CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-5-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Arora and Gurmeet were partners in a firm sharing profits and losses in the ratio of 3:2. Starting from 1st October, 2024 Arora withdrew Rs 30,000 at the beginning of each quarter for his personal use. Interest on drawings was to be charged @ 12% per annum. Interest on Arora's drawings for the year ended 31st March, 2025 was: [1 mark]

(A) Rs 1,800

(B) Rs 2,700

(C) Rs 450

(D) Rs 3,600

Correct Answer: (B) Rs 2,700

Solution:

Concept:

- Interest on drawings is charged for the time from each withdrawal to the accounting year end.
- For a withdrawal of amount D outstanding for m months at annual rate $r\%$, interest is $D \times r/100 \times m/12$.

Step 1: Identify the two withdrawals Arora withdraws Rs 30,000 on 1st October, 2024 and Rs 30,000 on 1st January, 2025. Up to 31st March, 2025 these amounts remain withdrawn for six and three months respectively. The profit-sharing ratio does not affect this charge.

Step 2: Calculate interest for each period

$$I = 30,000 \times \frac{12}{100} \times \frac{6}{12} + 30,000 \times \frac{12}{100} \times \frac{3}{12} = 1,800 + 900 = \text{Rs } 2,700.$$

Option (A) counts only the first withdrawal; (C) understates the period, and (D) applies an incorrect total time. Two quarterly drawings do not mean drawings throughout the whole year.

Step 3: Conclusion Interest on Arora's drawings is Rs 2,700. Hence, the correct option is (B).

Quick Tip to Solve: List the actual withdrawal dates first: the average period here is $(6 + 3)/2 = 4.5$ months, not the full-year quarterly average.

2. There are two statements Assertion (A) and Reason (R):

Assertion (A): At the time of admission of a new partner in a partnership firm, the newly admitted partner brings an agreed amount of capital either in cash or in kind.

Reason (R): On admission, the new partner gets the right to acquire share in the assets and profits of the partnership firm.

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:

- A newly admitted partner contributes the agreed capital to obtain an ownership interest in the partnership assets.
- Admission also gives the new partner a right to share future profits under the revised partnership agreement.

Step 1: Evaluate Assertion (A) The assertion is correct. The new partner brings the capital agreed with the existing partners; the contribution can be cash or assets in kind. An agreed capital contribution increases the resources available to the reconstituted firm.

Step 2: Evaluate Reason (R) The reason is correct. The newly admitted partner acquires rights in the assets of the firm and a share in its future profits. These are the ownership rights that accompany admission.

Step 3: Connect the reason to the assertion The capital contribution is made in connection with acquiring the ownership interest in the firm. Thus the rights identified in the reason explain the contribution described in the assertion. Option (B) incorrectly denies this connection, while (C) and (D) incorrectly reject a true statement.

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

Quick Tip to Solve: On admission, connect capital with rights in assets; separately remember that goodwill compensates old partners for sacrificing future profit shares.

3(a). Merak Ltd. forfeited 6,000 equity shares of Rs 10 each for non-payment of final call of Rs 3 per share. The minimum amount per share at which these shares can be reissued will be: [1 mark]

(A) Rs 3

(B) Rs 7

(C) Rs 10

(D) Rs 6

Correct Answer: (A) Rs 3

Solution:

Concept:

- The discount allowed on reissue of forfeited shares cannot exceed the amount forfeited on those shares.
- Minimum reissue price equals the paid-up value on reissue less the forfeited amount per share.

Step 1: Find the amount already received The shares have face value Rs 10 each and only the final call of Rs 3 remains unpaid. Therefore the amount already received and forfeited is $10 - 3 =$ Rs 7 per share. For 6,000 shares, the forfeited amount is Rs 42,000.

Step 2: Apply the maximum permissible discount On reissue as fully paid, the maximum discount is Rs 7 per share. Thus the minimum reissue price is $10 - 7 =$ Rs 3 per share. Prices Rs 7, Rs 10 and Rs 6 are permissible higher prices, but none is the minimum. Do not confuse the amount forfeited with the minimum cash to be received.

Step 3: Conclusion The shares can be reissued at a minimum of Rs 3 per share. Hence, the correct option is (A).

Quick Tip to Solve: For shares forfeited only for an unpaid final call, subtract the amount already received from face value to obtain the minimum fully-paid reissue price.

OR

3(b). Nori Ltd. issued 20,000, 11% debentures of Rs 100 each at a premium of 10%, redeemable at a premium of 5%. Loss on issue of debentures account will be debited by: [1 mark]

(A) Rs 20,00,000

(B) Rs 1,00,000

(C) Rs 3,00,000

(D) Rs 2,00,000

Correct Answer: (B) Rs 1,00,000

Solution:

Concept:

- Loss on issue of debentures includes any discount on issue and any premium payable on redemption.
- Premium received on issue is credited to Securities Premium; it does not reduce the initial debit to Loss on Issue of Debentures.

Step 1: Calculate the face value and redemption premium Total face value is $20,000 \times 100 =$ Rs $20,00,000$. The premium payable on redemption is $20,00,000 \times 5/100 =$ Rs $1,00,000$. No discount is incurred because the debentures are issued above face value.

Step 2: Distinguish the issue premium from the loss The 10% issue premium is Rs 2,00,000 and is recorded separately in Securities Premium. Thus the initial loss debit consists solely of the Rs 1,00,000 redemption premium. Option (A) is face value; (D) is the issue premium, and (C) incorrectly adds the two premiums. The 11% coupon determines periodic interest, not this loss.

Step 3: Conclusion Loss on Issue of Debentures Account is debited by Rs 1,00,000. Hence, the correct option is (B).

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

4(a). Guru and Prakash were partners in a firm sharing profits and losses in the ratio of 7:3. They admitted Anu as a new partner for 1/4th share in the profits of the firm. On the date of Anu's admission, the Profit and Loss Account of Guru and Prakash showed a credit balance of Rs 40,000. The necessary journal entry for its treatment will be: [1 mark]

(A)

Particulars	Dr. (Rs)	Cr. (Rs)
Profit and Loss A/c Dr.	40,000	
To Guru's Capital A/c		21,000
To Prakash's Capital A/c		9,000
To Anu's Capital A/c		10,000

(B)

Particulars	Dr. (Rs)	Cr. (Rs)
Profit and Loss A/c Dr.	40,000	
To Guru's Capital A/c		28,000
To Prakash's Capital A/c		12,000

(C)

Particulars	Dr. (Rs)	Cr. (Rs)
Guru's Capital A/c Dr.	21,000	
Prakash's Capital A/c Dr.	9,000	
Anu's Capital A/c Dr.	10,000	
To Profit and Loss A/c		40,000

(D)

Particulars	Dr. (Rs)	Cr. (Rs)
Guru's Capital A/c Dr.	28,000	
Prakash's Capital A/c Dr.	12,000	
To Profit and Loss A/c		40,000

Correct Answer: (B)

Particulars	Dr. (Rs)	Cr. (Rs)
Profit and Loss A/c Dr.	40,000	
To Guru's Capital A/c		28,000
To Prakash's Capital A/c		12,000

Solution:

Concept:

- A credit balance of Profit and Loss Account represents accumulated profits earned before admission.

- These profits belong to the old partners and are transferred to their capital accounts in the old profit-sharing ratio.

Step 1: Distribute the accumulated profit Anu was not a partner when this Rs 40,000 profit was earned, so Anu receives no share. Guru and Prakash share it in their old ratio of $7:3$: Guru receives $40,000 \times 7/10 = \text{Rs } 28,000$, and Prakash receives $40,000 \times 3/10 = \text{Rs } 12,000$.

Step 2: Record the transfer The credit balance is closed by debiting Profit and Loss Account and crediting the old partners. Debits and credits both total Rs 40,000.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Profit and Loss A/c Dr.		40,000	
	To Guru's Capital A/c			28,000
	To Prakash's Capital A/c			12,000
	(Being accumulated profit transferred to old partners in the ratio 7:3.)			

Option (A) wrongly includes Anu, while (C) and (D) reverse the direction of the entry.

Step 3: Conclusion Debit Profit and Loss Account Rs 40,000; credit Guru Rs 28,000 and Prakash Rs 12,000. Hence, the correct option is (B).

Quick Tip to Solve: For a pre-admission credit balance, debit the profit account and credit only the old partners in their old ratio; ignore the incoming partner's share.

OR

4(b). Samta, Mamta and Geeta were partners in a firm sharing profits and losses in the ratio of 11:5:4. On 31st March, 2025 Samta died. On Samta's death, the goodwill of the firm was valued at Rs 1,80,000. The necessary journal entry for the treatment of goodwill on Samta's death will be: [1 mark]

(A)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Samta's Capital A/c Dr.	99,000	
To Mamta's Capital A/c		55,000
To Geeta's Capital A/c		44,000

(B)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Mamta's Capital A/c Dr.	1,00,000	
Geeta's Capital A/c Dr.	80,000	
To Samta's Capital A/c		1,80,000

(C)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Samta's Capital A/c Dr.	1,80,000	
To Mamta's Capital A/c		1,00,000
To Geeta's Capital A/c		80,000

(D)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Mamta's Capital A/c Dr.	55,000	
Geeta's Capital A/c Dr.	44,000	
To Samta's Capital A/c		99,000

Correct Answer: (D)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Mamta's Capital A/c Dr.	55,000	
Geeta's Capital A/c Dr.	44,000	
To Samta's Capital A/c		99,000

Solution:

Concept:

- The deceased partner is credited with her share of goodwill in the old profit-sharing ratio.
- The continuing partners are debited in their gaining ratio; if no new arrangement is given, they continue in their relative old ratio.

Step 1: Calculate goodwill and the gaining ratio Samta's goodwill share is $1,80,000 \times 11/20 =$ Rs $99,000$. Mamta and Geeta continue in the ratio $5:4$. Their gains are $5/9 - 5/20 = 11/36$ and $4/9 - 4/20 = 11/45$, giving a gaining ratio of $5:4$. Mamta bears $99,000 \times 5/9 =$ Rs $55,000$, and Geeta bears $99,000 \times 4/9 =$ Rs $44,000$.

Step 2: Record the goodwill adjustment The gaining partners compensate Samta through their capital accounts. Total debit equals total credit of Rs 99,000.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Mamta's Capital A/c Dr.		55,000	
	Geeta's Capital A/c Dr.		44,000	
	To Samta's Capital A/c			99,000
	(Being Samta's share of goodwill adjusted through gaining partners' capital accounts.)			

Options (A) and (C) reverse the adjustment; (B) charges the whole goodwill instead of only Samta's share.

Step 3: Conclusion Debit Mamta Rs 55,000 and Geeta Rs 44,000; credit Samta Rs 99,000. Hence, the correct option is (D).

Quick Tip to Solve: First multiply total goodwill by the deceased partner's old share, then allocate that amount to continuing partners in their gaining ratio.

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5. Mansi and Uma were partners in a firm and their capitals were Rs 4,00,000 and Rs 2,00,000 respectively. Normal rate of return in a similar business was 15% and the goodwill of the firm was valued at Rs 4,00,000. If goodwill was calculated at four years purchase of super profits, the average profits of the firm were: [1 mark]

(A) Rs 90,000

(B) Rs 60,000

(C) Rs 1,00,000

(D) Rs 1,90,000

Correct Answer: (D) Rs 1,90,000

Solution:

Concept:

- Goodwill equals super profit multiplied by the agreed number of years of purchase.
- Average profit equals normal profit plus super profit; normal profit is capital employed multiplied by the normal rate of return.

Step 1: Find normal profit Total capital employed is $4,00,000 + 2,00,000 =$ Rs $6,00,000$. At the normal rate of 15%, normal profit is $6,00,000 \times 15/100 =$ Rs $90,000$. This is the benchmark return, not the actual average profit.

Step 2: Recover super profit and average profit Goodwill of Rs 4,00,000 represents four years of super profits. Hence super profit is $4,00,000/4 =$ Rs $1,00,000$, and average profit is $90,000 + 1,00,000 =$ Rs $1,90,000$. Option (A) gives only normal profit and (C) gives only super profit; (B) is neither the required sum nor either valid component.

Step 3: Conclusion The average profits of the firm were Rs 1,90,000. Hence, the correct option is (D).

Quick Tip to Solve: Work backwards from goodwill: divide by years of purchase to obtain super profit, then add the normal return on total capital.

6(a). Reserve capital is that portion of the ____ capital that can be called only in the event of winding up of the company. [1 mark]

(A) called-up

(B) uncalled

(C) paid-up

(D) subscribed

Correct Answer: (B) uncalled

Solution:

Concept:

- Uncalled capital is the part of subscribed capital that the company has not yet called from shareholders.
- Reserve capital is the portion of uncalled capital reserved to be called only in the event of winding up.

Step 1: Identify what remains available to call The question describes an amount that has not yet been demanded from shareholders and is restricted to a future winding-up event. Such an amount must be uncalled capital. Once an amount has already been called, it cannot be classified as a future reserved call.

Step 2: Eliminate the other categories Called-up capital has already been demanded, and paid-up capital has already been received, so (A) and (C) do not fit. Subscribed capital is a wider category containing both called and uncalled portions; (D) does not identify the specific portion asked for. Reserve capital is also distinct from a capital reserve created from capital profits.

Step 3: Conclusion Reserve capital is a portion of uncalled capital. Hence, the correct option is (B).

Quick Tip to Solve: Read "can be called only on winding up" as a restriction on a future call: this points directly to uncalled capital.

OR

6(b). The debentures which do not carry a specific rate of interest are known as: [1 mark]

(A) Irredeemable debentures

(B) Bearer debentures

(C) Specific coupon rate debentures

(D) Zero coupon rate debentures

Correct Answer: (D) Zero coupon rate debentures

Solution:

Concept:

- The coupon rate is the specified rate used to calculate periodic interest on a debenture.
- Zero coupon rate debentures carry no specified periodic interest rate; the investor's return can arise from the difference between issue and redemption prices.

Step 1: Classify by the interest feature The question classifies debentures according to whether they carry a specific rate of interest. Debentures with no such coupon are called zero coupon rate debentures. They are generally issued at a discount, so absence of periodic coupon payments does not necessarily mean the investor receives no return.

Step 2: Distinguish the remaining descriptions Irredeemable debentures concern the repayment or redemption condition. Bearer debentures concern ownership and transfer by delivery. Specific coupon rate debentures carry a stated interest rate and are the opposite of the description in the question. Thus none of options (A), (B) and (C) describes the required interest feature.

Step 3: Conclusion They are zero coupon rate debentures. Hence, the correct option is (D).

Quick Tip to Solve: Match the classification to the clue: absence of a stated interest rate means zero coupon, while bearer and irredeemable refer to different features.

7(a). John, Honey and Racob were partners in a firm sharing profits and losses equally. On 31st July, 2025 John died. His share in the profits of the firm from the date of last balance sheet till the date of his death will be: [1 mark]

(A) Debited to Profit and Loss Account

(B) Credited to Profit and Loss Account

(C) Debited to Profit and Loss Suspense Account

(D) Credited to Profit and Loss Suspense Account

Correct Answer: (C) Debited to Profit and Loss Suspense Account

Solution:

Concept:

- Profit earned up to the date of death belongs to the deceased partner in the agreed profit-sharing ratio.

- The estimated profit share for the incomplete accounting period is debited to Profit and Loss Suspense Account and credited to the deceased partner's Capital Account.

Step 1: Identify the period involved John died on 31st July, 2025, before the regular year-end accounts were prepared. His entitlement from the last balance-sheet date to the date of death must therefore be recognised using the interim Profit and Loss Suspense Account.

Step 2: Determine the side of the suspense account Crediting John's Capital Account increases the amount due to him. The corresponding debit is to Profit and Loss Suspense Account. Options (A) and (B) incorrectly use the ordinary Profit and Loss Account; option (D) reverses the required side of the suspense account.

Step 3: Conclusion John's share is debited to Profit and Loss Suspense Account. Hence, the correct option is (C).

Quick Tip to Solve: For a deceased partner's interim profit share, credit the partner and debit Profit and Loss Suspense Account; reverse these sides for a loss.

