CBSE Class 12 Accountancy Question Paper 2026 with Solution PDF-Set 67-2-3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) This question paper is divided into **two** Parts : **Part – A** and **Part – B**.

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

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

(v) Questions number **1** to **16** (Part-A) and Questions number **27** to **30** (Part-B) are multiple choice questions. Each question carries **1** mark.

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Dilshad, Ajit and Deepna were partners in a firm sharing profits and losses in the ratio of 2:2:1. Their fixed capitals were: Rs 5,00,000, Rs 4,00,000 and Rs 1,00,000 respectively. After closing the accounts for the year ended 31st March 2025, it was discovered that interest on partners' capitals was provided @ 6% p.a. instead of 7% p.a. The adjustment entry to rectify the above error will be: [1 mark]

(A) Deepna's Current A/c Dr. 1,000; To Dilshad's Current A/c 1,000

(B) Dilshad's Current A/c Dr. 1,000; To Deepna's Current A/c 1,000

(C) Deepna's Capital A/c Dr. 1,000; To Dilshad's Capital A/c 1,000

(D) Dilshad's Capital A/c Dr. 1,000; To Deepna's Capital A/c 1,000

Correct Answer: (A) Deepna's Current A/c Dr. 1,000; To Dilshad's Current A/c 1,000

Solution:

Concept:

- Additional interest on capital equals capital multiplied by the shortfall in rate.
- With fixed capitals, adjustments are recorded in the partners' current accounts.

Step 1: Compute the omitted interest The rate shortfall is $7\% - 6\% = 1\%$. Additional interest due to Dilshad, Ajit and Deepna is respectively Rs 5,000, Rs 4,000 and Rs 1,000. The total omitted appropriation is therefore Rs 10,000.

Step 2: Determine the net adjustment Profits already distributed must be reduced by Rs 10,000 in the ratio $2 : 2 : 1$, giving debits of Rs 4,000, Rs 4,000 and Rs 2,000 respectively. After setting off interest credits, Dilshad receives Rs 1,000, Ajit has no adjustment and Deepna is debited Rs 1,000. Option (B) reverses the adjustment; (C) and (D) wrongly use fixed capital accounts.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Deepna's Current A/c Dr. To Dilshad's Current A/c (Being omitted interest adjusted)		1,000	 1,000

Step 3: Conclusion Deepna's Current A/c Dr. Rs 1,000; To Dilshad's Current A/c Rs 1,000. Hence, option (A).

Quick Tip to Solve: For fixed capitals, net omitted interest against the profit adjustment in current accounts.

OR

1(b). Kabir, Divya and Mansha were partners in a firm sharing profits and losses in the ratio of 5:4:1. With effect from 1st April 2025, they decided to share the future profits and losses in the ratio of 4:1:5. For this purpose, the goodwill of the firm was valued at Rs 3,00,000. The necessary journal entry for the treatment of goodwill because of change in profit sharing ratio will be: [1 mark]

(A) Kabir's Capital A/c Dr. 75,000; Divya's Capital A/c Dr. 2,25,000; To Mansha's Capital A/c 3,00,000

(B) Mansha's Capital A/c Dr. 3,00,000; To Kabir's Capital A/c 75,000; To Divya's Capital A/c 2,25,000

(C) Mansha's Capital A/c Dr. 1,20,000; To Kabir's Capital A/c 30,000; To Divya's Capital A/c 90,000

(D) Kabir's Capital A/c Dr. 30,000; Divya's Capital A/c Dr. 90,000; To Mansha's Capital A/c 1,20,000

Correct Answer: (C) Mansha's Capital A/c Dr. 1,20,000; To Kabir's Capital A/c 30,000; To Divya's Capital A/c 90,000

Solution:

Concept:

- Sacrificing share equals old share less new share; gaining share is the reverse.
- The gaining partner compensates sacrificing partners using the full goodwill value.

Step 1: Find sacrifice and gain Kabir sacrifices $5/10 - 4/10 = 1/10$; Divya sacrifices $4/10 - 1/10 = 3/10$. Mansha gains $5/10 - 1/10 = 4/10$. Thus the sacrifice ratio is $1 : 3$, and Mansha alone pays compensation.

Step 2: Calculate compensation Mansha must be debited by Rs $3,00,000 \times 4/10 =$ Rs $1,20,000$. Kabir is credited Rs 30,000 and Divya Rs 90,000. Options (A) and (D) reverse the debtor and creditors. Option (B) transfers the entire goodwill rather than the value of the share gained.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Mansha's Capital A/c Dr. To Kabir's Capital A/c To Divya's Capital A/c (Being goodwill adjusted on change in ratio)		1,20,000	 30,000 90,000

Step 3: Conclusion Mansha's Capital A/c Dr. Rs 1,20,000; To Kabir's Capital A/c Rs 30,000; To Divya's Capital A/c Rs 90,000. Hence, option (C).

