necessary journal entries in the books of Oasis Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor. Net assets equal the value of assets acquired less liabilities taken over.
- When purchase consideration is less than net assets, the difference is capital reserve. Debentures issued at discount are credited at face value, while discount is debited separately.

Step 1: Calculate net assets and capital reserve The total assets acquired are:

$$12,00,000 + 1,90,000 + 3,00,000 = \text{Rs } 16,90,000.$$

Net assets are $16,90,000 - 90,000 = \text{Rs } 16,00,000$. Since Oasis Ltd. pays Rs 15,30,000, the excess net assets of $16,00,000 - 15,30,000 = \text{Rs } 70,000$ constitute capital reserve, rather than goodwill.

Step 2: Determine the number and face value of debentures Issue price per debenture is $100 - 10 = \text{Rs } 90$. Therefore,

$$\text{Number issued} = 15,30,000/90 = 17,000,$$
$$\text{Face value} = 17,000 \times 100 = \text{Rs } 17,00,000,$$
$$\text{Discount} = 17,000 \times 10 = \text{Rs } 1,70,000.$$

The vendor is discharged at issue price; the 11% rate is the interest rate and does not determine the number issued.

Step 3: Record the transactions Journal of Oasis Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		12,00,000	
	Machinery A/c Dr.		1,90,000	
	Furniture A/c Dr.		3,00,000	
	To Liabilities A/c			90,000
	To Nitara Ltd.			15,30,000
	To Capital Reserve A/c			70,000
	(Being assets and liabilities taken over for agreed consideration)			
	Nitara Ltd. Dr.		15,30,000	
	Discount on Issue of Debentures A/c Dr.		1,70,000	
	To 11% Debentures A/c			17,00,000
	(Being 17,000 debentures issued at 10% discount to discharge the vendor)			

Step 4: Conclusion Capital reserve is Rs 70,000; 17,000 debentures of Rs 100 each discharge the purchase consideration, with discount of Rs 1,70,000.

Quick Tip to Solve: Divide the vendor amount by Rs 90, the issue price; credit debentures at Rs 100 each.

OR

19(b). On 1st April, 2025, Bharat Heavy Industries Ltd. purchased the running business of Mac Ltd. consisting of sundry assets of the book value of Rs 20,00,000 and sundry liabilities of Rs 8,00,000 for a purchase consideration of Rs 15,00,000. The purchase consideration was paid by issuing 8,000, 9% Debentures of Rs 100 each at a premium of 25% and the balance was paid by a bank draft in favour of Mac Ltd. Pass necessary journal entries for the above transactions in the books of Bharat Heavy Industries Ltd. [3 marks]

Solution:

Concept:

- Goodwill on purchase of a business is purchase consideration minus net assets acquired, when consideration exceeds net assets.
- Debentures are credited at face value; any excess issue price is credited to Securities Premium. The bank pays the unpaid balance of purchase consideration.

Step 1: Calculate goodwill on business purchase Net assets taken over are $20,00,000 - 8,00,000 =$ Rs $12,00,000$. The agreed purchase consideration is Rs 15,00,000. Thus,

$$\text{Goodwill} = 15,00,000 - 12,00,000 = \text{Rs } 3,00,000.$$

Goodwill is debited because the amount paid for the running business exceeds the book value of its identifiable net assets.

Step 2: Calculate debenture proceeds and bank payment The face value of 8,000 debentures is $8,000 \times 100 =$ Rs $8,00,000$. The 25% premium equals $8,00,000 \times 25/100 =$ Rs $2,00,000$. Hence debentures settle Rs 10,00,000 of the vendor's claim. The remaining amount paid by bank draft is

$$15,00,000 - 10,00,000 = \text{Rs } 5,00,000.$$

The 9% rate represents interest on face value; it is unrelated to the purchase settlement premium.

Step 3: Record the journal entries Journal of Bharat Heavy Industries Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April 2025	Sundry Assets A/c Dr.		20,00,000	
	Goodwill A/c Dr.		3,00,000	
	To Sundry Liabilities A/c			8,00,000
	To Mac Ltd.			15,00,000
	(Being business purchased and goodwill recognised)			
1 April 2025	Mac Ltd. Dr.		15,00,000	
	To 9% Debentures A/c			8,00,000
	To Securities Premium A/c			2,00,000
	To Bank A/c			5,00,000
	(Being purchase consideration discharged by 8,000 debentures at 25% premium and bank draft)			

Step 4: Conclusion Goodwill is Rs 3,00,000. The vendor receives debentures worth Rs 10,00,000 at issue price and a bank draft of Rs 5,00,000.

Quick Tip to Solve: Compute issue proceeds as 8,000 times Rs 125 before subtracting from the purchase consideration.

20. Dhruv and Seema were partners in a firm sharing profits and losses in the ratio of 2:3. Their capitals were Rs 18,00,000 and Rs 12,00,000 respectively. The normal rate of return was 15%. The profits of the last four years were:

Year	Profit (Rs)
2021-22	7,75,000
2022-23	5,00,000
2023-24	(75,000)
2024-25	7,00,000

The closing stock for the year 2024-25 was undervalued by Rs 1,00,000. Goodwill of the firm is to be valued at three years' purchase of last four years' average super-profits. Calculate the value of goodwill of the firm. [3 marks]

Solution:

Concept:

- Closing stock undervaluation understates profit for the same year. Add the undervaluation to that year's reported profit before averaging.
- Normal profit equals capital employed multiplied by the normal rate of return. Super profit equals average adjusted profit less normal profit; goodwill equals super profit multiplied by years' purchase.

Step 1: Correct the final year and average the profits The closing stock for 2024–25 is understated by Rs 1,00,000, so its adjusted profit is $7,00,000 + 1,00,000 = \text{Rs } 8,00,000$. The parenthesised amount for 2023–24 is a loss and must be subtracted. Accordingly,

$$\begin{aligned}\text{Total adjusted profits} &= 7,75,000 + 5,00,000 - 75,000 + 8,00,000\\ &= \text{Rs } 20,00,000,\\ \text{Average profit} &= 20,00,000/4 = \text{Rs } 5,00,000.\end{aligned}$$

The stock error concerns the latest year, so no later year's opening-stock adjustment is needed within the four-year period.

Step 2: Calculate normal profit and super profit Capital employed is the sum of the partners' capitals:

$$\begin{aligned}\text{Capital employed} &= 18,00,000 + 12,00,000 = \text{Rs } 30,00,000,\\ \text{Normal profit} &= 30,00,000 \times 15/100 = \text{Rs } 4,50,000,\\ \text{Average super profit} &= 5,00,000 - 4,50,000 = \text{Rs } 50,000.\end{aligned}$$

The profit-sharing ratio 2:3 does not enter the valuation of the firm's total goodwill; it would matter if

goodwill were subsequently allocated between partners.

Step 3: Apply three years purchase Goodwill is three years' purchase of the average super profit:

$$\text{Goodwill} = 50,000 \times 3 = \text{Rs } 1,50,000.$$

The purchase multiplier applies to the excess profit of Rs 50,000, not to the whole average profit of Rs 5,00,000.

Step 4: Conclusion The value of goodwill of the firm is $\boxed{\text{Rs } 1,50,000}$.

Quick Tip to Solve: Add the stock undervaluation, subtract the loss, and apply three years only to super profit.

21. Pass necessary journal entries for issue of debentures for the following transactions:

(i) AB Ltd. issued 30,000, 10% Debentures of Rs 100 each at a premium of 5%, redeemable at a premium of 10%.

(ii) CD Ltd. issued 40,000, 8% Debentures of Rs 100 each at par, redeemable at a premium of 10%. [4 marks]

Solution:

Concept:

- Debentures are credited with their face value. Bank is debited with the amount received on issue; any excess of issue price over face value is credited to Securities Premium.
- Premium payable on redemption is credited to Premium on Redemption of Debentures and debited to Loss on Issue of Debentures at the time of issue. The coupon rate does not alter these issue entries.

Step 1: (i) Calculate the amounts for AB Ltd. Face value of the issue is $30,000 \times \text{Rs } 100 = \text{Rs } 30,00,000$. Issue premium is $5\% \times \text{Rs } 30,00,000 = \text{Rs } 1,50,000$, so the bank receives Rs 31,50,000. Redemption premium is $10\% \times \text{Rs } 30,00,000 = \text{Rs } 3,00,000$. This future liability is recognised on issue itself. There is no discount on issue; the loss represents the redemption premium.

Step 2: (i) Record the issue in the books of AB Ltd. Journal of AB Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		31,50,000	
	Loss on Issue of Debentures A/c Dr.		3,00,000	
	To 10% Debentures A/c			30,00,000
	To Securities Premium A/c			1,50,000
	To Premium on Redemption of Debentures A/c			3,00,000
	(Being 30,000 debentures of Rs 100 each issued at 5% premium, redeemable at 10% premium)			

The debit and credit totals are each Rs 34,50,000. The issue premium is shown separately; it is not netted against the redemption premium in this entry.

Step 3: (ii) Calculate the amounts for CD Ltd. Face value and bank receipt are both $40,000 \times \text{Rs } 100 =$

Rs $40,00,000$, because the issue is at par. Redemption premium is $10\% \times$ Rs $40,00,000 =$ Rs $4,00,000$. Accordingly, the loss on issue is Rs 4,00,000. No Securities Premium credit arises in this case.