OR

7(b). Shashi, Maya and Komal were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March, 2025 Komal retired. The new profit sharing ratio between Shashi and Maya was decided as 3:5. The gain or sacrifice of Shashi and Maya on Komal's retirement was: [1 mark]

(A) Shashi's sacrifice 1/8; Maya's gain 13/40

(B) Shashi's gain 1/8; Maya's sacrifice 13/40

(C) Shashi's sacrifice 1/8; Maya's sacrifice 13/40

(D) Shashi's gain 1/8; Maya's gain 13/40

Correct Answer: (A) Shashi's sacrifice 1/8; Maya's gain 13/40

Solution:

Concept:

- For each continuing partner, gain equals new share minus old share; a negative result denotes sacrifice.
- Use a common denominator before subtracting individual shares; the total net gain equals the retiring partner's share.

Step 1: Calculate Shashi's change Shashi's old share was $5/10$, whereas his new share is $3/8$. Thus

$$\text{Change} = \frac{3}{8} - \frac{5}{10} = \frac{15-20}{40} = -\frac{1}{8}.$$

The negative change means that Shashi sacrifices $1/8$.

Step 2: Calculate Maya's change Maya's old share was $3/10$, whereas her new share is $5/8$. Hence

$$\text{Gain} = \frac{5}{8} - \frac{3}{10} = \frac{25-12}{40} = \frac{13}{40}.$$

The net gain is $13/40 - 1/8 = 1/5$, equal to Komal's old share. Options (B), (C) and (D) incorrectly identify the sign of at least one partner's change.

Step 3: Conclusion Shashi sacrifices $1/8$ and Maya gains $13/40$. Hence, the correct option is (A).

Quick Tip to Solve: Even when a partner retires, a continuing partner can sacrifice: compare each new fraction with the old fraction before naming the change.

8. Alok, Sarah and Aditya were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 1st January, 2025 Alok advanced a loan of Rs 2,00,000 to the firm. In the absence of a partnership agreement, the amount of interest on loan due to Alok on 31st March, 2025 will be: [1 mark]

(A) Rs 20,000

(B) Rs 12,000

(C) Rs 3,000

(D) Rs 5,000

Correct Answer: (C) Rs 3,000

Solution:

Concept:

- In the absence of an agreement, a partner's loan to the firm carries interest at 6% per annum.
- Simple interest is $I = P \times r \times t$, where P is the loan principal, r the annual rate as a fraction, and t time in years.

Step 1: Determine the interest period The loan was advanced on 1st January, 2025 and interest is required up to 31st March, 2025. The firm used the money for January, February and March, so the relevant period is three months.

Step 2: Apply the prescribed annual rate

$$I = 2,00,000 \times \frac{6}{100} \times \frac{3}{12} = \text{Rs } 3,000.$$

Option (B), Rs 12,000, represents a full year's interest and ignores the loan date. Options (A) and (D) do not result from applying the prescribed rate for three months. The partners' profit-sharing ratio does not affect interest payable on this loan.

Step 3: Conclusion Interest due to Alok is Rs 3,000. Hence, the correct option is (C).

Quick Tip to Solve: For a partner's loan without an agreement, use 6% per annum, then count only the months for which the loan was outstanding.

9(a). Sudama, Sharma and Varun were partners in a firm sharing profits and losses in the ratio of 6:4:3. Sharma retired from the firm on 31st March, 2025. The gaining ratio of Sudama and Varun will be: [1 mark]

(A) 3:2

(B) 2:1

(C) 1:2

(D) 2:3

Correct Answer: (B) 2:1

Solution:

Concept:

- When the question gives no new arrangement, the continuing partners acquire the retiring partner's share in their old mutual ratio.
- A partner's gain is the difference between the new and old profit shares; the gaining ratio compares these gains.

Step 1: Identify the continuing partners' ratio Sharma retires, leaving Sudama and Varun. Their old shares are $6/13$ and $3/13$. Their mutual ratio is therefore $6 : 3 = 2 : 1$. No different arrangement is specified.

Step 2: Verify the gains The new shares are $2/3$ and $1/3$. Thus

$$\text{Sudama's gain} = \frac{2}{3} - \frac{6}{13} = \frac{8}{39}, \qquad \text{Varun's gain} = \frac{1}{3} - \frac{3}{13} = \frac{4}{39}.$$

The gains are in the ratio $8 : 4 = 2 : 1$. Option (A) uses Sudama and Sharma's old ratio, while (C) reverses the required order. Option (D) is also inconsistent with the continuing partners' shares.

Step 3: Conclusion The gaining ratio of Sudama and Varun is $2 : 1$. Hence, the correct option is (B).

Quick Tip to Solve: If no new arrangement is given on retirement, omit the retiring partner from the old ratio and simplify the continuing partners' ratio.

OR

9(b). Hari, Murari and Abhi were partners in a firm sharing profits and losses in the ratio of 8:7:4. Murari retired from the firm on 31st March, 2025. Hari and Abhi decided to share profits in the future in the ratio of 2:1. The gaining ratio of Hari and Abhi was: [1 mark]

(A) 1:2

(B) 8:7

(C) 2:1

(D) 7:4

Correct Answer: (C) 2:1

Solution:

Concept:

- Gaining share equals new share minus old share for each continuing partner.
- The total old ratio is $8 + 7 + 4 = 19$; after retirement the new ratio $2 : 1$ has total 3.

Step 1: Calculate Hari's gain Hari's old share is $8/19$ and his new share is $2/3$. Therefore

$$\text{Hari's gain} = \frac{2}{3} - \frac{8}{19} = \frac{38 - 24}{57} = \frac{14}{57}.$$

Step 2: Calculate Abhi's gain and compare Abhi's gain is

$$\frac{1}{3} - \frac{4}{19} = \frac{19 - 12}{57} = \frac{7}{57}.$$

Hence the gaining ratio is $14 : 7 = 2 : 1$. The gains total $21/57 = 7/19$, exactly Murari's old share. Option (A) reverses the order; (B) and (D) compare original ratio terms involving the retiring partner instead of the actual gains.

Step 3: Conclusion Hari and Abhi gain in the ratio $2 : 1$. Hence, the correct option is (C).

Quick Tip to Solve: Convert both old and new ratios into individual fractions first; subtract and check that the gains add to the retiring partner's share.

10. Munna and Sonu were partners in a firm sharing profits and losses in the ratio of 4:1. Their fixed capitals were Rs 40,00,000 and Rs 30,00,000 respectively. During the year ended 31st March, 2025, Munna withdrew Rs 50,000 for personal use. Interest on drawings was to be charged @ 6% p.a. The journal entry for charging interest on Munna's drawings will be: [1 mark]

(A)

Particulars	Dr. (Rs)	Cr. (Rs)
Interest on Drawings A/c Dr.	1,500	
To Munna's Capital A/c		1,500

(B)

Particulars	Dr. (Rs)	Cr. (Rs)
Munna's Capital A/c Dr.	1,500	
To Interest on Drawings A/c		1,500

(C)

Particulars	Dr. (Rs)	Cr. (Rs)
Interest on Drawings A/c Dr.	1,500	
To Munna's Current A/c		1,500

(D)

Particulars	Dr. (Rs)	Cr. (Rs)
Munna's Current A/c Dr.	1,500	
To Interest on Drawings A/c		1,500

Correct Answer: (D)

Particulars	Dr. (Rs)	Cr. (Rs)
Munna's Current A/c Dr.	1,500	
To Interest on Drawings A/c		1,500

Solution:

Concept:

- Under the fixed capital method, routine adjustments such as drawings and interest on drawings are recorded in the partner's Current Account.
- Interest on drawings is charged to the partner by debiting the partner's Current Account and crediting Interest on Drawings Account.

Step 1: Compute the interest on drawings No withdrawal date is specified. Applying the usual average period of six months to drawings during the year gives

$$\text{Interest} = 50,000 \times \frac{6}{100} \times \frac{6}{12} = \text{Rs } 1,500.$$

The fixed capital balances and profit-sharing ratio do not enter this calculation.

Step 2: Record the charge in the current account Munna's Current Account must be debited because the interest reduces the amount due to him. The journal entry is:

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Munna's Current A/c Dr.		1,500	
	To Interest on Drawings A/c			1,500
	(Being interest charged on Munna's drawings)			

Options (A) and (C) reverse the debit and credit. Option (B) uses Capital Account despite the fixed capital method.

Step 3: Conclusion Debit Munna's Current Account and credit Interest on Drawings Account by Rs 1,500. Hence, the correct option is (D).

Quick Tip to Solve: First check whether capitals are fixed: if so, charge interest on drawings to the partner's Current Account, not Capital Account.

11. Sujata and Laxmi were partners in a firm sharing profits and losses in the ratio of 2:1. On 1st April, 2025, they admitted Raghu as a new partner for 1/5th share in the profits of the firm. On the date of Raghu's admission, it was found that the equipment is undervalued by Rs 90,000. After revaluation, the Balance Sheet of Sujata, Laxmi and Raghu showed equipment at Rs 3,00,000. The value of equipment shown in the books of the firm of Sujata and Laxmi before Raghu's admission was: [1 mark]

(A) Rs 3,90,000

(B) Rs 2,10,000

(C) Rs 3,00,000

(D) Rs 90,000

Correct Answer: (B) Rs 2,10,000

Solution:

Concept:

- An undervalued asset has a book value below its revised value; revaluation increases its recorded amount.
- Original book value equals revalued amount minus the increase in value.

Step 1: Identify the revaluation increase The equipment was undervalued by Rs 90,000, so revaluation added Rs 90,000 to its earlier carrying amount. The new balance sheet reports the amount after this increase, namely Rs 3,00,000.

Step 2: Work backwards to the old book value

$$\text{Old value} = 3,00,000 - 90,000 = \text{Rs } 2,10,000.$$

Adding Rs 90,000 back gives the reported revalued amount. Option (A) adds the adjustment again instead of reversing it; (C) ignores the adjustment; (D) gives only the increase. The partners' profit shares affect distribution of revaluation profit, not this asset-value calculation.

Step 3: Conclusion The equipment was recorded at Rs 2,10,000 before Raghu's admission. Hence, the correct option is (B).

Quick Tip to Solve: When an undervalued asset's revised amount is given, subtract the increase to recover its original book value.

12. On 1st April, 2024, DD Ltd. issued 2,000, 9% Debentures of Rs 50 each at a premium of 5%, redeemable at a premium of Rs 10 per debenture after five years. Interest on the debentures was to be paid on half-yearly basis on 30th September and 31st March. Interest on the debentures for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 4,500

(B) Rs 9,000

(C) Rs 9,450

(D) Rs 4,725

Correct Answer: (B) Rs 9,000

Solution:

Concept:

- Debenture interest is calculated on nominal value, irrespective of premium received on issue or premium payable on redemption.
- Annual interest equals number of debentures multiplied by face value per debenture multiplied by the annual coupon rate.

Step 1: Calculate nominal debenture capital The nominal value of the debentures is

$$2,000 \times 50 = \text{Rs } 1,00,000.$$

They were issued on 1st April, 2024 and remained outstanding throughout the year ended 31st March, 2025, so a full year's coupon is payable.

Step 2: Calculate both half-yearly payments Each half-year's interest is

$$1,00,000 \times \frac{9}{100} \times \frac{6}{12} = \text{Rs } 4,500.$$

There are two payments, making annual interest Rs 9,000. Option (A) includes only one payment; (C) wrongly applies interest to the issue price including premium, and (D) takes half of that incorrect amount. The redemption premium does not change the coupon base.

Step 3: Conclusion Interest for the year ended 31st March, 2025 is Rs 9,000. Hence, the correct option is (B).

Quick Tip to Solve: Use face value for debenture interest. Half-yearly payment changes the payment frequency, not the total annual coupon.

13. Universal Ltd. took over machinery of Rs 3,30,000, furniture of Rs 1,60,000 and liabilities of Rs 80,000 from Amol Ltd. for a purchase consideration of Rs 4,50,000. The payment to Amol Ltd. was made by issue of 10% Debentures of Rs 50 each at a discount of 10%. The number of debentures issued to Amol Ltd. was: [1 mark]

(A) 1,000

(B) 4,500

(C) 45,000

(D) 10,000

Correct Answer: (D) 10,000

Solution:

Concept:

- The number of debentures issued to a vendor equals agreed purchase consideration divided by issue price per debenture.
- For an issue at discount, issue price equals face value multiplied by $(1 - \text{discount rate})$.

Step 1: Find the issue price per debenture Each Rs 50 debenture is issued at a discount of 10%. Hence

$$\text{Issue price} = 50 - 50 \times \frac{10}{100} = \text{Rs } 45.$$

The 10% coupon describes future interest and is distinct from the issue discount.

Step 2: Divide the purchase consideration by issue price The agreed amount payable to Amol Ltd. is Rs 4,50,000. Therefore

$$\text{Number issued} = \frac{4,50,000}{45} = 10,000.$$

Check: $10,000 \times 45 = 4,50,000$. The net assets acquired are Rs 4,10,000, but the expressly agreed purchase consideration governs settlement. Issuing 1,000, 4,500 or 45,000 debentures would settle Rs 45,000, Rs 2,02,500 or Rs 20,25,000 respectively, so options (A), (B) and (C) fail.

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

Quick Tip to Solve: For vendor settlement, divide the agreed purchase consideration by the discounted issue price, not by face value or net assets acquired.

14. At the time of forfeiture of shares, 'Share Capital Account' is debited with: [1 mark]

(A) Paid-up amount on forfeited shares

(B) Called-up amount on forfeited shares

(C) Face value of shares forfeited

(D) Unpaid amount on forfeited shares

Correct Answer: (B) Called-up amount on forfeited shares

Solution:

Concept:

- Forfeiture cancels the capital already called on the forfeited shares. Share Capital Account is therefore debited with the called-up amount.
- The called-up amount comprises money received towards capital and calls due but unpaid; uncalled capital has not yet been credited to Share Capital Account.

Step 1: Identify the amount to reverse Share Capital Account was credited as instalments became due. On forfeiture, the company reverses this credited capital, irrespective of whether the shareholder paid all the instalments. Thus the debit is the number of forfeited shares multiplied by the called-up capital per share.

Step 2: Eliminate the other amounts Option (A) covers only capital received, which is credited to Share Forfeiture Account. Option (D) covers only the unpaid calls. Option (C) is valid only if the entire face value was called; it is not the general rule. Option (B) correctly includes both paid and unpaid portions of called-up capital.

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

Quick Tip to Solve: Use called-up capital for the debit; use paid-up capital for the credit to Share Forfeiture Account.

15. Sushil and Sapna were partners in a firm sharing profits and losses in the ratio of 3:2. On 31st March, 2025, the firm was dissolved. On the date of dissolution there existed a balance of Rs 1,20,000 in sundry creditors account. The sundry creditors were payable after three months. They were paid immediately at a discount of 12% p.a. The amount paid to sundry creditors was: [1 mark]

(A) Rs 1,20,000

(B) Rs 1,23,600

(C) Rs 1,16,400

(D) Rs 1,34,400

Correct Answer: (C) Rs 1,16,400

Solution:

Concept:

- A discount for early payment reduces the amount paid to creditors.
- For an annual rate, discount equals the liability multiplied by the annual rate and the fraction of a

year saved: $D = P \times r \times t$.

Step 1: Calculate the three-month discount The creditors are paid three months before their due date. Hence the discount is for $3/12$ of a year, not for a full year.

$$D = 1,20,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 3,600.$$

Step 2: Deduct discount from the liability Cash paid equals the amount due less the discount:

$$1,20,000 - 3,600 = \text{Rs } 1,16,400.$$

Option (A) ignores discount. Option (B) adds the three-month discount instead of deducting it. Option (D) adds a full year's discount. The partners' profit-sharing ratio does not affect the payment to creditors.

Step 3: Conclusion The amount paid to sundry creditors is Rs 1,16,400. Hence, the correct option is (C).

Quick Tip to Solve: Convert 12% per annum to 3% for three months, then pay 97% of the creditors' balance.

16. Raha, Naveen and Vandana were partners in a firm sharing profits and losses equally. Naveen retired on 31st March, 2025. The balance in his capital account after making the necessary adjustments on account of reserves and revaluation of assets and reassessment of liabilities was Rs 1,27,000. Naveen was paid Rs 1,50,000 in full settlement of his claim. The value of goodwill of the firm on the date of Naveen's retirement was: [1 mark]

(A) Rs 1,50,000

(B) Rs 23,000

(C) Rs 69,000

(D) Rs 4,50,000

Correct Answer: (C) Rs 69,000

Solution:

Concept:

- The excess of the amount paid to a retiring partner over the adjusted capital balance represents that partner's share of hidden goodwill.
- The firm's goodwill is the retiring partner's goodwill share divided by that partner's old profit share.

