CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-7-3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Glow Ltd. forfeited 900 equity shares of Rs 100 each for non-payment of second and final call of Rs 20 per share. These shares were reissued as fully paid up at maximum permissible discount as per Companies Act, 2013. The amount transferred to the Capital Reserve Account was : [1 mark]

(A) Rs 90,000

(B) Rs 72,000

(C) Rs 18,000

(D) Nil

Correct Answer: (D) Nil

Solution:

Concept:

- On forfeiture, the amount already received on the forfeited shares is credited to Share Forfeiture Account. A discount allowed on reissue cannot exceed that amount for the shares reissued.
- Capital reserve is the surplus left after deducting the reissue discount from the forfeiture balance relating to the reissued shares.

Step 1: Calculate the forfeiture balance The paid amount per share is $100 - 20 = \text{Rs } 80$. Hence the forfeiture balance for 900 shares is $900 \times 80 = \text{Rs } 72,000$. The unpaid call is $900 \times 20 = \text{Rs } 18,000$; it is not a capital profit.

Step 2: Apply the maximum permissible discount At the maximum discount, the entire forfeiture balance of Rs 72,000 is used to cover the discount on reissue. Thus,

$$\text{Capital reserve} = 72,000 - 72,000 = \text{Nil}.$$

Rs 90,000 is the nominal share capital, while Rs 72,000 and Rs 18,000 represent the forfeited amount and unpaid call respectively; none is a remaining surplus.

Step 3: Conclusion The amount transferred to Capital Reserve is Nil. Hence, the correct option is (D).

Quick Tip to Solve: At maximum reissue discount, the entire forfeited amount is exhausted; check the remaining surplus.

2. The debentures which can be transferred by the way of delivery and the company does not keep any record of the debentures holders are called _____ debentures. [1 mark]

(A) Secured

(B) Redeemable

(C) Bearer

(D) Unsecured

Correct Answer: (C) Bearer

Solution:

Concept:

- Bearer debentures are transferable by mere delivery; ownership is associated with possession of the instrument.
- Secured and unsecured classify debentures by security, while redeemable classifies them by repayment terms.

Step 1: Identify the decisive features The question gives two connected characteristics: transfer by delivery and absence of a company register recording the individual holders. These are the distinguishing features of bearer debentures, because the holder of the instrument can transfer it by handing it over.

Step 2: Check the alternatives Secured debentures have a charge on assets and unsecured debentures lack such security; neither term describes the transfer procedure. Redeemable debentures are repayable under agreed terms and do not, merely for that reason, become transferable by delivery. Therefore only bearer fits both stated conditions.

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

Quick Tip to Solve: Identify the basis of classification: delivery indicates bearer; asset cover indicates security.

3. Manya Ltd. issued 7,000, 9% Debentures of Rs 100 each at Rs 97 per debenture. On issue of these debentures, 9% Debentures Account was credited by : [1 mark]

(A) Rs 10,00,000

(B) Rs 7,00,000

(C) Rs 9,00,000

(D) Rs 9,70,000

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

Solution:

Concept:

- Debentures Account is credited with the nominal or face value of debentures issued, irrespective of their issue price.
- When issue price is below face value, the difference is a discount on issue and does not reduce the liability recorded.

Step 1: Calculate the nominal liability Each of the 7,000 debentures has a face value of Rs 100. Therefore,

$$\text{Credit to 9\% Debentures Account} = 7,000 \times 100 = \text{Rs } 7,00,000.$$

The 9% rate determines interest, not the amount initially credited to the debenture liability.

Step 2: Distinguish proceeds from liability Cash proceeds are $7,000 \times 97 = \text{Rs } 6,79,000$, and the issue discount is $7,000 \times 3 = \text{Rs } 21,000$. Their sum is the nominal liability of Rs 7,00,000. None of Rs 10,00,000, Rs 9,00,000 or Rs 9,70,000 corresponds to the face value of these 7,000 debentures.

Step 3: Conclusion The 9% Debentures Account is credited by Rs 7,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Multiply the number of debentures by face value when asked for the credit to Debentures Account.

4. Hina, Sia and Anu were partners in a firm, sharing profits and losses in the ratio of 2 : 3 : 4. The firm was dissolved on 31st March, 2025. Hina was appointed to look after the dissolution work for which she was allowed a remuneration of Rs 30,000. Hina agreed to bear realisation expenses. Actual realisation expenses amounted to Rs 35,000, which were paid by Hina. For realisation expenses, the Realisation Account will be debited by : [1 mark]

(A) Rs 30,000

(B) Rs 5,000

(C) Rs 65,000

(D) Rs 35,000

Correct Answer: (A) Rs 30,000

Solution:

Concept:

- Agreed remuneration payable to a partner for dissolution work is debited to Realisation Account.
- When that partner agrees to bear realisation expenses and pays them personally, the actual expenses are not separately charged to the firm.

Step 1: Apply the agreement with Hina Hina is entitled to fixed remuneration of Rs 30,000 for carrying out dissolution work. This agreed amount is the firm's charge against Realisation Account. The agreement also places the responsibility for actual realisation expenses on Hina personally.

Step 2: Separate remuneration and actual expenditure The Rs 35,000 paid by Hina is borne by her under the agreement, so it creates no additional debit to the firm's Realisation Account. Its excess over remuneration, Rs 5,000, is Hina's own burden. Charging Rs 65,000 would count both remuneration and her personal expenses, while charging Rs 35,000 would disregard the fixed agreement.

Step 3: Conclusion Realisation Account is debited by Rs 30,000. Hence, the correct option is (A).

Quick Tip to Solve: If a partner bears expenses for fixed remuneration, charge only the agreed remuneration to realisation.

5. Aarti, Nikita and Sakshi were partners in a firm, sharing profits and losses in the ratio of 2 : 3 : 5. Nikita retired. Her share of profit was taken up by Aarti and Sakshi in the ratio of 2 : 1. The new profit sharing ratio between Aarti and Sakshi will be : [1 mark]

(A) 2 : 3

(B) 3 : 2

(C) 2 : 5

(D) 2 : 1

Correct Answer: (A) 2 : 3

Solution:

Concept:

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

Step 1: Allocate Nikita's retiring share The old shares of Aarti, Nikita and Sakshi are $2/10, 3/10, 5/10$. Nikita's $3/10$ share is acquired in the ratio $2 : 1$. Aarti therefore gains $(3/10)(2/3) = 2/10$, and Sakshi gains $(3/10)(1/3) = 1/10$.

Step 2: Add the gains to the old shares Aarti's new share is $2/10 + 2/10 = 4/10$, and Sakshi's new share is $5/10 + 1/10 = 6/10$. Thus $4 : 6 = 2 : 3$, and the fractions sum to one. The ratio $2 : 1$ is only the gaining ratio; $2 : 5$ ignores Nikita's share and $3 : 2$ reverses the required order.

Step 3: Conclusion The new ratio of Aarti and Sakshi is $2 : 3$. Hence, the correct option is (A).

Quick Tip to Solve: Add each partner's gain to the old share before simplifying the new ratio.

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6. Prerna and Riya were partners in a firm, sharing profits and losses in the ratio of 4 : 3. Arun was admitted as a new partner for 1/5th share in the profits of the firm. Arun brought Rs 80,000 as his share for premium for goodwill and proportionate capital. The capitals of Prerna and Riya, after all adjustments, were Rs 2,50,000 and Rs 1,50,000 respectively. The capital brought in by Arun was : [1 mark]

(A) Rs 4,00,000

(B) Rs 1,00,000

(C) Rs 5,00,000

(D) Rs 80,000

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

Solution:

Concept:

- Proportionate capital is calculated using the capital of existing partners and their combined share after admission.

- Goodwill premium is accounted for separately from a partner's capital contribution.

Step 1: Relate existing capital to the retained share The adjusted capitals of Prerna and Riya total $2,50,000 + 1,50,000 =$ Rs $4,00,000$. Arun receives $1/5$, so the existing partners jointly retain $4/5$ of the firm. Hence Rs 4,00,000 represents four-fifths of the proportionate total capital.

Step 2: Compute Arun's capital contribution Total capital is $4,00,000 \div (4/5) =$ Rs $5,00,000$. Arun's capital is therefore $5,00,000 \times 1/5 =$ Rs $1,00,000$. Rs 80,000 is the goodwill premium figure; Rs 4,00,000 is existing partners' capital and Rs 5,00,000 is total capital, so neither is Arun's separate capital.

Step 3: Conclusion Arun brings capital of Rs 1,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Use retained share in the denominator: new capital = existing capital times new share / retained share.

7(a). Avi and Gita were partners in a firm, sharing profits and losses in the ratio of 2 : 1. They admitted Suhaan as a new partner for 1/4th share in the profits of the firm. Suhaan acquired his share from Avi and Gita in the ratio of 1 : 2. The new profit sharing ratio between Avi, Gita and Suhaan will be : [1 mark]

(A) 2 : 1 : 1

(B) 1 : 2 : 1

(C) 1 : 1 : 1

(D) 7 : 2 : 3

Correct Answer: (D) 7 : 2 : 3

Solution:

Concept:

- A new partner's share is deducted from the old partners in the stated sacrificing ratio.
- The new shares of all partners must sum to one.

Step 1: Determine the individual sacrifices Avi and Gita initially hold $2/3$ and $1/3$. Suhaan receives $1/4$, acquired from them in the ratio $1 : 2$. Therefore Avi sacrifices $(1/4)(1/3) = 1/12$, while Gita sacrifices $(1/4)(2/3) = 2/12$.

Step 2: Calculate the remaining shares Avi retains $2/3 - 1/12 = 7/12$, Gita retains $1/3 - 2/12 = 2/12$, and Suhaan receives $1/4 = 3/12$. They sum to $12/12$. Thus their new ratio is $7 : 2 : 3$. Options $2 : 1 : 1$, $1 : 2 : 1$ and $1 : 1 : 1$ do not satisfy both the stated sacrifices and Suhaan's specified share.

Step 3: Conclusion The new ratio of Avi, Gita and Suhaan is $7 : 2 : 3$. Hence, the correct option is (D).

Quick Tip to Solve: First split the incoming share by the sacrificing ratio, then subtract each sacrifice from the old share.

OR

7(b). Anya and Shiv were partners in a firm, sharing profits and losses in the ratio of 4 : 1. They admitted Girish as a new partner in the firm. Anya sacrificed 1/4th of her share and Shiv sacrificed 1/10th of his share in favour of Girish. The new profit sharing ratio between Anya, Shiv and Girish will be : [1 mark]

(A) 4 : 1 : 5

(B) 4 : 3 : 3

(C) 6 : 1 : 3

(D) 30 : 9 : 11

Correct Answer: (D) 30 : 9 : 11

Solution:

Concept:

- A fraction of a partner's own share must be multiplied by that old share to obtain the actual sacrifice.
- The incoming partner receives the sum of the sacrifices; the remaining fractions give the other new shares.

Step 1: Calculate sacrifices as fractions of total profit Anya's old share is $4/5$, so her sacrifice is $(1/4)(4/5) = 1/5 = 10/50$. Shiv's old share is $1/5$, so his sacrifice is $(1/10)(1/5) = 1/50$. The fractions $1/4$ and $1/10$ are not direct shares of total profits.

Step 2: Obtain all three new shares Anya retains $4/5 - 1/5 = 3/5 = 30/50$. Shiv retains $1/5 - 1/50 = 9/50$. Girish receives $10/50 + 1/50 = 11/50$. The sum is one and the new ratio is $30 : 9 : 11$. The other three ratios fail to reproduce these retained shares and the incoming share.

Step 3: Conclusion The new ratio of Anya, Shiv and Girish is $30 : 9 : 11$. Hence, the correct option is (D).

Quick Tip to Solve: When the phrase is "of her share", multiply by the old profit fraction before subtracting.

8(a). Diksha, Madhav and Rohit were partners in a firm, sharing profits and losses in the ratio of 5 : 3 : 2. Rohit retired on 31st March, 2025. The balance in Rohit's capital account after making the necessary adjustments on account of reserves, revaluation of assets and reassessment of liabilities was Rs 4,30,000. Diksha and Madhav agreed to pay him Rs 5,00,000 in full settlement of his claim. Rohit's share of goodwill in the firm was : [1 mark]

(A) Rs 9,30,000

(B) Rs 70,000

(C) Rs 5,00,000

(D) Rs 3,50,000

Correct Answer: (B) Rs 70,000

Solution:

Concept:

- When an adjusted capital balance excludes goodwill, an excess settlement over that balance represents the retiring partner's goodwill share.
- The retiring partner's goodwill share and the goodwill of the entire firm are different amounts.

Step 1: Identify the amount already due Rohit's capital after reserves, revaluation and liability adjustments is Rs 4,30,000. These stated adjustments have already been made, so they must not be added again. The agreed full settlement is Rs 5,00,000.

Step 2: Extract the goodwill component The excess payment is

$$\text{Rohit's share of goodwill} = 5,00,000 - 4,30,000 = \text{Rs } 70,000.$$

Rs 5,00,000 is his entire settlement, and Rs 9,30,000 incorrectly adds the two amounts. Since Rohit held $2/10$, Rs 3,50,000 would be the whole firm's goodwill, not the share asked for.

Step 3: Conclusion Rohit's share of goodwill is Rs 70,000. Hence, the correct option is (B).

Quick Tip to Solve: Subtract adjusted capital from final settlement; divide by the retiring share only for total firm goodwill.