Step 4: (ii) Record the issue in the books of CD Ltd. Journal of CD Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		40,00,000	
	Loss on Issue of Debentures A/c Dr.		4,00,000	
	To 8% Debentures A/c			40,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Being 40,000 debentures of Rs 100 each issued at par, redeemable at 10% premium)			

The debit and credit totals are each Rs 44,00,000. Interest at 8% is a later periodic expense and is not part of the issue transaction.

Step 5: Conclusion AB Ltd. records Bank Rs 31,50,000, Securities Premium Rs 1,50,000 and Loss on Issue Rs 3,00,000. CD Ltd. records Bank Rs 40,00,000 and Loss on Issue Rs 4,00,000, with redemption premiums credited as shown above.

Quick Tip to Solve: Calculate face value, bank receipt and redemption premium separately before preparing each journal entry.

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22. Raman, Daman and Vikram were partners in a firm sharing profits and losses in the ratio of 5:4:1. On 31st March, 2025, their capitals were Rs 6,00,000; Rs 3,00,000 and Rs 2,00,000 respectively. With effect from 1st April, 2025, they decided to share the future profits equally. Due to change in profit sharing ratio, it was agreed that:

(i) Goodwill of the firm will be valued at Rs 3,00,000.

(ii) Revaluation of assets and liabilities will be carried out. The revaluation of assets and liabilities resulted in a loss of Rs 12,000.

(iii) Total capital of the reconstituted firm will be Rs 12,00,000 and will be in the new profit sharing ratio of the partners. For this purpose, necessary cash will be brought in by the partners or paid off to the partners, as the case may be.

Prepare Partners' Capital Accounts on the reconstitution of the firm. [4 marks]

Solution:

Concept:

- On a change in profit sharing ratio, gaining partners compensate sacrificing partners for goodwill. Sacrifice equals old share minus new share, while gain is new share minus old share.
- Revaluation loss is borne by all existing partners in the old ratio. After goodwill and revaluation adjustments, compare each capital balance with the required capital in the new ratio; cash makes up the difference.

Step 1: Calculate sacrifice, gain and goodwill adjustment The old shares are $5/10, 4/10, 1/10$; each new share is $1/3$. Thus Raman sacrifices $5/10 - 1/3 = 5/30$, Daman sacrifices $4/10 - 1/3 = 2/30$, and Vikram gains $1/3 - 1/10 = 7/30$. Raman and Daman therefore receive goodwill compensation in the

ratio $5 : 2$.

For goodwill valued at Rs 3,00,000, credit Raman with $3,00,000 \times 5/30 =$ Rs $50,000$ and Daman with $3,00,000 \times 2/30 =$ Rs $20,000$. Debit Vikram with Rs 70,000. No goodwill asset is raised; the adjustment is made directly through capitals.

Step 2: Allocate revaluation loss and determine cash adjustments The Rs 12,000 loss is debited in the old ratio $5 : 4 : 1$: Raman Rs 6,000; Daman Rs 4,800; Vikram Rs 1,200. Adjusted capitals are therefore:

$$Raman : 6,00,000 + 50,000 - 6,000 = 6,44,000,$$
$$Daman : 3,00,000 + 20,000 - 4,800 = 3,15,200,$$
$$Vikram : 2,00,000 - 70,000 - 1,200 = 1,28,800.$$

Required capital per partner is Rs $12,00,000/3 =$ Rs $4,00,000$. Hence Raman withdraws Rs 2,44,000, Daman brings Rs 84,800 and Vikram brings Rs 2,71,200. Net cash introduced is Rs 1,12,000; this increases adjusted total capital of Rs 10,88,000 to Rs 12,00,000.

Step 3: Prepare partners' capital accounts on 1st April, 2025 Raman's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation A/c	6,000	By Balance b/d	6,00,000
To Bank A/c	2,44,000	By Vikram's Capital A/c	50,000
To Balance c/d	4,00,000		
Total	6,50,000	Total	6,50,000
		By Balance b/d	4,00,000

Daman's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation A/c	4,800	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Vikram's Capital A/c	20,000
		By Bank A/c	84,800
Total	4,04,800	Total	4,04,800
		By Balance b/d	4,00,000

Vikram's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation A/c	1,200	By Balance b/d	2,00,000
To Raman's Capital A/c	50,000	By Bank A/c	2,71,200
To Daman's Capital A/c	20,000		
To Balance c/d	4,00,000		
Total	4,71,200	Total	4,71,200
		By Balance b/d	4,00,000

Step 4: Conclusion Each partner has a closing capital of Rs 4,00,000. Raman is paid Rs 2,44,000; Daman and Vikram introduce Rs 84,800 and Rs 2,71,200 respectively.

Quick Tip to Solve: Adjust goodwill and revaluation first; only then compare each adjusted capital with Rs 4,00,000 to find cash introduced or withdrawn.

23(a). Madhav Ltd. invited applications for issuing 4,00,000 equity shares of Rs 10 each at a premium of Rs 4 per share. The amount was payable as follows:

On Application and Allotment - Rs 6 per share (including premium Rs 2)

On First and Final Call - Balance

Applications for 6,00,000 shares were received. Applications for 1,00,000 shares were rejected and the application money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received on application and allotment was adjusted towards sums due on first and final call. A shareholder, who had applied for 500 shares, failed to pay the first and final call. His shares were forfeited. Pass necessary journal entries in the books of Madhav Ltd. for the above transactions. [6 marks]

Solution:

Concept:

- Application and allotment money contains capital of Rs 4 and premium of Rs 2 per share; the final call contains capital of Rs 6 and premium of Rs 2.
- Excess application money is a liability until adjusted against the call. On forfeiture debit called-up capital, reverse unpaid premium, credit unpaid calls and credit capital received to Share Forfeiture.

Step 1: Determine allotment and the default The eligible applications are $6,00,000 - 1,00,000 = 5,00,000$, giving an allotment ratio of $4,00,000 : 5,00,000 = 4 : 5$. The applicant for 500 shares receives $500 \times 4/5 = 400$ shares. His payment is Rs 3,000; application and allotment due is Rs 2,400, leaving Rs 600 adjustable against the call. His call is $400 \times 8 =$ Rs $3,200$; hence Rs 2,600 remains unpaid. The unpaid call premium is $400 \times 2 =$ Rs 800, and capital received is $400 \times 4 + 600 =$ Rs $2,200$.

Step 2: Record receipt, refund and allotment Journal of Madhav Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		36,00,000	
	To Share Application and Allotment A/c			36,00,000
	(Being application money received on 6,00,000 shares)			
	Share Application and Allotment A/c Dr.		36,00,000	
	To Bank A/c			6,00,000
	To Share Capital A/c			16,00,000
	To Securities Premium A/c			8,00,000
	To Calls in Advance A/c			6,00,000
	(Being rejected applications refunded, allotment recorded and excess carried forward)			

Step 3: Record the call and forfeiture Journal of Madhav Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		32,00,000	
	To Share Capital A/c			24,00,000
	To Securities Premium A/c			8,00,000
	(Being first and final call due on 4,00,000 shares)			
	Bank A/c Dr.		25,97,400	
	Calls in Advance A/c Dr.		6,00,000	
	To Share First and Final Call A/c			31,97,400
	(Being call received after adjustment of advances, except Rs 2,600 unpaid)			
	Share Capital A/c Dr.		4,000	
	Securities Premium A/c Dr.		800	
	To Share First and Final Call A/c			2,600
	To Share Forfeiture A/c			2,200
	(Being 400 shares forfeited and unpaid call premium reversed)			

Step 4: Conclusion The shareholder receives 400 shares; unpaid call is Rs 2,600 and Share Forfeiture is credited with Rs 2,200. The entries above record all transactions.

Quick Tip to Solve: Calculate the defaulterś allotted shares first, then deduct his excess application money from the call due.

OR

23(b)(i). NN Ltd. forfeited 800 equity shares of Rs 100 each for non-payment of the first call of Rs 20 per share. The second and final call of Rs 30 per share was not yet made. Out of the forfeited shares, 600 shares were re-issued for Rs 54,000 as fully paid-up. Pass necessary journal entries for the above transactions in the books of NN Ltd. [3 marks]

Solution:

Concept:

- Called-up capital excludes calls not yet made. At forfeiture, debit only the amount called and credit the amount already received to Share Forfeiture.
- Reissue discount may be debited to Share Forfeiture; only the surplus relating to shares actually reissued is transferred to Capital Reserve.

Step 1: Calculate called-up and received amounts The final call of Rs 30 has not been made, so called-up capital per share is $100 - 30 =$ Rs 70. Of this, Rs 20 is unpaid, giving capital received per share of $70 - 20 =$ Rs 50. For 800 shares, capital called is Rs 56,000, unpaid first call is Rs 16,000 and forfeiture is Rs 40,000. Reissue of 600 shares as fully paid credits capital with Rs 60,000 against cash Rs 54,000, so discount is Rs 6,000. Their forfeiture balance is $600 \times 50 =$ Rs $30,000$; surplus is Rs 24,000.

Step 2: Pass forfeiture, reissue and reserve entries Journal of NN Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		56,000	
	To Share First Call A/c			16,000
	To Share Forfeiture A/c			40,000
	(Being 800 shares forfeited for unpaid first call; final call not made)			
	Bank A/c Dr.		54,000	
	Share Forfeiture A/c Dr.		6,000	
	To Share Capital A/c			60,000
	(Being 600 shares reissued as fully paid at Rs 90 each)			
	Share Forfeiture A/c Dr.		24,000	
	To Capital Reserve A/c			24,000
	(Being surplus on 600 reissued shares transferred to Capital Reserve)			

Step 3: Conclusion Capital Reserve is Rs 24,000; Share Forfeiture retains Rs 10,000 for the 200 shares not yet reissued.