Quick Tip to Solve: Multiply total goodwill by each sacrifice, not by the sacrifice ratio alone.

2. In case of dissolution of a partnership firm, the losses, including deficiencies of capital, shall be paid first: [1 mark]

(A) by partners individually and equally

(B) by partners individually in their profit sharing ratio

(C) out of capital of the partners

(D) out of profits

Correct Answer: (D) out of profits

Solution:

Concept:

- Losses on dissolution, including deficiencies of capital, are met in a prescribed order.
- Profits are used first, then capital, then individual partners in their profit sharing ratio.

Step 1: Apply the order of settlement The first source for meeting losses, including capital deficiencies, is the available profits of the firm. Only when profits are insufficient does the next source, the partners' capital, become relevant.

Step 2: Check the alternatives Option (C) gives the second source rather than the first. Option (B) describes the final contribution by partners, after profits and capital have been exhausted. Option (A) is also wrong because individual contributions follow the profit sharing ratio, not an equal division unless that ratio happens to be equal.

Step 3: Conclusion Losses shall first be paid out of profits. Hence, option (D).

Quick Tip to Solve: Remember the sequence: profits, then capitals, then partners in their profit sharing ratio.

3(a). Hira Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each at a premium of 10%. The whole amount was payable with application. Applications were received for 4,00,000 equity shares. The company decided to allot the shares on pro-rata basis to all the applicants. The amount refunded by the company was: [1 mark]

(A) Rs 22,00,000

(B) Rs 20,00,000

(C) Rs 24,00,000

(D) Nil

Correct Answer: (A) Rs 22,00,000

Solution:

Concept:

- Issue price equals face value plus the premium per share.
- With the whole issue price collected on application, surplus application money is refunded.

Step 1: Calculate application money received Premium per share is $10\% \times \text{Rs } 10 = \text{Rs } 1$, so each applicant pays Rs 11 per share. Total receipt is $4,00,000 \times \text{Rs } 11 = \text{Rs } 44,00,000$.

Step 2: Find the surplus The company may retain $2,00,000 \times \text{Rs } 11 = \text{Rs } 22,00,000$. Hence surplus

is Rs 44,00,000 less Rs 22,00,000, or Rs 22,00,000. Option (B) ignores premium. Option (C) has no basis in the issue price. Nil is incorrect: no allotment or call instalment remains against which the surplus could be adjusted.

Step 3: Conclusion The refund is Rs 22,00,000. Hence, option (A).

Quick Tip to Solve: When the full issue price is payable on application, refund excess shares times issue price.

OR

3(b). Debentures which do not have a specific charge on the assets of the company are known as: [1 mark]

(A) Non-convertible debentures

(B) Irredeemable debentures

(C) Unsecured debentures

(D) Bearer debentures

Correct Answer: (C) Unsecured debentures

Solution:

Concept:

- Security classification depends on whether company assets are charged for repayment.
- Unsecured debentures have no specific charge on company assets.

Step 1: Identify the relevant classification The question describes the security available to debenture holders. A debenture lacking a specific charge on the assets of the company is an unsecured debenture; its classification here depends on security rather than conversion, repayment date or transfer.

Step 2: Eliminate the other descriptions Non-convertible debentures cannot be converted into equity shares. Irredeemable debentures concern the terms of repayment. Bearer debentures concern transfer by delivery and payment to the holder. None of these three descriptions, by itself, establishes the absence of an asset charge.

Step 3: Conclusion These are unsecured debentures. Hence, option (C).

Quick Tip to Solve: Match no asset charge with unsecured; keep conversion and repayment classifications separate.

4(a). As per Companies Act 2013, the balance in Securities Premium Account cannot be utilized for: [1 mark]

(A) Writing off preliminary expenses of the company.

(B) Writing off expenses of or commission paid or discount allowed on issue of shares or debentures of the company.

(C) Issuing partly paid up bonus shares to the existing shareholders of the company.

(D) Providing for premium payable on redemption of redeemable preference shares or debentures of the company.

Correct Answer: (C) Issuing partly paid up bonus shares to the existing shareholders of the company.

Solution:

Concept:

- Securities premium is a capital reserve with specifically permitted uses.
- A permitted bonus issue from securities premium consists of fully paid bonus shares.

Step 1: Apply the restriction on bonus shares The permitted bonus-share use is the issue of fully paid bonus shares to existing shareholders. The wording partly paid up in option (C) does not satisfy this condition, so that use is prohibited.