OR

8(b). Atul and Raj were partners in a firm, sharing profits and losses in the ratio of 4 : 3. Ira was admitted as a new partner for 1/4th share in the profits of the firm. Ira brought Rs 3,50,000 as her capital and Rs 1,00,000 as her share of goodwill premium. The value of firm's goodwill was : [1 mark]

(A) Rs 1,00,000

(B) Rs 4,50,000

(C) Rs 4,00,000

(D) Rs 25,000

Correct Answer: (C) Rs 4,00,000

Solution:

Concept:

- A new partner pays premium only for the fraction of goodwill acquired. If premium is P and acquired share is s, total goodwill is P/s.
- Capital introduced finances the business and is separate from premium for goodwill.

Step 1: Identify the goodwill fraction Ira brings Rs 1,00,000 specifically as goodwill premium for a $1/4$ share. Her capital of Rs 3,50,000 does not enter the valuation of goodwill.

Step 2: Recover the value of the whole firm

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

Option (A) is only the premium, (B) incorrectly adds capital and premium, and (D) multiplies the premium by the acquired share instead of dividing.

Step 3: Conclusion The goodwill of the firm is Rs 4,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Divide the premium by the new partner's share; exclude the capital contribution.

9(a). Kamya, Inaya and Lokesh were partners in a firm, sharing profits and losses in the ratio of 3 : 2 : 4. With effect from 1st April, 2025, they decided to share profits and losses in the ratio of 4 : 2 : 3. The goodwill of the firm was valued at Rs 9,00,000.

The necessary journal entry to show the effect of the above transaction will be : [1 mark]

(A) Kamya's Capital A/c ... Dr. 1,00,000

To Lokesh's Capital A/c 1,00,000

(B) Lokesh's Capital A/c ... Dr. 1,00,000

To Kamya's Capital A/c 1,00,000

(C) Kamya's Capital A/c ... Dr. 9,00,000

To Lokesh's Capital A/c 9,00,000

(D) Lokesh's Capital A/c ... Dr. 9,00,000

To Kamya's Capital A/c 9,00,000

Correct Answer: (A) Kamya's Capital A/c ... Dr. 1,00,000

To Lokesh's Capital A/c 1,00,000

Solution:

Concept:

- A partner whose new profit share exceeds the old share gains and compensates a partner who sacrifices.
- The goodwill adjustment equals the share gained or sacrificed multiplied by the total goodwill.

Step 1: Find the gain and sacrifice Kamya gains $4/9 - 3/9 = 1/9$; Inaya has no change because her share remains $2/9$; Lokesh sacrifices $4/9 - 3/9 = 1/9$. Thus Kamya compensates Lokesh.

Step 2: Record the compensation The adjustment is Rs $9,00,000 \times 1/9 =$ Rs $1,00,000$.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	Kamya's Capital A/c Dr. To Lokesh's Capital A/c (Being goodwill adjusted for the change in profit shares)		1,00,000	1,00,000

Options (B) and (D) reverse the compensation; (C) uses the whole goodwill rather than the one-ninth share.

Step 3: Conclusion Kamya's Capital Account is debited and Lokesh's Capital Account credited by Rs 1,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Calculate new share minus old share: the gainer is debited and the sacrificer credited.

OR

9(b). Isha, Pallavi and Manoj were partners in a firm, sharing profits and losses in the ratio of 4 : 3 : 3. With effect from 1st April, 2025, they decided to share future profits in the ratio of 3 : 1 : 1. After revaluation of assets and reassessment of liabilities, revaluation account showed a loss of Rs 5,00,000. Isha's Capital Account will be debited by _____ due to the loss on revaluation. [1 mark]

(A) Rs 1,50,000

(B) Rs 2,00,000

(C) Rs 1,00,000

(D) Rs 5,00,000

Correct Answer: (B) Rs 2,00,000

Solution:

Concept:

- Revaluation profit or loss belongs to the partners who held the old interests in the assets and liabilities.
- Distribute revaluation loss in the old profit sharing ratio and debit the partners' capital accounts.

Step 1: Select the applicable ratio The loss arises on revaluing assets and reassessing liabilities at the date of reconstitution. It therefore belongs to the old partnership and is shared in $4 : 3 : 3$, not the future ratio $3 : 1 : 1$.

Step 2: Compute Isha's share The total old ratio is $4 + 3 + 3 = 10$. Hence Isha's debit is Rs $5,00,000 \times 4/10 =$ Rs $2,00,000$. Rs 1,50,000 is the share of either other partner, Rs 1,00,000 uses the wrong fraction, and Rs 5,00,000 is the entire loss.

Step 3: Conclusion Isha's Capital Account is debited by Rs 2,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Use the old ratio for revaluation even when a new ratio is stated immediately before it.

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

Assertion (A) : At the time of dissolution of partnership firm, Realisation Account is prepared.

Reason (R) : When the firm is dissolved, its books of accounts are to be closed and the profit or loss arising on realisation of its assets and discharge of its liabilities is to be computed.

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

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

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

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

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

Solution:

Concept:

- Dissolution ends the business and requires the books of the firm to be closed.
- Realisation Account collects the effects of disposing of assets and settling outside liabilities to determine the resulting profit or loss.

Step 1: Judge the Assertion Assertion (A) is true. At dissolution, a Realisation Account is prepared to bring together the book values transferred and the amounts realised from assets or paid for liabilities.

Step 2: Judge the Reason Reason (R) is true. The books must be closed, and the net profit or loss caused by realisation of assets and settlement of liabilities must be computed before final settlement with partners.

Step 3: Check the explanatory connection The need to calculate this net result is precisely the purpose of preparing Realisation Account. Thus the Reason directly explains the Assertion. Option (B) wrongly denies the connection; options (C) and (D) wrongly treat one of the true statements as false.

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

Quick Tip to Solve: For an assertion-reason question, test truth first and then test the causal link separately.

11. Neena, Aman and Vipul were partners in a firm, sharing profits and losses in the ratio of 7 : 2 : 1. Vipul's share of profit at the end of the year amounted to Rs 1,50,000. Aman's share in the profit was : [1 mark]

(A) Rs 75,000

(B) Rs 3,00,000

(C) Rs 10,50,000

(D) Rs 1,50,000

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

Solution:

Concept:

- Profit is divided in proportion to the units in the agreed profit sharing ratio.
- A known partner's profit gives the value of one ratio unit; multiply it by the required partner's units.

Step 1: Determine the value of one unit The ratio of Neena, Aman and Vipul is $7 : 2 : 1$. Vipul has one unit and receives Rs 1,50,000, so each ratio unit is worth Rs 1,50,000. Equivalently total profit is $1,50,000 \times 10 = \text{Rs } 15,00,000$.

Step 2: Calculate Aman's profit Aman has two units, so his share is $2 \times \text{Rs } 1,50,000 = \text{Rs } 3,00,000$. Rs 75,000 reverses the ratio, Rs 10,50,000 is Neena's share, and Rs 1,50,000 is Vipul's share.

Step 3: Conclusion Aman's share of profit is Rs 3,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Compare Aman directly with Vipul: two ratio units mean twice Vipul's profit.

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12. Lily Ltd. forfeited 1,000 shares of Rs 100 each issued at a premium of 10% on which application money of Rs 40 per share had been paid. Out of these, 500 shares were reissued as fully paid up for Rs 80 per share. The amount transferred to the Capital Reserve Account was : [1 mark]

(A) Rs 40,000

(B) Rs 10,000

(C) Rs 30,000

(D) Nil

Correct Answer: (B) Rs 10,000

Solution:

Concept:

- Only the forfeiture balance relating to shares actually reissued can be transferred to Capital Reserve.
- Capital Reserve equals that proportionate forfeiture balance less discount allowed on reissue.

Step 1: Find the forfeiture balance of reissued shares The amount paid towards share capital is Rs 40 per share. Of the 1,000 forfeited shares, only 500 are reissued. The forfeiture balance available for those shares is therefore $500 \times 40 = \text{Rs } 20,000$. The balance for the remaining 500 shares stays in Share Forfeiture Account.

Step 2: Deduct the reissue discount The shares of face value Rs 100 are reissued fully paid for Rs 80, giving discount of $500 \times (100 - 80) = \text{Rs } 10,000$. Thus Capital Reserve $= 20,000 - 10,000 = \text{Rs } 10,000$. Option (A) uses all forfeited shares; (C) deducts discount from the whole forfeiture balance; (D) ignores the surplus remaining on these 500 shares.

Step 3: Conclusion The amount transferred to Capital Reserve is Rs 10,000. Hence, the correct option is (B).

Quick Tip to Solve: First restrict forfeiture money to shares reissued, then subtract only their reissue discount.

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

(A) Subscribed capital

(B) Reserve capital

(C) Called-up capital

(D) Unissued capital

Correct Answer: (B) Reserve capital

Solution:

Concept:

- Reserve capital is the portion of uncalled subscribed capital reserved to be called only on winding up.
- It is distinguished by the restriction on when the company may call the amount from shareholders.

Step 1: Identify the defining feature The question refers to capital that has not yet been called, with the further condition that it may be called only when the company is wound up. This is the defining feature of reserve capital.

Step 2: Distinguish the other alternatives Subscribed capital is the amount shareholders have agreed to take; it does not itself impose this restriction. Called-up capital has already been demanded, whereas this amount remains uncalled. Unissued capital has not been offered for subscription, so it is not the reserved portion of shareholders'existing uncalled liability.

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

Quick Tip to Solve: The phrase "called only on winding up" identifies reserve capital immediately.

OR

13(b). Vani Ltd. purchased furniture of Rs 6,60,000 from Max Ltd. The payment was made by issue of 11% Debentures of Rs 100 each at a premium of 10%. The number of debentures issued in favour of Max Ltd. were : [1 mark]

(A) 60,000

(B) 6,600

(C) 6,000

(D) 1,000

Correct Answer: (C) 6,000

Solution:

Concept:

- When debentures settle purchase consideration, their number is based on issue price, including premium.
- The debenture interest rate determines periodic interest, not the amount received per debenture.

Step 1: Find the issue price Each debenture has face value Rs 100 and is issued at a premium of 10%. Thus premium per debenture is Rs 10 and issue price is $100 + 10 =$ Rs 110. The 11% coupon does not affect this price.

Step 2: Divide the consideration by issue price

$$\text{Number of debentures} = \frac{6,60,000}{110} = 6,000.$$

A count of 6,600 ignores the premium and would overpay at the stated issue price. A count of 60,000 is ten times the required quantity, while 1,000 debentures would settle only Rs 1,10,000.

Step 3: Conclusion Vani Ltd. issues 6,000 debentures. Hence, the correct option is (C).

Quick Tip to Solve: Use face value plus issue premium as the divisor; ignore the coupon rate for this calculation.

14(a). **Reema and Leena were partners in a firm, sharing profits and losses in the ratio of 4 : 1. On 1st April, 2024, Maya was admitted as a new partner for 1/4th share in the profits of the firm. Maya was guaranteed a minimum profit of Rs 1,20,000. Any deficiency on this account was be borne by Reema and Leena in the ratio of 3 : 2. During the year ended 31st March, 2025, the firm earned a net profit of Rs 4,00,000. The amount of deficiency borne by Leena will be :** [1 mark]

(A) Rs 10,000

(B) Rs 8,000

(C) Rs 4,000

(D) Rs 12,000

Correct Answer: (B) Rs 8,000

Solution:

Concept:

- A guaranteed partner first receives the normal share of actual profit. A shortfall below the guaranteed amount is the deficiency.
- The partners giving the guarantee bear that deficiency in the specifically agreed ratio.

Step 1: Find Maya's deficiency Maya's normal share is Rs $4,00,000 \times 1/4 =$ Rs $1,00,000$. Since she is guaranteed Rs 1,20,000, the deficiency is $1,20,000 - 1,00,000 =$ Rs $20,000$.

Step 2: Allocate the deficiency to Leena Reema and Leena must bear the deficiency in $3 : 2$, whose total is 5. Leena therefore bears Rs $20,000 \times 2/5 =$ Rs $8,000$. Rs 12,000 is Reema's burden, Rs 4,000 incorrectly uses the old ratio, and Rs 10,000 incorrectly divides the deficiency equally.

Step 3: Conclusion Leena bears a deficiency of Rs 8,000. Hence, the correct option is (B).

Quick Tip to Solve: Separate the new partner's profit share from the agreed ratio for bearing her deficiency.

OR

14(b). **Gautam and Sunita were partners in a firm, sharing profits and losses in the ratio of 3 : 1. Their capitals were Rs 5,00,000 and Rs 2,00,000 respectively. On 1st April, 2025, they admitted Namita as a new partner in the firm for 1/4th share in the future profits. Namita brought Rs 3,00,000 as her capital. The goodwill of the firm on Namita's admission was :** [1 mark]

(A) Rs 2,00,000

(B) Rs 12,00,000

(C) Rs 50,000

(D) Rs 3,00,000

Correct Answer: (A) Rs 2,00,000

Solution:

Concept:

- An incoming partner's capital implies the value of the whole firm's capital: total implied capital equals capital brought divided by the incoming share.
- Hidden goodwill is the excess of implied capital over the combined actual capitals after admission.

Step 1: Find implied total capital Namita brings Rs 3,00,000 for $1/4$ share. Hence the implied capital of the firm is

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

Step 2: Compare with actual capital Total actual capital after admission is Rs $5,00,000 + 2,00,000 + 3,00,000 = 10,00,000$. Thus hidden goodwill is Rs $12,00,000 - 10,00,000 = 2,00,000$. Option (B) is the implied total capital, not goodwill; (D) is only the incoming capital, and (C) is one-fourth of goodwill rather than goodwill of the firm.

Step 3: Conclusion The goodwill of the firm is $\boxed{\text{Rs } 2,00,000}$. Hence the correct option is (A).

Quick Tip to Solve: Subtract all three partners' actual capitals from the capital implied by Namita's one-fourth share.