Quick Tip to Solve: Do not debit Rs 100 per share at forfeiture when the Rs 30 final call has not yet been made.

23(b)(ii). KG Ltd. forfeited 7,000 equity shares of Rs 100 each, issued at a premium of Rs 20 per share, for non-payment of second and final call of Rs 20 per share. The forfeited shares were re-issued at Rs 80 per share, fully paid-up. Pass necessary journal entries for the above transactions in the books of KG Ltd. [3 marks]

Solution:

Concept:

- Forfeiture cancels called-up share capital; premium already received is retained in Securities Premium and is not reversed.
- The discount on reissue is charged to Share Forfeiture, and the remaining forfeiture surplus on reissued shares goes to Capital Reserve.

Step 1: Calculate forfeiture and reissue amounts The full face value of Rs 100 is called, and only the final call of Rs 20 remains unpaid. Thus capital received per share is $100 - 20 = \text{Rs } 80$. The premium of Rs 20 was received earlier, so it is not part of the forfeiture credit and is not reversed. Called-up capital on 7,000 shares is Rs 7,00,000, unpaid call is Rs 1,40,000 and forfeiture is Rs 5,60,000. Reissue receipts are $7,000 \times 80 = \text{Rs } 5,60,000$; discount is $7,000 \times 20 = \text{Rs } 1,40,000$. The available forfeiture balance exceeds this discount.

Step 2: Record all three journal entries Journal of KG Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		7,00,000	
	To Share Second and Final Call A/c			1,40,000
	To Share Forfeiture A/c			5,60,000
	(Being 7,000 shares forfeited for non-payment of final call)			
	Bank A/c Dr.		5,60,000	
	Share Forfeiture A/c Dr.		1,40,000	
	To Share Capital A/c			7,00,000
	(Being all forfeited shares reissued at Rs 80 as fully paid)			
	Share Forfeiture A/c Dr.		4,20,000	
	To Capital Reserve A/c			4,20,000
	(Being remaining forfeiture surplus transferred to Capital Reserve)			

Step 3: Conclusion All 7,000 shares are reissued; the resulting Capital Reserve is $5,60,000 - 1,40,000 = \text{Rs } 4,20,000$.

Quick Tip to Solve: Exclude the premium already received from both the forfeiture credit and the reissue discount calculation.

24. Diksha Ltd. was registered with an authorised capital of Rs 40,00,000 divided into shares of Rs 10 each. On 1st April, 2025, the company offered to the public for subscription, 1,20,000 shares. Applications for 1,10,000 shares were received and allotment was made in full to all the applicants. A shareholder holding 10,000 shares failed to pay the second and final call of Rs 2 per share. [6 marks]

24(i). The amount of 'calls in arrears' will be: [1 mark]

(A) Rs 10,000

(B) Rs 20,000

(C) Rs 80,000

(D) Rs 1,00,000

Correct Answer: (B) Rs 20,000

Solution:

Concept:

- Calls in arrears are called amounts that shareholders have failed to pay. Multiply defaulting shares by the unpaid call per share.
- Authorised capital and shares offered do not determine arrears; the actual unpaid call does.

Step 1: Identify the default The shareholder owns 10,000 allotted shares and has not paid the second and final call of Rs 2 on each share. Other amounts and other shareholders are not stated to be in default.

Step 2: Compute and compare options

$$\text{Calls in arrears} = 10,000 \times 2 = \text{Rs } 20,000.$$

Option (A) counts only the shares without multiplying by the call. Rs 80,000 in (C) is the amount already paid on these shares, while Rs 1,00,000 in (D) is their face value; neither is the unpaid call.

Step 3: Conclusion The correct option is (B): Rs 20,000.

Quick Tip to Solve: For arrears, use only defaulting shares times the unpaid call, ignoring the authorised capital.

24(ii). The 'subscribed and fully paid-up capital' of Diksha Ltd. will be: [1 mark]

(A) Rs 9,80,000

(B) Rs 10,80,000

(C) Rs 11,00,000

(D) Rs 10,00,000

Correct Answer: (D) Rs 10,00,000

Solution:

Concept:

- Subscribed and fully paid-up capital includes the face value of shares on which all called amounts have been paid.
- Shares with unpaid calls belong separately to subscribed but not fully paid-up capital, even though money has already been received on them.

Step 1: Identify fully paid shares All 1,10,000 applications were allotted. Of these, 10,000 shares have an unpaid final call, so fully paid shares are $1,10,000 - 10,000 = 1,00,000$. The offered 1,20,000 shares do not all form subscribed capital.

Step 2: Value fully paid capital and test choices

$$1,00,000 \times \text{Rs } 10 = \text{Rs } 10,00,000.$$

Rs 11,00,000 in (C) is total subscribed face value, including partly paid shares. Rs 10,80,000 in (B) is the aggregate amount paid on all subscribed shares, including partly paid shares. Rs 9,80,000 in (A) incorrectly subtracts arrears again from fully paid capital.

Step 3: Conclusion The correct option is (D): Rs 10,00,000.

Quick Tip to Solve: Remove the number of defaulting shares before multiplying by face value; do not just subtract arrears.

24(iii). 'Subscribed but not fully paid-up capital' of Diksha Ltd. will be: [1 mark]

(A) Rs 80,000

(B) Rs 20,000

(C) Rs 10,000

(D) Nil

Correct Answer: (A) Rs 80,000

Solution:

Concept:

- Subscribed but not fully paid-up capital is the paid amount on shares whose holders have not paid every call.
- For each partly paid share, paid-up amount = face value minus unpaid call.

Step 1: Identify the partly paid shares Only the holder of 10,000 shares defaulted. On each Rs 10 share, the unpaid second and final call is Rs 2, so the amount already received is $10 - 2 = \text{Rs } 8$. The remaining 1,00,000 shares are fully paid.

Step 2: Calculate this category of subscribed capital

$$10,000 \times 8 = \text{Rs } 80,000.$$

Rs 20,000 is calls in arrears, not the paid capital on these shares. Rs 10,000 confuses the number of defaulted shares with their paid value; Nil ignores the amount already collected.

Step 3: Conclusion The subscribed but not fully paid-up capital is $\boxed{\text{Rs } 80,000}$. Hence, the correct option is (A).

Quick Tip to Solve: For partly paid capital, multiply defaulted shares by the amount actually paid per share.

24(iv). The amount of 'share capital' to be shown in the balance sheet of Diksha Ltd. will be: [1 mark]

(A) Rs 11,00,000

(B) Rs 10,80,000

(C) Rs 10,00,000

(D) Rs 9,80,000

Correct Answer: (B) Rs 10,80,000

Solution:

Concept:

- The balance sheet shows paid-up share capital after deducting calls in arrears from subscribed called-up capital.
- Authorised and issued capital are disclosed separately and do not measure the amount actually paid.

Step 1: Find called-up capital and arrears All 1,10,000 allotted shares have a face value of Rs 10 and the final call has been made. Thus, called-up capital is $1,10,000 \times 10 = \text{Rs } 11,00,000$. Calls in arrears

are $10,000 \times 2 = \text{Rs } 20,000$.

Step 2: Determine the balance sheet amount

$$\text{Paid-up capital} = 11,00,000 - 20,000 = \text{Rs } 10,80,000.$$

Option (A) omits the unpaid call. Option (C) includes only fully paid shares, excluding Rs 80,000 already received on partly paid shares. Option (D) deducts arrears from the wrong base.

Step 3: Conclusion Share capital shown in the balance sheet is $\boxed{\text{Rs } 10,80,000}$. Hence, the correct option is (B).

Quick Tip to Solve: Check by adding Rs 10,00,000 fully paid capital and Rs 80,000 partly paid capital.

24(v). If all the shares on which second and final call was not received, are forfeited, 'Share Forfeiture Account' will appear in the 'Notes to Accounts' at: [1 mark]

(A) Rs 20,000

(B) Rs 80,000

(C) Rs 1,00,000

(D) Rs 1,80,000

Correct Answer: (B) Rs 80,000

Solution:

Concept:

- Share Forfeiture Account is credited with the amount already received towards share capital on forfeited shares.
- An unpaid call is reversed on forfeiture; it is not an amount received by the company.

Step 1: Calculate the amount received on forfeited shares The 10,000 defaulted shares have Rs 10 called up per share, of which Rs 2 is unpaid. The company has therefore received $10 - 2 = \text{Rs } 8$ per share towards capital.

Step 2: Find the forfeiture balance

$$\text{Share Forfeiture Account} = 10,000 \times 8 = \text{Rs } 80,000.$$

Rs 20,000 represents unpaid calls, and Rs 1,00,000 represents the called-up face value. Neither is the capital already received. Rs 1,80,000 exceeds even the total face value of the forfeited shares and cannot be the forfeiture credit.

Step 3: Conclusion Share Forfeiture Account appears at $\boxed{\text{Rs } 80,000}$. Hence, the correct option is (B).

Quick Tip to Solve: Forfeiture credit equals forfeited shares multiplied by capital received, excluding the unpaid call.