Step 2: Check the remaining uses Writing off preliminary expenses in (A) is permitted. Writing off share or debenture issue expenses, commission or discount in (B) is permitted. Providing for premium on redemption of redeemable preference shares or debentures in (D) is also permitted. Thus these alternatives do not answer the question asking which use cannot be made.

Step 3: Conclusion The balance cannot be used for issuing partly paid up bonus shares. Hence, option (C).

Quick Tip to Solve: For bonus shares funded by securities premium, check the words fully paid.

OR

4(b). When the company issues shares at a premium, the amount of premium can be received by the company along with: [1 mark]

(A) Application money

(B) Allotment money

(C) Call money

(D) Any of the above or with all the above

Correct Answer: (D) Any of the above or with all the above

Solution:

Concept:

- Premium is the amount charged above the nominal value of a share.
- Its collection stage is determined by the issue terms and may be application, allotment or calls.

Step 1: Distinguish the amount from its collection stage The premium forms part of the issue price,

but it need not be collected exclusively at any one instalment. The company can specify in its issue terms when that part of the subscription is payable.

Step 2: Evaluate all stages Application money, allotment money and call money can each include premium. The issue terms may also divide premium among these stages. Therefore (A), (B) and (C) each name a possible stage but do not state the full range of permitted possibilities; the inclusive alternative is required.

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

Quick Tip to Solve: Use the issue terms to locate premium; do not assume it must always be due on allotment.

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5. Xiom Ltd. issued 30,000, 12% debentures of Rs 100 each at a certain rate of discount, redeemable at 10% premium after three years. Balance in Securities Premium Account before issuing these debentures was Rs 5,00,000 and after writing off loss on issue of debentures, the balance in Securities Premium Account was Rs 50,000. These debentures were issued at a discount of: [1 mark]

(A) 10%

(B) 12%

(C) 5%

(D) 3%

Correct Answer: (C) 5%

Solution:

Concept:

- Loss on issue includes issue discount and the premium payable on redemption.
- The reduction in securities premium gives the loss written off in this question.

Step 1: Find the total loss and redemption premium Loss written off is Rs $5,00,000$ − Rs $50,000$ = Rs $4,50,000$. Total face value is $30,000 \times$ Rs 100 = Rs $30,00,000$. Redemption premium is $10\% \times$ Rs $30,00,000$ = Rs $3,00,000$.

Step 2: Isolate the issue discount Discount is Rs 4,50,000 less Rs 3,00,000, or Rs 1,50,000. Thus the discount rate is $1,50,000/30,00,000 \times 100 = 5\%$. The 10% rate in (A) is the redemption premium; 12% in (B) is the interest rate. A 3% discount in (D) would not reconcile with the loss written off.

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

Quick Tip to Solve: Subtract redemption premium from total issue loss before computing the discount percentage.

6(a). **Zubin, Nidhi and Reena were partners in a firm sharing profits and losses in the ratio of 2:1:2. The firm closes its books on 31st March every year. On 31st July, 2025 Reena died. Her share in the profits of the firm from the last balance sheet till the date of death was to be calculated on the basis of previous year's profit. The profit of the firm for the year ended 31st March, 2025 was Rs 6,00,000. Reena's share of profit till the date of her death was:** [1 mark]

(A) Rs 2,40,000

(B) Rs 6,00,000

(C) Rs 60,000

(D) Rs 80,000

Correct Answer: (D) Rs 80,000

Solution:

Concept:

- Estimated profit to death is last year's profit multiplied by the elapsed fraction of a year.
- The deceased partner receives her profit sharing fraction of this estimated profit.

Step 1: Identify time and profit share From 1st April 2025 to 31st July 2025, four months have elapsed. Reena's share in the ratio $2:1:2$ is $2/5$. The base for estimation is the preceding year's profit of Rs 6,00,000.

Step 2: Calculate the entitlement Reena's share is Rs $6,00,000 \times 4/12 \times 2/5 =$ Rs $80,000$. Option (A), Rs 2,40,000, is her full-year share and omits time apportionment. Option (B) is the entire firm's annual profit. Option (C), Rs 60,000, corresponds to three months, but April through July comprises four months.

Step 3: Conclusion Reena is entitled to Rs 80,000 as profit up to her death. Hence, option (D).

Quick Tip to Solve: Count April through the month of death inclusively, then apply both time and profit fractions.

OR

6(b). **On the dissolution of the partnership firm of Puneet and Binny, an unrecorded asset of Rs 56,000 was given to an unrecorded creditor of Rs 70,000 in settlement of his claim of Rs 50,000 and the balance was paid to him in cash. Realisation Account will be ____ by ____.** [1 mark]

(A) debited, Rs 20,000

(B) credited, Rs 20,000

(C) debited, Rs 14,000

(D) credited, Rs 14,000

Correct Answer: (A) debited, Rs 20,000

Solution:

Concept:

- An unrecorded asset handed directly to a creditor requires no separate entry for its transfer.