15. Kartik and Yogesh were partners in a firm, sharing profits and losses in the ratio of 2 : 1. Their capitals were Rs 6,00,000 and Rs 4,00,000 respectively. Interest on capital is allowed @ 8% p.a. The firm earned a profit of Rs 60,000 for the year ended 31st March, 2025. Interest on capital credited to the partners will be : [1 mark]

(A) Kartik Rs 36,000; and Yogesh Rs 24,000

(B) Kartik Rs 30,000; and Yogesh Rs 30,000

(C) Kartik Rs 40,000; and Yogesh Rs 20,000

(D) Kartik Rs 48,000; and Yogesh Rs 32,000

Correct Answer: (A) Kartik Rs 36,000; and Yogesh Rs 24,000

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the deed makes it a charge.
- If available profit is insufficient, distribute that profit in the ratio of the interest claims.

Step 1: Calculate full interest claims Kartik's claim is Rs $6,00,000 \times 8/100 = 48,000$; Yogesh's claim is Rs $4,00,000 \times 8/100 = 32,000$. Total claim is Rs 80,000, exceeding available profit of Rs 60,000.

Step 2: Restrict the credit to available profit The claims are in the ratio $48,000 : 32,000 = 3 : 2$. Kartik receives Rs $60,000 \times 3/5 = 36,000$, and Yogesh receives Rs $60,000 \times 2/5 = 24,000$. Option (D) ignores the profit limit; (C) uses the profit-sharing ratio instead of interest claims; (B) incorrectly splits equally.

Step 3: Conclusion Interest on capital credited: Kartik Rs 36,000 and Yogesh Rs 24,000. Hence the correct option is (A).

Quick Tip to Solve: For insufficient profit, use the ratio of interest entitlements, not the profit-sharing ratio.

16. Farid, Madhur and Tarush were partners in a firm, sharing profits and losses in the ratio of 5 : 3 : 2. The firm closes its books on 31st March every year. Tarush died on 30th November, 2025. As per the partnership deed, the executors of the deceased partner are entitled to his share of the profits till the date of death, calculated on the basis of last year's profit. Profit for the year ended 31st March, 2025 was Rs 3,60,000. Tarush's share of profit was : [1 mark]

(A) Rs 2,40,000

(B) Rs 24,000

(C) Rs 48,000

(D) Rs 72,000

Correct Answer: (C) Rs 48,000

Solution:

Concept:

- Time-based estimated profit equals the last annual profit multiplied by the elapsed fraction of the year.
- The deceased partner receives only his agreed fraction of that estimated profit.

Step 1: Find the period and estimated profit The accounting year starts on 1st April, 2025. From 1st April to 30th November is eight months. Therefore, estimated profit up to death is

$$\text{Rs } 3,60,000 \times \frac{8}{12} = \text{Rs } 2,40,000.$$

Step 2: Apply Tarush's share Tarush has $2/(5+3+2) = 2/10$ share. His entitlement is Rs $2,40,000 \times 2/10 = 48,000$. Option (A) is the entire firm's eight-month profit, (D) is his full-year share, and (B) corresponds to four months instead of eight.

Step 3: Conclusion Tarush's share is $\boxed{\text{Rs } 48,000}$. Hence the correct option is (C).

Quick Tip to Solve: Count eight months from April through November before applying Tarush's two-tenths share.

17. The Capital Accounts of Ishita and Preeti stood at Rs 6,00,000 and Rs 8,00,000 respectively, after the necessary adjustments in respect of drawings and net profits for the year ended 31st March, 2025. It was later discovered that interest on drawings @ 6% p.a. was not taken into account while calculating the net profit. The drawings of the partners had been : Ishita Rs 10,000 drawn at the end of each quarter and Preeti Rs 4,000 drawn at the end of each half year. The profits for the year ended 31st March, 2025 amounted to Rs 3,00,000. The profit sharing ratio of Ishita and Preeti was 2 : 1. Pass the necessary adjustment entry. Show your working clearly. [3 marks]

Solution:

Concept:

- Interest on drawings debits the drawing partner and increases profit available for appropriation.
- The compensating profit is credited in the profit-sharing ratio; only the net error is adjusted.

Step 1: Calculate interest on drawings Ishita withdraws Rs 10,000 at each quarter-end. The respective periods are 9, 6, 3 and 0 months, giving average time $(9+6+3+0)/4 = 4.5$ months. Thus her interest is

$$\text{Rs } 40,000 \times \frac{6}{100} \times \frac{4.5}{12} = \text{Rs } 900.$$

Preeti withdraws Rs 4,000 at each half-year-end; periods are 6 and 0 months, with average 3 months. Her interest is Rs $8,000 \times 6/100 \times 3/12 = 120$.

Step 2: Determine the net capital adjustment Total omitted interest is Rs $900 + 120 = 1,020$, which raises divisible profit by Rs 1,020. Ishita is entitled to an additional Rs $1,020 \times 2/3 = 680$, and Preeti to Rs $1,020 \times 1/3 = 340$. Ishita must therefore be debited Rs $900 - 680 = 220$; Preeti must be credited Rs $340 - 120 = 220$. Their given closing capitals already include the original profit and drawings, so these are not posted again.

Step 3: Pass the adjustment entry Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2025	Ishita's Capital A/c Dr.		220	
	To Preeti's Capital A/c			220
	(Being omitted interest on drawings and the resulting profit appropriation adjusted through capitals)			

Step 4: Conclusion Debit Ishita's Capital Account and credit Preeti's Capital Account by Rs 220 each.

Quick Tip to Solve: Calculate the interest debit and compensating profit credit separately before finding the net transfer.

18. Mitali, Reena and Ishaan were partners in a firm, sharing profits and losses in the ratio of 3 : 2 : 1. Reena died on 30th June, 2022. After all the necessary adjustments, her Capital Account showed a credit balance of Rs 3,82,000. Reena's executors were paid Rs 82,000 cash on 1st July, 2022 and the balance amount to be paid in three equal yearly instalments starting from 30th June, 2023 with interest @ 6% p.a. on the unpaid amount. The firm closes its books on 31st March every year.

Prepare Reena's Executor's Account till 31st March, 2024. [3 marks]

Solution:

Concept:

- The unpaid capital becomes a liability to the executor; interest is calculated on unpaid principal.
- Accrue interest at each 31st March and split the next annual interest between the periods before and after that date.

Step 1: Determine principal and interest periods After the immediate payment, unpaid principal is Rs $3,82,000 - 82,000 = 3,00,000$. Each of the three equal yearly principal instalments is Rs $3,00,000/3 = 1,00,000$. Interest for July 2022 to March 2023 is Rs $3,00,000 \times 6/100 \times 9/12 = 13,500$. Interest for April to June 2023 is Rs $3,00,000 \times 6/100 \times 3/12 = 4,500$. Thus the first payment is Rs $1,00,000 + 13,500 + 4,500 = 1,18,000$.

Step 2: Accrue interest after first instalment After the payment on 30th June, 2023, principal outstanding is Rs 2,00,000. Interest from July 2023 to March 2024 is Rs $2,00,000 \times 6/100 \times 9/12 =$

$9,000$. Therefore the liability on 31st March, 2024 is Rs $2,00,000 + 9,000 = 2,09,000$. Interest accrued at the previous year-end is paid with the first instalment; it is not treated as additional principal earning interest.

Step 3: Prepare the account Reena's Executor's Account

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
1-7-2022 To Bank A/c	82,000	30-6-2022 By Reena's Capital A/c	3,82,000
31-3-2023 To Balance c/d	3,13,500	31-3-2023 By Interest A/c	13,500
Total	3,95,500	Total	3,95,500
30-6-2023 To Bank A/c	1,18,000	1-4-2023 By Balance b/d	3,13,500
31-3-2024 To Balance c/d	2,09,000	30-6-2023 By Interest A/c	4,500
		31-3-2024 By Interest A/c	9,000
Total	3,27,000	Total	3,27,000

Step 4: Conclusion Reena's executor has a credit balance of Rs 2,09,000 on 31st March, 2024, comprising Rs 2,00,000 principal and Rs 9,000 accrued interest.

Quick Tip to Solve: Keep principal separate from accrued interest when calculating interest after the first instalment.

19(a). Mallika Ltd. took over assets of Rs 40,00,000 and liabilities of Rs 4,00,000 of Pari Ltd. for a purchase consideration of Rs 45,00,000. The payment of the purchase consideration was made by issue of 11% Debentures of Rs 100 each at a discount of 10% to Pari Ltd..

Pass the necessary journal entries for the above transactions in the books of Mallika Ltd.. [3 marks]

Solution:

Concept:

- Goodwill equals purchase consideration less net identifiable assets taken over.
- Debentures issued at a discount settle the vendor at their issue price; face value is credited to the debenture account.

Step 1: Compute goodwill and number of debentures Net assets acquired are Rs $40,00,000 - 4,00,000 = 36,00,000$. Since consideration is Rs 45,00,000, goodwill is Rs $45,00,000 - 36,00,000 = 9,00,000$. Each Rs 100 debenture is issued at Rs $100 - 10 = 90$. Number issued is $45,00,000/90 = 50,000$. Their aggregate face value is Rs 50,00,000, and the discount is Rs 5,00,000. The 11% rate describes future interest and does not change the purchase consideration.

Step 2: Record the transactions Journal of Mallika Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr.		45,00,000	
	To Pari Ltd.			45,00,000
	(Being purchase consideration payable for business acquired)			
	Sundry Assets A/c Dr.		40,00,000	
	Goodwill A/c Dr.		9,00,000	
	To Sundry Liabilities A/c			4,00,000
	To Business Purchase A/c			45,00,000
	(Being assets and liabilities acquired and goodwill recognised)			
	Pari Ltd. Dr.		45,00,000	
	Discount on Issue of Debentures A/c Dr.		5,00,000	
	To 11% Debentures A/c			50,00,000
	(Being 50,000 debentures of Rs 100 each issued at 10% discount to discharge purchase consideration)			

Step 3: Conclusion Goodwill is Rs 9,00,000; 50,000 debentures are issued, with total face value Rs 50,00,000 and discount Rs 5,00,000.

Quick Tip to Solve: Divide purchase consideration by Rs 90, the issue price, rather than by the Rs 100 face value.

OR

19(b). Utsav Ltd. issued Rs 50,00,000, 9% Debentures of Rs 100 each on 1st April, 2024 at a premium of 10%. Give necessary journal entries in the books of Utsav Ltd. relating to debenture interest for the year ending 31st March, 2025, assuming that the interest was paid half-yearly on 30th September and 31st March every year. [3 marks]

Solution:

Concept:

- Debenture interest is a charge against profit, calculated on nominal debenture value, irrespective of premium received on issue.
- Half-yearly interest equals nominal value multiplied by the annual rate and $6/12$. Interest becoming due is debited to Debenture Interest Account and credited to Debentureholders Account.

Step 1: Compute interest for each half-year The nominal debenture capital is Rs 50,00,000 and the annual coupon rate is 9 percent. The 10 percent issue premium is a capital receipt and does not increase the interest-bearing amount.

$$\text{Annual interest} = 50,00,000 \times \frac{9}{100} = \text{Rs } 4,50,000,$$

$$\text{Half-yearly interest} = 4,50,000 \times \frac{6}{12} = \text{Rs } 2,25,000.$$

Both payment dates terminate full six-month periods, so equal interest is due on each date.

Step 2: Record accrual, payment and annual transfer Journal of Utsav Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30-09-2024	Debenture Interest A/c Dr.		2,25,000	
	To Debentureholders A/c			2,25,000
	(Being interest due for the first half-year)			
30-09-2024	Debentureholders A/c Dr.		2,25,000	
	To Bank A/c			2,25,000
	(Being interest paid)			
31-03-2025	Debenture Interest A/c Dr.		2,25,000	
	To Debentureholders A/c			2,25,000
	(Being interest due for the second half-year)			
31-03-2025	Debentureholders A/c Dr.		2,25,000	
	To Bank A/c			2,25,000
	(Being interest paid)			
31-03-2025	Statement of Profit and Loss Dr.		4,50,000	
	To Debenture Interest A/c			4,50,000
	(Being annual interest transferred to profit and loss)			

Step 3: Conclusion Half-yearly interest is Rs 2,25,000; total annual interest is Rs 4,50,000.

Quick Tip to Solve: Apply the coupon rate to Rs 50,00,000 face value, excluding the issue premium from the interest calculation.

20(a). Vidur and Kavita were partners in a firm. Their capitals were Rs 5,00,000 and Rs 4,00,000 respectively. The business earned average profits of Rs 1,20,000 during the last few years. The normal rate of return in a similar business is 10%. Calculate the value of goodwill of the firm by capitalisation of super-profits method. [3 marks]

Solution:

Concept:

- Capital employed is the total capital invested by the partners in the business. Normal profit is the return expected on this capital at the normal rate of return.
- Super profit is the excess of average profit over normal profit. Goodwill under this method is Super profit $\times$ 100/Normal rate (percent).

Step 1: Calculate capital employed and normal profit The partners have invested Rs 5,00,000 and Rs 4,00,000 respectively. Their combined capital is therefore used to determine the normal earning capacity of the firm. No other adjustment to capital is given.

$$\text{Capital employed} = 5,00,000 + 4,00,000 = \text{Rs } 9,00,000,$$

$$\text{Normal profit} = 9,00,000 \times \frac{10}{100} = \text{Rs } 90,000.$$

Normal profit represents the annual return that this investment would earn in a similar business.

Step 2: Determine super profit The average annual profit actually earned is Rs 1,20,000. Deduct the normal annual return to isolate the extra earnings attributable to goodwill:

$$\text{Super profit} = 1,20,000 - 90,000 = \text{Rs } 30,000.$$

Only this excess is capitalised under the super-profits method; capitalising the entire average profit at this stage would measure the value of the whole business.

Step 3: Capitalise the super profit At a normal return of 10 percent, the capital required to generate the additional annual earnings of Rs 30,000 is

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

As a check, Rs 3,00,000 earning 10 percent produces Rs 30,000 a year, exactly the super profit calculated above.