24(vi). The minimum price at which the forfeited shares can be reissued is: [1 mark]

(A) Rs 20,000

(B) Rs 80,000

(C) Rs 1,00,000

(D) Rs 1,10,000

Correct Answer: (A) Rs 20,000

Solution:

Concept:

- The discount allowed on reissue of forfeited shares cannot exceed the forfeiture amount relating to those shares.
- Minimum reissue proceeds = fully paid face value minus the available forfeiture balance.

Step 1: Determine maximum permissible discount For 10,000 forfeited shares, Rs 8 per share was already received and forfeited. Hence the available forfeiture amount is $10,000 \times 8 = \text{Rs } 80,000$. This is the maximum discount permissible on their reissue as fully paid.

Step 2: Compute the minimum total reissue price

$$\text{Minimum proceeds} = 10,000 \times 10 - 80,000 = \text{Rs } 20,000.$$

This is Rs 2 per share. Rs 80,000 is the maximum discount, not the minimum proceeds. Rs 1,00,000 and Rs 1,10,000 are possible higher proceeds, but they do not give the lowest lawful price.

Step 3: Conclusion The minimum reissue price for all the forfeited shares is $\boxed{\text{Rs } 20,000}$. Hence, the correct option is (A).

Quick Tip to Solve: Subtract the forfeiture credit per share from face value to find the minimum reissue price.

25. Sophia and Lalit were partners in a firm sharing profits and losses equally. Their firm was dissolved on 31st March, 2025. After transferring sundry assets (other than cash in hand and cash at bank) and the third party liabilities to the Realisation Account, the following transactions took place:

(i) The firm had stock of the book value of Rs 80,000. 50% of the stock was taken over by Sophia at 10% less than its book value and the remaining stock was sold at a gain of 15%.

(ii) There was an unrecorded investment which was sold for Rs 25,000.

(iii) There were debtors of Rs 1,20,000. Debtors realised 90% only and Rs 5,000 were recovered for bad debts written off last year.

(iv) Sophia had given a loan to the firm of Rs 52,000. She was paid Rs 41,000 in full settlement of her claim.

(v) Creditors of Rs 60,000 were paid at a discount of 5%.

(vi) Expenses of realisation amounting to Rs 7,000 were paid by Lalit.

Pass necessary journal entries for the above transactions in the books of the firm. [6 marks]

Solution:

Concept:

- After assets and outside liabilities are transferred, asset proceeds credit Realisation and settlement payments debit it.
- A partner taking an asset is debited in the capital account; a partner paying firm expenses is credited in the capital account.
- A partner's loan is settled through its separate loan account, and any settlement concession is a gain to Realisation.

Step 1: (i) Stock taken over and stock sold Half of stock has book value $80,000 \times 50\% =$ Rs $40,000$. Sophia takes it at $40,000 \times 90\% =$ Rs $36,000$; the other half sells for $40,000 \times 115\% =$ Rs $46,000$. Since stock is already transferred, credit Realisation with both recoveries.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sophia's Capital A/c Dr.		36,000	
	To Realisation A/c			36,000
	(Being half the stock taken over at 10% below book value)			
	Bank A/c Dr.		46,000	
	To Realisation A/c			46,000
	(Being remaining stock sold at a gain of 15%)			

Step 2: (ii) Sale of unrecorded investment An unrecorded asset has no book balance to transfer. Its sale proceeds are a direct realisation gain.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		25,000	
	To Realisation A/c			25,000
	(Being unrecorded investment sold)			

Step 3: (iii) Debtors and recovery of bad debts Debtors yield $1,20,000 \times 90\% =$ Rs $1,08,000$. The recovery of Rs 5,000 written off last year is separate and is also credited to Realisation. No fresh

transfer of debtors is needed.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,08,000	
	To Realisation A/c			1,08,000
	(Being debtors realised at 90%)			
	Bank A/c Dr.		5,000	
	To Realisation A/c			5,000
	(Being bad debts previously written off recovered)			

Step 4: (iv) Settle Sophia's loan A partner's loan is not a third-party liability transferred to Realisation. Debit the loan with its full Rs 52,000 balance, credit Bank with Rs 41,000 paid, and credit the settlement gain of $52,000 - 41,000 =$ Rs $11,000$ to Realisation.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sophia's Loan A/c Dr.		52,000	
	To Bank A/c			41,000
	To Realisation A/c			11,000
	(Being loan settled in full at a concession)			

Step 5: (v) Payment to creditors Creditors are settled at $60,000 \times 95\% =$ Rs $57,000$. Their book liability was already credited to Realisation on transfer, so debit Realisation only with the cash paid. The Rs 3,000 discount is automatically reflected in its balance.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		57,000	
	To Bank A/c			57,000
	(Being creditors settled at a discount of 5%)			

Step 6: (vi) Realisation expenses paid by Lalit The expenses are a cost of dissolution borne by the firm. Lalit pays them personally, so his capital account is credited for the amount payable to him; the firm's bank account is unaffected at this stage.

Journal of Sophia and Lalit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		7,000	
	To Lalit's Capital A/c			7,000
	(Being realisation expenses paid by Lalit on behalf of the firm)			

Step 7: Conclusion The journal entries above record all six dissolution transactions, including both stock disposals, both debt recoveries, and the concession on Sophia's loan.

Quick Tip to Solve: Do not repeat the initial transfer entries: the question says assets and third-party liabilities are already transferred.

26(a). **Anand and Bir were partners in a firm sharing profits and losses in the ratio of 3:2. On 31st March, 2025, their Balance Sheet was as follows:**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	45,000	Cash	9,000
Workmen Compensation Fund	15,000	Debtors	36,000
Capitals: Anand 90,000 Bir 60,000	1,50,000	Stock	45,000
		Furniture	30,000
		Plant and Machinery	90,000
Total	2,10,000	Total	2,10,000

On 1st April, 2025, they admitted Vishal as a new partner for 1/6th share in the profits of the firm. It was agreed that:

(i) Vishal will bring Rs 45,000 as his capital and Rs 15,000 for his share of goodwill premium.

(ii) Stock was to be reduced by 10% and machinery was to be appreciated by 10%.

(iii) Furniture was revalued at Rs 27,000.

(iv) 5% provision for bad debts was to be created and Rs 600 were to be provided for outstanding repair bill.

(v) There were unrecorded investments of Rs 3,000 which were to be recorded.

(vi) A creditor of Rs 900 was not likely to claim his money and hence was to be written off.

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

[6 marks]

Solution:

Concept:

- On admission, accumulated reserves and revaluation profit belong to the old partners in their old ratio, $3:2$. No workmen compensation claim is stated, so the entire fund is transferred to Anand and Bir.
- Goodwill premium compensates the sacrificing partners. Since no different sacrifice is specified, Anand and Bir sacrifice in $3:2$; capital brought by Vishal is credited to his own capital account.

Step 1: Compute admission adjustments The remaining share is $5/6$, giving the new ratio $3/6 : 2/6 : 1/6 = 3:2:1$. Anand sacrifices $3/5 - 1/2 = 1/10$, and Bir sacrifices $2/5 - 1/3 = 1/15$, so the sacrificing ratio is $3:2$. Goodwill premium of Rs 15,000 is therefore credited as Rs 9,000 and Rs 6,000. The workmen compensation fund of Rs 15,000 is distributed in the same amounts.

Step 2: Record capital, premium and accumulated fund **Journal of Anand and Bir (1st April, 2025)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Cash A/c Dr.		60,000	
	To Vishal's Capital A/c			45,000
	To Premium for Goodwill A/c			15,000
	(Being capital and goodwill premium received)			
	Premium for Goodwill A/c Dr.		15,000	
	To Anand's Capital A/c			9,000
	To Bir's Capital A/c			6,000
	(Being premium distributed in sacrificing ratio)			
	Workmen Compensation Fund A/c Dr.		15,000	
	To Anand's Capital A/c			9,000
	To Bir's Capital A/c			6,000
	(Being unclaimed fund transferred in old ratio)			

Step 3: Record decreases and liabilities Stock decreases by $45,000 \times 10\% = \text{Rs } 4,500$; furniture decreases by $30,000 - 27,000 = \text{Rs } 3,000$. Provision for doubtful debts is $36,000 \times 5\% = \text{Rs } 1,800$. Together with outstanding repairs of Rs 600, total revaluation debits are Rs 9,900.

Journal of Anand and Bir (1st April, 2025)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr.		9,900	
	To Stock A/c			4,500
	To Furniture A/c			3,000
	To Provision for Doubtful Debts A/c			1,800
	To Outstanding Repairs A/c			600
	(Being asset reductions and liabilities recognised)			

Step 4: Record increases and distribute revaluation profit Machinery appreciates by $90,000 \times 10\% = \text{Rs } 9,000$. Investments and the creditor write-back give additional credits of Rs 3,000 and Rs 900. Revaluation profit is $12,900 - 9,900 = \text{Rs } 3,000$, shared Rs 1,800 and Rs 1,200.

Journal of Anand and Bir (1st April, 2025)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Plant and Machinery A/c Dr.		9,000	
	Investments A/c Dr.		3,000	
	Creditors A/c Dr.		900	
	To Revaluation A/c			12,900
	(Being appreciation, unrecorded investment and creditor written back)			
	Revaluation A/c Dr.		3,000	
	To Anand's Capital A/c			1,800
	To Bir's Capital A/c			1,200
	(Being revaluation profit transferred in old ratio)			

Step 5: Conclusion The necessary admission entries are recorded above. Revaluation profit is Rs 3,000; Anand and Bir receive Rs 1,800 and Rs 1,200 respectively. Vishal's capital is Rs 45,000.