Step 1: Find Naveen's share of goodwill His capital is already adjusted for reserves and revaluation. The excess settlement therefore represents compensation for goodwill:

$$\text{Naveen's goodwill share} = 1,50,000 - 1,27,000 = \text{Rs } 23,000.$$

Step 2: Convert his share to the firm's value The three partners share profits equally, so Naveen's old

share is $1/3$.

$$\text{Firm's goodwill} = 23,000 \div \frac{1}{3} = \text{Rs } 69,000.$$

Option (B) is only Naveen's share. Option (A) is his total settlement and includes capital; multiplying that total by three gives option (D), which incorrectly treats capital as goodwill.

Step 3: Conclusion The value of goodwill of the firm is Rs 69,000. Hence, the correct option is (C).

Quick Tip to Solve: First subtract adjusted capital from the settlement; only then divide the excess by the retiring partner's old share.

17. Namita, Narendra and Kunwar were partners in a firm sharing profits and losses in the ratio of 3:1:1. The firm closes its books on 31st March every year. Kunwar died on 30th September, 2025. His share in the profits of the firm from 1st April, 2025 to 30th September, 2025 was calculated as per the provisions of the partnership deed which amounted to Rs 15,600. On the date of Kunwar's death, the Balance Sheet of the firm showed General Reserve of Rs 40,000 and Profit and Loss Account (Dr.) Rs 80,000. Pass necessary journal entries on Kunwar's death in the books of the firm. [3 marks]

Solution:

Concept:

- Accumulated reserves belong to all partners in the old profit-sharing ratio, $3:1:1$; accumulated losses are borne in that same ratio.
- The deceased partner's profit up to death is credited to the capital account, with a debit to Profit and Loss Suspense Account because current-year accounts have not yet been closed.

Step 1: Allocate accumulated reserve and loss **Working Notes**

The sum of ratio terms is $3 + 1 + 1 = 5$. General Reserve of Rs 40,000 is distributed to Namita, Narendra and Kunwar as Rs 24,000, Rs 8,000 and Rs 8,000 respectively. The debit balance of Profit and Loss Account is an accumulated loss: Rs 80,000 is charged to their capitals as Rs 48,000, Rs 16,000 and Rs 16,000. Kunwar's current-year profit share is already given as Rs 15,600; it must not be multiplied by $1/5$ or by six months again.

Step 2: Record reserve and accumulated loss **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 Sept. 2025	General Reserve A/c Dr.		40,000	
	To Namita's Capital A/c			24,000
	To Narendra's Capital A/c			8,000
	To Kunwar's Capital A/c			8,000
	(Being general reserve distributed in the old ratio of 3:1:1)			
30 Sept. 2025	Namita's Capital A/c Dr.		48,000	
	Narendra's Capital A/c Dr.		16,000	
	Kunwar's Capital A/c Dr.		16,000	
	To Profit and Loss A/c			80,000
	(Being accumulated loss written off in the old ratio of 3:1:1)			

Step 3: Record profit earned up to death **Journal of the Firm (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 Sept. 2025	Profit and Loss Suspense A/c Dr.		15,600	
	To Kunwar's Capital A/c			15,600
	(Being Kunwar's share of profit up to 30 September 2025 credited to his capital)			

Step 4: Conclusion The entries credit Kunwar with Rs 8,000 reserve and Rs 15,600 profit and debit him with Rs 16,000 accumulated loss. His capital increases by a net Rs 7,600 through these adjustments.

Quick Tip to Solve: Treat the debit Profit and Loss balance as a loss, but credit the separately given profit up to death in full.

18. Naik, Vinay and Vibhuti were partners in a firm sharing profits and losses in the ratio of 4:2:3. On 31st March, 2025, their Balance Sheet was as follows:

Balance Sheet of Naik, Vinay and Vibhuti as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Patents	54,000
Naik 1,20,000		Land and Building	2,07,000
Vinay 1,20,000		Stock	1,08,000
Vibhuti 1,20,000	3,60,000	Debtors	81,000
General Reserve	45,000	Cash at bank	54,000
Creditors	99,000		
Total	5,04,000	Total	5,04,000

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

(i) Goodwill of the firm was valued at Rs 1,80,000 and the same was to be treated without opening goodwill account.

(ii) Revaluation of assets and reassessment of liabilities resulted in a loss of Rs 18,000.

(iii) Amount payable to Naik was transferred to his loan account.

Pass necessary journal entries for general reserve, revaluation of assets and reassessment of liabilities and goodwill on Naik's retirement. [3 marks]

Solution:

Concept:

- General Reserve and revaluation loss are distributed in the old ratio, $4:2:3$.
- When goodwill is adjusted without opening Goodwill Account, gaining partners' capitals are debited and the retiring partner's capital is credited.
- With no change specified between the continuing partners, they retain their relative ratio of 2:3.

Step 1: Calculate reserve, loss and gaining ratio **Working Notes**

Reserve shares: Naik $45,000 \times 4/9 = 20,000$, Vinay $45,000 \times 2/9 = 10,000$, Vibhuti $45,000 \times 3/9 = 15,000$, all in Rs. Revaluation-loss shares are respectively Rs 8,000, Rs 4,000 and Rs 6,000. The continuing ratio is $2:3$, so Vinay gains $2/5 - 2/9 = 8/45$ and Vibhuti gains $3/5 - 3/9 = 12/45$. Thus

the gaining ratio is $2:3$. Naik's goodwill share is $1,80,000 \times 4/9 =$ Rs $80,000$; Vinay bears Rs 32,000 and Vibhuti Rs 48,000.

Step 2: Transfer general reserve and revaluation loss **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar. 2025	General Reserve A/c Dr.		45,000	
	To Naik's Capital A/c			20,000
	To Vinay's Capital A/c			10,000
	To Vibhuti's Capital A/c			15,000
	(Being general reserve transferred in the old ratio of 4:2:3)			
31 Mar. 2025	Naik's Capital A/c Dr.		8,000	
	Vinay's Capital A/c Dr.		4,000	
	Vibhuti's Capital A/c Dr.		6,000	
	To Revaluation A/c			18,000
	(Being revaluation loss transferred to partners in the old ratio)			

Step 3: Adjust goodwill and transfer the amount due **Journal of the Firm (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar. 2025	Vinay's Capital A/c Dr.		32,000	
	Vibhuti's Capital A/c Dr.		48,000	
	To Naik's Capital A/c			80,000
	(Being Naik's goodwill share adjusted through gaining partners' capitals)			
31 Mar. 2025	Naik's Capital A/c Dr.		2,12,000	
	To Naik's Loan A/c			2,12,000
	(Being balance payable to Naik transferred to his loan account as agreed)			

The final transfer implements term (iii): $1,20,000 + 20,000 - 8,000 + 80,000 =$ Rs $2,12,000$. No goodwill asset is opened.

Step 4: Conclusion General Reserve of Rs 45,000 and revaluation loss of Rs 18,000 are distributed in 4:2:3. Naik is credited Rs 80,000 for goodwill, borne by Vinay and Vibhuti in 2:3, and Rs 2,12,000 is transferred to his loan account.

Quick Tip to Solve: Use the old ratio for reserves and revaluation; use the gaining ratio only for the retiring partner's goodwill share.

19(a). Kiara Ltd. purchased assets worth Rs 12,40,000 and took over liabilities of Rs 3,40,000 of Amrex Ltd. for a purchase consideration of Rs 11,00,000. Kiara Ltd. paid half the amount by cheque. The balance amount was settled by issuing 9% debentures of Rs 100 each at a premium of 10%. Pass necessary journal entries for the above transactions in the books of Kiara Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor; its excess over net assets acquired is goodwill.
- Debentures issued for consideration other than cash are credited at face value; the excess issue price is credited to Securities Premium Account.

Step 1: Compute goodwill and debentures issued **Working Notes**

Net assets acquired $= 12,40,000 - 3,40,000 =$ Rs $9,00,000$. Hence goodwill $= 11,00,000 - 9,00,000 =$ Rs $2,00,000$. Cheque payment and the amount settled in debentures are each $11,00,000/2 =$ Rs $5,50,000$. Each Rs 100 debenture is issued at $100 + 10 =$ Rs 110, giving $5,50,000/110 = 5,000$ debentures. Their face value is Rs 5,00,000 and premium is Rs 50,000. The 9% rate is interest, not the premium or issue-price rate.

Step 2: Record business purchase and assets taken over **Journal of Kiara Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr.		11,00,000	
	To Amrex Ltd. A/c			11,00,000
	(Being business purchased for agreed consideration of Rs 11,00,000)			
	Sundry Assets A/c Dr.		12,40,000	
	Goodwill A/c Dr.		2,00,000	
	To Sundry Liabilities A/c			3,40,000
	To Business Purchase A/c			11,00,000
	(Being assets and liabilities taken over and excess consideration recognised as goodwill)			

Step 3: Discharge the vendor balance **Journal of Kiara Ltd. (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Amrex Ltd. A/c Dr.		11,00,000	
	To Bank A/c			5,50,000
	To 9% Debentures A/c			5,00,000
	To Securities Premium A/c			50,000
	(Being vendor settled half by cheque and half by 5,000 debentures of Rs 100 each issued at 10% premium)			

The total credits of Rs 11,00,000 equal the vendor debit, so Amrex Ltd.'s account is fully settled.

Step 4: Conclusion Goodwill is Rs 2,00,000. Kiara Ltd. pays Rs 5,50,000 by cheque and issues 5,000 debentures, crediting Debentures Account with Rs 5,00,000 and Securities Premium Account with Rs 50,000.

Quick Tip to Solve: Divide the non-cash consideration by Rs 110, the issue price per debenture, rather than the Rs 100 face value.

OR

19(b). On 1st April, 2024, Zara Ltd. issued 8,000, 9% Debentures of Rs 100 each at a discount of 10%. The company had a balance of Rs 50,000 in the Securities Premium Account on the same date. Pass necessary journal entries for the issue of debentures and to write off discount on issue of debentures. [3 marks]

Solution:

Concept:

- Debentures are credited at their nominal value. When issued at a discount, Bank is debited with the cash received and Discount on Issue of Debentures is debited with the difference.
- The available Securities Premium balance is used to write off the discount; the remaining amount

is charged to the Statement of Profit and Loss.

Step 1: Calculate the nominal value, discount and proceeds **Working Notes** The issue price of each Rs 100 debenture is $100 - 10 = \text{Rs } 90$. Therefore,

$$\text{Nominal value} = 8,000 \times 100 = \text{Rs } 8,00,000,$$
$$\text{Discount} = 8,00,000 \times 10\% = \text{Rs } 80,000,$$
$$\text{Bank receipts} = 8,000 \times 90 = \text{Rs } 7,20,000.$$

The 9% rate is the interest rate; it does not determine the issue discount or the cash proceeds.

Step 2: Record the issue and write off the discount Of the Rs 80,000 discount, Rs 50,000 is adjusted against the available Securities Premium balance. The balance is $80,000 - 50,000 = \text{Rs } 30,000$.

Journal of Zara Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2024	Bank A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Being 8,000 debentures of Rs 100 each issued at a discount of 10%)		7,20,000 80,000	 8,00,000
1 Apr. 2024	Securities Premium A/c Dr. Statement of Profit and Loss Dr. To Discount on Issue of Debentures A/c (Being discount written off against Securities Premium and the Statement of Profit and Loss)		50,000 30,000	 80,000

Step 3: Conclusion Debentures of Rs 8,00,000 are issued for Rs 7,20,000. The Rs 80,000 discount is fully written off: Rs 50,000 against Securities Premium and Rs 30,000 against the Statement of Profit and Loss.

Quick Tip to Solve: Calculate the discount on face value first, then use the Rs 50,000 Securities Premium balance before charging the remaining Rs 30,000 to profit and loss.

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20. Nandini, Shweta and Hiren were partners in a firm sharing profits and losses in the ratio of 9:7:4. On 1st April, 2025, Shweta retired. On the date of Shweta's retirement, there existed a balance of Rs 1,00,000 in Workmen's Compensation Fund. Pass necessary journal entries for treatment of Workmen's Compensation Fund on Shweta's retirement in each of the following cases:

(i) Claim on account of Workmen's Compensation was estimated at Rs 1,20,000.

(ii) Claim on account of Workmen's Compensation was estimated at Rs 80,000.

(iii) Claim on account of Workmen's Compensation was estimated at Rs 1,00,000. [3 marks]

Solution:

Concept:

- Workmen's Compensation Fund is first applied against the estimated claim. A claim exceeding the fund creates a revaluation loss; any surplus fund belongs to all old partners in their old profit-sharing ratio.

- Nandini, Shweta and Hiren share any surplus or revaluation loss in $9:7:4$, including the retiring partner, because it relates to the period before retirement.

Step 1: Record case (i): claim exceeds the fund The excess claim is $1,20,000 - 1,00,000 =$ Rs $20,000$. Debit this deficiency to Revaluation Account and recognise the entire liability. The revaluation loss is borne by the old partners.

Journal: 1 April 2025, case (i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen's Compensation Fund A/c Dr. Revaluation A/c Dr. To Workmen's Compensation Claim A/c (Being claim recognised, using the fund and charging the deficiency to revaluation)		1,00,000 20,000	 1,20,000
	Nandini's Capital A/c Dr. Shweta's Capital A/c Dr. Hiren's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred to old partners in the ratio 9:7:4)		9,000 7,000 4,000	 20,000

Step 2: Record case (ii): fund exceeds the claim **Working Notes** Surplus fund is $1,00,000 - 80,000 =$ Rs $20,000$. Nandini's share is $20,000 \times 9/20 =$ Rs $9,000$, Shweta's is $20,000 \times 7/20 =$ Rs $7,000$, and Hiren's is $20,000 \times 4/20 =$ Rs $4,000$. These are credits, since the unused reserve is a gain for the old partners.

Journal: 1 April 2025, case (ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen's Compensation Fund A/c Dr. To Workmen's Compensation Claim A/c To Nandini's Capital A/c To Shweta's Capital A/c To Hiren's Capital A/c (Being claim recognised and surplus fund distributed to old partners in the ratio 9:7:4)		1,00,000	 80,000 9,000 7,000 4,000

Step 3: Record case (iii): claim equals the fund The entire Rs 1,00,000 fund is required for the claim. There is neither a surplus to distribute nor a deficiency to charge to revaluation.

Journal: 1 April 2025, case (iii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen's Compensation Fund A/c Dr. To Workmen's Compensation Claim A/c (Being the fund fully utilised to recognise the equal compensation claim)		1,00,000	 1,00,000

Step 4: Conclusion Case (i) produces a Rs 20,000 revaluation loss; case (ii) distributes a Rs 20,000 surplus in 9:7:4; case (iii) transfers the entire fund to the claim without affecting partners' capitals. Each case is independent.

Quick Tip to Solve: Subtract the claim from the Rs 1,00,000 fund: a positive balance is credited to old partners, a negative balance is a revaluation loss, and zero requires only a transfer to the claim.

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

(i) XS Ltd. issued 40,000, 9% Debentures of Rs 100 each at a premium of 10%, redeemable at a premium of 5%.

(ii) YG Ltd. issued 50,000, 9% Debentures of Rs 100 each at par, redeemable at a premium of 10%. [4 marks]

Solution:

Concept:

- Debentures Account is credited with nominal value. An issue premium is credited separately to Securities Premium Account and increases the amount received in Bank.
- Premium on redemption is a liability recognised when debentures are issued. It is credited to Premium on Redemption of Debentures Account, with a corresponding debit to Loss on Issue of Debentures Account.

Step 1: Calculate the amounts for XS Ltd. **Working Notes: case (i)** Each debenture has a face value of Rs 100, an issue price of Rs 110 and a redemption price of Rs 105. Thus the issue premium and redemption premium are separate amounts.

$$\begin{aligned}\text{Nominal value} &= 40,000 \times 100 = \text{Rs } 40,00,000,\\ \text{Issue premium} &= 40,00,000 \times 10\% = \text{Rs } 4,00,000,\\ \text{Bank proceeds} &= 40,00,000 + 4,00,000 = \text{Rs } 44,00,000,\\ \text{Redemption premium} &= 40,00,000 \times 5\% = \text{Rs } 2,00,000.\end{aligned}$$

There is no discount on issue. The loss recognised on issue is therefore the Rs 2,00,000 premium payable on redemption.