Step 4: Conclusion The value of goodwill of Vidur and Kavita's firm is Rs 3,00,000.

Quick Tip to Solve: First subtract the normal return on both partners' capitals; capitalise only the remaining Rs 30,000.

OR

20(b). The books of partners Nitish and Anshul showed that their capital employed on 31st March, 2025 was Rs 5,00,000. The average profit of the last five years was Rs 60,000. The normal rate of return in a similar business is 10%. Calculate the value of goodwill of the firm on the basis of capitalisation of average profit method. [3 marks]

Solution:

Concept:

- The capitalisation of average profit method first determines the total value of the business from its maintainable average profit and the normal rate of return.
- Goodwill is the excess of capitalised business value over actual capital employed: Goodwill = Average profit $\times$ 100/Normal rate (percent) $-$ Capital employed.

Step 1: Identify the relevant figures The capital employed in the firm on 31st March, 2025 is Rs 5,00,000. The given average profit is Rs 60,000 per year and the normal rate of return in a similar business is 10 percent per annum. Since Rs 60,000 is already the average of the last five years, it is not divided by five again. No additional profit adjustments or capital adjustments are stated.

Step 2: Calculate capitalised value of the business The capitalised value is the amount of capital which, earning the normal rate, would produce the given average annual profit. Thus,

$$\text{Capitalised value} = 60,000 \times \frac{100}{10} = \text{Rs } 6,00,000.$$

This is the value of the business as a whole, including the actual capital employed and the value attributable to goodwill.

Step 3: Deduct actual capital employed The excess of the capitalised business value over the actual capital employed is goodwill:

$$\text{Goodwill} = 6,00,000 - 5,00,000 = \text{Rs } 1,00,000.$$

To verify, normal profit on actual capital is Rs 50,000, leaving super profit of Rs 10,000. Capitalising Rs 10,000 at 10 percent also gives Rs 1,00,000. This confirms the result using the equivalent super-profit approach.

Step 4: Conclusion The goodwill of Nitish and Anshul's firm is Rs 1,00,000.

Quick Tip to Solve: Capitalising Rs 60,000 gives total business value; subtract Rs 5,00,000 to obtain goodwill.

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

(i) Issued 4,000, 7% Debentures of Rs 100 each at a discount of 5%, redeemable at a premium of 10% after 6 years.

(ii) Issued 6,000, 9% Debentures of Rs 100 each at a premium of 10%, redeemable at a premium of 5% after 6 years. [4 marks]

Solution:

Concept:

- Debentures are credited at nominal value. Cash received equals nominal value adjusted for the issue discount or premium.
- Loss on Issue of Debentures includes discount on issue and premium payable on redemption. Securities Premium is credited separately for an issue above face value.

Step 1: (i) Calculate the issue loss The nominal value is $4,000 \times 100 = \text{Rs } 4,00,000$. The issue discount is $4,00,000 \times 5\% = \text{Rs } 20,000$, so bank receives Rs 3,80,000. Redemption premium is $4,00,000 \times 10\% = \text{Rs } 40,000$. Thus the total loss on issue is Rs 60,000. The 7% rate governs interest and does not change the proceeds from issue.

Step 2: (i) Record the issue in the journal of Grace Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,80,000	
	Loss on Issue of Debentures A/c Dr.		60,000	
	To 7% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 4,000 debentures issued at 5% discount, redeemable at 10% premium)			

Step 3: (ii) Calculate proceeds and the redemption obligation The face value is $6,000 \times 100 = \text{Rs } 6,00,000$. Issue premium is $6,00,000 \times 10\% = \text{Rs } 60,000$, giving bank proceeds of Rs 6,60,000. Redemption premium is $6,00,000 \times 5\% = \text{Rs } 30,000$. There is no issue discount, so the loss on issue is only Rs 30,000. The issue premium remains separately credited to Securities Premium.

Step 4: (ii) Record the issue in the journal of Grace Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,60,000	
	Loss on Issue of Debentures A/c Dr.		30,000	
	To 9% Debentures A/c			6,00,000
	To Securities Premium A/c			60,000
	To Premium on Redemption of Debentures A/c			30,000
	(Being 6,000 debentures issued at 10% premium, redeemable at 5% premium)			

Step 5: Conclusion Loss on issue is Rs 60,000 in case (i) and Rs 30,000 in case (ii); both journal entries balance. The six-year period specifies redemption timing; no redemption entry is required at issue.

Quick Tip to Solve: Compute issue discount and redemption premium separately before preparing the compound entry.

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

(i) Machinery of the book value of Rs 90,000 was sold for Rs 1,00,000 through a broker who charged 4% commission.

(ii) Stock was worth Rs 52,000 out of which stock worth Rs 42,000 was taken over by Sanya at Rs 45,000 and the balance of the stock was sold for Rs 11,000.

(iii) Debtors of Rs 23,000 were sold to a debt collection agency who charged commission of Rs 1,500.

(iv) Furniture of Rs 49,000 was accepted by Manya against settlement of her loan of Rs 55,000.

[4 marks]

Solution:

Concept:

- After assets and external liabilities are transferred, asset sale proceeds are credited to Realisation Account and realisation expenses are debited to it.
- An asset taken over by a partner is debited to the partner's Capital Account at the agreed amount. A partner's loan is settled through the Loan Account, separately from capital.

Step 1: (i) Sale of machinery and brokerage Commission is $1,00,000 \times 4\% = \text{Rs } 4,000$; net cash generated is Rs 96,000. The book value Rs 90,000 has already been transferred, so it is not recorded again.

Journal of Sanya and Manya

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Realisation A/c (Being machinery sold through broker)		1,00,000	 1,00,000
	Realisation A/c Dr. To Bank A/c (Being brokerage paid at 4% of sale proceeds)		4,000	 4,000

Step 2: (ii) Stock taken over and stock sold Sanya is charged the agreed takeover value Rs 45,000, rather than the stock's book value Rs 42,000. The remaining stock has book value $52,000 - 42,000 =$ Rs $10,000$, but the cash entry uses actual proceeds Rs 11,000.

Journal of Sanya and Manya

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sanya's Capital A/c Dr. To Realisation A/c (Being stock taken over by Sanya at agreed value)		45,000	 45,000
	Bank A/c Dr. To Realisation A/c (Being remaining stock sold)		11,000	 11,000

Step 3: (iii) Collection agency settlement The agency deducts commission of Rs 1,500 from debtors of Rs 23,000. Net amount received is $23,000 - 1,500 =$ Rs $21,500$. Both receipt and commission are shown in the compound entry.

Journal of Sanya and Manya

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Realisation A/c Dr. To Realisation A/c (Being debtors realised through agency, net of commission)		21,500 1,500	 23,000

Step 4: (iv) Furniture settles Manya's loan Manya accepts the furniture in full settlement of her Rs 55,000 loan. Hence the loan liability is extinguished for Rs 55,000 and Realisation Account receives the same credit. Furniture's Rs 49,000 book value has already been transferred to Realisation Account. No separate capital entry is needed.

Journal of Sanya and Manya

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Manya's Loan A/c Dr. To Realisation A/c (Being furniture accepted by Manya in full settlement of her loan)		55,000	 55,000

Step 5: Conclusion The entries record the actual proceeds, agreed takeover values, realisation expenses and full settlement of Manya's loan without repeating the initial transfers.

Quick Tip to Solve: Once assets are transferred, credit Realisation for actual proceeds or agreed settlement value, not book value.

23. Ganga Ltd. was registered with a capital of Rs 8,00,00,000 divided into 80,00,000 equity shares of Rs 10 each. On 1st April, 2025, the company offered to the public for subscription, 7,00,000 shares. Applications for 6,90,000 shares were received and allotment was made in full to all the applicants. A shareholder holding 20,000 shares failed to pay the second and final call of Rs 2 per share.

Answer the following questions on the basis of the above information : [6 marks]

23(i). The Issued Capital of Ganga Ltd. is : [1 mark]

(A) Rs 7,00,000

(B) Rs 8,00,00,000

(C) Rs 70,00,000

(D) Rs 80,00,000

Correct Answer: (C) Rs 70,00,000

Solution:

Concept:

- Issued capital is the face value of shares offered for subscription: number offered multiplied by face value.
- Authorised capital is the registered ceiling; subscribed capital depends on applications accepted.

Step 1: Identify shares issued Ganga Ltd. offered 7,00,000 equity shares of Rs 10 each. Therefore issued capital is $7,00,000 \times 10 =$ Rs $70,00,000$. Applications for only 6,90,000 shares affect subscribed capital, not the number offered.

Step 2: Check the alternatives Option (A) gives only the number of shares as an amount. Option (B), Rs 8,00,00,000, is authorised capital. Option (D), Rs 80,00,000, does not equal the face value of the shares offered. Option (C) alone matches the calculation.

Step 3: Conclusion Issued capital is Rs 70,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For issued capital, use shares offered to the public, regardless of how many applications arrive.

23(ii). The amount of calls in arrears is : [1 mark]

(A) Rs 40,000

(B) Rs 2,00,000

(C) Rs 1,60,000

(D) Nil

Correct Answer: (A) Rs 40,000

Solution:

Concept:

- Calls in arrears are called amounts that shareholders have failed to pay.
- The unpaid amount equals the number of defaulting shares multiplied by the unpaid call per share.

Step 1: Calculate the unpaid call The shareholder holds 20,000 shares and fails to pay Rs 2 per share

on the second and final call. Thus calls in arrears are $20,000 \times 2 =$ Rs $40,000$. The arrears relate only to these shares, not all subscribed shares.

Step 2: Check all options Option (B), Rs 2,00,000, is the nominal capital on the defaulting shares. Option (C), Rs 1,60,000, is the amount already received on them at Rs 8 each. Option (D), Nil, contradicts the stated default. Option (A) gives the actual unpaid call.

Step 3: Conclusion Calls in arrears are Rs 40,000. Hence, the correct option is (A).

Quick Tip to Solve: Multiply only defaulting shares by the unpaid call; do not use their full face value.

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

(A) Rs 68,60,000

(B) Rs 70,00,000

(C) Rs 67,00,000

(D) Rs 69,00,000

Correct Answer: (C) Rs 67,00,000

Solution:

Concept:

- Subscribed and fully paid capital includes only shares on which the entire face value has been received.
- Shares with any unpaid called amount form the separate subscribed but not fully paid category.

Step 1: Find the fully paid shares Allotment was made for 6,90,000 shares. Of these, 20,000 shares have the final call unpaid. Hence fully paid shares number $6,90,000 - 20,000 = 6,70,000$. At Rs 10 per share their capital is $6,70,000 \times 10 =$ Rs $67,00,000$.

Step 2: Distinguish the alternatives Rs 68,60,000 in (A) includes cash received on partly paid shares as well. Rs 70,00,000 in (B) is issued capital. Rs 69,00,000 in (D) is total subscribed nominal capital, including the defaulting shares. Only (C) is restricted to fully paid shares.

Step 3: Conclusion Subscribed and fully paid up capital is Rs 67,00,000. Hence, the correct option is (C).

Quick Tip to Solve: First exclude shares with arrears, then multiply the remaining shares by the full face value.

23(iv). 'Subscribed but not fully paid up capital' of Ganga Ltd. is : [1 mark]

(A) Rs 69,00,000

(B) Rs 40,000

(C) Rs 2,00,000

(D) Rs 1,60,000

Correct Answer: (D) Rs 1,60,000

Solution:

Concept:

- Subscribed but not fully paid-up capital is the amount actually received on subscribed shares whose called-up amount has not been fully paid.
- Calls in arrears are deducted from the called-up amount of those shares.

Step 1: Identify the partly paid shares Only the defaulting shareholder's 20,000 shares are not fully paid. Their face value is Rs 10 each and Rs 2 per share remains unpaid, so Rs 8 per share has been received.

Step 2: Calculate the amount

$$20,000 \times (10 - 2) = \text{Rs } 1,60,000.$$

Rs 69,00,000 is the total subscribed nominal capital; Rs 40,000 is calls in arrears; Rs 2,00,000 is the nominal value of the partly paid shares. None represents the amount paid on these shares.

Step 3: Conclusion Subscribed but not fully paid-up capital is Rs 1,60,000. Hence, the correct option is (D).

Quick Tip to Solve: For partly paid shares, multiply their number by the amount received per share, after deducting unpaid calls.

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

(A) Rs 67,00,000

(B) Rs 70,00,000

(C) Rs 68,60,000

(D) Rs 69,00,000

Correct Answer: (C) Rs 68,60,000

Solution:

Concept:

- Share capital in the Balance Sheet is subscribed called-up capital less calls in arrears.
- Fully paid and partly paid subscribed capital together give paid-up share capital.

Step 1: Calculate subscribed called-up capital All 6,90,000 allotted shares have a face value of Rs 10, and the final call has been made. Therefore subscribed called-up capital is $6,90,000 \times 10 =$

Rs $69,00,000$.

Step 2: Deduct the unpaid call Calls in arrears are $20,000 \times 2 =$ Rs $40,000$. Hence the Balance Sheet amount is $69,00,000 - 40,000 =$ Rs $68,60,000$. Rs 67,00,000 includes only fully paid shares; Rs 70,00,000 is issued capital; Rs 69,00,000 ignores unpaid calls.

Step 3: Conclusion Share Capital will be presented at Rs 68,60,000. Hence, the correct option is (C).

Quick Tip to Solve: Deduct calls in arrears from subscribed called-up capital, rather than from the authorised or issued capital.

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

(A) Rs 1,60,000

(B) Rs 40,000

(C) Rs 2,00,000

(D) Rs 20,000

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

Solution:

Concept:

- On forfeiture, Share Forfeiture Account is credited with the capital amount already received on the forfeited shares.
- Unpaid calls are excluded from the forfeiture credit; securities premium, if any, is treated separately.