Quick Tip to Solve: Separate goodwill premium from capital; transfer old reserves and revaluation only to the old partners.

OR

26(b). Radha, Shyam and Meera were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31st March, 2025 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Radha 4,00,000 Shyam 4,00,000 Meera 4,00,000	12,00,000	Patents	1,80,000
General Reserve	3,00,000	Building	6,90,000
Creditors	1,80,000	Debtors	2,70,000
		Stock	3,60,000
		Bank	1,80,000
Total	16,80,000	Total	16,80,000

Shyam retired from the firm on the above date on the following terms:

(i) The new profit sharing ratio between the remaining partners was agreed at 3:2.

(ii) The value of stock was to be reduced by Rs 1,20,000.

(iii) Patents were considered as valueless and hence were to be written off.

(iv) Goodwill of the firm was valued at Rs 6,00,000 on Shyam's retirement.

(v) Shyam was paid Rs 1,00,000 immediately on his retirement and the balance was transferred to his loan account.

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

Solution:

Concept:

- Revaluation losses and general reserve are shared by all partners in the old ratio, $1:1:1$. The retiring partner receives his goodwill share from the gaining partners.
- The gaining ratio is new share minus old share. Amount due to Shyam after all adjustments is first paid through Bank and the unpaid amount is transferred to his loan account.

Step 1: Find the revaluation loss Stock is reduced by Rs 1,20,000 and patents of Rs 1,80,000 become valueless. Hence total loss is Rs 3,00,000, debited equally to Radha, Shyam and Meera at Rs 1,00,000 each. No change in building or debtors is specified; these balances do not enter Revaluation Account.

Revaluation Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Stock A/c	1,20,000	By Radha's Capital A/c	1,00,000	
	To Patents A/c	1,80,000	By Shyam's Capital A/c	1,00,000	
			By Meera's Capital A/c	1,00,000	
	Total	3,00,000	Total	3,00,000	

Step 2: Calculate reserve and goodwill adjustments General reserve is distributed equally: $3,00,000/3 = \text{Rs } 1,00,000$ per partner. Radha gains $3/5 - 1/3 = 4/15$, while Meera gains $2/5 - 1/3 = 1/15$. Thus the gaining ratio is $4:1$. Shyam's goodwill share is $6,00,000 \times 1/3 = \text{Rs } 2,00,000$. Radha bears $2,00,000 \times 4/5 = \text{Rs } 1,60,000$, and Meera bears Rs 40,000. Their capital accounts are debited

and Shyam's capital is credited by these amounts; goodwill is adjusted without opening a goodwill asset account.

Step 3: Prepare Partners Capital Accounts **Partners' Capital Accounts (amounts in Rs)**

Dr. Particulars	Radha	Shyam	Meera	Particulars Cr.	Radha	Shyam	Meera
To Revaluation	1,00,000	1,00,000	1,00,000	By Balance b/d	4,00,000	4,00,000	4,00,000
To Shyam's Capital	1,60,000	–	40,000	By General Reserve	1,00,000	1,00,000	1,00,000
To Bank	–	1,00,000	–	By Radha's Capital	–	1,60,000	–
To Shyam's Loan	–	5,00,000	–	By Meera's Capital	–	40,000	–
To Balance c/d	2,40,000	–	3,60,000				
Total	5,00,000	7,00,000	5,00,000	Total	5,00,000	7,00,000	5,00,000

Shyam's amount due is $4,00,000 + 1,00,000 - 1,00,000 + 2,00,000 = \text{Rs } 6,00,000$. After paying Rs 1,00,000 through Bank, Rs 5,00,000 is transferred to his loan account. The closing capitals carried forward are Rs 2,40,000 for Radha and Rs 3,60,000 for Meera.

Step 4: Conclusion Revaluation loss is Rs 3,00,000. Closing capitals are Radha Rs 2,40,000 and Meera Rs 3,60,000; Shyam receives Rs 1,00,000 through Bank and his loan account is credited with Rs 5,00,000.

Quick Tip to Solve: Compute the gaining ratio before goodwill: here 4:1, not the continuing profit sharing ratio of 3:2.

Part B (20 marks)

Option I

(Analysis of Financial Statements)

27(a). Which of the following is a financial statement of a company? [1 mark]

(A) Common Size Statement of Profit and Loss

(B) Statement of Profit and Loss

(C) Comparative Balance Sheet

(D) Comparative Statement of Profit and Loss

Correct Answer: (B) Statement of Profit and Loss

Solution:

Concept:

- A company prepares a Statement of Profit and Loss to report its income, expenses and financial performance for an accounting period.
- Comparative and common size statements are tools used to analyse the underlying financial statements.

Step 1: Identify the financial statement The Statement of Profit and Loss directly presents revenue, expenses and the resulting profit or loss of the company. It is therefore a financial statement in its own right, so option (B) meets the question.

Step 2: Distinguish analytical statements Option (A) expresses items as percentages of a common base. Options (C) and (D) compare figures across periods. These are analytical presentations prepared

from financial statements, so they do not replace the basic Statement of Profit and Loss asked for here.

Step 3: Conclusion The correct option is (B): Statement of Profit and Loss.

Quick Tip to Solve: Look for the basic report itself; the words comparative and common size usually identify analysis tools.

OR

27(b). Which of the following is not a Solvency Ratio? [1 mark]

(A) Debt-Equity Ratio

(B) Return on Investment

(C) Interest Coverage Ratio

(D) Proprietary Ratio

Correct Answer: (B) Return on Investment

Solution:

Concept:

- Solvency ratios assess long-term financial stability and the ability to meet long-term obligations.
- Return on investment measures profitability in relation to capital employed.

Step 1: Identify the profitability ratio Return on Investment compares profit earned with the investment used to earn it. It measures earning capacity, rather than long-term solvency.

Step 2: Check the other alternatives Debt-Equity Ratio compares long-term debt with shareholders' funds. Proprietary Ratio relates shareholders' funds to total assets, and Interest Coverage Ratio measures the ability to service interest. Each is a solvency ratio, so options (A), (C) and (D) do not answer the negative wording.

Step 3: Conclusion Return on Investment is not a solvency ratio. Hence, the correct option is (B).

Quick Tip to Solve: Underline "not" first, then separate profitability measures from long-term stability measures.

28. The Current Ratio of Megh Raj Ltd. is 1.5:1. Which of the following transactions will reduce the ratio? [1 mark]

(A) Sale of furniture of Rs 18,000 at a loss of Rs 2,000

(B) Goods purchased on credit Rs 75,000

(C) Sale of goods costing Rs 60,000 for Rs 80,000

(D) Payment of trade payables Rs 40,000

Correct Answer: (B) Goods purchased on credit Rs 75,000

Solution:

Concept:

- Current Ratio = Current Assets / Current Liabilities. Initially, let current liabilities be L, so current assets are $1.5L$.
- Adding the same positive amount to both sides of a ratio above one reduces that ratio.

Step 1: Evaluate credit purchase Goods purchased on credit increase inventory and trade payables by Rs 75,000 each. The revised ratio is $\frac{1.5L + 75,000}{L + 75,000}$. Its difference from 1.5 is $\frac{-37,500}{L + 75,000} < 0$, so the ratio falls.

Step 2: Eliminate the other transactions Sale of furniture converts a non-current asset into cash, increasing current assets and the ratio despite the loss. Sale of goods at a profit increases net current assets by Rs 20,000 and raises the ratio. Payment of trade payables reduces current assets and current liabilities equally; since the initial ratio exceeds one, this raises it.

Step 3: Conclusion Goods purchased on credit for Rs 75,000 reduce the Current Ratio. Hence, the correct option is (B).

Quick Tip to Solve: For a current ratio above one, equal additions to current assets and liabilities pull it towards one.

29(a). Which of the following are 'investing activities' for preparation of Cash Flow Statement?

(i) Payment of taxes

(ii) Payment of dividend and interest

(iii) Receipt of interest and dividend

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

(A) (i), (ii) and (iii)

(B) (i) and (ii)

(C) (ii) and (iii)

(D) (iii) only

Correct Answer: (D) (iii) only

Solution:

Concept:

- Investing activities concern acquisition and disposal of long-term assets and investments.

- For an enterprise other than a financial enterprise, interest and dividends received are investing cash inflows.

Step 1: Classify each listed flow (i) Payment of taxes is normally an operating activity unless specifically identifiable with investing or financing activities. (ii) Payment of dividend and interest is classified as financing activity in the usual non-financial enterprise context of this question.

Step 2: Select the investing flow (iii) Receipt of interest and dividend represents returns on investments and is classified as an investing activity for a non-financial enterprise. Thus only statement (iii) belongs to investing activities. Options (A), (B) and (C) include tax payments or financing payments and are therefore unsuitable.

Step 3: Conclusion Only (iii) is an investing activity. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish returns received on investments from the cost paid for raising finance.

OR

29(b). Which of the following statements is correct? [1 mark]

(A) Sale of property is a financing activity.

(B) Cash deposited into bank will result in outflow of cash.

(C) Receipt of royalties is an operating activity.

(D) Buy-back of own equity shares is an investing activity.

Correct Answer: (C) Receipt of royalties is an operating activity.

Solution:

Concept:

- Operating activities are the main revenue-producing activities of an enterprise.
- Transfers between cash and cash equivalents do not constitute cash flows.

Step 1: Identify the operating receipt Receipt of royalties is a revenue-producing receipt and is classified as an operating activity. Consequently, statement (C) is correct.