- Cash paid to settle a liability is debited to Realisation Account and credited to Bank Account.

Step 1: Find the balance payable in cash The creditor has a total claim of Rs 70,000. The unrecorded asset is accepted in settlement of Rs 50,000 of that claim. Thus cash payable is

$$70,000 - 50,000 = \text{Rs } 20,000.$$

The asset́s stated value of Rs 56,000 does not determine this cash balance.

Step 2: Identify the effect on Realisation Account Only the cash payment needs to be recorded for this settlement: Realisation Account is debited and Bank Account is credited with Rs 20,000. There is no separate credit for an unrecorded asset transferred directly to an unrecorded creditor. Hence a credit balance effect and the difference of Rs 14,000 between the two stated values are incorrect.

Step 3: Conclusion Realisation Account is debited by Rs 20,000. The correct option is (A).

Quick Tip to Solve: Use the agreed claim settled by the asset, not its stated value, to find cash paid.

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7. Nandita and Prabha were partners in a firm manufacturing furniture. They were sharing profits and losses in the ratio of 8:7. During the year ended 31st March 2025, Nandita withdrew Rs 80,000 in cash and Rs 20,000 as furniture for her personal use. The partnership deed provided for charging interest on partner's drawings @ 6% p.a. The amount of interest on Nandita's drawings for the year ended 31st March 2025 was: [1 mark]

(A) Rs 6,000

(B) Rs 1,200

(C) Rs 2,400

(D) Rs 3,000

Correct Answer: (D) Rs 3,000

Solution:

Concept:

- Drawings include cash as well as goods withdrawn for personal use.
- When dates of drawings are not given, interest is calculated for an average period of six months.

Step 1: Combine both types of drawings Nandita withdrew cash of Rs 80,000 and furniture worth Rs 20,000 for personal use. Both reduce her interest in the business, so total drawings are

$$80,000 + 20,000 = \text{Rs } 1,00,000.$$

The profit-sharing ratio does not affect interest on her own drawings.

Step 2: Apply the rate and average period Using the average period of six months,

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

Rs 6,000 uses a full year incorrectly; Rs 1,200 and Rs 2,400 omit part of the drawings or use an incorrect time period.

Step 3: Conclusion Interest on Nanditaś drawings is Rs 3,000. The correct option is (D).

Quick Tip to Solve: Include goods drawings with cash drawings before applying the six-month average period.

8. Shiv, Riya and Rohit were partners in a firm. On 1st October, 2024 Rohit had given a loan Rs 2,00,000 to the firm, at an interest rate of 10% p.a. as per the partnership agreement. The accountant of the firm is emphasizing that interest on loan will be paid at 6% p.a. The amount of interest on loan paid to Rohit for the year ended 31st March, 2025 will be: [1 mark]

(A) Rs 20,000

(B) Rs 10,000

(C) Rs 12,000

(D) Rs 6,000

Correct Answer: (B) Rs 10,000

Solution:

Concept:

- The agreed rate governs interest on a partnerś loan when the partnership agreement specifies it.
- Simple interest equals principal multiplied by annual rate and the fraction of a year.

Step 1: Choose the applicable rate and time The partnership agreement expressly provides interest at 10 percent per annum. Therefore the accountant cannot substitute 6 percent, which applies when there is no agreement on the rate. From 1st October, 2024 to 31st March, 2025 the loan remains outstanding for six months.

Step 2: Calculate interest for six months

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

Rs 20,000 incorrectly charges the agreed rate for a full year. Rs 12,000 and Rs 6,000 use the inapplicable 6 percent rate for a full year and half-year respectively.

Step 3: Conclusion Rohit receives interest of Rs 10,000. The correct option is (B).

Quick Tip to Solve: Use the express agreement first, and count only October through March for this loan.

9(a). Sameer, Rajat and Aastha were partners in a firm sharing profits and losses in the ratio of 2:3:1. Rajat retired from the firm on 31st March, 2025. On the date of Rajat's retirement, the Balance Sheet of the firm showed a balance of Rs 2,40,000 in Workmen Compensation Fund. The claim on account of workmen compensation amounted to Rs 1,80,000. The amount credited to Rajat's capital account on the treatment of Workmen Compensation Fund would be: [1 mark]

(A) Rs 1,20,000

(B) Rs 20,000

(C) Rs 30,000

(D) Rs 10,000

Correct Answer: (C) Rs 30,000

Solution:

Concept:

- On retirement, the workmen compensation claim is provided out of the existing fund.
- Only the excess fund is distributed among all old partners in their old profit-sharing ratio.