Step 1: Find the capital received per share The defaulting shareholder holds 20,000 shares of Rs 10 each and has not paid only the second and final call of Rs 2. Thus the capital received is $10 - 2 =$ Rs 8 per share.

Step 2: Determine the forfeiture credit

$$\text{Share Forfeiture} = 20,000 \times 8 = \text{Rs } 1,60,000.$$

Rs 40,000 is the unpaid call, Rs 2,00,000 is the face value of the forfeited shares, and Rs 20,000 has no basis in the stated amounts. The retained receipt is shown in the Notes to Accounts.

Step 3: Conclusion Share Forfeiture Account will be shown at Rs 1,60,000. Hence, the correct option is (A).

Quick Tip to Solve: Forfeiture retains the capital actually received on the defaulted shares; do not credit the unpaid call.

24(a). Alpha Ltd. invited applications for issuing 90,000 equity shares of Rs 100 each at a premium of 10%. The amount was payable as follows :

On Application - Rs 20 per share

On Allotment - Rs 30 per share

On First and Final Call - Balance (including premium)

Applications for 1,20,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received on application was adjusted towards the amount due on allotment. Anant, who had applied for 1,100 shares failed to pay the allotment and the first and final call money. Mehak, to whom 900 shares were allotted failed to pay the first and final call. Anant's shares were forfeited.

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

Solution:

Concept:

- Pro-rata allotment ratio is shares allotted to accepted applications. Excess application money reduces allotment payable.
- Calls in arrears record unpaid allotment and calls. On forfeiture, debit called-up capital and unpaid premium; credit arrears and capital received.

Step 1: Calculate allotment and arrears Accepted applications are $1,20,000 - 10,000 = 1,10,000$; allotment ratio is $90,000 : 1,10,000 = 9 : 11$. Anant receives $1,100 \times 9/11 = 900$ shares. His excess application is $1,100 \times 20 - 900 \times 20 =$ Rs $4,000$, so unpaid allotment is $900 \times 30 - 4,000 =$ Rs $23,000$. Final call is $110 - 20 - 30 =$ Rs 60, including Rs 10 premium. Each defaulter owes Rs 54,000 on this call. Total application excess adjusted is $1,10,000 \times 20 - 90,000 \times 20 =$ Rs $4,00,000$.

Step 2: Record application and allotment Journal of Alpha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		24,00,000	
	To Share Application A/c			24,00,000
	(Being application money received on 1,20,000 shares)			
	Share Application A/c Dr.		24,00,000	
	To Share Capital A/c			18,00,000
	To Share Allotment A/c			4,00,000
	To Bank A/c			2,00,000
	(Being applications allocated, excess adjusted and rejection refunded)			
	Share Allotment A/c Dr.		27,00,000	
	To Share Capital A/c			27,00,000
	(Being allotment due on 90,000 shares at Rs 30 each)			
	Bank A/c Dr.		22,77,000	
	Calls in Arrears A/c Dr.		23,000	
	To Share Allotment A/c			23,00,000
	(Being allotment received except Anant, after application adjustment)			

Step 3: Record final call and forfeiture Journal of Alpha Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		54,00,000	
	To Share Capital A/c			45,00,000
	To Securities Premium A/c			9,00,000
	(Being final call of Rs 60 due, including Rs 10 premium)			
	Bank A/c Dr.		52,92,000	
	Calls in Arrears A/c Dr.		1,08,000	
	To Share First and Final Call A/c			54,00,000
	(Being call received except on 900 shares each of Anant and Mehak)			
	Share Capital A/c Dr.		90,000	
	Securities Premium A/c Dr.		9,000	
	To Calls in Arrears A/c			77,000
	To Share Forfeiture A/c			22,000
	(Being Anant's 900 shares forfeited for non-payment)			

Step 4: Explain forfeiture and remaining arrears Anant has paid Rs 22,000 in total, all towards capital because premium is due only with the final call. His capital called up is $900 \times 100 = \text{Rs } 90,000$, and unpaid premium is Rs 9,000. His total arrears are $23,000 + 54,000 = \text{Rs } 77,000$. Thus the forfeiture entry balances at Rs 99,000 on each side. After removal of Anant's arrears, Mehak's Rs 54,000 remains outstanding. Her shares have not been forfeited.

Step 5: Conclusion The above journal entries record all transactions. Share Forfeiture is credited with Rs 22,000 and remaining Calls in Arrears are Rs 54,000.

Quick Tip to Solve: Include premium in the final call here; reverse only Anant's unpaid premium when forfeiting his shares.

OR

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

(i) Dharma Ltd. forfeited 600 shares of Rs 100 each, Rs 80 per share called up, issued at 10% premium (to be paid at the time of allotment) for non-payment of first call of Rs 20 per share. Out of these, 300 shares were reissued as Rs 80 paid up for Rs 60 per share.

(ii) Vikram Ltd. forfeited 1,000 shares of Rs 10 each issued at a premium of Rs 2 per share for non-payment of allotment money of Rs 4 per share (including premium) and first call of Rs 3 per share. The second and final call of Rs 1 per share was not made. The forfeited shares were reissued at Rs 7 per share fully paid up. [6 marks]

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up capital. Unpaid calls are credited and the capital money already received is credited to Share Forfeiture.
- Unreceived securities premium is cancelled by debiting Securities Premium. Premium already

received remains unchanged.

- On reissue, discount is debited to Share Forfeiture. Only the surplus relating to shares actually reissued is transferred to Capital Reserve.

Step 1: (i) Dharma Ltd.: calculate capital received and reissue surplus Called-up capital is $600 \times 80 =$ Rs $48,000$; unpaid first call is $600 \times 20 =$ Rs $12,000$. Therefore, capital received and forfeited is $48,000 - 12,000 =$ Rs $36,000$. The premium due on allotment had already been received, since only the first call is unpaid. It must not be reversed.

Only 300 shares are reissued: bank receives $300 \times 60 =$ Rs $18,000$, while capital credited is $300 \times 80 =$ Rs $24,000$. Discount on reissue is Rs 6,000. Forfeiture attributable to these shares is $36,000 \times 300/600 =$ Rs $18,000$, giving capital profit of Rs 12,000. The remaining Rs 18,000 forfeiture balance belongs to the 300 shares still unreissued.

Step 2: (i) Journal entries in the books of Dharma Ltd. Journal of Dharma Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (Being 600 shares forfeited for unpaid first call)		48,000	 12,000 36,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 300 shares reissued as Rs 80 paid up at Rs 60 each)		18,000 6,000	 24,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on 300 reissued shares transferred)		12,000	 12,000

Step 3: (ii) Vikram Ltd.: distinguish unpaid premium from capital The second and final call of Rs 1 was not made. Hence called-up capital is $1,000 \times (10 - 1) =$ Rs $9,000$. Unpaid allotment is Rs 4,000, of which Rs 2,000 is premium and Rs 2,000 is capital. Unpaid first call is Rs 3,000. Capital actually received is therefore $9,000 - 2,000 - 3,000 =$ Rs $4,000$. The unpaid premium of Rs 2,000 must be cancelled.

All 1,000 shares are reissued fully paid at Rs 7. Thus bank receives Rs 7,000 and Share Capital is credited with Rs 10,000. The Rs 3,000 discount is within the Rs 4,000 forfeited capital available. Capital Reserve receives the remaining Rs 1,000. No entry for making the uncalled final call is required before forfeiture.

Step 4: (ii) Journal entries in the books of Vikram Ltd. Journal of Vikram Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		9,000	
	Securities Premium A/c Dr.		2,000	
	To Share Allotment A/c			4,000
	To Share First Call A/c			3,000
	To Share Forfeiture A/c			4,000
	(Being 1,000 shares forfeited for unpaid allotment and first call)			
	Bank A/c Dr.		7,000	
	Share Forfeiture A/c Dr.		3,000	
	To Share Capital A/c			10,000
	(Being 1,000 shares reissued at Rs 7 each fully paid)			
	Share Forfeiture A/c Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Being surplus on reissue transferred to capital reserve)			

Step 5: Conclusion Dharma Ltd. transfers Rs 12,000 to Capital Reserve and retains Rs 18,000 in Share Forfeiture for unreissued shares. Vikram Ltd. transfers Rs 1,000 to Capital Reserve.

Quick Tip to Solve: On forfeiture separate premium from capital; on reissue transfer only the forfeiture surplus of the shares actually reissued.

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

Balance Sheet of Rajat and Vidhi as at 31st March, 2025

Liabilities	Rs	Assets	Rs
Capital: Rajat	5,00,000	Plant and Machinery	5,70,000
Capital: Vidhi	4,00,000	Furniture	3,30,000
General Reserve	50,000	Debtors: 80,000	
Bank Loan	70,000	Less: Provision 1,000	79,000
Creditors	36,000	Stock	49,000
		Cash	28,000
Total	10,56,000	Total	10,56,000

Nitin was admitted as a partner into the firm on 1st April, 2025 on the following terms :

(i) Nitin brought Rs 3,20,000 as his capital and Rs 1,00,000 as his share of goodwill premium, for 1/4th share in the profits of the firm. Rajat and Vidhi withdrew 50% of their share of goodwill.

(ii) Plant and Machinery was revalued at Rs 6,27,000.

(iii) Furniture was found overvalued by 10%.

(iv) A provision for doubtful debts was created @ 5% on debtors.

(v) Creditors were valued at Rs 40,000, as one bill for goods purchased was omitted from the books.

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

Solution:

Concept:

- Profit or loss on revaluation and existing general reserve belong to the old partners in their old ratio, here $3 : 2$.
- Goodwill premium brought by the new partner is credited to sacrificing partners in their sacrificing ratio. With no other change specified, the old partners sacrifice in their old ratio.
- Under fluctuating capitals, reserve, goodwill and revaluation profit increase capitals, while goodwill withdrawals reduce them.

Step 1: Calculate revaluation adjustments Plant and Machinery appreciates by $6,27,000 - 5,70,000 =$ Rs $57,000$. Furniture is reduced by $3,30,000 \times 10\% =$ Rs $33,000$. Required provision for doubtful debts is $80,000 \times 5\% =$ Rs $4,000$. Since Rs 1,000 already exists, only the increase of Rs 3,000 is charged to Revaluation Account. Creditors increase by $40,000 - 36,000 =$ Rs $4,000$, which is a revaluation loss.

Thus revaluation profit is $57,000 - 33,000 - 3,000 - 4,000 =$ Rs $17,000$. Rajat receives $17,000 \times 3/5 =$ Rs $10,200$ and Vidhi receives $17,000 \times 2/5 =$ Rs $6,800$. Nitin receives no share of this profit because it arose before his admission.

Step 2: Prepare Revaluation Account Revaluation Account as at 1st April, 2025

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Furniture A/c	33,000	By Plant and Machinery A/c	57,000	
	To Provision for Doubtful Debts A/c	3,000			
	To Creditors A/c	4,000			
	To Rajat's Capital A/c	10,200			
	To Vidhi's Capital A/c	6,800			
	Total	57,000	Total	57,000	

Step 3: Distribute reserve and goodwill premium and calculate withdrawals General Reserve of Rs 50,000 is distributed as Rs 30,000 to Rajat and Rs 20,000 to Vidhi. Nitin brings Rs 3,20,000 capital and Rs 1,00,000 goodwill premium in cash. His one-fourth share leaves three-fourths for the old partners. Their new shares are $(3/5)(3/4) = 9/20$ and $(2/5)(3/4) = 6/20$, so their sacrifices are $3/20$ and $2/20$, in the ratio $3 : 2$.

Accordingly goodwill premium is credited Rs 60,000 to Rajat and Rs 40,000 to Vidhi. They withdraw 50% of these amounts, namely Rs 30,000 and Rs 20,000 respectively. The remaining half stays within their capitals; no goodwill asset is created in the books.

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

Dr.	Particulars	Rajat Rs	Vidhi Rs	Nitin Rs	Particulars	Rajat Rs	Vidhi Rs	Nitin Rs	Cr.
	To Cash A/c	30,000	20,000	–	By Balance b/d	5,00,000	4,00,000	–	
	To Balance c/d	6,30,200	4,86,800	3,20,000	By General Reserve	30,000	20,000	–	
					By Revaluation A/c	10,200	6,800	–	
					By Premium for Goodwill	60,000	40,000	–	
					By Cash A/c	–	–	3,20,000	
	Total	6,60,200	5,06,800	3,20,000	Total	6,60,200	5,06,800	3,20,000	

Rajat's closing capital is $5,00,000 + 30,000 + 10,200 + 60,000 - 30,000 =$ Rs $6,30,200$. Vidhi's closing capital is $4,00,000 + 20,000 + 6,800 + 40,000 - 20,000 =$ Rs $4,86,800$. Nitin's capital remains Rs 3,20,000. Each capital account balances independently.

Step 5: Conclusion Revaluation profit is Rs 17,000. Closing capitals: Rajat Rs 6,30,200, Vidhi Rs 4,86,800 and Nitin Rs 3,20,000.

Quick Tip to Solve: Charge only the increase in doubtful-debt provision, then credit goodwill in the sacrificing ratio before recording the half withdrawal.

OR

25(b). Abha, Binita and Rita were partners in a firm, sharing profits and losses in the ratio of 3 : 3 : 4. Their Balance Sheet as at 31st March, 2025 was as follows :

Balance Sheet of Abha, Binita and Rita as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Land and Building	7,50,000
Abha	5,00,000	Plant and Machinery	3,50,000
Binita	4,00,000	Stock	1,64,000
Rita	3,00,000	Debtors	90,000
General Reserve	1,00,000	Less: Provision for Doubtful Debts	(2,000)
Outstanding Expenses	80,000	Net Debtors	88,000
Creditors	20,000	Cash	48,000
Total	14,00,000	Total	14,00,000

Rita retired on the above date and the following adjustments were agreed upon :

(i) Goodwill of the firm was valued at Rs 2,00,000.