Step 2: Check each remaining statement Sale of property is ordinarily an investing activity because it disposes of a long-term asset, so (A) is incorrect. Depositing cash into a demand bank account merely transfers funds within cash and cash equivalents; it is not an outflow for the cash flow statement, so (B) is incorrect. Buy-back of own equity shares changes owners' capital and is a financing activity, so (D) is incorrect.

Step 3: Conclusion Receipt of royalties is an operating activity. Hence, the correct option is (C).

Quick Tip to Solve: For buy-back, ask whose shares are involved: own shares affect financing, while investments affect investing.

30. Statement I: Operating activities are the activities that constitute the primary or main activities of an enterprise.

Statement II: Cash advances and loans made by financial enterprises are usually classified as operating activities.

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

(A) Both the Statements are false.

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

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

(D) Both the Statements are true.

Correct Answer: (D) Both the Statements are true.

Solution:

Concept:

- Operating activities comprise principal revenue-producing activities and other activities that are neither investing nor financing.
- Classification depends on the nature of the enterprise: lending is an ordinary business activity for financial enterprises.

Step 1: Judge Statement I Statement I is true. The primary or main activities of an enterprise constitute its operating activities because they generate the principal revenue of that enterprise.

Step 2: Judge Statement II and select the combination Statement II is also true. Financial enterprises ordinarily conduct lending and financing as their main business. Cash advances and loans made by them are therefore usually operating cash flows. Treating these as investing flows would overlook the nature of their ordinary business. Options (A), (B) and (C) incorrectly declare at least one true statement false.

Step 3: Conclusion Both Statements I and II are true. Hence, the correct option is (D).

Quick Tip to Solve: Identify the business before classifying loans: lending is an operating activity for a financial enterprise.

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

(i) Prepaid insurance

(ii) Securities Premium

(iii) Design [3 marks]

Solution:

Concept:

- Schedule III presents assets and equity under prescribed major heads and sub-heads.
- Classification follows the nature of the item: advance payment, capital reserve, or intangible resource.

Step 1: Classify the items in the prescribed format Balance Sheet classification (Schedule III, Part I)

Item	Major head	Sub-head
Prepaid insurance	Current Assets	Other Current Assets
Securities Premium	Shareholders' Funds	Reserves and Surplus
Design	Non-current Assets	Fixed Assets: Intangible Assets

Step 2: Explain prepaid insurance Prepaid insurance is an expense paid in advance for coverage relating to a future accounting period. The unexpired benefit is an asset rather than an expense of the current period. In the normal annual insurance context, it appears as Other Current Assets under Current Assets.

Step 3: Explain securities premium and design Securities Premium is the excess received over the face value of securities issued. It forms part of shareholders' funds and is shown under Reserves and Surplus rather than as revenue from operations or a liability. Design is an identifiable asset without physical substance that provides future economic benefits. It is therefore included in Intangible Assets within Fixed Assets under Non-current Assets.

Step 4: Conclusion Prepaid insurance: Current Assets–Other Current Assets; Securities Premium: Shareholders' Funds–Reserves and Surplus; Design: Non-current Assets–Fixed Assets–Intangible Assets.

Quick Tip to Solve: Separate prepaid expenses from current-period expenses, and classify design by its absence of physical substance.

32. From the following information of Dholakia Ltd., prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2024 and 2025:

Particulars	**2024–25**	**2023–24**
Revenue from operations	**Rs 30,00,000**	**Rs 15,00,000**
Cost of revenue from operations	**80% of revenue from operations**	**80% of revenue from operations**
Other Expenses	**Rs 2,40,000**	**Rs 1,20,000**
Tax Rate	**50%**	**50%**

[3 marks]

Solution:

Concept:

- Absolute change = current-year amount minus previous-year amount; percentage change = $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$.
- Profit before tax equals revenue less cost of revenue and other expenses; profit after tax deducts income tax.

Step 1: Calculate expenses and profits For 2023–24, cost of revenue is $15,00,000 \times 80\% =$ Rs $12,00,000$. Thus profit before tax is $15,00,000 - 12,00,000 - 1,20,000 =$ Rs $1,80,000$. Tax at 50% is Rs 90,000 and profit after tax is Rs 90,000.

For 2024–25, cost of revenue is $30,00,000 \times 80\% =$ Rs $24,00,000$. Profit before tax is $30,00,000 -$

$24,00,000 - 2,40,000 =$ Rs $3,60,000$. Tax at 50% is Rs 1,80,000 and profit after tax is Rs 1,80,000.

Step 2: Prepare the comparative statement Dholakia Ltd.

Comparative Statement of Profit and Loss

For the years ended 31st March, 2024 and 2025

(Amounts in Rs)

Particulars	2023–24	2024–25	Increase	%
Revenue from operations	15,00,000	30,00,000	15,00,000	100
Total revenue	15,00,000	30,00,000	15,00,000	100
Expenses:				
Cost of revenue	12,00,000	24,00,000	12,00,000	100
Other expenses	1,20,000	2,40,000	1,20,000	100
Total expenses	13,20,000	26,40,000	13,20,000	100
Profit before tax	1,80,000	3,60,000	1,80,000	100
Tax expense (50%)	90,000	1,80,000	90,000	100
Profit after tax	90,000	1,80,000	90,000	100

The earlier year is the base for every percentage. For example, the increase in revenue is $15,00,000/15,00,000 \times 100 = 100\%$. Each corresponding amount doubles, so every percentage increase is 100%.

Step 3: Conclusion Profit after tax increased from Rs 90,000 in 2023–24 to Rs 1,80,000 in 2024–25, an increase of Rs 90,000 or 100%.

Quick Tip to Solve: Put the earlier year first as the base; a doubled amount gives a 100 per cent increase, not 200 per cent.

33(a). From the following information, calculate 'Interest Coverage Ratio':

Shareholders' funds	**Rs 30,00,000**
8% Long-term debt	**Rs 10,00,000**
Net profit after tax	**Rs 2,40,000**
Tax Rate	**40%**

[4 marks]

Solution:

Concept:

- Interest coverage ratio measures how many times earnings before interest and tax (EBIT) cover the interest on long-term debt: Interest Coverage Ratio $= \dfrac{\text{EBIT}}{\text{Interest}}$.
- Profit after tax equals profit before tax multiplied by $1 - t$, where t is the tax rate as a decimal. Adding interest to profit before tax gives EBIT.

Step 1: Calculate annual interest The long-term debt carries interest at 8%. Hence

$$\text{Interest} = \text{Rs } 10,00,000 \times \frac{8}{100} = \text{Rs } 80,000.$$

This is the annual finance charge to be covered by earnings. Shareholders' funds of Rs 30,00,000 are

not needed here: they are relevant to capital structure ratios, whereas interest coverage compares earnings with the interest payable on debt.

Step 2: Recover profit before tax Tax is 40% of profit before tax. Thus the given profit after tax is 60% of profit before tax, rather than the full amount available before tax.

$$\text{Profit before tax} = \frac{\text{Rs } 2,40,000}{1-0.40} = \text{Rs } 4,00,000.$$

As a check, tax on Rs 4,00,000 is Rs 1,60,000; deducting this leaves the stated net profit of Rs 2,40,000. Multiplying profit after tax by 140% would not correctly reverse the tax deduction.

Step 3: Find EBIT and calculate coverage Profit before tax has already been reduced by interest. Add back this charge to find earnings before both interest and tax:

$$\begin{aligned}\text{EBIT} &= \text{Profit before tax} + \text{Interest}\\ &= \text{Rs } 4,00,000 + \text{Rs } 80,000\\ &= \text{Rs } 4,80,000.\end{aligned}$$

Therefore,

$$\text{Interest Coverage Ratio} = \frac{4,80,000}{80,000} = 6 \text{ times}.$$

The numerator and denominator relate to the same period. EBIT is six times the annual interest charge; neither profit after tax nor profit before tax alone is the correct numerator.

Step 4: Conclusion The Interest Coverage Ratio is $\boxed{6 \text{ times}}$.

Quick Tip to Solve: Divide profit after tax by 60% first, then add back interest before dividing by the interest charge.

OR

33(b). From the following information, calculate 'Inventory Turnover Ratio':

Revenue from operations	**Rs 15,00,000**
Opening inventory	**Rs 2,00,000**

Gross profit is 25% of cost of revenue from operations. Closing inventory was 2 times the opening inventory. [4 marks]

Solution:

Concept:

- Inventory turnover ratio compares cost of revenue from operations with average inventory: $\text{Inventory Turnover Ratio} = \frac{\text{Cost of revenue from operations}}{\text{Average inventory}}$.
- Average inventory is $\frac{\text{Opening inventory} + \text{Closing inventory}}{2}$. Revenue equals cost of revenue plus gross profit; the percentage base stated in the question must be preserved.

Step 1: Calculate cost of revenue from operations Gross profit is 25% of cost, not 25% of revenue. Let cost of revenue from operations be C. Then gross profit is $0.25C$, so revenue is $C + 0.25C = 1.25C$. Therefore,

$$1.25C = \text{Rs } 15,00,000,$$
$$C = \frac{\text{Rs } 15,00,000}{1.25} = \text{Rs } 12,00,000.$$

Gross profit is consequently Rs 3,00,000. This is exactly 25% of Rs 12,00,000, and adding it to cost reproduces revenue of Rs 15,00,000. Deducting 25% of sales would use the wrong percentage base.