Step 1: Determine the distributable excess The fund balance is Rs 2,40,000, while the actual workmen compensation claim is Rs 1,80,000. The amount available to the partners is therefore

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

The amount required for the claim cannot be credited to their capital accounts.

Step 2: Calculate Rajat's share The old ratio of Sameer, Rajat and Aastha is 2:3:1, totalling six parts. Rajat receives

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

Rs 1,20,000 distributes the whole fund without allowing for the claim; Rs 20,000 and Rs 10,000 are the shares of Sameer and Aastha respectively.

Step 3: Conclusion Rajatś capital account is credited with Rs 30,000. The correct option is (C).

Quick Tip to Solve: Deduct the compensation claim first, then apply the retiring partner's old share.

OR

9(b). Meera, Varun and Tarun were partners in a firm sharing profits and losses in the ratio of 5:2:3. Meera retired and Varun and Tarun decided to share future profits and losses equally. On Meera's retirement, the goodwill of the firm was valued at Rs 5,00,000. The amount that was debited to Varun's and Tarun's capital account for the treatment of goodwill was: [1 mark]

(A) Varun Rs 3,00,000, Tarun Rs 2,00,000

(B) Varun Rs 1,50,000, Tarun Rs 1,00,000

(C) Varun Rs 1,00,000, Tarun Rs 1,50,000

(D) Varun Rs 1,25,000, Tarun Rs 1,25,000

Correct Answer: (B) Varun Rs 1,50,000, Tarun Rs 1,00,000

Solution:

Concept:

- The retiring partnerś goodwill share equals firm goodwill multiplied by the old profit share.
- Continuing partners compensate the retiring partner in their gaining ratio, where gain equals new share minus old share.

Step 1: Calculate goodwill due to Meera Meeraś old share is 5/10. Therefore her goodwill entitlement is

$$5,00,000 \times \frac{5}{10} = \text{Rs } 2,50,000.$$

Only this amount, rather than the whole firm goodwill, is borne by the continuing partners.

Step 2: Allocate the debit in the gaining ratio Varun gains $1/2 - 2/10 = 3/10$, and Tarun gains $1/2 - 3/10 = 2/10$. Their gaining ratio is 3:2. Hence Varun is debited $2,50,000 \times 3/5 = \text{Rs } 1,50,000$, and Tarun $2,50,000 \times 2/5 = \text{Rs } 1,00,000$. Option (A) uses all goodwill; (C) reverses the gains; (D) uses the new equal ratio.

Step 3: Conclusion Varun and Tarun are debited Rs 1,50,000 and Rs 1,00,000 respectively. The correct option is (B).

Quick Tip to Solve: Calculate each continuing partner's gain separately; equal new shares need not mean equal gains.

10. Amita, Shivani and Tarush were partners in a firm sharing profits and losses in the ratio of 4:3:2. Tarush's share of profit at the end of the year amounted to Rs 1,80,000. Amita's share of profit at the end of the year was: [1 mark]

(A) Rs 2,70,000

(B) Rs 3,60,000

(C) Rs 1,80,000

(D) Rs 2,00,000

Correct Answer: (B) Rs 3,60,000

Solution:

Concept:

- Profit shares are proportional to the agreed profit-sharing ratio.
- The value of one ratio part is the known partnerś profit divided by that partnerś number of parts.

Step 1: Find the value of one part The ratio of Amita, Shivani and Tarush is 4:3:2. Tarushś two parts equal Rs 1,80,000. Consequently,

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

It is unnecessary to assume that the known amount is the total firm profit.

Step 2: Find Amita's four parts Amita receives four parts, giving

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

Equivalently her share is twice Tarushś because $4/2 = 2$. Rs 2,70,000 is Shivaniś three-part share, Rs 1,80,000 repeats Tarushś share, and Rs 2,00,000 does not preserve the stated ratio.

Step 3: Conclusion Amitaś share is Rs 3,60,000. The correct option is (B).

Quick Tip to Solve: Compare Amita directly with Tarush: four ratio parts are twice two parts.

11. On 1st April, 2024 Vinar Ltd. issued Rs 5,00,000, 9% debentures of Rs 100 each at 10% discount. Interest is payable half yearly on 30th September and 31st March every year. The amount of interest written off on 31st March, 2025 was: [1 mark]

(A) Rs 50,000

(B) Rs 25,000

(C) Rs 22,500

(D) Rs 45,000

Correct Answer: (D) Rs 45,000

Solution:

Concept:

- Debenture interest is calculated on nominal value, irrespective of the discount at issue.

- Interest paid half-yearly is transferred to the Statement of Profit and Loss for the full accounting year.