(ii) Valued of stock was reduced by Rs 10,000.

(iii) Provision for doubtful debts was created @ 5% on debtors.

(iv) Provision for legal charges was made at Rs 7,500.

(v) Capital of the new firm was fixed at Rs 10,00,000. The continuing partners decided to keep their capitals in the new profit sharing ratio. For this, necessary cash was paid off or brought in, as the case may be.

(vi) Balance in Rita's capital account was transferred to her loan account.

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

Solution:

Concept:

- Revaluation losses and accumulated reserves belong to all partners in their old ratio $3:3:4$. Only the increase over an existing provision is charged to revaluation.
- In the absence of a different agreement, Abha and Binita retain their relative shares, giving the new ratio $1:1$; their gaining ratio is also $1:1$.
- The retiring partner receives her share of goodwill through the gaining partners' capital accounts. Cash then adjusts continuing capitals to the agreed total.

Step 1: Compute revaluation loss and prepare the account Required doubtful debts provision $= 90,000 \times 5\% =$ Rs $4,500$. The existing provision is Rs 2,000, so the additional charge is Rs 2,500. Total loss is $10,000 + 2,500 + 7,500 =$ Rs $20,000$, shared as Rs 6,000, Rs 6,000 and Rs 8,000.

Revaluation Account

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Stock	10,000	By Abha's Capital	6,000
To Provision for Doubtful Debts	2,500	By Binita's Capital	6,000
To Provision for Legal Charges	7,500	By Rita's Capital	8,000
Total	20,000	Total	20,000

Step 2: Calculate goodwill, reserves and cash adjustments General reserve of Rs 1,00,000 is credited in the old ratio: Abha Rs 30,000, Binita Rs 30,000 and Rita Rs 40,000. Rita's goodwill share is $2,00,000 \times 4/10 =$ Rs $80,000$. Abha and Binita each bear Rs 40,000 in their equal gaining ratio.

$$\text{Abha's adjusted capital} = 5,00,000 + 30,000 - 6,000 - 40,000 = 4,84,000,$$
$$\text{Binita's adjusted capital} = 4,00,000 + 30,000 - 6,000 - 40,000 = 3,84,000,$$
$$\text{Rita's amount due} = 3,00,000 + 40,000 - 8,000 + 80,000 = 4,12,000.$$

The new total capital of Rs 10,00,000 is shared equally, so each continuing partner needs Rs 5,00,000. Abha brings Rs 16,000 and Binita brings Rs 1,16,000. Rita's entire amount due is transferred to her loan account, with no cash payment to her.

Step 3: Prepare the partners capital accounts Partners' Capital Accounts

Dr. Particulars	Abha Rs	Binita Rs	Rita Rs	Cr. Particulars	Abha Rs	Binita Rs	Rita Rs
To Revaluation	6,000	6,000	8,000	By Balance b/d	5,00,000	4,00,000	3,00,000
To Rita's Capital	40,000	40,000	–	By General Reserve	30,000	30,000	40,000
To Rita's Loan	–	–	4,12,000	By Abha's Capital	–	–	40,000
To Balance c/d	5,00,000	5,00,000	–	By Binita's Capital	–	–	40,000
				By Cash	16,000	1,16,000	–
Total	5,46,000	5,46,000	4,20,000	Total	5,46,000	5,46,000	4,20,000

Step 4: Conclusion Revaluation loss is Rs 20,000. Rita's loan is Rs 4,12,000. Abha and Binita bring Rs 16,000 and Rs 1,16,000 respectively, leaving capital of Rs 5,00,000 each.

Quick Tip to Solve: Deduct only the additional doubtful debts provision, then adjust goodwill before finding cash contributions.

26. Dhruv, Ravi and Saurabh were partners in a firm, sharing profits and losses in the ratio of 2 : 3 : 3. With effect from 1st April, 2025, they decided to share future profits and losses in the ratio of 3 : 3 : 2. Their Balance Sheet as at 31st March, 2025 was as follows :

Balance Sheet of Dhruv, Ravi and Saurabh as at 31st March, 2025

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	3,00,000	Cash at Bank	60,000
Bank Loan	1,40,000	Sundry Debtors	1,20,000
General Reserve	1,60,000	Stock	1,40,000
Capitals:		Plant and Machinery	2,20,000
Dhruv	2,00,000	Land and Building	5,60,000
Ravi	1,60,000		
Saurabh	1,40,000		
Total	11,00,000	Total	11,00,000

The following terms were agreed upon :

(i) The value of stock be reduced to Rs 1,30,000.

(ii) Land and Building were found undervalued by Rs 96,000.

(iii) A provision of 5% on sundry debtors was to be made for doubtful debts.

(iv) The goodwill of the firm was valued at two years purchase of average net profits of last four years. The profits of last four years were Rs 46,000, Rs 35,000, Rs 39,000 and Rs 40,000, respectively.

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

Solution:

Concept:

- On a change in profit sharing ratio, revaluation profit and accumulated reserves are transferred to partners in the old ratio $2:3:3$.
- For goodwill adjustment, a gaining partner compensates a sacrificing partner: gain equals new share minus old share.
- Goodwill equals average maintainable profit multiplied by years of purchase; it need not be raised as an asset when adjusted through capital accounts.

Step 1: Work out goodwill and the sacrificing partner Average profit $= (46,000 + 35,000 + 39,000 + 40,000)/4 =$ Rs $40,000$. Therefore goodwill is $40,000 \times 2 =$ Rs $80,000$.

$$\text{Dhruv's gain} = 3/8 - 2/8 = 1/8,$$
$$\text{Ravi's change} = 3/8 - 3/8 = 0,$$
$$\text{Saurabh's sacrifice} = 3/8 - 2/8 = 1/8.$$

Dhruv compensates Saurabh by $80,000 \times 1/8 =$ Rs $10,000$. Ravi neither gains nor sacrifices, so no goodwill adjustment is made to his capital.

Step 2: Calculate revaluation and reserve distribution Stock decreases by $1,40,000 - 1,30,000 =$ Rs $10,000$. Provision for doubtful debts is $1,20,000 \times 5\% =$ Rs $6,000$. Land and Building increases by Rs 96,000. Hence revaluation profit is $96,000 - 10,000 - 6,000 =$ Rs $80,000$, credited to Dhruv, Ravi

and Saurabh in the old ratio as Rs 20,000, Rs 30,000 and Rs 30,000 respectively. General reserve of Rs 1,60,000 is similarly distributed as Rs 40,000, Rs 60,000 and Rs 60,000. These amounts arose before the change and therefore must not be allocated in the new ratio.

Step 3: Record revaluation entries Journal of the Firm (1st April, 2025)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr. To Stock A/c (Being stock reduced to Rs 1,30,000)		10,000	 10,000
	Land and Building A/c Dr. To Revaluation A/c (Being undervaluation of property corrected)		96,000	 96,000
	Revaluation A/c Dr. To Provision for Doubtful Debts A/c (Being provision created at 5% of debtors)		6,000	 6,000
	Revaluation A/c Dr. To Dhruv's Capital A/c To Ravi's Capital A/c To Saurabh's Capital A/c (Being revaluation profit distributed in the old ratio 2:3:3)		80,000	 20,000 30,000 30,000

Step 4: Record reserve and goodwill entries Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr. To Dhruv's Capital A/c To Ravi's Capital A/c To Saurabh's Capital A/c (Being accumulated reserve distributed in the old ratio 2:3:3)		1,60,000	 40,000 60,000 60,000
	Dhruv's Capital A/c Dr. To Saurabh's Capital A/c (Being goodwill adjusted for Dhruv's gain and Saurabh's sacrifice)		10,000	 10,000

The revaluation entries debit and credit Rs 1,92,000 each; the reserve and goodwill entries add Rs 1,70,000 to each side, confirming total journal debits and credits of Rs 3,62,000.

Step 5: Conclusion Goodwill is Rs 80,000; Dhruv compensates Saurabh by Rs 10,000. Revaluation profit of Rs 80,000 and general reserve of Rs 1,60,000 are distributed in the old ratio 2:3:3.

Quick Tip to Solve: Find each partner's change in share separately: Ravi's unchanged share means no goodwill compensation.

Part B (20 marks)

Option I
(Analysis of Financial Statements)

27. Statement I : Separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of funds (both capital and borrowings) to the enterprise.

Statement II : Financing transactions that do not require the use of cash or cash equivalents should be included in a cash flow statement.

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

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

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

Solution:

Concept:

- Financing activities change the size or composition of owners' capital and borrowings. Their separate disclosure helps assess future claims by providers of funds.
- A cash flow statement records movements of cash and cash equivalents; non-cash investing and financing transactions are excluded from its cash flows.

Step 1: Evaluate Statement I Statement I is true. Borrowings and equity financing create claims such as repayment of loans and returns to investors. Separately reporting financing cash flows therefore helps users predict the future cash requirements associated with these sources of funds.

Step 2: Evaluate Statement II and the options Statement II is false. A transaction such as issuing shares to acquire an asset does not move cash or cash equivalents and is excluded from the cash flow statement, though disclosed elsewhere in the financial statements. Option (B) reverses the correct truth values; (C) incorrectly accepts Statement II, and (D) incorrectly rejects Statement I.

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

Quick Tip to Solve: Check whether cash actually moves before classifying a financing transaction as a cash flow.

28. The Quick Ratio of Seerat Ltd. is 2 : 1. Which of the following transactions will reduce the quick ratio ? [1 mark]

(A) Payment of Outstanding Salaries

(B) Purchase of Goods for Cash

(C) Sale of Goods (at a loss) for Cash

(D) Cash Received from Trade Receivables

Correct Answer: (B) Purchase of Goods for Cash

Solution:

Concept:

- Quick ratio $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$. Inventory is excluded from quick assets, while cash and trade receivables are included.
- When the initial ratio is $2:1$, a fall in quick assets with unchanged current liabilities reduces the ratio.

Step 1: Identify the reducing transaction Purchase of goods for cash converts cash, a quick asset, into inventory, which is not a quick asset. Current liabilities remain unchanged. If initially quick assets are Rs 200 and current liabilities Rs 100, a cash purchase of Rs 20 changes the ratio from $200/100 = 2$ to $180/100 = 1.8$.

Step 2: Test the other transactions Payment of outstanding salaries reduces quick assets and current liabilities equally. For a payment x, $(200 - x)/(100 - x) > 2$ for $0 < x < 100$, so the ratio rises. Sale of goods for cash increases cash without changing current liabilities; even a sale at a loss raises quick assets because the inventory sold was already excluded. Cash received from trade receivables merely exchanges one quick asset for another, leaving the ratio unchanged.

Step 3: Conclusion Purchase of goods for cash reduces the quick ratio. Hence, the correct option is (B).

Quick Tip to Solve: Exclude inventory: cash paid for stock lowers quick assets without lowering current liabilities.

29(a). The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is : [1 mark]

(A) Ratio Analysis

(B) Cash Flow Analysis

(C) Common Size Statement

(D) Comparative Statement

Correct Answer: (D) Comparative Statement

Solution:

Concept:

- Comparative statements place figures for two or more periods side by side and show absolute and percentage changes.

- Horizontal analysis identifies the direction of change in financial position and operating performance over time.

Step 1: Identify the required feature The question asks for the tool that reveals a trend and its direction. Comparing successive periods shows whether sales, profits, assets or liabilities have increased or decreased.

Step 2: Check the alternatives Ratio analysis studies relationships between items. Cash flow analysis explains movements in cash. A common size statement expresses each item as a percentage of a common base. Comparative statements directly display period-to-period changes and therefore satisfy the stated purpose.

Step 3: Conclusion The correct option is (D): Comparative Statement.

Quick Tip to Solve: For trend and direction across years, look for side-by-side comparative figures.

OR

29(b). The statement which expresses all items of a financial statement as a percentage of some common base is : [1 mark]

(A) Statement of Profit and Loss

(B) Position Statement

(C) Common Size Statement

(D) Comparative Statement

Correct Answer: (C) Common Size Statement

Solution:

Concept:

- A common size statement expresses each item as a percentage of a common base within the same financial statement.
- For a common size balance sheet, total assets or total equity and liabilities is the base; for profit and loss, revenue from operations is the base.

Step 1: Recognise percentage analysis The percentage for each item is calculated as

$$\frac{\text{Item amount}}{\text{Common base}} \times 100$$

. Expressing all items this way makes the composition of the statement comparable across periods or firms.

Step 2: Eliminate the other statements A Statement of Profit and Loss and a Position Statement report financial amounts without necessarily converting them into percentages. A comparative statement primarily shows changes between periods. The explicit use of one common percentage base identifies a common size statement.

Step 3: Conclusion The correct option is (C): Common Size Statement.

Quick Tip to Solve: The words "percentage of a common base" directly identify a common size statement.

30(a). Which of the following is a financing activity for the purpose of preparing a cash flow statement ? [1 mark]

(A) Cash purchases

(B) Receipt of rent

(C) Interest paid on long-term borrowings

(D) Income tax paid

Correct Answer: (C) Interest paid on long-term borrowings

Solution:

Concept:

- Financing activities change the size or composition of owners' capital and borrowings.
- For a non-financial enterprise, interest paid on borrowings is classified as a financing cash outflow.

Step 1: Identify the cost of finance Interest paid on long-term borrowings is the cash cost of funds obtained from lenders. Under the usual CBSE classification for a non-financial enterprise, this payment belongs to financing activities.

Step 2: Check all other options Cash purchases of goods relate to normal operations. Receipt of rent is generally an investing inflow for a non-financial enterprise. Income tax paid is normally an operating outflow unless specifically identifiable with an investing or financing transaction. None of these is the financing payment listed here.