Step 2: Pass the issue entry for XS Ltd. **Journal of XS Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		44,00,000	
	Loss on Issue of Debentures A/c Dr.		2,00,000	
	To 9% Debentures A/c			40,00,000
	To Securities Premium A/c			4,00,000
	To Premium on Redemption of Debentures A/c			2,00,000
	(Being 40,000 debentures of Rs 100 each issued at 10% premium, redeemable at 5% premium)			

Both debit and credit totals are Rs 46,00,000. The redemption premium is recognised as a liability now, although payment is due later.

Step 3: Calculate and record the issue for YG Ltd. **Working Notes: case (ii)** Issue at par means cash received equals the nominal value. The redemption premium is calculated on nominal value:

$$\begin{aligned}\text{Nominal value and bank proceeds} &= 50,000 \times 100 = \text{Rs } 50,00,000,\\ \text{Redemption premium and loss} &= 50,00,000 \times 10\% = \text{Rs } 5,00,000.\end{aligned}$$

Journal of YG Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		50,00,000	
	Loss on Issue of Debentures A/c Dr.		5,00,000	
	To 9% Debentures A/c			50,00,000
	To Premium on Redemption of Debentures A/c			5,00,000
	(Being 50,000 debentures of Rs 100 each issued at par, redeemable at 10% premium)			

Both debit and credit totals are Rs 55,00,000. The 9% interest rate does not affect either issue entry.

Step 4: Conclusion XS Ltd. records bank receipts of Rs 44,00,000, Securities Premium of Rs 4,00,000 and loss on issue of Rs 2,00,000. YG Ltd. records bank receipts of Rs 50,00,000 and loss on issue of Rs 5,00,000. Both companies recognise their redemption premiums at issue.

Quick Tip to Solve: Keep the two premiums separate: issue premium increases Bank and Securities Premium; redemption premium creates a liability and an equal loss on issue.

22(a). Jain and Gupta were partners in a firm sharing profits and losses in the ratio of 3:1. On 1st April, 2024, Agarwal was admitted as a new partner for 1/5th share in the profits of the firm with a minimum guaranteed amount of Rs 75,000. Any deficiency arising out of this account will be borne by Jain and Gupta in the ratio of 1:3. During the year ended 31st March, 2025, the firm earned a net profit of Rs 3,00,000. Prepare Profit and Loss Appropriation Account of Jain, Gupta and Agarwal for the year ended 31st March, 2025. [4 marks]

Solution:

Concept:

- Profit and Loss Appropriation Account distributes the firm's net profit among partners after applying the partnership agreement.
- A guaranteed partner receives the higher of the normal profit share and the guaranteed amount. The deficiency is deducted from the guaranteeing partners in the agreed bearing ratio.

Step 1: Working Notes: determine the new ratio Agarwal receives $1/5$ of profits. The remaining $4/5$ belongs to Jain and Gupta in their old ratio $3:1$, since no different sacrifice is specified.

$$J = \frac{4}{5} \times \frac{3}{4} = \frac{3}{5}, \qquad G = \frac{4}{5} \times \frac{1}{4} = \frac{1}{5}, \qquad A = \frac{1}{5}.$$

Hence the new profit-sharing ratio is $3:1:1$. On net profit of Rs 3,00,000, their normal shares are Jain Rs 1,80,000, Gupta Rs 60,000 and Agarwal Rs 60,000.

Step 2: Calculate and allocate the guarantee deficiency Agarwal's normal share is below his minimum guaranteed profit of Rs 75,000. Therefore the deficiency is

$$\text{Deficiency} = 75,000 - 60,000 = \text{Rs } 15,000.$$

This deficiency is borne by Jain and Gupta in $1:3$, not their profit-sharing ratio of $3:1$. Jain bears $15,000 \times 1/4 = \text{Rs } 3,750$, while Gupta bears $15,000 \times 3/4 = \text{Rs } 11,250$. Their adjusted shares are

therefore Jain $1,80,000 - 3,750 =$ Rs $1,76,250$, Gupta $60,000 - 11,250 =$ Rs $48,750$, and Agarwal $60,000 + 15,000 =$ Rs $75,000$. The guarantee reallocates profit; it does not reduce the firm's total profit.

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

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Jain's Capital A/c To Gupta's Capital A/c To Agarwal's Capital A/c	1,76,250 48,750 75,000	By Profit and Loss A/c (Net profit)	3,00,000	
	Total	3,00,000	Total	3,00,000	

The entire profit is appropriated, so there is no balance carried down. Capital accounts are credited; if fixed capitals are maintained, the corresponding current accounts receive these amounts.

Step 4: Conclusion The profit credited is Jain Rs 1,76,250, Gupta Rs 48,750 and Agarwal Rs 75,000. Both sides of the Profit and Loss Appropriation Account total Rs 3,00,000.

Quick Tip to Solve: Use 3:1:1 to find normal shares, but switch to the separately stated 1:3 ratio when charging the Rs 15,000 deficiency.

OR

22(b). Annu, Bandhu, Sheelu and Golu were partners in a firm sharing profits and losses in the ratio of 4:3:2:1. On 1st April, 2025, they decided to share the future profits equally. For this purpose the goodwill of the firm was valued at Rs 4,00,000. Calculate gain or sacrifice of the partners on change in profit sharing ratio and pass a single adjustment journal entry for the treatment of goodwill. [4 marks]

Solution:

Concept:

- A partner's sacrifice equals old share minus new share; a negative result represents a gain. All shares must first be expressed with the same denominator.
- When goodwill is adjusted without opening a Goodwill Account, gaining partners' capital accounts are debited and sacrificing partners' capital accounts are credited for goodwill multiplied by the respective gain or sacrifice.

Step 1: Working Notes: calculate each partner's change in share The old ratio is $4:3:2:1$, whose total is 10. The new share of each of the four partners is $1/4 = 5/20$. Comparing old and new shares gives:

Partner	Old share	New share	Old minus new	Result
Annu	$8/20$	$5/20$	$3/20$	Sacrifice $3/20$
Bandhu	$6/20$	$5/20$	$1/20$	Sacrifice $1/20$
Sheelu	$4/20$	$5/20$	$-1/20$	Gain $1/20$
Golu	$2/20$	$5/20$	$-3/20$	Gain $3/20$

Annu and Bandhu sacrifice in the ratio $3:1$, while Sheelu and Golu gain in the ratio $1:3$. Total sacrifice and total gain are both $4/20$, confirming that the change in shares balances.

Step 2: Compute goodwill compensation The goodwill valuation is Rs 4,00,000. Compensation is

calculated on the actual fractional change in each share, rather than distributing the entire goodwill in the sacrificing ratio.

$$\begin{aligned}\text{Annu's credit} &= 4,00,000 \times 3/20 = \text{Rs } 60,000,\\ \text{Bandhu's credit} &= 4,00,000 \times 1/20 = \text{Rs } 20,000,\\ \text{Sheelu's debit} &= 4,00,000 \times 1/20 = \text{Rs } 20,000,\\ \text{Golu's debit} &= 4,00,000 \times 3/20 = \text{Rs } 60,000.\end{aligned}$$

Total compensation is Rs 80,000. The gaining partners compensate the sacrificing partners directly, so neither cash nor a Goodwill Account is involved.

Step 3: Pass the single adjustment entry **Journal of the partnership firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2025	Sheelu's Capital A/c Dr.		20,000	
	Golu's Capital A/c Dr.		60,000	
	To Annu's Capital A/c			60,000
	To Bandhu's Capital A/c			20,000
	(Being goodwill adjusted between gaining and sacrificing partners on change in profit-sharing ratio)			

The entry has equal debits and credits of Rs 80,000.

Step 4: Conclusion Annu sacrifices $3/20$, Bandhu sacrifices $1/20$, Sheelu gains $1/20$ and Golu gains $3/20$. Debit Sheelu Rs 20,000 and Golu Rs 60,000; credit Annu Rs 60,000 and Bandhu Rs 20,000 through their capital accounts.

Quick Tip to Solve: Convert all four old shares and the equal new share to twentieths; positive old-minus-new differences are credits for goodwill.

23. Diwan Ltd. was registered with an authorised capital of Rs 1,00,00,000, divided into 1,00,000 equity shares of Rs 100 each. The company invited applications for issuing 50,000 shares. The amount was payable as follows: On Application and Allotment - Rs 30 per share; On First call - Rs 40 per share; On Second and Final call - balance. The issue was fully subscribed. All amounts were duly received except from Nawal, a shareholder holding 700 shares, who failed to pay the second and final call. His shares were forfeited. [6 marks]

23(i). The Registered capital of Diwan Ltd. is: [1 mark]

(A) Rs 1,00,00,000

(B) Rs 1,00,000

(C) Rs 50,00,000

(D) Rs 50,000

Correct Answer: (A) Rs 1,00,00,000

Solution:

Concept:

- Registered capital is also called authorised or nominal capital: it is the maximum share capital authorised by the company's memorandum.
- Capital is a monetary amount, calculated as the number of authorised shares multiplied by their face value.

Step 1: Identify the authorised share base Diwan Ltd. is registered with 1,00,000 equity shares of Rs 100 each. Therefore,

$$\text{Registered capital} = 1,00,000 \times 100 = \text{Rs } 1,00,00,000.$$

This agrees with the authorised capital explicitly stated in the passage. The later issue of only 50,000 shares does not change the registered limit.

Step 2: Check the other options Option (B), Rs 1,00,000, confuses the number of authorised shares with the amount of capital. Option (C), Rs 50,00,000, is the face value of the shares actually issued. Option (D), Rs 50,000, similarly confuses the number of issued shares with capital. Calls and forfeiture affect other share-capital figures, not this registered amount.

Step 3: Conclusion Registered capital is Rs 1,00,00,000. Hence, the correct option is (A).

Quick Tip to Solve: For registered capital, multiply all authorised shares by face value; do not use the smaller issued-share count.

23(ii). The Issued capital of Diwan Ltd. is: [1 mark]

(A) Rs 1,00,00,000

(B) Rs 1,00,000

(C) Rs 50,00,000

(D) Rs 50,000

Correct Answer: (C) Rs 50,00,000

Solution:

Concept:

- Issued capital is the part of authorised capital that the company offers for subscription.
- Its amount equals the number of shares offered multiplied by their face value; it is distinct from the amount actually collected from shareholders.

Step 1: Calculate the face value of the shares offered Diwan Ltd. invited applications for 50,000 shares of Rs 100 each. Thus,

$$\text{Issued capital} = 50,000 \times 100 = \text{Rs } 50,00,000.$$

The issue was fully subscribed, but subscription and instalment receipts are not needed to determine the original amount offered for issue.

Step 2: Distinguish the alternative amounts Option (A), Rs 1,00,00,000, is authorised capital, the maximum permitted capital. Option (B), Rs 1,00,000, is the numerical count of authorised shares, not issued capital. Option (D), Rs 50,000, merely repeats the number of shares issued without multiplying by Rs 100. Nawal's default and forfeiture affect subscribed capital and its balance-sheet presentation; they do not alter the amount of this issue offered to the public.

Step 3: Conclusion Issued capital is Rs 50,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Read 'invited applications for 50,000 shares' as the issued-share count and multiply it by Rs 100, not by an instalment amount.

23(iii). Calls in arrears of the company amounted to: [1 mark]

(A) Rs 21,000

(B) Rs 70,000

(C) Nil

(D) Rs 49,000

Correct Answer: (C) Nil

Solution:

Concept:

- Calls in arrears are amounts called on shares but not received. On forfeiture, the unpaid calls relating to the forfeited shares are cancelled.

- The passage must be read through its final event: Nawal's shares have already been forfeited, so their former unpaid call is no longer an outstanding calls-in-arrears balance.

Step 1: Calculate the unpaid final call before forfeiture The final call per share is the balance of the Rs 100 face value after application and allotment of Rs 30 and first call of Rs 40:

$$\text{Final call} = 100 - 30 - 40 = \text{Rs } 30.$$

Nawal's 700 shares initially create unpaid calls of $700 \times 30 = \text{Rs } 21,000$. This is the balance before the stated forfeiture, not after it.

Step 2: Apply the effect of forfeiture Forfeiture reverses called-up capital of $700 \times 100 = \text{Rs } 70,000$. The amount previously received, $700 \times 70 = \text{Rs } 49,000$, is credited to Share Forfeiture Account, while Rs 21,000 is credited to Calls in Arrears Account to cancel its debit balance. All other shareholders paid in full, so no unpaid calls remain. Option (A) refers to the earlier default; option (B) is the cancelled capital; option (D) is the amount already received and forfeited.

Step 3: Conclusion Calls in arrears after the stated forfeiture are Nil. Hence, the correct option is (C).

Quick Tip to Solve: Compute Rs 21,000 first, then notice that 'His shares were forfeited' cancels that arrears balance before selecting the option.

23(iv). 'Share Forfeiture Account' will appear in the 'Notes to Accounts' at: [1 mark]

(A) Rs 21,000

(B) Rs 70,000

(C) Nil

(D) Rs 49,000

Correct Answer: (D) Rs 49,000

Solution:

Concept:

- Share Forfeiture Account is credited with the amount already received towards the capital of the forfeited shares.
- Until reissue, the amount originally paid on forfeited shares is included in the share capital note; unpaid calls are not forfeiture receipts.

Step 1: Identify the capital received from Nawal Nawal paid application and allotment of Rs 30 and the first call of Rs 40 per share. Therefore, the amount received per share is $30 + 40 = \text{Rs } 70$. Only the final call of Rs 30 was unpaid.

Step 2: Calculate the forfeiture balance For the 700 forfeited shares, the amount retained by the company is

$$700 \times 70 = \text{Rs } 49,000.$$

Rs 21,000 is the unpaid final call, while Rs 70,000 is the face value cancelled on forfeiture; neither is the amount received. Nil is incorrect because no reissue or transfer out of Share Forfeiture Account

has yet occurred.

Step 3: Conclusion Share Forfeiture Account appears at Rs 49,000 in the Notes to Accounts. Hence, the correct option is (D).

Quick Tip to Solve: Multiply forfeited shares by the capital actually received, here Rs 70 per share, and exclude the unpaid Rs 30 call.

23(v). The amount of 'Share Capital' presented in the Balance Sheet of Diwan Ltd. will be: [1 mark]

(A) Rs 49,30,000

(B) Rs 50,00,000

(C) Rs 49,79,000

(D) Rs 49,49,000

Correct Answer: (C) Rs 49,79,000

Solution:

Concept:

- After forfeiture, subscribed and fully paid capital comprises the shares still outstanding at their paid-up value.
- The share capital amount in the Balance Sheet also includes the amount originally paid on forfeited shares pending reissue.

Step 1: Calculate capital on outstanding shares Of the 50,000 shares issued, 700 shares were forfeited. Thus $50,000 - 700 = 49,300$ shares remain fully paid at Rs 100 each:

$$49,300 \times 100 = \text{Rs } 49,30,000.$$

Step 2: Include the forfeited amount received The company retains $700 \times (30 + 40) = \text{Rs } 49,000$ paid on the forfeited shares. Consequently, the share capital figure presented is

$$49,30,000 + 49,000 = \text{Rs } 49,79,000.$$

Option (A) omits the forfeiture balance; option (B) uses issued capital without recognising the unpaid amount. Option (D) adds only Rs 19,000 to outstanding capital, which is inconsistent with the Rs 49,000 actually received on forfeited shares.

Step 3: Conclusion Share Capital is presented at Rs 49,79,000. Hence, the correct option is (C).

Quick Tip to Solve: Add the forfeiture receipts to the capital of surviving shares; check the result as Rs 50,00,000 less unpaid calls of Rs 21,000.

23(vi). If all the forfeited shares are reissued at Rs 30 per share, fully paid-up, the amount transferred to 'Capital Reserve' will be: [1 mark]

(A) Rs 49,000

(B) Rs 70,000

(C) Rs 21,000

(D) Nil

Correct Answer: (D) Nil

Solution:

Concept:

- On reissue as fully paid, the discount equals face value less the reissue price, and is debited to Share Forfeiture Account.
- Capital Reserve receives only the forfeiture surplus relating to reissued shares after deducting the discount allowed on their reissue.