Step 2: Calculate closing and average inventory Closing inventory is twice the opening inventory. With opening inventory of Rs 2,00,000,

$$\text{Closing inventory} = 2 \times \text{Rs } 2,00,000 = \text{Rs } 4,00,000.$$

The average balances the opening and closing inventory figures:

$$\text{Average inventory} = \frac{\text{Rs } 2,00,000 + \text{Rs } 4,00,000}{2} = \text{Rs } 3,00,000.$$

Use this average rather than either endpoint alone, since the turnover ratio relates the cost of goods sold over the period to the inventory held during that period.

Step 3: Substitute in the inventory turnover formula The numerator must be cost of revenue from operations, since inventory is also measured at cost. Thus,

$$\text{Inventory Turnover Ratio} = \frac{\text{Rs } 12,00,000}{\text{Rs } 3,00,000} = 4 \text{ times}.$$

The rupee units cancel, leaving a turnover expressed in times. Using revenue of Rs 15,00,000 in the numerator would include gross profit and would therefore overstate this cost-based ratio.

Step 4: Conclusion The Inventory Turnover Ratio is $\boxed{4 \text{ times}}$.

Quick Tip to Solve: When gross profit is 25% of cost, treat sales as 125% of cost; divide sales by 1.25 before finding turnover.

34. JC Ltd. earned a net profit of Rs 50,000 after providing depreciation of Rs 20,000 on fixed assets and a transfer of Rs 15,000 to general reserve. The position of its Current Assets and Current Liabilities was as follows:

Particulars	31.03.2025 (Rs)	31.03.2024 (Rs)
Trade Receivables	75,000	70,000
Trade Payables	75,000	65,000
Inventories	40,000	25,000
Expenses Payable	7,500	5,000
Prepaid Expenses	5,000	10,000
Accrued Incomes	20,000	15,000
Income Received in Advance	5,000	10,000

Calculate cash flows from operating activities. [6 marks]

Solution:

Concept:

- Under the indirect method, cash flow from operating activities starts with net profit before tax and adjusts it for non-cash expenses, appropriations and changes in operating working capital.
- Depreciation is a non-cash expense. A transfer to general reserve is an appropriation of profit; when profit is stated after this transfer, add the transfer back to restore the profit before appropriation.
- An increase in an operating current asset uses cash, while its decrease releases cash. An increase in an operating current liability preserves cash, while its decrease uses cash.

Step 1: Restore profit before appropriation The given net profit of Rs 50,000 is after the transfer of Rs 15,000 to general reserve. Hence the starting profit before this appropriation is

$$50,000 + 15,000 = \text{Rs } 65,000.$$

No tax payment or tax provision is given in the question. Therefore no separate tax adjustment is required.

Step 2: Add the non-cash charge Depreciation of Rs 20,000 has reduced the reported profit without any current cash outflow. It is therefore added back:

$$\text{Operating profit before working-capital changes} = 65,000 + 20,000 = \text{Rs } 85,000.$$

The reserve transfer and depreciation are different adjustments: the former restores an appropriation and the latter reverses a non-cash expense.

Step 3: Calculate the working-capital changes Compare the closing balances on 31.03.2025 with the opening balances on 31.03.2024. Receivables rise by Rs 5,000, inventories by Rs 15,000 and accrued incomes by Rs 5,000; each increase is deducted. Prepaid expenses fall by Rs 5,000, so this decrease is added. Trade payables rise by Rs 10,000 and expenses payable by Rs 2,500; these increases are added. Income received in advance falls by Rs 5,000 and is deducted because cash received in an earlier period has now been recognised as income.

Step 4: Prepare the operating section of the cash flow statement Cash Flow Statement of JC Ltd. (Operating Activities) for the year ended 31st March, 2025

Particulars	Amount (Rs)
Net profit as given	50,000
Add: Transfer to general reserve	15,000
Net profit before appropriation	65,000
Add: Depreciation	20,000
Operating profit before working-capital changes	85,000
Less: Increase in trade receivables	(5,000)
Less: Increase in inventories	(15,000)
Add: Decrease in prepaid expenses	5,000
Less: Increase in accrued incomes	(5,000)
Add: Increase in trade payables	10,000
Add: Increase in expenses payable	2,500
Less: Decrease in income received in advance	(5,000)
Cash generated from operations	72,500
Net cash from operating activities	72,500

The net working-capital adjustment is Rs $(12,500)$. Thus Rs $85,000 - 12,500 = 72,500$ reconciles the operating profit to operating cash flow.

Step 5: Conclusion Net cash inflow from operating activities is $\boxed{\text{Rs } 72,500}$.

Quick Tip to Solve: Restore the reserve transfer first, then add depreciation; use opposite signs for changes in current assets and current liabilities.

Option II (Computerised Accounting)

27(a). Which of the following is not a feature of 'Generic' Computerised Accounting Software?

[1 mark]

(A) Increased data security

(B) Suitable for business with low accounting operations

(C) Requires minimal system support

(D) Cheaper

Correct Answer: (A) Increased data security

Solution:

Concept:

- Generic accounting software is ready-made software intended to meet the common accounting needs of many users.
- Its usual benefits are low purchase cost and minimal system support; enhanced security is more associated with tailored or customised systems.

Step 1: Identify the generic package features A generic package is suitable for a business with a low volume of accounting operations. Since the same standard product serves many users, it is relatively cheaper and normally requires minimal system support. Thus options (B), (C) and (D) describe

generic software.

Step 2: Select the exception Increased data security is not a distinguishing feature of generic computerised accounting software in this classification. Generic software offers less scope for organisation-specific security controls than tailored software. Consequently option (A) is the feature that does not fit the list.

Step 3: Conclusion The correct option is (A): Increased data security.

Quick Tip to Solve: For a generic package, group low cost, low accounting volume and minimal support together; select the remaining feature.

OR

27(b). Identify what will be displayed on the screen when we specify an intersection of two areas that do not intersect. [1 mark]

(A) Correct a ##### Error

(B) Correct a #NULL! Error

(C) Correct a #Name Error

(D) Correct a #REF! Error

Correct Answer: (B) Correct a #NULL! Error

Solution:

Concept:

- A range-intersection operator asks a spreadsheet for cells common to both specified ranges.
- If the specified areas share no cells, the requested intersection is empty and the spreadsheet returns the NULL error.

Step 1: Apply the intersection rule The question specifies two areas that do not intersect. Their intersection contains no common cell, so the formula cannot return a value from a common cell. The error displayed is #NULL!.

Step 2: Eliminate the other displays Option (A), a run of hash symbols, commonly indicates insufficient column width. A NAME error concerns an unrecognised name, and a REF error concerns an invalid cell reference. These are different from a valid pair of ranges having no common intersection; hence (C) and (D) do not apply.

Step 3: Conclusion The correct option is (B): Correct a #NULL! Error.

Quick Tip to Solve: An empty intersection gives NULL; reserve REF for an invalid reference and NAME for an unrecognised name.

28. Which financial function calculates the lump-sum amount for series of future payments? [1 mark]

(A) NPER

(B) FV

(C) PV

(D) PMT

Correct Answer: (C) PV

Solution:

Concept:

- Present value converts a series of future payments into its equivalent lump-sum value at the present date.
- The spreadsheet PV function uses the interest rate, number of periods and periodic payment to find this present amount.

Step 1: Identify the required time value The question asks for the lump-sum amount corresponding to a series of future payments. This is their present value: one amount today equivalent to those payments after allowing for the time value of money. The appropriate financial function is PV.

Step 2: Distinguish the alternatives NPER calculates the number of payment periods. FV calculates the value accumulated at a future date, while PMT calculates the periodic payment itself. None gives the present lump-sum equivalent asked for here. Therefore option (C), PV, is appropriate.

Step 3: Conclusion The correct option is (C): PV.

Quick Tip to Solve: Use PV for one amount today equivalent to future payments; use PMT when the unknown is each regular payment.

29. ____ provides additional information about a data marker to identify the details of data point in a data series. [1 mark]

(A) Source data

(B) Secondary data

(C) Data series

(D) Data label

Correct Answer: (D) Data label

Solution:

Concept:

- A data marker visually represents a particular value on a chart, such as a column, point or pie slice.
- A data label supplies information attached to a marker, such as its value or category, so the data point can be identified.

Step 1: Match the description The phrase provides additional information about a data marker describes a data label. The label identifies the details of that individual data point, for example by showing its numerical value next to the marker.

Step 2: Reject the other chart terms Source data is the underlying cell range used to construct the chart; it is not the information displayed beside a marker. Secondary data refers to a class of data, not this chart element. A data series is a collection of related plotted values. Thus only option (D) matches the stated role.

Step 3: Conclusion The correct option is (D): Data label.

Quick Tip to Solve: A series groups plotted points; a label explains an individual marker on the chart.

30(a). 'Computerised Accounting System enables changing the volume of data processing in accordance with the size and growth of the business.' Identify the feature of Computerised Accounting System being highlighted in the statement: [1 mark]

(A) Reliability

(B) Scalability

(C) Transparency

(D) Simple and integrated

Correct Answer: (B) Scalability

Solution:

Concept:

- Scalability is the ability of a system to adjust its processing capacity or volume as the size and needs of a business change.
- Reliability concerns dependable results; transparency concerns visibility of information and processes, while integration links system components.

Step 1: Identify the operative phrase The statement emphasises changing the volume of data processing with the size and growth of the business. This describes the ability to accommodate a larger or smaller workload as requirements change, which is scalability.