Step 3: Conclusion The correct option is (C): Interest paid on long-term borrowings.

Quick Tip to Solve: Link interest on long-term loans to the cost of raising finance, hence financing outflow.

OR

30(b). Which of the following transactions will result in the cash flows from operating activities ? [1 mark]

(A) Interim dividend paid on equity shares

(B) Employee benefit expenses paid

(C) Proceeds from sale of patents

(D) Redemption of preference shares

Correct Answer: (B) Employee benefit expenses paid

Solution:

Concept:

- Operating activities are the principal revenue-producing activities and related day-to-day business cash flows.
- Cash paid to employees for their services is an operating cash outflow.

Step 1: Identify the business expense payment Employee benefit expenses paid represent cash paid for services used in running the business. Such payments arise from ordinary operations and are

included in cash flows from operating activities.

Step 2: Classify the remaining transactions Interim dividend paid on equity shares is a financing outflow. Sale proceeds of patents are an investing inflow because patents are long-term intangible assets. Redemption of preference shares is a financing outflow because it repays share capital. Thus only the employee expense payment is operational.

Step 3: Conclusion The correct option is (B): Employee benefit expenses paid.

Quick Tip to Solve: Classify payments to employees as operating; dividends and repayment of capital are financing.

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31. From the following Statement of Profit and Loss of Horizon Ltd., for the year ended 31st March, 2025, prepare a Common Size Statement of Profit and Loss :

Particulars	Note No.	2024 - 25	2023 - 24
Revenue from operations		Rs 20,00,000	Rs 10,00,000
Cost of materials consumed		Rs 10,00,000	Rs 5,00,000
Employee benefit expenses		Rs 5,00,000	Rs 2,50,000
Income Tax Rate		40%	30%

[3 marks]

Solution:

Concept:

- Each item is expressed as a percentage of revenue from operations for the respective year: Common size percentage $= \frac{\text{Item}}{\text{Revenue from operations}} \times 100$.
- Profit before tax equals revenue less the stated expenses; tax is calculated on profit before tax, and profit after tax is the remainder.

Step 1: Calculate profit and tax for each year For 2024–25, total expenses are Rs 10,00,000 + Rs 5,00,000 = Rs 15,00,000. Profit before tax is Rs 20,00,000 - Rs 15,00,000 = Rs 5,00,000. Tax is $40\% \times 5,00,000 = \text{Rs } 2,00,000$, leaving profit after tax of Rs 3,00,000.

For 2023–24, expenses are Rs 5,00,000 + Rs 2,50,000 = Rs 7,50,000. Profit before tax is Rs 10,00,000 - Rs 7,50,000 = Rs 2,50,000. Tax is $30\% \times 2,50,000 = \text{Rs } 75,000$, leaving profit after tax of Rs 1,75,000.

Step 2: Prepare the common size statement Horizon Ltd.: Common Size Statement of Profit and Loss for the year ended 31st March, 2025

Particulars	2024–25 Rs	2023–24 Rs	2024–25 %	2023–24 %
Revenue from operations	20,00,000	10,00,000	100	100
Expenses:				
Cost of materials consumed	10,00,000	5,00,000	50	50
Employee benefit expenses	5,00,000	2,50,000	25	25
Total expenses	15,00,000	7,50,000	75	75
Profit before tax	5,00,000	2,50,000	25	25
Less: Tax	2,00,000	75,000	10	7.5
Profit after tax	3,00,000	1,75,000	15	17.5

For example, the current year's tax percentage is $2,00,000/20,00,000 \times 100 = 10\%$. The given tax rates are applied to profit before tax, rather than shown directly as common size percentages.

Step 3: Conclusion Profit after tax is 15% of revenue in 2024–25 and 17.5% in 2023–24; the expense proportions and pre-tax profit proportion are unchanged.

Quick Tip to Solve: Calculate tax on profit first; then divide the tax amount by revenue to get its common size percentage.

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

(i) Unclaimed dividend

(ii) Vehicles

(iii) Prepaid insurance [3 marks]

Solution:

Concept:

- The balance sheet groups liabilities into current and non-current categories and assets according to their nature and expected period of use or realisation.
- Under the CBSE Schedule III format, unpaid dividends are other current liabilities, vehicles are tangible fixed assets, and prepaid insurance is an other current asset.

Step 1: Classify each item by its nature Unclaimed dividend is a dividend already payable to shareholders but not yet collected by them. It remains an obligation of the company; it is not a reserve or share capital and is reported under other current liabilities.

Vehicles are physical assets used in the business over several accounting periods. They belong to non-current assets, under fixed assets: tangible assets (property, plant and equipment).

Prepaid insurance is an insurance payment made for a period whose benefit is yet to be consumed. In the ordinary operating context it is a current asset, reported under other current assets; it is not a cash balance or a trade receivable.

Step 2: Present the balance sheet classification Balance Sheet Classification (Schedule III, Part I)

Item	Major head	Sub-head
(i) Unclaimed dividend	Current liabilities	Other current liabilities
(ii) Vehicles	Non-current assets	Fixed assets: Tangible assets (Property, plant and equipment)
(iii) Prepaid insurance	Current assets	Other current assets

The asset-side classification distinguishes a physical asset used for several periods from an advance payment for a short-term service. The liability-side classification recognises that the declared dividend is already due to its shareholders.

Step 3: Conclusion Unclaimed dividend: Other current liabilities; Vehicles: Tangible fixed assets under non-current assets; Prepaid insurance: Other current assets.

Quick Tip to Solve: Ask whether the item is payable, physically used for years, or a short-term benefit paid in advance.

33(a). From the following information, calculate 'Return on Investment (ROI)' :

Net Profit after Interest and Tax Rs 7,00,000; Current Assets Rs 6,00,000; Current Liabilities Rs 2,00,000; Tax Rate 30%; Non-Current Assets Rs 21,00,000; and 10% Long-term Debt Rs 20,00,000.

[4 marks]

Solution:

Concept:

- Return on investment measures profit before interest and tax as a percentage of capital employed: $\text{ROI} = \dfrac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100$.
- Capital employed is non-current assets plus working capital, where working capital equals current assets less current liabilities. Interest on long-term debt is added back after recovering profit before tax.

Step 1: Recover profit before tax The given net profit of Rs 7,00,000 is after both interest and tax. With a tax rate of 30%, this profit represents 70% of profit before tax. Therefore,

$$\text{Profit before tax} = \frac{7,00,000 \times 100}{70} = \text{Rs } 10,00,000.$$

Thus tax is Rs 3,00,000. Dividing by the retained proportion of profit reverses the tax deduction; merely adding 30% of the after-tax profit would not recover the correct taxable profit.

Step 2: Calculate profit before interest and tax Interest on the 10% long-term debt is

$$\text{Interest} = 20,00,000 \times \frac{10}{100} = \text{Rs } 2,00,000.$$

Profit before tax still includes the deduction for interest, so add this expense back:

$$\text{Profit before interest and tax} = 10,00,000 + 2,00,000 = \text{Rs } 12,00,000.$$

This numerator measures the return available to the providers of both owners' funds and long-term borrowed funds.

Step 3: Determine capital employed and the return Working capital is Rs 6,00,000 minus Rs 2,00,000, giving Rs 4,00,000. Hence,

$$\begin{aligned}\text{Capital employed} &= 21,00,000 + 4,00,000\\ &= \text{Rs } 25,00,000,\\ \text{ROI} &= \frac{12,00,000}{25,00,000} \times 100.\end{aligned}$$

The long-term debt is already included in the financing of capital employed; it must not be added again to the asset-based amount.

Step 4: Conclusion Return on investment $= \boxed{48\%}$.

Quick Tip to Solve: First divide after-tax profit by 0.70, then add annual debt interest; use non-current assets plus net current assets for capital employed.

OR

33(b). From the following information calculate :

(i) Debt Equity Ratio

(ii) Debt to Capital Employed Ratio

Equity Share Capital Rs 8,00,000; Preference Share Capital Rs 2,50,000; General Reserve Rs 90,000; Surplus i.e. Balance in Statement of Profit and Loss Rs 60,000; Non-Current Liabilities Rs 6,00,000; Current Liabilities Rs 2,00,000; and Current Assets Rs 4,00,000. [4 marks]

Solution:

Concept:

- Debt equity ratio compares long-term debt with shareholders' funds: Debt equity ratio $= \frac{\text{Long-term debt}}{\text{Shareholders' funds and surplus}}$. Shareholders' funds include equity capital, preference capital and reserves and surplus.
- Debt to capital employed ratio is $\frac{\text{Long-term debt}}{\text{Capital employed}}$, where capital employed equals shareholders' funds plus long-term debt. Current liabilities are excluded from these long-term financing measures.

Step 1: Calculate shareholders' funds Include both classes of share capital and the accumulated reserves and surplus.

$$\begin{aligned}\text{Shareholders' funds} &= 8,00,000 + 2,50,000 + 90,000 + 60,000\\ &= \text{Rs } 12,00,000.\end{aligned}$$

Step 2: Calculate debt equity ratio Non-current liabilities of Rs 6,00,000 represent the long-term debt for the ratio. Current liabilities of Rs 2,00,000 are short-term obligations and are not included in this

numerator.

$$\text{Debt equity ratio} = \frac{6,00,000}{12,00,000} = \boxed{0.5 : 1}.$$

Thus there is Rs 0.50 of long-term debt for every Rs 1 of shareholders' funds.

Step 3: Calculate debt to capital employed ratio Capital employed includes both shareholders' funds and long-term debt:

$$\begin{aligned}\text{Capital employed} &= 12,00,000 + 6,00,000\\ &= \text{Rs } 18,00,000,\\ \text{Debt to capital employed ratio} &= \frac{6,00,000}{18,00,000} = \frac{1}{3}.\end{aligned}$$

Current assets of Rs 4,00,000 are not added to this financing-based capital employed calculation. Their funding is already represented within the liabilities and shareholders' funds, so adding them again would double count resources.

Step 4: Conclusion (i) Debt equity ratio $= \boxed{0.5 : 1}$. (ii) Debt to capital employed ratio $= \boxed{1 : 3}$, or approximately $0.33 : 1$.

Quick Tip to Solve: Add preference capital and reserves to equity capital first; divide the same long-term debt by owners' funds, then by owners' funds plus debt.

34. From the following particulars of Mandeep Ltd., calculate the 'Cash Flows from Investing Activities'. Show your working clearly :

Particulars	31.03.2025 (Rs)	31.03.2024 (Rs)
Machinery (At Cost)	6,70,000	5,00,000
Accumulated Depreciation	79,000	62,000
Investments	1,45,000	1,20,000
Goodwill	2,90,000	3,10,000

Additional information :

(i) A machine having a book value of Rs 1,50,000 was sold for Rs 1,35,000.

(ii) Depreciation charged on machinery during the year was Rs 30,000.

(iii) Investments costing Rs 50,000 were purchased and some investments were sold at a profit of Rs 9,000.

(iv) Interest received on investments was Rs 12,000. [6 marks]

Solution:

Concept:

- Investing cash flows include cash paid to purchase fixed assets and investments, and cash received on their sale.
- For a non-financial enterprise, interest received on investments is an investing inflow. Depreciation and goodwill written off are non-cash items.

Step 1: Find depreciation on machinery sold The accumulated depreciation balance is reduced when machinery is sold. Hence depreciation relating to the machine sold is

$$62,000 + 30,000 - 79,000 = \text{Rs } 13,000.$$

Its book value is cost less accumulated depreciation, so its original cost is

$$1,50,000 + 13,000 = \text{Rs } 1,63,000.$$

The cash proceeds are the stated Rs 1,35,000; the loss on sale of Rs 15,000 is not a separate cash outflow.

Step 2: Determine machinery purchased The cost account reconciles opening cost, purchases, the original cost of machinery disposed of and closing cost:

$$5,00,000 + \text{Purchases} - 1,63,000 = 6,70,000,$$
$$\text{Purchases} = \text{Rs } 3,33,000.$$

Thus cash paid for machinery is Rs 3,33,000. The book value of the sold machine must first be converted to its original cost because both balances in the question are machinery at cost.

Step 3: Calculate investment sale proceeds The investment balances are reconciled at cost:

$$\text{Cost of investments sold} = 1,20,000 + 50,000 - 1,45,000$$
$$= \text{Rs } 25,000.$$

Adding the profit on sale gives actual cash received:

$$25,000 + 9,000 = \text{Rs } 34,000.$$

Investment purchases cause a separate cash outflow of Rs 50,000, and interest received causes an inflow of Rs 12,000.

Step 4: Prepare the investing activities section Mandeep Ltd.
Cash Flow Statement (Extract) for the year ended 31 March 2025

Particulars	Amount (Rs)
Cash flows from investing activities	
Sale of machinery	1,35,000
Sale of investments	34,000
Interest received on investments	12,000
Total cash inflows	1,81,000
Purchase of machinery	(3,33,000)
Purchase of investments	(50,000)
Net cash used in investing activities	(2,02,000)

The decrease in goodwill of Rs 20,000 represents goodwill written off and does not generate a cash receipt. Depreciation is also excluded from this cash-flow section. The net amount is

$$1,81,000 - 3,83,000 = -\text{Rs } 2,02,000.$$

Step 5: Conclusion Net cash used in investing activities is $\boxed{\text{Rs } 2,02,000}$, shown as an outflow.

Quick Tip to Solve: First reconstruct the cost of machinery sold using its book value plus accumulated depreciation removed.

Option II (Computerised Accounting)

27. Name the voucher which does not affect the accounts of the user. [1 mark]

(A) Post-Dated Voucher

(B) User-Defined Voucher

(C) Memo Voucher

(D) Contra Voucher

Correct Answer: (C) Memo Voucher

Solution:

Concept:

- A memo voucher records a provisional transaction for reference without posting its effect to the books.
- A contra voucher records transfers involving cash and bank accounts.