Step 1: Determine the available forfeiture amount Nawal had paid Rs 30 on application and allotment and Rs 40 on the first call. The forfeiture credit on all 700 shares is therefore

$$700 \times (30 + 40) = \text{Rs } 49,000.$$

Step 2: Deduct the reissue discount The shares are reissued for Rs 30 each as fully paid shares of Rs 100. The discount is Rs 70 per share, so the total discount is $700 \times 70 = \text{Rs } 49,000$. It uses the entire forfeiture balance:

$$\text{Capital Reserve} = 49,000 - 49,000 = \text{Nil}.$$

Thus Rs 49,000 is the forfeiture credit before discount, Rs 70,000 is the nominal capital restored, and Rs 21,000 is the reissue cash received. None of these represents a remaining capital profit.

Step 3: Conclusion No amount is transferred to Capital Reserve. Hence, the correct option is (D).

Quick Tip to Solve: At the minimum reissue price of Rs 30, the Rs 70 discount consumes the full Rs 70 forfeiture receipt per share.

24. Asha and Indra were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet on 31st March, 2025 was as following:

Balance Sheet of Asha and Indra as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Asha 4,00,000 Indra 3,00,000	7,00,000	Plant and Machinery	4,05,000
General Reserve	50,000	Furniture	1,20,000
Creditors	20,000	Debtors 80,000 Less: Provision for doubtful debts 4,000	76,000
		Stock	1,54,000
		Cash at bank	15,000
Total	7,70,000	Total	7,70,000

On 1st April, 2025, Suraj was admitted for 1/4 share in the profits of the firm on the following terms:

(i) Suraj will bring capital proportionate to his share in the profits of the firm.

(ii) Goodwill of the firm was valued at Rs 1,00,000 and Suraj will bring his share of goodwill premium in cash.

(iii) Furniture was taken over by Asha at Rs 1,00,000.

(iv) A liability of Rs 5,000 included in creditors was not likely to arise.

(v) Plant and Machinery was revalued at Rs 4,35,000.

Prepare Revaluation Account and Partners' capital accounts on Suraj's admission. Show the calculation of proportionate capital clearly.

[6 marks]

Solution:

Concept:

- Increases in assets and decreases in liabilities are credited to Revaluation Account; losses are debited. The resulting profit belongs to the old partners in their old ratio.
- General Reserve is credited to the old partners in the old profit-sharing ratio. Goodwill premium is distributed in their sacrificing ratio.
- An asset taken over by a partner is debited to that partner's capital at the agreed value. The new partner's proportionate capital is calculated from the old partners' adjusted combined capitals and their combined retained profit share.

Step 1: Calculate ratios and goodwill premium **Working Notes.** Since no different sacrifice is specified, Asha and Indra sacrifice in their old ratio of $3:2$. Their combined remaining share is $1-1/4=3/4$, giving new shares of $9/20$, $6/20$ and $5/20$ to Asha, Indra and Suraj respectively. The new profit-sharing ratio is $9:6:5$. Suraj brings goodwill premium of

$$1,00,000\times\frac{1}{4}=\text{Rs }25,000.$$

Asha receives $25,000\times 3/5=\text{Rs }15,000$ and Indra receives $25,000\times 2/5=\text{Rs }10,000$. The General Reserve of Rs 50,000 is distributed as Rs 30,000 and Rs 20,000 respectively. These credits increase

the old partners' capitals; the goodwill premium is separate from Suraj's capital contribution.

Step 2: Prepare the Revaluation Account Furniture's book value is Rs 1,20,000, but Asha takes it for Rs 1,00,000, giving a revaluation loss of Rs 20,000. Machinery appreciates by $4,35,000 - 4,05,000 =$ Rs $30,000$. The release of creditors of Rs 5,000 is a gain. Revaluation profit is thus $30,000 + 5,000 - 20,000 =$ Rs $15,000$, shared as Rs 9,000 to Asha and Rs 6,000 to Indra.

Revaluation Account as at 1st April, 2025

Dr. Particulars	Rs	Cr. Particulars	Rs
To Furniture	20,000	By Plant and Machinery	30,000
To Asha's Capital	9,000	By Creditors	5,000
To Indra's Capital	6,000		
Total	**35,000**	**Total**	**35,000**

The whole revaluation profit is transferred to the old partners, so Revaluation Account closes without a balance. Asha's takeover value of Rs 1,00,000 is charged separately to her capital; it is not an additional revaluation loss.

Step 3: Calculate Suraj's proportionate capital Adjust the old capitals for reserve, revaluation profit, goodwill and Asha's furniture takeover before finding the new capital:

$$\begin{aligned}\text{Asha} &= 4,00,000 + 30,000 + 9,000 + 15,000 - 1,00,000\\ &= \text{Rs } 3,54,000,\\ \text{Indra} &= 3,00,000 + 20,000 + 6,000 + 10,000\\ &= \text{Rs } 3,36,000.\end{aligned}$$

Their combined capital of Rs 6,90,000 represents their combined $3/4$ share. Therefore,

$$\text{Total capital of the new firm} = 6,90,000 \times \frac{4}{3} = \text{Rs } 9,20,000,$$
$$\text{Suraj's capital} = 9,20,000 \times \frac{1}{4} = \text{Rs } 2,30,000.$$

Suraj brings total cash of $2,30,000 + 25,000 =$ Rs $2,55,000$. Only Rs 2,30,000 is credited to his capital; the Rs 25,000 premium is transferred to Asha and Indra. No adjustment of the old partners' individual capitals to the new ratio is required by the question.

Step 4: Prepare the Partners' Capital Accounts **Partners' Capital Accounts as at 1st April, 2025**

Dr. Particulars	Asha Rs	Indra Rs	Suraj Rs	Cr. Particulars	Asha Rs	Indra Rs	Suraj Rs
To Furniture	1,00,000	–	–	By Balance b/d	4,00,000	3,00,000	–
To Balance c/d	3,54,000	3,36,000	2,30,000	By General Reserve	30,000	20,000	–
				By Revaluation	9,000	6,000	–
				By Premium for Goodwill	15,000	10,000	–
				By Bank	–	–	2,30,000
Total	4,54,000	3,36,000	2,30,000	**Total**	4,54,000	3,36,000	2,30,000

Each partner's debit and credit totals agree. The closing capital balances total Rs 9,20,000, agreeing with the total capital used to compute Suraj's proportionate contribution.

Step 5: Conclusion Revaluation profit is Rs 15,000, credited to Asha by Rs 9,000 and Indra by

Rs 6,000. Suraj's proportionate capital is Rs 2,30,000, in addition to Rs 25,000 goodwill premium. Closing capitals are Asha Rs 3,54,000, Indra Rs 3,36,000 and Suraj Rs 2,30,000.

Quick Tip to Solve: Deduct the furniture takeover from Asha's capital before using the old partners' combined capital; Suraj's one-fourth share makes his capital one-third of their adjusted total.

25(a). Ajanta Ltd. invited applications for issuing 30,000 equity shares of Rs 10 each at a premium of Rs 5 per share. The amount was payable as follows:

On Application and Allotment - Rs 10 per share (including premium)

On first and final call - Balance

Applications for 50,000 shares were received. Applications for 10,000 shares were rejected and their application money was refunded. Pro-rata allotment was made to the remaining applicants. Excess money received with application was adjusted towards sums due on first and final call. Sonu, an applicant of 4,000 shares, paid his entire share money with application. Vedika, to whom 300 shares were allotted, failed to pay the first and final call. After giving her the mandatory notice, her shares were forfeited. Pass necessary journal entries for the above transactions in the books of Ajanta Ltd. [6 marks]

Solution:

Concept:

- On pro-rata allotment, shares allotted bear a fixed ratio to shares applied for; excess application money is adjusted against calls, and any amount beyond the total amount due is refunded.
- Application and allotment of Rs 10 includes capital of Rs 5 and premium of Rs 5 per share. The remaining capital of Rs 5 is due on the first and final call.
- On forfeiture, debit called-up share capital and credit unpaid calls and the capital already received. Premium already received is not reversed.

Step 1: Working Notes: determine the pro-rata allocation and Sonu's refund After rejecting applications for 10,000 shares, the allotment ratio is

$$\frac{\text{Shares allotted}}{\text{Shares applied for}} = \frac{30,000}{40,000} = \frac{3}{4}.$$

Sonu receives $4,000 \times 3/4 = 3,000$ shares. He pays $4,000 \times$ Rs $15 =$ Rs $60,000$ with application. His application and allotment liability is Rs 30,000 and his call liability is Rs 15,000. Thus Rs 15,000 must be refunded after setting aside Rs 15,000 for his call. Other successful applicants apply for 36,000 shares and receive 27,000 shares. Their excess application money is $(36,000 - 27,000) \times$ Rs $10 =$ Rs $90,000$. Total calls in advance are therefore Rs 1,05,000, comprising Sonu's Rs 15,000 and the others' Rs 90,000. Total money received with application is $50,000 \times$Rs $10 + 4,000 \times$Rs $5 =$ Rs $5,20,000$. Total refunds are Rs 1,00,000 to rejected applicants and Rs 15,000 to Sonu.

Step 2: Working Notes: calculate Vedika's arrears and the call receipt Vedika applied for $300 \times 4/3 = 400$ shares and paid Rs 4,000. Against application and allotment due of Rs 3,000, Rs 1,000 is available

for the call. Her gross call is $300 \times$ Rs $5 =$ Rs $1,500$; hence the unpaid balance is only Rs 500.

$$\begin{aligned} \text{Gross call due} &= 30,000 \times \text{Rs } 5 = \text{Rs } 1,50,000, \\ \text{Cash received on call} &= 1,50,000 - 1,05,000 - 500 \\ &= \text{Rs } 44,500. \end{aligned}$$

Capital received on Vedika's shares is Rs 1,500 on application and allotment plus Rs 1,000 adjusted towards call, totalling Rs 2,500. The Rs 1,500 premium on her shares has already been received and is retained.

Step 3: Record application money, refunds and its allocation Journal of Ajanta Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application money received, including Sonu's full payment)		5,20,000	 5,20,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c To Calls in Advance A/c To Bank A/c (Being application and allotment money allocated, excess adjusted towards call and remaining excess refunded)		5,20,000	 1,50,000 1,50,000 1,05,000 1,15,000

Step 4: Record the call, receipt and forfeiture Journal of Ajanta Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call of Rs 5 per share due on 30,000 shares)		1,50,000	 1,50,000
	Calls in Advance A/c Dr. Bank A/c Dr. To Share First and Final Call A/c (Being advance adjusted and call money received, except Vedika's Rs 500)		1,05,000 44,500	 1,49,500
	Share Capital A/c Dr. To Share First and Final Call A/c To Share Forfeiture A/c (Being Vedika's 300 fully called shares forfeited after notice for unpaid call balance)		3,000	 500 2,500

Step 5: Conclusion Application receipts are Rs 5,20,000; refunds total Rs 1,15,000; call cash received is Rs 44,500. Vedika's Rs 500 arrears lead to forfeiture of 300 shares and a credit of Rs 2,500 to Share Forfeiture A/c.

Quick Tip to Solve: Calculate Sonu's liability on shares allotted, then refund his payment above Rs 45,000. For Vedika, deduct her Rs 1,000 excess application money before finding call arrears.

OR

25(b)(i). Rao Ltd. forfeited 750 equity shares of Rs 10 each for non-payment of first call of Rs 3 per share (including premium of Rs 1 per share). The second and final call of Rs 3 per share was not yet made. Of the forfeited shares, 500 were re-issued for Rs 2,500, Rs 7 per share paid-up. Pass necessary journal entries for the above transactions in the books of Rao Ltd. [3 marks]

Solution:

Concept:

- Share Capital A/c is debited on forfeiture with the called-up capital, excluding any call not yet made. Unpaid premium already credited is reversed by debiting Securities Premium A/c.
- A discount on reissue is debited to Share Forfeiture A/c. Only the surplus forfeiture relating to shares actually reissued is transferred to Capital Reserve A/c.

Step 1: Working Notes: separate capital from unpaid premium The final call of Rs 3 has not been made, so called-up capital is Rs $10 -$ Rs $3 =$ Rs 7 per share. The unpaid first call of Rs 3 includes capital of Rs 2 and premium of Rs 1. Capital already received per share is therefore $7 - 2 =$ Rs 5.

$$\begin{aligned} \text{Called-up capital forfeited} &= 750 \times 7 = \text{Rs } 5,250, \\ \text{Unpaid premium reversed} &= 750 \times 1 = \text{Rs } 750, \\ \text{First call unpaid} &= 750 \times 3 = \text{Rs } 2,250, \\ \text{Capital received and forfeited} &= 750 \times 5 = \text{Rs } 3,750. \end{aligned}$$

No entry is made for the uncalled final call. The premium reversal is necessary because premium was due in the unpaid first call.

Step 2: Working Notes: calculate reissue discount and capital reserve The 500 shares are reissued as Rs 7 paid-up. Their credited capital is $500 \times 7 =$ Rs $3,500$, whereas the cash receipt is Rs 2,500. The discount on reissue is therefore Rs 1,000. Forfeiture attributable to these shares is $500 \times 5 =$ Rs $2,500$, leaving Rs 1,500 for capital reserve. The unreissued 250 shares retain $250 \times 5 =$ Rs $1,250$ in Share Forfeiture A/c.

Step 3: Pass the entries in Rao Ltd.'s books Journal of Rao Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		5,250	
	Securities Premium A/c Dr.		750	
	To Share First Call A/c			2,250
	To Share Forfeiture A/c			3,750
	(Being 750 shares forfeited for non-payment of first call including premium)			
	Bank A/c Dr.		2,500	
	Share Forfeiture A/c Dr.		1,000	
	To Share Capital A/c			3,500
	(Being 500 shares reissued for Rs 2,500 as Rs 7 per share paid-up)			
	Share Forfeiture A/c Dr.		1,500	
	To Capital Reserve A/c			1,500
	(Being surplus forfeiture on 500 reissued shares transferred to capital reserve)			

Step 4: Conclusion Reissue discount is Rs 1,000 and capital reserve is Rs 1,500. Share Forfeiture A/c retains Rs 1,250 for the 250 shares not yet reissued.

Quick Tip to Solve: First remove the Rs 3 uncalled final call from face value, then remove the Rs 1 premium from the unpaid first call to find the capital actually received.

25(b)(ii). Lily Ltd. forfeited 2,000 equity shares of Rs 10 each for non-payment of first and final call of Rs 2 per share. 750 of the forfeited shares were reissued to Ashok for Rs 10,000 as fully paid-up. The remaining shares were reissued to Sudha at Rs 9 per share fully paid-up. Pass necessary journal entries for the above transactions in the books of Lily Ltd. [3 marks]

Solution:

Concept:

- On forfeiture of fully called shares, debit Share Capital A/c with face value, credit the unpaid call and credit Share Forfeiture A/c with capital already received.
- Reissue proceeds above paid-up capital are securities premium. A reissue discount is charged to the forfeiture of those shares, and the remaining forfeiture on reissued shares becomes capital reserve.

Step 1: Working Notes: calculate forfeiture and each reissue amount The unpaid call is Rs 2 per share, so capital already received is $10 - 2 = \text{Rs } 8$ per share. For 2,000 shares, called-up capital is Rs 20,000, unpaid call is Rs 4,000 and the forfeited amount is Rs 16,000. Ashok receives 750 fully paid shares with capital of $750 \times 10 = \text{Rs } 7,500$. His payment of Rs 10,000 therefore includes Rs 2,500 securities premium. The entire forfeiture relating to his shares, $750 \times 8 = \text{Rs } 6,000$, is available for capital reserve because there is no discount on this reissue. Sudha receives $2,000 - 750 = 1,250$ fully paid shares. Cash received is $1,250 \times 9 = \text{Rs } 11,250$, credited capital is Rs 12,500 and the discount is Rs 1,250. Her shares carry forfeiture of $1,250 \times 8 = \text{Rs } 10,000$, of which Rs 8,750 remains after discount. Thus total capital reserve is $6,000 + 8,750 = \text{Rs } 14,750$. The Rs 2,500 reissue premium is kept separately in Securities Premium A/c.