Step 1: Find annual and half-yearly interest The nominal amount of debentures is Rs 5,00,000 and the coupon rate is 9 percent. Annual interest is

$$5,00,000 \times \frac{9}{100} = \text{Rs } 45,000.$$

Each half-yearly instalment is therefore Rs 22,500. The 10 percent discount affects issue proceeds, not coupon interest.

Step 2: Determine the interest written off at year-end The debentures were issued on 1st April, 2024, so interest relates to the entire year ending 31st March, 2025. Both half-yearly charges together, Rs 45,000, are transferred to the Statement of Profit and Loss. Rs 22,500 is only the second instalment; Rs 50,000 is the issue discount; Rs 25,000 is neither annual nor half-yearly interest.

Step 3: Conclusion Interest written off for the year is Rs 45,000. The correct option is (D).

Quick Tip to Solve: Distinguish the half-yearly payment of Rs 22,500 from the full-year expense transferred at year-end.

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12. Bishan Ltd. acquired assets worth Rs 12,60,000 and took over liabilities of Rs 2,40,000 of Nimi Ltd. for a purchase consideration of Rs 9,40,000. Bishan Ltd. issued 12% debentures of Rs 100 each at a discount of 6% in favour of Nimi Ltd. for payment of purchase consideration. The number of debentures issued were: [1 mark]

(A) 12,600

(B) 9,400

(C) 9,600

(D) 10,000

Correct Answer: (D) 10,000

Solution:

Concept:

- Debentures issued at a discount discharge consideration at their issue price.
- Number of debentures equals agreed purchase consideration divided by issue price per debenture.

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

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

The coupon rate of 12 percent determines interest and has no role in this issue-price calculation.

Step 2: Divide purchase consideration by issue price The agreed purchase consideration is Rs 9,40,000. Therefore

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

The assets less liabilities amount of Rs 10,20,000 does not replace the expressly stated consideration. Option (B) divides by face value; (A) follows asset value, and (C) does not settle Rs 9,40,000 at Rs 94 each.

Step 3: Conclusion Bishan Ltd. issues 10,000 debentures. The correct option is (D).

Quick Tip to Solve: Divide the agreed consideration by Rs 94, the discounted issue price, rather than by face value.

13. Navya, Kartik and Samir were partners in a firm sharing profits and losses in the ratio of 4:3:1. Samir was given a guarantee that his share of profit in any year will not be less than Rs 57,000. Any deficiency on this account was to be borne by Navya and Kartik equally. The firm earned a profit of Rs 4,00,000 during the year ended 31st March, 2025. The amount of deficiency borne by Kartik was: [1 mark]

(A) Rs 3,500

(B) Rs 4,000

(C) Rs 3,000

(D) Rs 7,000

Correct Answer: (A) Rs 3,500

Solution:

Concept:

- A guaranteed partner first receives the normal profit share under the profit-sharing ratio.
- The shortfall below the guaranteed amount is borne in the expressly agreed deficiency ratio.

Step 1: Find Samir's normal share and deficiency The ratio 4:3:1 totals eight parts. Samirś normal share is

$$4,00,000 \times \frac{1}{8} = \text{Rs } 50,000.$$

His guaranteed amount is Rs 57,000, so the deficiency is

$$57,000 - 50,000 = \text{Rs } 7,000.$$

Step 2: Allocate the deficiency equally Navya and Kartik agreed to bear this deficiency equally, so Kartik bears

$$7,000 \times \frac{1}{2} = \text{Rs } 3,500.$$

The old 4:3 ratio does not govern this separate guarantee agreement. Rs 7,000 is the entire shortfall, while Rs 4,000 and Rs 3,000 would arise from incorrectly dividing it in the old 4:3 ratio.

Step 3: Conclusion The deficiency borne by Kartik is Rs 3,500. The correct option is (A).

Quick Tip to Solve: Use the special equal-sharing agreement for the deficiency, even though the old profit ratio differs.

14. Devki and Neena were partners in a firm sharing profits and losses in the ratio of 4:3. Amar was admitted as a new partner for 1/5th share in the profits of the firm. Amar acquired 1/3rd of his share from Devki. How much share did Amar acquire from Neena? [1 mark]

(A) 2/3

(B) 2/15

(C) 1/15

(D) 3/7

Correct Answer: (B) 2/15

Solution:

Concept:

- A new partner acquires fractions of the total profit from the old partners; the fractions acquired must add to his total share.
- The fraction of a partner's share must be multiplied by that share, not treated as a fraction of total profits.

Step 1: Share acquired from Devki Amar receives $1/5$ of total profits. The part obtained from Devki is $\frac{1}{3} \times \frac{1}{5} = \frac{1}{15}$.