Step 1: Identify the non-posting voucher A memo voucher is a memorandum record. It does not change ledger balances or the financial statements of the user until it is converted into an appropriate accounting voucher.

Step 2: Check the alternatives A post-dated voucher is intended to affect accounts on its specified future date. A user-defined voucher is a customised voucher type that can record accounting transactions. A contra voucher affects cash or bank balances. Thus none of these identifies the memorandum record asked for.

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

Quick Tip to Solve: Associate memo with a memorandum: it records a reminder without posting ledger entries.

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

(A) Software is modified to meet user-specific needs

(B) Higher maintenance

(C) Increased data privacy and security

(D) No training required to use the software

Correct Answer: (D) No training required to use the software

Solution:

Concept:

- Customised accounting software is adapted to an organisation's specific requirements.
- Users need training to operate the organisation-specific features and procedures correctly.

Step 1: Recognise the actual features Modification for user-specific needs is the defining feature of customised software. Its special configuration can require higher maintenance, while organisation-controlled access and configuration can increase data privacy and security. Hence (A), (B) and (C) are features.

Step 2: Identify the incorrect statement Customisation does not remove the need for training. Staff must learn the modified screens, transaction procedures, controls and reports. Therefore the claim that no training is required is not a feature of customised accounting software.

Step 3: Conclusion The correct option is (D): No training required to use the software.

Quick Tip to Solve: For a NOT-feature question, test the training claim: custom procedures still have to be learned.

OR

28(b). How many auto-formatting styles are available in MS Excel 2007 to give a spreadsheet a professional look ? [1 mark]

(A) 17

(B) 34

(C) 7

(D) 119

Correct Answer: (A) 17

Solution:

Concept:

- AutoFormat applies a predefined combination of formatting attributes to a selected table or range.
- The AutoFormat facility provides 17 predefined styles in the prescribed spreadsheet context.

Step 1: Recall the number of available styles The AutoFormat facility referred to in this question offers 17 formatting styles. A selected style applies coordinated formatting such as fonts, borders, alignment and number formats to give the table a professional appearance.

Step 2: Compare the given choices Option (A) states 17 and matches the required count. The other figures, 34, 7 and 119, are not the number of predefined AutoFormat styles asked for. Do not confuse the count of styles with the number of cells or individual formatting attributes.

Step 3: Conclusion The correct option is (A): 17.

Quick Tip to Solve: Remember the AutoFormat style count as 17; do not count the individual formatting attributes.

29(a). From the following, identify the chart that displays data in rings, where each ring represents a data series : [1 mark]

(A) Doughnut chart

(B) Radar chart

(C) Pie chart

(D) Both (B) and (C)

Correct Answer: (A) Doughnut chart

Solution:

Concept:

- A doughnut chart displays values as segments of rings.
- Each ring represents one data series, enabling more than one series to be displayed.

Step 1: Match the defining clue The question explicitly describes rings, with each ring representing a data series. This is the distinguishing structure of a doughnut chart: each ring is divided into segments representing the contributions of the categories within that series.

Step 2: Eliminate the other charts A radar chart plots values along axes radiating from a centre and joins them into a polygon. A pie chart displays a single series as sectors of a filled circle. Neither provides the stated series-per-ring arrangement, so the combined choice (D) is also incorrect.

Step 3: Conclusion The correct option is (A): Doughnut chart.

Quick Tip to Solve: Use the shape clue: concentric rings with one series per ring identify a doughnut chart.

OR

29(b). 'LABELS' in MS Excel means : [1 mark]

(A) Information which can be treated mathematically

(B) A text or special character

(C) It is used for descriptive information of rows or columns

(D) Both (B) and (C)

Correct Answer: (D) Both (B) and (C)

Solution:

Concept:

- Labels are text entries, including descriptive words or special characters.
- They commonly identify the contents of rows and columns rather than serving as numerical values for arithmetic.

Step 1: Test statements (B) and (C) A label can be text or a special character, so statement (B) is correct. Such entries supply descriptive information, including row and column headings, so statement (C) is also correct. The two descriptions explain the content and purpose of labels.

Step 2: Distinguish labels from numerical entries Information treated mathematically is normally entered as numerical values, not labels. Thus (A) does not describe labels. Since both (B) and (C) are valid, selecting either alone would omit the other correct description supplied in the question.

Step 3: Conclusion The correct option is (D): both descriptions are correct.

Quick Tip to Solve: Check both what an entry contains and what it does: text headings are labels, not arithmetic values.

30. Which window will be used to change the system period on the screen in Tally from the following ? [1 mark]

(A) Alt + F1

(B) Alt + F2

(C) Alt + F4

(D) Alt + F6

Correct Answer: (B) Alt + F2

Solution:

Concept:

- Tally uses keyboard shortcuts to open commands for changing the current date and the accounting period.
- The accounting period is a range with a starting date and an ending date; it differs from the date of a single voucher.

Step 1: Identify the required command To change the period displayed in Tally, use the Change Period command. Its shortcut is Alt + F2. Enter the required starting and ending dates in the period

fields.

Step 2: Check the other shortcuts F2 alone changes the current date, whereas adding Alt selects the period command. Alt + F1, Alt + F4 and Alt + F6 are not the Change Period shortcut, so options (A), (C) and (D) do not satisfy the question.

Step 3: Conclusion Alt + F2 opens the command to change the system period. Hence, the correct option is (B).

Quick Tip to Solve: Remember F2 for the date and Alt + F2 for the full date range or period.

31. Explain 'Chart of Accounts' in accounting software. [3 marks]

Solution:

Concept:

- A Chart of Accounts is an organised list of the accounts used by an entity to record its accounting transactions.
- Accounts are classified into suitable groups so that the software can post transactions and prepare financial reports consistently.

Step 1: Explain the list and its classification The Chart of Accounts contains the names of ledger accounts maintained in the accounting software, usually together with identifying account codes. Accounts are arranged under major categories such as assets, liabilities, capital, income and expenses. Each ledger is placed under the appropriate group; for example, Cash and Bank belong to assets, Sales to income and Salaries to expenses.

Step 2: Explain its role in processing and reporting When a voucher is entered, the user selects the relevant accounts from this list. This helps transactions of the same nature reach the same ledger and prevents inconsistent classification. The software uses the grouping and ledger balances to prepare the trial balance, Statement of Profit and Loss and Balance Sheet. Thus, the chart provides the basic account structure linking transaction entry to financial reporting. It can be designed to suit the size and information needs of the business.

Step 3: Conclusion A Chart of Accounts is the systematically grouped and generally coded list of ledger accounts that forms the foundation for recording, classifying and reporting transactions in accounting software.

Quick Tip to Solve: Explain both what the chart contains and how its groups connect voucher entries with financial statements.

32. Explain any three advantages of conditional formatting in Computerised Accounting System.

[3 marks]

Solution:

Concept:

- Conditional formatting applies a specified display format to spreadsheet cells when their values satisfy a rule.
- The rule changes the appearance of relevant data, such as its fill colour or font, without changing the underlying accounting values.

Step 1: Identify important items quickly Conditional formatting highlights significant amounts automatically. For example, outstanding customer balances above a chosen limit can appear in a different colour. The accountant can immediately identify large receivables for follow-up instead of searching every row manually.

Step 2: Detect exceptions and possible errors Rules can draw attention to unusual or unacceptable values, such as negative stock quantities, duplicate invoice numbers or expenditure above a budget limit. The highlighted cells direct the user to records that need checking, making review faster and reducing the chance that an exception is overlooked. The formatting flags the item; the accountant still verifies its cause.

Step 3: Improve comparison and continuing monitoring Colour scales, data bars or other rules make patterns and relative values easier to compare across a large accounting worksheet. For example, monthly expenses can be compared visually. When cell values change, the formatting is reapplied automatically, so the visual indication remains consistent with the current data without repeated manual colouring.

Step 4: Conclusion Three advantages are quick identification of important figures, easier detection of exceptions or possible errors, and clearer comparison and automatic monitoring of changing accounting data.

Quick Tip to Solve: For each advantage, give a distinct accounting example and explain how the rule helps the accountant.

33(a). A business' data needs to be guarded from its competitors. Explain any two features of Computerised Accounting System that help a business to maintain its secrecy. [4 marks]

Solution:

Concept:

- Confidentiality means restricting access to business accounting information to authorised persons.
- Computerised accounting software can protect confidential data through password-based access control and data encryption.

Step 1: Explain password security and access rights The software can require a valid user name and password before allowing a person to open the company data. A password authenticates the user and helps prevent competitors or other unauthorised persons from entering the system. The administrator

can also assign rights according to duties: for example, a voucher-entry operator may enter sales but may not view confidential reports or alter the security settings. Keeping passwords confidential and assigning only the necessary rights limits disclosure of sensitive information such as margins, customer balances and financial results.

Step 2: Explain data encryption Encryption converts readable accounting data into a coded form using an encryption key or password. The stored data cannot be understood merely by reading or copying the protected file; it must be decrypted using the authorised key. Thus, even if an unauthorised person obtains a copy of the encrypted file, the contents remain unintelligible without the required key. Encryption protects the contents of the data, while password-based access control restricts who can use the accounting system. The key or encryption password must itself be kept confidential so that this protection remains effective.

Step 3: Conclusion Password-based access control, supported by appropriate user rights, and data encryption are two features that help maintain the secrecy of business accounting information.

Quick Tip to Solve: For secrecy, explain who may open or view the data through passwords, and how encryption makes copied data unreadable without the key.

OR

33(b). Internal margins are the distance between the text and the border of a chart element. Discuss various options available to increase or decrease these margins. [4 marks]

Solution:

Concept:

- Internal margins control the blank space between the text and the inside border of the selected chart element.
- Each side has its own margin setting; increasing its value increases the space on that side and decreasing the value reduces it.

Step 1: Open the internal-margin settings Select the chart element containing the text, such as a chart title or text box. Open its Format dialog or Format pane and choose Text Box under the text options. In the Internal margin section, enter a new value in the appropriate margin box. These settings affect the space inside the element; they do not alter the worksheet page margins.

Step 2: Adjust the left and right margins Left: specifies the distance between the left border of the selected chart element and its text. Enter a larger value to leave more blank space at the left, or a smaller value to bring the text closer to the left border. Right: specifies the distance between the right border and the text. Increase this value for more space at the right, or decrease it for less space. These two settings determine the horizontal space available for the text.

Step 3: Adjust the top and bottom margins Top: specifies the distance between the top border of the selected chart element and the text. Increasing it adds blank space above the text; decreasing it reduces that gap. Bottom: specifies the distance between the bottom border and the text. Increasing it adds space below the text; decreasing it moves the usable text area closer to the bottom border.

Apply the settings and check that all the text remains visible.

Step 4: Conclusion The four internal-margin options are Left, Right, Top and Bottom. Change the numerical value in the corresponding box to increase or decrease the distance from that border.

Quick Tip to Solve: Choose the margin named after the border whose gap you want to change; larger values mean larger gaps.

34. A company wants to invest Rs 50,000 for 2 years in a Fixed Deposit Scheme that offers an interest rate of 7% per annum compounded annually. Name the financial function used to calculate the future value of the investment. Write the syntax of the function and apply the formula to the data given, considering that :

(i) instalment is paid in the beginning of each period, and

(ii) instalment is paid at the end of each period. [6 marks]

Solution:

Concept:

- The Excel FV function finds the accumulated value of an investment at a constant periodic interest rate.
- For the two instalment cases, Rs 50,000 is the payment in each annual period, with no initial balance. The payment timing is specified by the type argument.
- With annual compounding, the periodic rate is $7\% = 0.07$ and the number of periods is 2. Payments made by the investor are entered as negative cash flows.

Step 1: Name the function and state its syntax The financial function is FV (Future Value). Its syntax is `FV(rate,nper,pmt,[pv],[type])`. Here rate is interest per period, nper is the number of periods, pmt is the fixed periodic payment, and pv is the initial balance. Optional arguments are shown in square brackets, which are not typed. The defaults for pv and type are zero. Type 1 means beginning-of-period payments; type 0 means end-of-period payments.

Step 2: (i) Instalments at the beginning of each period Enter the formula `=FV(7%,2,-50000,0,1)`. The first instalment, paid at the start of year 1, earns interest for two years. The second, paid at the start of year 2, earns interest for one year. Thus the value at the end of year 2 is

$$\begin{aligned} FV &= 50,000(1.07)^2 + 50,000(1.07) \\ &= 57,245 + 53,500 = \text{Rs } 1,10,745. \end{aligned}$$

Step 3: (ii) Instalments at the end of each period Enter the formula `=FV(7%,2,-50000,0,0)`. The first instalment, paid at the end of year 1, earns interest for one year. The second, paid at the end of year 2, earns no interest before the valuation date. Therefore,

$$FV = 50,000(1.07) + 50,000 = \text{Rs } 1,03,500.$$

The beginning-of-period value is larger by Rs 7,245 because each payment earns interest for one additional year.

Step 4: Distinguish the instalment cases from a single deposit The stated instalment timings require pmt to be Rs 50,000 in the two formulas above. If Rs 50,000 instead denotes one initial fixed deposit with no further payments, use `=FV(7%,2,0,-50000,0)`, giving $50,000(1.07)^2 = \text{Rs } 57,245$. For that single-deposit interpretation, type has no effect because pmt is zero.

Step 5: Conclusion Using annual instalments of Rs 50,000, FV gives (i) Rs 1,10,745 with type 1 and (ii) Rs 1,03,500 with type 0.

Quick Tip to Solve: Use type 1 for beginning payments and type 0 for end payments; enter an investment payment with a negative sign.