Step 2: Record forfeiture and the two reissues Journal of Lily Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)

	Share Capital A/c Dr.
	  To Share First and Final Call A/c
	  To Share Forfeiture A/c
	(Being 2,000 shares forfeited for non-payment of the first and final call of Rs 2 each)
			20,000	
				4,000
				16,000

	Bank A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	(Being 750 shares reissued to Ashok as fully paid-up for Rs 10,000)
			10,000	
				7,500
				2,500

	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being remaining 1,250 shares reissued to Sudha at Rs 9 each as fully paid-up)		11,250 1,250	 12,500

Step 3: Transfer the realised surplus to capital reserve All forfeited shares have now been reissued. Share Forfeiture A/c has a credit of Rs 16,000 and a debit of Rs 1,250 for Sudha's discount, so its remaining Rs 14,750 is transferred in one combined entry.

Journal of Lily Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissue of all forfeited shares transferred to capital reserve)		14,750	 14,750

Step 4: Conclusion The reissues create securities premium of Rs 2,500 and capital reserve of Rs 14,750. Share Forfeiture A/c has no balance because all 2,000 shares have been reissued.

Quick Tip to Solve: Treat Ashok's Rs 2,500 excess cash as securities premium; subtract only Sudha's Rs 1,250 reissue discount from the Rs 16,000 forfeiture to find capital reserve.

26(a). **Promil, Kamlesh and Ritika were partners in a firm sharing profits and losses in the ratio of 5:3:2. From 1st April, 2025 they decided to share future profits in the ratio of 2:3:5. On 31st March, 2025, their Balance Sheet was as follows:**

Balance Sheet of Promil, Kamlesh and Ritika as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry Creditors	3,00,000	Bank	1,80,000
General Reserve	1,60,000	Sundry Debtors	1,20,000
Capitals: Promil 2,80,000 Kamlesh 2,20,000 Ritika 1,40,000	6,40,000	Stock	2,40,000
		Land and Building	5,60,000
Total	11,00,000	Total	11,00,000

It was agreed that:

(i) Land and Building will be valued at Rs 6,62,000.

(ii) A provision of 5% on debtors will be made for bad and doubtful debts.

(iii) Goodwill of the firm will be valued at Rs 1,80,000 and the same will be treated without opening goodwill account.

(iv) The value of stock will be reduced to Rs 2,00,000.

Showing your working clearly, pass necessary journal entries for the above transactions in the books of the firm. [6 marks]

Solution:

Concept:

- Accumulated reserves and the revaluation profit belong to the partners in their old profit-sharing ratio, $5:3:2$.
- A gaining partner compensates a sacrificing partner for goodwill: adjustment equals goodwill multiplied by the share gained or sacrificed.
- Increases in asset values are credited to Revaluation Account; decreases and new provisions are debited. No Goodwill Account is opened when adjusted through capitals.

Step 1: Calculate the goodwill adjustment **Working Notes**

The old shares of Promil, Kamlesh and Ritika are $5/10, 3/10, 2/10$; the new shares are $2/10, 3/10, 5/10$. Promil sacrifices $3/10$, Kamlesh's share is unchanged, and Ritika gains $3/10$.

$$\text{Compensation} = 1,80,000 \times \frac{3}{10} = \text{Rs } 54,000.$$

Ritika's Capital Account is debited and Promil's Capital Account is credited. The firm records no goodwill asset.

Step 2: Calculate reserve and revaluation allocations The general reserve of Rs 1,60,000 is divided in

$5:3:2$: Promil Rs 80,000, Kamlesh Rs 48,000 and Ritika Rs 32,000.

$$\text{Increase in land and building} = 6,62,000 - 5,60,000 = 1,02,000,$$
$$\text{Provision for doubtful debts} = 1,20,000 \times 5\% = 6,000,$$
$$\text{Decrease in stock} = 2,40,000 - 2,00,000 = 40,000,$$
$$\text{Revaluation profit} = 1,02,000 - 6,000 - 40,000 = 56,000.$$

The revaluation profit is credited to capitals in the old ratio: Promil Rs 28,000, Kamlesh Rs 16,800 and Ritika Rs 11,200. The new ratio applies only to future profits.

Step 3: Record reserve and asset revaluation entries **Journal of Promil, Kamlesh and Ritika**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	General Reserve A/c Dr.		1,60,000	
	To Promil's Capital A/c			80,000
	To Kamlesh's Capital A/c			48,000
	To Ritika's Capital A/c			32,000
	(Being accumulated reserve distributed in the old ratio of 5:3:2)			
31-3-2025	Land and Building A/c Dr.		1,02,000	
	To Revaluation A/c			1,02,000
	(Being land and building increased to Rs 6,62,000)			
31-3-2025	Revaluation A/c Dr.		46,000	
	To Provision for Doubtful Debts A/c			6,000
	To Stock A/c			40,000
	(Being 5% provision created on debtors and stock reduced to Rs 2,00,000)			

Step 4: Transfer revaluation profit and adjust goodwill **Journal of Promil, Kamlesh and Ritika (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Revaluation A/c Dr.		56,000	
	To Promil's Capital A/c			28,000
	To Kamlesh's Capital A/c			16,800
	To Ritika's Capital A/c			11,200
	(Being revaluation profit distributed in the old ratio of 5:3:2)			
1-4-2025	Ritika's Capital A/c Dr.		54,000	
	To Promil's Capital A/c			54,000
	(Being gaining partner compensating sacrificing partner for goodwill without opening Goodwill Account)			

Each entry has equal debit and credit amounts. As a check, adjusted capitals are Rs 4,42,000, Rs 2,84,800 and Rs 1,29,200 respectively; their total rises only by the reserve and revaluation profit.

Step 5: Conclusion Revaluation profit is Rs 56,000, distributed in $5 : 3 : 2$; Ritika compensates Promil by Rs 54,000 for goodwill. The above entries record all adjustments without opening Goodwill Account.

Quick Tip to Solve: Use the old 5:3:2 ratio for reserves and revaluation; use only the 3/10 gain and sacrifice for the Rs 1,80,000 goodwill adjustment.

OR

26(b). Mr. Rinku and Mrs. Pinky 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:

Balance Sheet of Mr. Rinku and Mrs. Pinky as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	86,000	Cash at Bank	43,000
Mrs. Rinku's Loan	20,000	Stock	20,000
Pinky's Husband's Loan	30,000	Investments	30,000
Investment Fluctuation Fund	12,000	Debtors 50,000 Less: Provision for doubtful debts 5,000	45,000
General Reserve	30,000	Building	3,40,000
Capitals: Mr. Rinku 1,00,000 Mrs. Pinky 2,00,000	3,00,000		
Total	4,78,000	Total	4,78,000

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

(i) Mr. Rinku agreed to pay Mrs. Rinku's loan and took away stock for Rs 16,000.

(ii) Mrs. Pinky took half of the investments at 10% less. Debtors realised Rs 44,000, Building realised Rs 4,00,000, Creditors were paid Rs 5,000 less and the remaining investments were sold for Rs 19,000. An old furniture not recorded in the books of the firm was taken over by Mrs. Pinky for Rs 18,000. Realisation expenses amounted to Rs 6,000.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account receives all non-cash assets at their gross book values on its debit side and external liabilities and related provisions on its credit side.
- Assets taken over by partners are credited to Realisation Account; liabilities assumed by partners are debited. Cash receipts are credited and cash payments are debited.
- The realisation profit or loss is transferred to partners' Capital Accounts in their profit-sharing ratio of $3 : 2$.

Step 1: Determine transfers and takeover values **Working Notes**

Transfer stock Rs 20,000, investments Rs 30,000, gross debtors Rs 50,000 and building Rs 3,40,000 to the debit side. Transfer creditors Rs 86,000, Mrs. Rinku's loan Rs 20,000, Pinky's husband's loan Rs 30,000, the debtors' provision Rs 5,000 and Investment Fluctuation Fund Rs 12,000 to the credit side. Spouses' loans are external liabilities, not partners' loans.

$$\text{Investments taken by Pinky} = 30,000 \times \frac{1}{2} \times 90\% = \text{Rs } 13,500.$$

Pinky also takes unrecorded furniture for Rs 18,000, so her total asset takeover is Rs 31,500. There is no opening transfer for unrecorded furniture. Rinku takes stock for Rs 16,000 and assumes his wife's loan of Rs 20,000; these are separate postings on opposite sides.

Step 2: Determine cash settlements and exclusions Cash receipts are Rs 44,000 from debtors, Rs 4,00,000 from the building and Rs 19,000 from remaining investments, totalling Rs 4,63,000. Creditors receive $86,000 - 5,000 = \text{Rs } 81,000$. Pinky's husband's loan of Rs 30,000 is paid at its book value because no different settlement is stated. Realisation expenses are Rs 6,000.

Opening bank Rs 43,000 does not enter Realisation Account. General Reserve Rs 30,000 is transferred directly to partners' capitals in $3:2$, so it also does not enter this account. The Investment Fluctuation Fund is a provision associated with investments and is credited to Realisation Account.

Step 3: Prepare the Realisation Account **Realisation Account**

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Stock A/c	20,000	By Creditors A/c	86,000
To Investments A/c	30,000	By Mrs. Rinku's Loan A/c	20,000
To Debtors A/c	50,000	By Pinky's Husband's Loan A/c	30,000
To Building A/c	3,40,000	By Provision for Doubtful Debts A/c	5,000
To Rinku's Capital A/c (wife's loan assumed)	20,000	By Investment Fluctuation Fund A/c	12,000
To Bank A/c (creditors)	81,000	By Rinku's Capital A/c (stock)	16,000
To Bank A/c (Pinky's husband's loan)	30,000	By Pinky's Capital A/c (investments)	13,500
To Bank A/c (expenses)	6,000	By Pinky's Capital A/c (unrecorded furniture)	18,000
To Rinku's Capital A/c (profit)	51,900	By Bank A/c (debtors)	44,000
To Pinky's Capital A/c (profit)	34,600	By Bank A/c (building)	4,00,000
		By Bank A/c (investments)	19,000
Total	6,63,500	Total	6,63,500

Step 4: Verify the profit allocation Before profit transfer, the credit side totals Rs 6,63,500 and the debit side totals Rs 5,77,000. Hence the excess credit is realisation profit:

$$\text{Profit} = 6,63,500 - 5,77,000 = \text{Rs } 86,500,$$
$$\text{Rinku's share} = 86,500 \times \frac{3}{5} = \text{Rs } 51,900,$$
$$\text{Pinky's share} = 86,500 \times \frac{2}{5} = \text{Rs } 34,600.$$

Debiting Realisation and crediting the partners' capitals closes this temporary account; no balance is carried forward after dissolution.

Step 5: Conclusion The Realisation Account balances at Rs 6,63,500 on each side. Realisation profit

is Rs 86,500: Rinku Rs 51,900 and Pinky Rs 34,600.

Quick Tip to Solve: Transfer debtors gross with their provision separately; show each spouse loan as an outside liability, even when a partner agrees to pay it.

Part B (20 marks)

Option – I

(Analysis of Financial Statements)

27(a). From the following information obtained from the books of accounts of Ananda Ltd., calculate 'Quick Ratio' of the company:

Total Current Assets (including stock and prepaid expenses) Rs 2,00,000; Stock Rs 20,000; Prepaid expenses Rs 10,000; Current liabilities Rs 1,70,000. [1 mark]

(A) 20:17

(B) 1:1

(C) 18:17

(D) 19:17

Correct Answer: (B) 1:1

Solution:

Concept:

- Quick ratio measures the ability to meet current liabilities using assets readily convertible into cash.
- Quick assets = Current assets − Stock − Prepaid expenses; quick ratio is quick assets divided by current liabilities.

Step 1: Find quick assets Stock requires sale before it can provide cash, and prepaid expenses cannot be used to settle liabilities. Therefore both must be excluded:

$$\text{Quick assets} = 2,00,000 - 20,000 - 10,000 = \text{Rs } 1,70,000.$$

Step 2: Calculate the ratio and test the options

$$\text{Quick ratio} = \frac{1,70,000}{1,70,000} = 1:1.$$

Option (A), $20:17$, uses all current assets. Option (C), $18:17$, deducts only stock, while option (D), $19:17$, deducts only prepaid expenses. All three retain an asset that is not quick.

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

Quick Tip to Solve: Deduct both Rs 20,000 stock and Rs 10,000 prepaid expenses before dividing by Rs 1,70,000 current liabilities.

OR

27(b). 'Analysis of financial statements is useful and significant to different users.' Which of the following users is concerned with a firm's long-term solvency and survival? [1 mark]

(A) Labour unions

(B) Trade payables

(C) Finance manager

(D) Lenders

Correct Answer: (D) Lenders

Solution:

Concept:

- Different users analyse financial statements according to the economic decisions they must make.
- Long-term solvency concerns the ability to service debt and repay principal over the life of a loan.

Step 1: Identify the relevant user Lenders supply borrowed funds and need assurance that the firm will survive, pay interest regularly and repay principal when due. They therefore assess its long-term solvency, earning capacity and financial stability.

Step 2: Distinguish the other users Labour unions primarily examine profitability and the ability to pay wages or benefits. Trade payables, meaning suppliers who extend credit, focus mainly on short-term liquidity and prompt payment. A finance manager uses analysis for broad internal planning and control; among the stated choices, lenders are the specific users whose lending decisions centre on long-term solvency and survival.

Step 3: Conclusion Lenders are concerned with the firm's long-term solvency and survival. Hence, the correct option is (D).

Quick Tip to Solve: Link repayment over a long loan period with lenders; link immediate payment for supplies with trade payables.

28. Statement I: In case of non-financial enterprises, payment of interest and dividend are classified as financing activities.

Statement II: In case of financial enterprises, payment of interest and dividend are classified as investing activities.

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

(A) Both the statements are true.

(B) Both the statements are false.

(C) Statement I is true, but Statement II is false.

(D) Statement I is false, but Statement II is true.

Correct Answer: (C) Statement I is true, but Statement II is false.

Solution:

Concept:

- Cash flows are classified according to the nature of the enterprise and the transaction.
- For a non-financial enterprise, interest paid and dividends paid are financing cash outflows. For a financial enterprise, interest paid is operating, while dividends paid remain financing.

Step 1: Evaluate Statement I A non-financial enterprise pays interest for using borrowed funds and dividends as a return to owners. Both payments therefore belong to financing activities. Statement I is true.

Step 2: Evaluate Statement II and the options For a financial enterprise, paying interest is part of its principal revenue-producing business and is classified as operating. Dividends paid are financing activities. These payments are not classified together as investing activities, so Statement II is false. Options (A) and (D) incorrectly accept Statement II; option (B) incorrectly rejects Statement I.

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

Quick Tip to Solve: First identify whether the enterprise is financial; interest paid changes category, but dividends paid remain financing.

29(a). During the year ended 31st March, 2025, H.P. Ltd. paid an interim dividend of Rs 50,00,000. From the following, choose the correct option for the purpose of preparing 'Cash Flow Statement':

[1 mark]

(A) Rs 50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and added back to net profit to calculate cash flows from operating activities.

(B) Rs 50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and deducted from net profit to calculate cash flows from operating activities.

(C) Rs 50,00,000 paid as interim dividend during the year will be shown as cash outflow from financing activities only.

(D) Rs 50,00,000 paid as interim dividend during the year will be added back to net profit to calculate cash flows from operating activities only.

Correct Answer: (A) Rs 50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and added back to net profit to calculate cash flows from operating activities.

Solution:

Concept:

- An interim dividend paid is a distribution of profit to shareholders and is a financing cash outflow.
- When net profit is derived from the change in retained earnings, add back interim dividend deducted from those earnings to obtain profit before that appropriation.

Step 1: Restore the profit used for operating cash flow In the usual CBSE indirect-method working, the net profit figure derived from the change in retained earnings is after the interim dividend appropriation. Add back Rs 50,00,000 to that figure to restore the profit before this distribution. This adjustment does not represent a separate operating cash receipt.

Step 2: Record the actual payment and compare the options Show Rs 50,00,000 as an outflow under financing activities. Option (A) includes both the profit adjustment and the financing payment. Option (B) wrongly deducts the dividend again; option (C) omits the required add-back in the retained-earnings working; option (D) omits the actual financing outflow.

Step 3: Conclusion Add back Rs 50,00,000 in the net-profit working and show Rs 50,00,000 as financing cash outflow. Hence, the correct option is (A).

Quick Tip to Solve: For interim dividend, distinguish the retained-earnings add-back from the actual financing payment; do not count the add-back as cash received.