Step 2: Compare the alternatives Reliability describes consistent, dependable processing rather than a change in processing volume. Transparency concerns the availability and clarity of information. A simple and integrated system links related operations conveniently. These features do not specifically mean adapting to growth, so (A), (C) and (D) are excluded.

Step 3: Conclusion The correct option is (B): Scalability.

Quick Tip to Solve: When the clue is growth or changing processing volume, choose scalability rather than reliability.

OR

30(b). The process of comparing input data with some known data is known as: [1 mark]

(A) Data Validation

(B) Storage data

(C) Data entry

(D) Redundant data

Correct Answer: (A) Data Validation

Solution:

Concept:

- Data validation checks input data against known data, specified rules or permitted values before accepting it.
- Data entry supplies data to the system; validation checks whether that input satisfies the prescribed conditions.

Step 1: Identify the process Comparing an input with known or acceptable data is a checking operation. For example, comparing a customer code entered in a voucher with the existing customer master checks that the code is valid. This is data validation.

Step 2: Eliminate the other options Storage data concerns retaining data, while data entry concerns feeding it into the system. Redundant data means unnecessary duplication. None of these describes comparing input data with known data.

Step 3: Conclusion The correct option is (A): Data Validation.

Quick Tip to Solve: Look for a checking or comparison operation: entering, storing and duplicating data are different processes.

31. Explain Sequential codes and Block codes with the help of example. [3 marks]

Solution:

Concept:

- Coding assigns a short, unique number or letter combination to an account or document for identification and processing.
- Sequential codes follow consecutive order; block codes reserve a separate range of numbers for each group.

Step 1: Sequential codes with an example In sequential coding, numbers and/or letters are assigned consecutively. For example, customer accounts may be coded CL001 for GCERT Ltd., CL002 for XYZ Ltd. and CL003 for ARIL Corporation of India. Likewise, invoices may be numbered 001, 002 and 003 in order. The sequence makes a particular document easy to trace and helps identify a missing number; it does not by itself divide the records into separate classes.

Step 2: Block codes with an example In block coding, the full range of numbers is divided into sub-ranges, and each sub-range is assigned to a specific group. For example, a trading firm may

allocate codes 100–199 to small-pump dealers, 200–299 to medium-pump dealers, 300–399 to pipe dealers and 400–499 to motor dealers. Individual dealers within each block can receive consecutive codes. Thus, code 305 identifies a dealer in the pipes group, and unused codes leave room for further dealers in that group.

Step 3: Conclusion Sequential coding identifies items in consecutive order, whereas block coding identifies the group through a reserved range and the individual item through its code within that range.

Quick Tip to Solve: For block codes, state both the reserved range and its group; for sequential codes, show consecutive individual codes.

32. What are the three categories in which accounting entries can be classified while entering them in vouchers? [3 marks]

Solution:

Concept:

- Voucher entries record the debit and credit effects of transactions in the computerised books.
- On the basis of their purpose in the accounting period, accounting entries are classified as opening entries, regular entries and closing entries.

Step 1: Opening entries Opening entries bring forward the previous accounting period's closing balances into the new accounting period. Assets and other debit balances are brought in as debits, while liabilities, capital and other credit balances are brought in as credits. They establish the starting balances from which the current year's accounts proceed; they do not represent a fresh purchase or sale in the current year.

Step 2: Regular entries Regular entries record day-to-day business transactions during the accounting period. Examples include purchases, sales, cash or bank receipts and payments, and other routine transactions. The user selects the appropriate voucher and the relevant ledger accounts, enters the amounts and records the narration. These entries update the balances of the affected accounts throughout the year.

Step 3: Closing entries Closing entries are made at the end of the accounting period to close nominal accounts and ascertain the period's profit or loss. Relevant balances are transferred to the Trading Account and the Profit and Loss Account; the resulting profit or loss is transferred to capital or the appropriate equity account. These complete the accounting period, while permanent account balances continue into the next period.

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

Quick Tip to Solve: Classify by timing and purpose: balances brought forward, daily transactions, and year-end transfers.

33(a). List the necessary information to be filled by a user on company creation screen. [4 marks]

Solution:

Concept:

- Company creation establishes the organisation's master information and accounting settings before transactions are entered.
- Identification, contact details, accounting dates, security settings and base-currency information must be entered or confirmed in the appropriate fields.

Step 1: Company identity and data location Enter the directory or data path in which the company's records are to be stored and the name of the company. Also enter the mailing name used on printed documents. The internal company name identifies the set of books, while the mailing name is the name that appears in correspondence and reports.

Step 2: Address and contact information Fill in the company's mailing address, country, state and PIN code. Enter the telephone or mobile number and the e-mail address, along with fax number and website where applicable. These particulars identify the organisation and supply the details required on its documents and communications.

Step 3: Accounting period and nature of books Specify the financial year beginning date and the books beginning date. The former identifies the start of the financial reporting year; the latter identifies the date from which transactions will be recorded in the software. Select whether the company will maintain accounts only or accounts with inventory, according to its requirements.

Step 4: Security and base currency Enter or confirm security-control details, such as the administrator or user name and password, if security is enabled, and the TallyVault password if that protection is used. Specify the base-currency details: currency symbol and formal name, number of decimal places, and the applicable display settings for amounts. For an Indian company, the base currency is Indian rupees. Check these settings before accepting and saving the company record.

Step 5: Conclusion The necessary information covers the company name and directory, mailing and contact details, accounting-year and books-beginning dates, type of books, security controls and base-currency settings.

Quick Tip to Solve: Recall the creation screen in groups: identity, address and contact, accounting dates, security, and currency.

OR

33(b). What is a Chart/Graph? Explain its advantages. [4 marks]

Solution:

Concept:

- A chart or graph is a graphical representation of numerical data in a worksheet. It represents values through visual forms such as columns, bars, lines or sectors.
- Its purpose is to communicate the meaning of data: comparisons, proportions, patterns and changes

become easier to understand than in a long table of figures.

Step 1: Meaning of a chart or graph A chart converts selected worksheet data into a visual presentation. For example, a column chart can show the sales of different branches, while a line chart can show the movement of monthly sales. Categories identify the items being compared and a data series supplies their numerical values. A suitable title, labels and legend help the reader interpret the presentation correctly.

Step 2: Advantages in understanding and comparing data **Easy understanding:** Charts summarise a large amount of numerical information in a simple, clear form. A reader can grasp the main message quickly without examining every figure in the worksheet.

Quick comparison: The heights of columns, lengths of bars or sizes of sectors make differences between categories readily visible. For example, a chart of branch sales makes the highest and lowest selling branches easy to identify.

Step 3: Advantages in analysis and communication **Identification of trends and relationships:** Charts help reveal growth, decline, fluctuations and other patterns. A line chart of monthly revenue makes the direction of change across time easy to follow.

Effective presentation and decisions: A clear visual presentation makes reports more attractive and understandable, highlights significant information, and supports analysis and managerial decisions. In a spreadsheet, a chart linked to a cell range also reflects changes made to its source values, so the visual report can remain up to date.

Step 4: Conclusion Thus, a chart or graph visually represents worksheet data and helps in quick understanding, comparison, recognition of trends and effective communication for decision-making.

Quick Tip to Solve: Start with the definition, then explain advantages using four distinct ideas: understand, compare, identify trends and communicate.

34. A user wishes to change a 'Text Option' as an element of chart. State how can this be done.

[6 marks]

Solution:

Concept:

- Text options control the appearance and arrangement of text in a chart element, such as a chart title, axis title, legend or data label.
- First select the required chart text element; then open its formatting controls. Text formatting changes the presentation of the selected element without changing the worksheet's numerical data.

Step 1: Select the chart and its text element Open the worksheet containing the chart and click the chart to activate it. Click the text element whose appearance is to be changed, such as the chart title. Ensure that the required element is selected; otherwise formatting may be applied to another part of the chart. The Current Selection list on the Chart Tools Format tab can also be used to select the element precisely.

Step 2: Open the formatting controls Right-click the selected element and choose its Format command,

for example, **Format Chart Title**. Alternatively, choose **Format Selection** from the Format tab after selecting the element. The format dialog box or task pane for that chart element opens. Select **Text Options** to display the available text-formatting settings.

Step 3: Change the text fill and outline Under **Text Fill and Outline**, select the required text fill, such as a solid colour, and adjust the available colour or transparency settings. Use **Text Outline** to choose whether the letters have an outline and, if needed, set its colour and width. These controls affect the letters themselves; the fill of the chart area is a separate setting.

Step 4: Change effects and text-box settings Use **Text Effects**, if required, to apply or modify effects such as shadow, glow or reflection. Open **Text Box** to adjust the arrangement of the text, including its alignment, text direction, rotation and internal margins where available. Choose settings that keep the title or label clear and readable. Font, font size, bold and italic can also be changed through the Font controls for the selected text.

Step 5: Apply the change and review the chart Set the desired options and observe the result on the chart. In a task-pane interface the changes normally appear immediately; in a dialog-box interface confirm with **OK** or **Close**, as applicable. Check that the selected text is legible, correctly positioned and does not obscure the plotted data, then save the workbook. If the wording itself must change, select and edit the text separately; Text Options primarily formats its appearance.

Step 6: Conclusion Select the required chart text element, open its Format dialog box or pane, choose Text Options, adjust the text fill, outline, effects and text-box settings as required, and confirm and save the changes.

Quick Tip to Solve: Select the actual title, legend or label before opening Format Selection; Text Options formats the selected text, not the chart's data.