Step 2: Share acquired from Neena The remaining fraction is $\frac{1}{5} - \frac{1}{15} = \frac{2}{15}$. Option (A), $2/3$, describes the fraction of Amar's share obtained from Neena, not the fraction of total profits. Option (C) is Devki's sacrifice, while (D) is Neena's old share and is not the share transferred.

Step 3: Conclusion Amar acquired $\boxed{2/15}$ of total profits from Neena. Hence, the correct option is (B).

Quick Tip to Solve: First convert a fraction of the incoming partner's share into a fraction of the firm's total profits.

15. Assertion (A): The retiring partner or the executors of the deceased partner are entitled to their share of goodwill at the time of retirement or death.

Reason (R): Goodwill is earned by the firm with the efforts of all the existing partners (including the retiring or deceased partner).

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

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

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

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

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

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

Solution:

Concept:

- Goodwill is the value of the firm's reputation and earning capacity built through the partners' collective efforts.
- At retirement or death, the outgoing partner's share of goodwill is adjusted through the gaining partners.

Step 1: Judge the assertion The assertion is correct. A retiring partner, or the executors of a deceased partner, is entitled to compensation for that partner's share of the firm's goodwill.

Step 2: Judge the reason The reason is correct. The firm earned its goodwill through the efforts of all existing partners, including the retiring or deceased partner.

Step 3: Check the explanatory connection The outgoing partner helped create goodwill but will no longer enjoy its future benefits. The continuing partners gain those benefits and therefore compensate the outgoing partner. This is precisely why the stated entitlement arises. Thus (B) incorrectly denies the explanatory link, and (C) and (D) incorrectly reject a true statement.

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

Quick Tip to Solve: For goodwill assertions, connect past contribution with compensation for future benefits transferred to the continuing partners.

16. Vani, Vanya and Ajay were partners in a firm sharing profits and losses in the ratio of 5:3:2. Vani retired and her share was taken over by Vanya and Ajay in the ratio of 2:3. The new profit sharing ratio between Vanya and Ajay after Vani's retirement was: [1 mark]

(A) 2:1

(B) 5:3

(C) 3:2

(D) 1:1

Correct Answer: (D) 1:1

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share gained from the retiring partner.
- The gaining ratio divides only the retiring partner's share; it need not be the new profit-sharing ratio.

Step 1: Distribute Vani's share Vani retires with $5/10$. Vanya gains $\frac{5}{10} \times \frac{2}{5} = \frac{2}{10}$, while Ajay gains $\frac{5}{10} \times \frac{3}{5} = \frac{3}{10}$.

Step 2: Add each gain to the existing share Vanya's new share is $3/10 + 2/10 = 5/10$, and Ajay's is $2/10 + 3/10 = 5/10$. Both shares add to one. Options (A), (B), and (C) do not represent these equal final shares; in particular, the gaining ratio must not replace the new ratio.

Step 3: Conclusion The new ratio of Vanya and Ajay is $5 : 5 = \boxed{1 : 1}$. The correct option is (D).

Quick Tip to Solve: Always add the gain to the old share before simplifying the new ratio.

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17. Nandini and Reva were partners in a firm sharing profits and losses in the ratio of 5:3. Nandini withdrew the following amounts from the firm for her personal use during the year ending 31st March 2025:

(i) For the first five months, she withdrew Rs 2,000 at the end of each month.

(ii) For the remaining months, she withdrew Rs 3,000 at the beginning of each month.

Interest on drawings was to be charged @ 6% p.a. The books of the firm are closed on 31st March every year. Calculate interest on Nandini's drawings for the year ending 31st March, 2025. [3 marks]

Solution:

Concept:

- Interest on each drawing is calculated for the period from its withdrawal to 31st March.
- For equally spaced equal drawings, interest equals total drawings multiplied by the annual rate and the average period divided by 12.

Step 1: Identify the two sets of withdrawal dates The accounting year runs from 1st April, 2024 to 31st March, 2025. The first five drawings occur at the ends of April, May, June, July and August. Their outstanding periods are respectively $11, 10, 9, 8, 7$ months. The remaining seven drawings occur

at the beginnings of September to March; their periods are $7, 6, 5, 4, 3, 2, 1$ months. The change in both amount and timing requires separate calculations.

Step 2: Calculate interest on the first five drawings Total drawings are $5 \times$ Rs $2,000 =$ Rs $10,000$. Average period is $(11 + 7)/2 = 9$ months. Therefore,

$$I_1 = 10,000 \times \frac{6}{100} \times \frac{9}{12} = \text{Rs } 450.$$

As a check, the sum of the individual periods is 45 months, giving the same result from $2,000 \times 6/100 \times 45/12$.