OR

29(b). Which of the following is a financing activity for the purpose of preparing a Cash Flow Statement? [1 mark]

(A) Interest received

(B) Dividend received

(C) Royalties received

(D) Interest paid on debentures

Correct Answer: (D) Interest paid on debentures

Solution:

Concept:

- Financing activities concern the raising and servicing of owners' funds and borrowed funds.
- For a non-financial enterprise, interest paid on borrowings is financing; interest and dividends received on investments are investing cash flows.

Step 1: Classify the receipts Interest received and dividend received are returns on investments and are classified as investing activities for a non-financial enterprise. Royalties received arise from revenue-producing activities and are operating cash flows. Therefore options (A), (B) and (C) do not describe the financing activity sought.

Step 2: Identify the borrowing-related payment Debentures represent borrowed capital. Interest paid on debentures is the cost of servicing that capital and is reported as a cash outflow from financing activities. The classification follows the nature of the funding arrangement, not merely whether the transaction is a receipt or payment.

Step 3: Conclusion Interest paid on debentures is a financing activity. Hence, the correct option is (D).

Quick Tip to Solve: Link debenture interest to borrowed capital; classify royalties with operations and investment returns with investing activities.

30. The following information is obtained from the books of Devdutt Ltd.:

Working capital - Rs 4,00,000

Trade Payables - Rs 50,000

Other Current liabilities - Rs 1,00,000

Current assets of Devdutt Ltd. are: [1 mark]

(A) Rs 2,50,000

(B) Rs 4,50,000

(C) Rs 5,00,000

(D) Rs 5,50,000

Correct Answer: (D) Rs 5,50,000

Solution:

Concept:

- Working capital equals current assets minus current liabilities.
- Total current liabilities include both trade payables and other current liabilities.

Step 1: Add the current liabilities Trade payables of Rs 50,000 and other current liabilities of Rs 1,00,000 together give:

$$\text{Current liabilities} = 50,000 + 1,00,000 = \text{Rs } 1,50,000.$$

Step 2: Rearrange the working-capital relationship Since working capital is the excess of current assets over current liabilities, add the liabilities back:

$$\begin{aligned}\text{Current assets} &= \text{Working capital} + \text{Current liabilities} \\ &= 4,00,000 + 1,50,000 = \text{Rs } 5,50,000.\end{aligned}$$

Option (A) subtracts the liabilities instead of adding them. Options (B) and (C) include only one liability component, so both understate current assets.

Step 3: Conclusion Current assets of Devdutt Ltd. are Rs 5,50,000. Hence, the correct option is (D).

Quick Tip to Solve: Add all current liabilities to working capital; check that Rs 5,50,000 minus Rs 1,50,000 returns Rs 4,00,000.

31. The following information was extracted from the Statement of Profit and Loss of Chaman Ltd. for the year ended 31st March, 2025:

Particulars	Note No.	31.3.2025 (Rs)	31.3.2024 (Rs)
Revenue from operations		40,00,000	32,00,000
Employee Benefit Expenses		20,00,000	16,00,000
Other Expenses		2,00,000	4,00,000
Tax Rate 50%			

Prepare a Comparative Statement of Profit and Loss. [3 marks]

Solution:

Concept:

- A comparative statement shows the previous year, current year, absolute change and percentage change for each item.
- Absolute change = current-year amount minus previous-year amount; percentage change = $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$.
- Profit before tax is total revenue less total expenses. Apply the given tax rate of 50 per cent in both years.

Step 1: Calculate expenses, profit and tax For 2023–24, total expenses are Rs $16,00,000 + 4,00,000 = 20,00,000$, so profit before tax is Rs $32,00,000 - 20,00,000 = 12,00,000$. Tax at 50% is Rs 6,00,000 and profit after tax is Rs 6,00,000.

For 2024–25, total expenses are Rs $20,00,000 + 2,00,000 = 22,00,000$, so profit before tax is Rs $40,00,000 - 22,00,000 = 18,00,000$. Tax is Rs 9,00,000 and profit after tax is Rs 9,00,000.

Step 2: Prepare the comparative statement **Chaman Ltd.**
Comparative Statement of Profit and Loss
For the years ended 31st March, 2024 and 31st March, 2025

Particulars	31.3.2024 (Rs)	31.3.2025 (Rs)	Change (Rs)	Change (%)
I. Revenue from operations	32,00,000	40,00,000	8,00,000	25
II. Total revenue	32,00,000	40,00,000	8,00,000	25
III. Expenses:				
Employee benefit expenses	16,00,000	20,00,000	4,00,000	25
Other expenses	4,00,000	2,00,000	(2,00,000)	(50)
Total expenses	20,00,000	22,00,000	2,00,000	10
IV. Profit before tax (II–III)	12,00,000	18,00,000	6,00,000	50
V. Tax expense (50%)	6,00,000	9,00,000	3,00,000	50
VI. Profit after tax (IV–V)	6,00,000	9,00,000	3,00,000	50

Figures in parentheses indicate decreases. For example, revenue growth is $8,00,000/32,00,000 \times 100 = 25\%$, while other expenses change by $-2,00,000/4,00,000 \times 100 = -50\%$.

Step 3: Conclusion Revenue increased by 25%, total expenses increased by 10%, and profit after tax increased by Rs 3,00,000, or 50%.

Quick Tip to Solve: Use the 2024 amount as the denominator for every percentage; show the fall in other expenses as a negative change.

32. Under which major head and sub-heads (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

(i) Demand deposits with banks

(ii) Long-term loans

(iii) Livestock [3 marks]

Solution:

Concept:

- Schedule III separates assets into current and non-current assets, and liabilities into current and non-current liabilities.
- Cash available on demand is a current asset; a long-term borrowing is a non-current liability. Livestock held for continuing business use is a tangible fixed asset.

Step 1: Classify demand deposits and long-term loans Demand deposits with banks can be withdrawn on demand. They are therefore included under Assets, major head Current Assets, sub-head Cash and Cash Equivalents (balances with banks).

Long-term loans, understood here as loans borrowed by the company, are repayable beyond the current period. They appear on the Equity and Liabilities side under the major head Non-current Liabilities and the sub-head Long-term Borrowings.

Step 2: Classify livestock and present the heads Livestock has physical existence and, when held for continuing business use, is a tangible fixed asset. It is shown under Non-current Assets, within Fixed Assets / Property, Plant and Equipment, under the tangible-assets category.

Balance Sheet Classification (Schedule III, Part I)

Item	Major head	Sub-head / further classification
Demand deposits with banks	Current Assets	Cash and Cash Equivalents: balances with banks
Long-term loans	Non-current Liabilities	Long-term Borrowings
Livestock	Non-current Assets	Fixed Assets / Property, Plant and Equipment: Tangible Assets

The classification follows the nature and duration of each item: liquidity for demand deposits, repayment period for loans, and physical business use for livestock.

Step 3: Conclusion Demand deposits: Current Assets–Cash and Cash Equivalents; long-term loans: Non-current Liabilities–Long-term Borrowings; livestock: Non-current Assets–Tangible Fixed Assets (Property, Plant and Equipment).

Quick Tip to Solve: Ask whether each item is cash, borrowed finance or a physical long-term asset before choosing its Schedule III sub-head.

33(a). **'Net Asset Turnover ratio' of a company is 2 times. State with reason whether the following transactions will increase, decrease or not affect the ratio:**

(i) Cash sales Rs 3,00,000

(ii) Issue of equity shares Rs 10,00,000

(iii) Issue of 9% debentures Rs 5,00,000

(iv) Credit purchase of goods Rs 50,000 [4 marks]

Solution:

Concept:

- Net Asset Turnover Ratio measures revenue from operations generated per rupee of net assets: Ratio = Revenue from operations/Net assets.
- Net assets are total assets less current liabilities, equivalently shareholders' funds plus non-current liabilities. Examine the numerator and denominator separately for each transaction.

Step 1: (i) Examine cash sales of Rs 3,00,000 Cash sales increase revenue from operations by Rs 3,00,000. In the usual transaction-effect treatment, cash replaces inventory, so the transaction exchanges one current asset for another; no separate profit adjustment is specified. Net assets remain unchanged. If original net assets are N, original revenue is $2N$, and the revised ratio is

$$\frac{2N + 3,00,000}{N} = 2 + \frac{3,00,000}{N} > 2.$$

Therefore, the ratio increases.

Step 2: (ii) Examine issue of equity shares of Rs 10,00,000 The issue increases cash and shareholders' funds by Rs 10,00,000. Hence net assets increase by that amount, but issuing shares is a financing transaction and does not increase revenue from operations. The revised ratio is

$$\frac{2N}{N + 10,00,000} < 2.$$

Therefore, the ratio decreases.

Step 3: (iii) Examine issue of 9% debentures of Rs 5,00,000 Cash rises by Rs 5,00,000 and non-current borrowings rise by the same amount. Debentures are non-current liabilities, so they are not deducted in calculating net assets as total assets less current liabilities. Net assets therefore increase by Rs 5,00,000 while revenue remains unchanged:

$$\frac{2N}{N + 5,00,000} < 2.$$

The ratio decreases. The stated interest rate does not change the effect at the date of issue.

Step 4: (iv) Examine credit purchases of Rs 50,000 Inventory, a current asset, increases by Rs 50,000 and trade payables, a current liability, also increase by Rs 50,000. The increase in total assets is exactly cancelled by the increase in current liabilities:

$$\Delta\text{Net assets} = 50,000 - 50,000 = 0.$$

Purchases do not create revenue from operations. Both numerator and denominator remain unchanged, so the ratio remains 2 times.

Step 5: Conclusion The effects are: (i) increase; (ii) decrease; (iii) decrease; and (iv) no effect, remaining 2 times.

Quick Tip to Solve: Subtract only current liabilities when finding net assets: a debenture issue increases net assets, whereas an equal inventory and trade-payables increase cancels out.

OR

33(b). From the following information, calculate 'Proprietary Ratio' and 'Debt-to-Equity Ratio':

Equity Share Capital	**Rs 3,00,000**
Preference Share Capital	**Rs 1,00,000**
Reserves and Surplus	**Rs 1,00,000**
Plant and Machinery	**Rs 3,50,000**
Non-Current Investments	**Rs 1,00,000**
Current Assets	**Rs 2,00,000**
Long-term Borrowings	**Rs 1,50,000**

[4 marks]

Solution:

Concept:

- Proprietary Ratio compares shareholders' funds with total assets. It shows the proportion of the company's assets financed by its owners.
- Debt-to-Equity Ratio compares long-term debt with shareholders' funds. Shareholders' funds include equity share capital, preference share capital, and reserves and surplus.

Step 1: Calculate shareholders' funds Preference shareholders are also owners of the company, so preference share capital belongs in shareholders' funds along with equity share capital. Reserves and surplus also form part of owners' funds. Therefore,

$$\begin{aligned}\text{Shareholders' funds} &= 3,00,000 + 1,00,000 + 1,00,000 \\ &= \text{Rs } 5,00,000.\end{aligned}$$

Long-term borrowings are excluded from this amount because they represent creditors' funds.

Step 2: Calculate total assets Add both non-current and current assets. Plant and machinery and non-current investments are non-current assets; current assets are separately provided in the question.

$$\begin{aligned}\text{Total assets} &= 3,50,000 + 1,00,000 + 2,00,000 \\ &= \text{Rs } 6,50,000.\end{aligned}$$

Use the full asset total in the Proprietary Ratio, rather than only fixed assets or only current assets.

Step 3: Determine the Proprietary Ratio Substitute the owners' funds and total assets in the formula:

$$\begin{aligned}\text{Proprietary Ratio} &= \frac{\text{Shareholders' funds}}{\text{Total assets}} \\ &= \frac{5,00,000}{6,50,000} = \frac{10}{13} \\ &\approx 0.7692 : 1.\end{aligned}$$

Thus owners finance approximately 76.92% of the total assets.

Step 4: Determine the Debt-to-Equity Ratio Long-term borrowings of Rs 1,50,000 constitute the debt for this ratio. Divide them by total shareholders' funds, not by equity share capital alone:

$$\begin{aligned}\text{Debt-to-Equity Ratio} &= \frac{\text{Long-term debt}}{\text{Shareholders' funds}} \\ &= \frac{1,50,000}{5,00,000} = 0.3 : 1.\end{aligned}$$

This means that the company has Rs 0.30 of long-term debt for every Rs 1 of shareholders' funds.

Step 5: Conclusion Proprietary Ratio is $10 : 13$, approximately $0.7692 : 1$ or 76.92%. Debt-to-Equity Ratio is $0.3 : 1$.

Quick Tip to Solve: First total equity capital, preference capital and reserves once; use Rs 5,00,000 as the numerator of Proprietary Ratio and the denominator of Debt-to-Equity Ratio.

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34. From the following information obtained from the books of 'Informatics India Ltd.', calculate 'Cash from Operations':

Net Profit for year ended 31st March, 2025 after providing depreciation of Rs 60,000 and after writing off goodwill of Rs 2,000 was Rs 3,40,000.

Additional Information:

Particulars	31.3.2024 (Rs)	31.3.2025 (Rs)
Rent received in advance	20,000	10,000
Accrued interest	30,000	40,000
Prepaid insurance	15,000	20,000
Outstanding salary	25,000	40,000
Trade receivables	1,24,000	1,25,000
Trade payables	1,30,000	1,50,000
Inventory	50,000	80,000
Other current assets	1,00,000	1,20,000

[6 marks]

Solution:

Concept:

- Under the indirect method, cash from operations is found by adjusting accrual-based net profit for non-cash charges and changes in the given current assets and current liabilities.

- Depreciation and goodwill written off reduce accounting profit without using cash in the current year, so both are added back.
- An increase in a current asset is deducted; an increase in a current liability is added. Decreases have the opposite effects.

Step 1: Add back the non-cash charges The profit of Rs 3,40,000 is after charging depreciation and writing off goodwill. Since neither charge represents a current cash payment, reverse both deductions to obtain profit before the changes in current balances.

$$\begin{aligned}\text{Adjusted profit} &= \text{Rs } (3,40,000 + 60,000 + 2,000)\\ &= \text{Rs } 4,02,000.\end{aligned}$$

Step 2: Determine the changes in current balances Compare each closing balance on 31st March, 2025 with its opening balance on 31st March, 2024. The receivables increase is only Rs 1,000, whereas the payables increase is Rs 20,000. An increase in an unpaid expense preserves cash; an increase in a prepaid expense uses cash before it is charged to profit.

Working Notes: changes and their cash effects

Particulars	Change (Rs)	Cash adjustment (Rs)
Rent received in advance: decrease	10,000	(10,000)
Accrued interest: increase	10,000	(10,000)
Prepaid insurance: increase	5,000	(5,000)
Outstanding salary: increase	15,000	15,000
Trade receivables: increase	1,000	(1,000)
Trade payables: increase	20,000	20,000
Inventory: increase	30,000	(30,000)
Other current assets: increase	20,000	(20,000)
Net decrease in cash		(41,000)

The accrued interest increase represents income recognised but not received in cash. The reduction in rent received in advance likewise reduces cash relative to income recognised. The remaining current asset increases absorb cash, while the increases in salary payable and trade payables release cash relative to the expenses recognised.

Step 3: Prepare the statement of cash from operations **Informatics India Ltd.**
Cash from Operations for the year ended 31st March, 2025

Particulars	Amount (Rs)
Net profit	3,40,000
Add: Depreciation	60,000
Add: Goodwill written off	2,000
Profit before current balance adjustments	4,02,000
Add: Increase in outstanding salary	15,000
Add: Increase in trade payables	20,000
Sub-total	4,37,000
Less: Decrease in rent received in advance	(10,000)
Less: Increase in accrued interest	(10,000)
Less: Increase in prepaid insurance	(5,000)
Less: Increase in trade receivables	(1,000)
Less: Increase in inventory	(30,000)
Less: Increase in other current assets	(20,000)
Cash from Operations	**3,61,000**

The deductions total Rs 76,000 and the additions for current liabilities total Rs 35,000. Thus the net current-balance deduction is Rs 41,000, agreeing with the working notes.

Step 4: Conclusion Cash from Operations for the year ended 31st March, 2025 is $\boxed{\text{Rs } 3,61,000}$.

Quick Tip to Solve: First add back Rs 62,000 of non-cash charges; then subtract the net Rs 41,000 absorbed by changes in the eight current balances.

Option II (Computerised Accounting)

27(a). Which of the following is not a feature of Tailored accounting software? [1 mark]

(A) Designed specially for large enterprises
(B) Requires minimal or no support from system
(C) Requires special training before use
(D) Needs technical installation efforts

Correct Answer: (B) Requires minimal or no support from system

Solution:

Concept:

- Tailored accounting software is developed to meet the specific accounting and reporting requirements of a particular enterprise.
- A specialised system normally requires technical installation, user training and continuing system support.

Step 1: Identify the characteristics of tailored software Large enterprises can require customised processing and integration with their own procedures. Accordingly, software designed specially for large enterprises, special training before use and technical installation efforts are all consistent with tailored accounting software. Thus options (A), (C) and (D) describe its features.

Step 2: Find the statement that contradicts these needs Tailoring makes the system specific to the enterprise and generally requires specialist assistance for implementation and maintenance. Requiring minimal or no system support is therefore not a feature of tailored software; it is more characteristic of a simple ready-to-use package.

Step 3: Conclusion Requires minimal or no support from system is not a feature of tailored accounting software. Hence, the correct option is (B).

Quick Tip to Solve: For tailored software, associate custom requirements with training and technical support; reject a claim of little or no support.

OR

27(b). When an arithmetic expression or function is executed, the value produced is known as:

[1 mark]

(A) Horizontal value

(B) Vertical value

(C) Derived value

(D) Basic value

Correct Answer: (C) Derived value

Solution:

Concept:

- A basic value is data entered directly into a worksheet; a derived value is obtained by processing data through an expression or function.
- Executing an arithmetic expression computes an output from its input values.

Step 1: Classify the result of a calculation When a formula adds two input amounts, the amounts supplied are the basic values and the calculated sum is derived from them. The same principle applies when a function is executed: its returned result is a derived value.

Step 2: Eliminate the other descriptions Horizontal and vertical describe directions or the arrangement of cells, not the nature of a calculated result. A basic value is an original input, so option (D) does not describe the value produced by executing an expression. This leaves the term derived value.

Step 3: Conclusion The value produced is a derived value. Hence, the correct option is (C).

Quick Tip to Solve: Separate directly entered inputs from formula outputs: an output calculated from inputs is a derived value.

28. How is navigation conducted from the first to the last cell in a cluster of data in a column by skipping all the cells in between? [1 mark]

(A) END + Down arrow ↓

(B) HOME + Page down

(C) HOME + Down arrow ↓

(D) CTRL + Down arrow ↓ successively

Correct Answer: Both (A) and (D) are defensible: END followed by Down arrow and CTRL + Down arrow can each reach the end of a contiguous column of data.

Solution:

Concept:

- CTRL with an arrow key moves to the edge of the current data region in the direction of the arrow.
- END activates End mode; the next arrow key moves to the next nonblank cell or the boundary of the current contiguous data region in that direction.

Step 1: Check the END-mode sequence With the active cell at the top of a contiguous column of data, press END and then Down arrow. This takes the active cell to the bottom of that data cluster, skipping the cells in between. Thus option (A), read as this standard two-key sequence, correctly describes the requested navigation.

Step 2: Check CTRL with Down arrow Holding CTRL and pressing Down arrow also jumps to the bottom edge of the current contiguous column of data. The first use reaches the last cell in the cluster; successive uses can navigate further data boundaries. Therefore option (D) also supplies a valid shortcut for the stated task. The question gives no condition that excludes this shortcut.

Step 3: Compare the HOME-based alternatives The HOME-based choices in (B) and (C) do not specify the standard jump to the bottom of the data cluster. Since both END followed by Down arrow and CTRL + Down arrow perform that jump, the printed alternatives do not provide a unique defensible answer.

Step 4: Conclusion Both (A) and (D) are defensible. END followed by Down arrow and CTRL + Down arrow each reach the end of a contiguous column of data, so this question has no unique correct option as printed.

Quick Tip to Solve: From the first occupied cell in a continuous column, use CTRL + Down arrow, or press END and then Down arrow, to reach its bottom boundary.

29. The PMT function in MS Excel is used to: [1 mark]

(A) Calculate the total interest on a loan.

(B) Calculate the periodic payment for a loan or investment.

(C) Calculate the future value of an investment.

(D) Calculate the present value of a series of payments.

Correct Answer: (B) Calculate the periodic payment for a loan or investment.

Solution:

Concept:

- The PMT function calculates a constant periodic payment using a constant interest rate and the number of payment periods.
- For a loan, the periodic payment includes both interest and repayment of principal; it is not merely the interest component.

Step 1: Identify the output of PMT PMT uses inputs such as the interest rate per period, the number of periods and the present value to find the regular payment required. This matches the description of a periodic payment for a loan or investment in option (B).

Step 2: Distinguish payment from other financial values Total interest on a loan is different from the regular combined payment, so option (A) is not the function's purpose. The FV function calculates a future value and the PV function calculates a present value; these descriptions in options (C) and (D) therefore refer to other functions.

Step 3: Conclusion PMT calculates the periodic payment for a loan or investment. Hence, the correct option is (B).

Quick Tip to Solve: Read PMT as payment: it gives the regular instalment, while PV and FV give present and future values.

30(a). #NAME? Error indicates: [1 mark]

(A) Syntax error in the formula

(B) Missing data in the worksheet

(C) Formula referring to a protected call

(D) Excel does not understand the text used in the formula.

Correct Answer: (D) Excel does not understand the text used in the formula.

Solution:

Concept:

- The #NAME? error appears when Excel cannot recognise text used in a formula, such as an unknown name or misspelled function.
- Formula errors have specific meanings; the error name helps identify which part of the formula must be checked.

Step 1: Interpret the unrecognised name A formula may contain a function name, a defined range

name or a text string. If a function is misspelled, a range name is undefined or a text string lacks quotation marks, Excel may interpret the text as a name it cannot recognise and return #NAME?.

Step 2: Match the precise description Option (D) directly states that Excel does not understand the text used in the formula. The general phrase syntax error in option (A) is less precise and does not identify this particular error. Missing data and the protected-call statement in options (B) and (C) do not describe an unrecognised formula name.

Step 3: Conclusion #NAME? indicates that Excel does not understand the text used in the formula. Hence, the correct option is (D).

Quick Tip to Solve: On seeing #NAME?, first check function spelling, defined range names and quotation marks around literal text.

OR

30(b). Which of the following statements best describes the purpose of a data vault in an accounting software? [1 mark]

(A) It helps in data analysis and reporting.

(B) It is used to maintain audit trails.

(C) It ensures data confidentiality and integrity through restricted access.

(D) It is used to back up deleted vouchers automatically.

Correct Answer: (C) It ensures data confidentiality and integrity through restricted access.

Solution:

Concept:

- A data vault protects accounting data by restricting access to authorised users.
- Confidentiality prevents unauthorised disclosure, while integrity protects data against unauthorised alteration.

Step 1: Identify the security purpose Accounting records contain sensitive financial information. A data vault provides a protected store with controlled access, helping preserve the confidentiality and integrity of these records. This is the function described in option (C).

Step 2: Distinguish the other functions Option (A) describes analysis and reporting, which turn data into useful information. Option (B) describes audit trails, which record transaction histories and changes. Option (D) describes an automatic backup or recovery feature. None of these describes the primary access-protection purpose of a data vault.

Step 3: Conclusion A data vault ensures data confidentiality and integrity through restricted access. Hence, the correct option is (C).

Quick Tip to Solve: Associate a data vault with a protected store: look for restricted access and protection of information.

31. What is meant by codification? Explain the meaning of mnemonic codes with the help of an example. [3 marks]

Solution:

Concept:

- Codification assigns systematic symbols to accounting items so that the system can identify, classify and process them consistently.
- Codes may use numbers, letters or a combination of both. A mnemonic code has a meaningful connection with the name of the item it represents.

Step 1: Explain codification Codification is the process of assigning a code, such as a number, an alphabetic symbol or an alphanumeric symbol, to an account or other accounting item for its identification. For example, an enterprise may assign separate codes to Cash, Purchases and Sales accounts. Using such codes avoids repeatedly entering long account names and helps the accounting system sort, group and retrieve records under the correct account. Codes must be assigned systematically so that different items are not confused with one another.

Step 2: Explain mnemonic codes with an example Mnemonic codes are codes made from letters or abbreviations that suggest the name or description of the item being identified. Their association with the item's name makes them easy to remember. For example, the code `SAL` may be assigned to the Sales account and `PUR` to the Purchases account. The letters in `SAL` recall the word Sales; thus the code carries a meaning, unlike an arbitrary serial number such as 105.

Step 3: Conclusion Codification is systematic identification through assigned codes. Mnemonic codes are meaningful, memorable abbreviations, such as `SAL` for the Sales account.

Quick Tip to Solve: For a mnemonic-code example, choose letters that visibly recall the account name and explain that connection.

32. State any three limitations of Computerised Accounting System. [3 marks]

Solution:

Concept:

- A computerised accounting system processes accounting data using hardware, software and trained personnel; reliable operation depends on all three.
- Its speed and accuracy do not eliminate implementation costs, training requirements or the possibility of disruption and loss of stored data.

Step 1: State the cost of training **Cost of training:** Staff need training to operate the accounting package, enter transactions correctly and interpret reports. This requires expenditure as well as employees' time. Changes in the software or the appointment of new employees can create a further need for training. Without adequate training, users may enter incorrect data or use the system improperly.

Step 2: State the risk of system failure **System failure:** Hardware faults, software problems or power failures may interrupt accounting work and make records temporarily inaccessible. A serious

failure can also damage or destroy data. The enterprise therefore needs maintenance, suitable backup arrangements and recovery procedures; the existence of a computer alone does not guarantee uninterrupted accounting operations.

Step 3: State the problem of staff resistance **Staff resistance:** Employees accustomed to manual accounting may resist the introduction of a computerised system. Fear of job loss, unfamiliarity with computers or unwillingness to change established working habits can delay adoption. This may reduce cooperation and make implementation difficult until employees understand and accept the new method.

Step 4: Conclusion Three limitations are the cost of training, the risk of system failure, and resistance from staff to the change in working methods.

Quick Tip to Solve: Recall one cost, one technical risk and one human difficulty; state each separately with its effect on accounting work.

33(a). Give the meaning of the following:

(i) Cell reference

(ii) Relative cell reference

(iii) Absolute cell reference

(iv) Mixed cell reference [4 marks]

Solution:

Concept:

- A spreadsheet formula can use a cell's address to obtain its value instead of containing that value directly. The address identifies a column and a row.
- When a formula is copied, relative parts of its references adjust with the new location, whereas absolute parts remain fixed. A dollar sign fixes the part immediately following it.

Step 1: Define cell reference **(i) Cell reference:** A cell reference is the address that identifies the location of a cell in a worksheet. In the usual A1 notation, it consists of the column letter followed by the row number. For example, `B5` identifies the cell at the intersection of column B and row 5. A formula such as `=B5*2` uses the value stored in that cell.

Step 2: Define relative cell reference **(ii) Relative cell reference:** This reference changes automatically relative to the change in the formula's position when the formula is copied. Neither its column nor its row is fixed. For example, copying `=A1` from B1 to B2 changes it to `=A2`; copying it from B1 to C1 changes it to `=B1`.

Step 3: Define absolute cell reference **(iii) Absolute cell reference:** This reference keeps both the column and the row fixed when a formula is copied. A dollar sign precedes both components, as in `$A$1`. A formula containing `=$A$1*2` continues to refer to A1 wherever that formula is copied.

Step 4: Define mixed cell reference **(iv) Mixed cell reference:** This combines one fixed component with one relative component. In `$A1`, column A is fixed but the row can change; copying it down one row produces `$A2`. In `A$1`, row 1 is fixed but the column can change; copying it right one column

produces `B$1`.

Step 5: Conclusion A cell reference gives a cell's address. Relative references adjust both components on copying, absolute references fix both, and mixed references fix either the column or the row.

Quick Tip to Solve: Read each dollar sign as "lock the next component": `$A1` locks the column, `A$1` the row, and `$A$1` both.

OR

33(b). Explain Array form of LOOKUP function. [4 marks]

Solution:

Concept:

- The array form of LOOKUP searches for a value in the first row or first column of a rectangular range and returns the corresponding value from its last row or last column.
- Its syntax is `=LOOKUP(lookup_value,array)`. The search direction depends on the dimensions of the array, and the searched row or column must be sorted in ascending order.

Step 1: Explain the arguments `lookup_value` is the value to be located, such as a number, text value or a cell reference containing the search value. `array` is the range of cells containing both the lookup values and the associated results. Unlike the vector form, this form does not specify a separate result vector; Excel determines the search and result locations from the array's shape.

Step 2: Identify the search and return locations If the array has more columns than rows, LOOKUP searches its **first row** and returns the value in the corresponding column of its **last row**. If the array is square or has more rows than columns, it searches its **first column** and returns the value in the corresponding row of its **last column**. Thus, the result occupies the same relative position as the matched lookup value.

Step 3: Explain the matching rule with an example The values in the searched row or column must be arranged in ascending order. LOOKUP returns the result associated with an exact match when one is found. Otherwise, it uses the largest lookup value less than or equal to the search value. A search value smaller than the smallest lookup value produces `#N/A`.

For example, let A1:A3 contain 10, 20 and 30, and B1:B3 contain 100, 200 and 300. The array A1:B3 has more rows than columns, so `=LOOKUP(20,A1:B3)` searches column A and returns 200 from column B. Similarly, `=LOOKUP(25,A1:B3)` returns 200 because 20 is the largest listed lookup value not exceeding 25. The formula `=LOOKUP(5,A1:B3)` returns `#N/A`.

Step 4: Conclusion Array LOOKUP searches the first row or column of an ascendingly sorted array and retrieves the corresponding value from the last row or column, using an exact match or the next smaller lookup value.

Quick Tip to Solve: Compare rows with columns first: a wider array searches across; a square or taller array searches down. Sort the search row or column before using LOOKUP.

34. 'In MS Excel, charts can be formatted and customised to make them more attractive and meaningful.' Explain the procedure to change the shape style of a chart element. Also state various shape fill options available to the user for enhancing the appearance of a chart. [6 marks]

Solution:

Concept:

- A shape style is a predefined combination of fill, outline and effects that can be applied to a selected chart element, such as the chart area, plot area or a data series.
- Shape Fill changes the interior appearance of the selected element. Formatting helps distinguish chart components and communicate information clearly without changing the underlying data.

Step 1: Select the chart element Click the chart to display the contextual **Chart Tools** tabs. Click the chart element whose shape style is to be changed. For precise selection, open the **Format** tab and use the **Chart Elements** drop-down in the **Current Selection** group to choose the required element. Check the selection before applying a style, since formatting affects the selected element.

Step 2: Apply a shape style On the **Format** tab, locate the **Shape Styles** group. Open the style gallery; click its **More** button to display all available styles. Point to a style to preview its appearance and click the desired style to apply it. For example, a predefined style can give the chart area a coordinated fill, border and visual effect. The user may further customise the element through **Shape Fill**, **Shape Outline** and **Shape Effects** in the same group.

Step 3: Explain colour and no-fill choices With the required chart element selected, click **Shape Fill** in the Shape Styles group. The following colour choices are available:

Theme Colours: Apply colours coordinated with the workbook's theme, including the displayed lighter and darker variations.

Standard Colours: Apply one of the standard solid colours from the palette.

More Fill Colours: Open the colour dialog to select additional colours or specify a custom colour beyond those displayed in the palette.

No Fill: Remove the interior fill so that the background behind the selected element can show through. This does not itself remove the element's outline.

Step 4: Explain picture, gradient and texture fills **Picture:** Select a picture to fill the chosen chart element. For example, a suitable picture can be used as a chart-area background while retaining readable data labels.

Gradient: Choose a gradual blend of colours or shades. Available variations control how the colours change across the selected element; further gradient settings permit additional adjustment.

Texture: Choose a preset textured surface, such as a paper-like or fabric-like pattern, for the interior of the element.

After applying the fill, check that chart labels and data remain clearly visible. A strongly patterned fill or picture should not obscure the values that the chart is intended to explain.

Step 5: Conclusion Select the chart element, open Chart Tools–Format and choose a preset from Shape Styles. Shape Fill offers theme and standard colours, additional custom colours, No Fill, Picture, Gradient and Texture to customise the element's interior.

Quick Tip to Solve: Select the exact chart element first, then use Format–Shape Styles. Use Shape Fill for its interior, Shape Outline for its border and Shape Effects for visual effects.