Step 3: Calculate interest on the remaining seven drawings Total drawings are $7 \times$ Rs $3,000 =$ Rs $21,000$, and average period is $(7 + 1)/2 = 4$ months. Hence,

$$I_2 = 21,000 \times \frac{6}{100} \times \frac{4}{12} = \text{Rs } 420.$$

The individual periods total 28 months. The partners' profit-sharing ratio is irrelevant because interest is charged on Nandini's actual drawings and their respective durations.

Step 4: Conclusion Interest on Nandini's drawings for the year ended 31st March, 2025 is $450 + 420 =$ $\boxed{\text{Rs } 870}$.

Quick Tip to Solve: Write the first and last outstanding periods for each separate drawing pattern before averaging.

18(a). Sarita and Veena were partners in a firm sharing profits and losses in the ratio of 3:2. The balance in their capital and current accounts as on 1st April, 2024 were as under:

Particulars	Sarita (Rs)	Veena (Rs)
Capital Accounts	4,00,000	3,00,000
Current Accounts	80,000 (Cr.)	60,000 (Dr.)

The partnership deed provided that Sarita was to be paid salary @ Rs 2,000 per month whereas Veena was to get commission of Rs 30,000 for the year. Interest on capital was to be allowed @ 8% p.a. The drawings of Sarita and Veena for the year ended 31st March, 2025 were Rs 20,000 and Rs 15,000 respectively. After preparing Profit and Loss Appropriation Account for the year ended 31st March, 2025, Rs 36,000 and Rs 24,000 were credited respectively to the current accounts of Sarita and Veena as their share of divisible profit. Prepare Current Accounts of Sarita and Veena. [3 marks]

Solution:

Concept:

- With fixed capitals, drawings and all revenue appropriations are recorded in current accounts, leaving capital accounts unchanged.
- Salary, commission, interest on capital and profit shares are credits; drawings and opening debit balances appear on the debit side.

Step 1: Calculate the credits for the year Sarita's salary is $2,000 \times 12 = \text{Rs } 24,000$. Interest on capital is $4,00,000 \times 8/100 = \text{Rs } 32,000$ for Sarita and $3,00,000 \times 8/100 = \text{Rs } 24,000$ for Veena. Veena's commission is Rs 30,000. The divisible profit has already been calculated and the stated shares, Rs 36,000 and Rs 24,000, are credited without recalculating the appropriation account.

Step 2: Prepare Sarita's current account Sarita's Current Account for the year ended 31st March, 2025

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Drawings	20,000	By Balance b/d	80,000
To Balance c/d	1,52,000	By Salary	24,000
		By Interest on capital	32,000
		By P&L Appropriation	36,000
Total	1,72,000	Total	1,72,000

The credit balance carried down is $80,000 + 24,000 + 32,000 + 36,000 - 20,000 = \text{Rs } 1,52,000$.

Step 3: Prepare Veena's current account Veena's Current Account for the year ended 31st March, 2025

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	60,000	By Commission	30,000
To Drawings	15,000	By Interest on capital	24,000
To Balance c/d	3,000	By P&L Appropriation	24,000
Total	78,000	Total	78,000

The opening debit balance is deducted from the current year's credits. Thus $30,000 + 24,000 + 24,000 - 60,000 - 15,000 = \text{Rs } 3,000$, a credit balance. No interest on drawings is charged because none is stipulated.

Step 4: Conclusion Closing current account balances are Sarita: Rs 1,52,000 (Cr.) and Veena: Rs 3,000 (Cr.).

Quick Tip to Solve: Carry an opening debit current balance to the debit side before adding the year's salary, commission and profit credits.

OR

18(b). Manya, Vivek and Vishal were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2025, they decided to share future profits and losses in the ratio of 3:5:2. Their Balance Sheet as at 31st March, 2025 showed the following balances:

(i) General Reserve Rs 2,40,000.

(ii) Debit balance of Rs 60,000 in Profit and Loss Account.

Goodwill of the firm was valued at Rs 6,00,000 and revaluation of assets and re-assessment of liabilities resulted in a gain of Rs 2,00,000. Partners decided to distribute the amount of General Reserve and Profit and Loss Account. They also decided that revalued values of assets and liabilities were not to be recorded in the books. Pass necessary journal entries to give effect to the above.

[3 marks]

Solution:

Concept:

- Accumulated reserves and losses belong to the old partners in their old profit-sharing ratio.
- Goodwill and unrecorded revaluation gains are adjusted between gaining and sacrificing partners when their carrying values remain unchanged.

Step 1: Compute the change in shares Manya sacrifices $5/10-3/10=2/10$; Vivek gains $5/10-3/10=2/10$; Vishal's share stays $2/10$. Goodwill compensation is $6,00,000\times 2/10=$ Rs $1,20,000$. The unrecorded revaluation gain requires a further transfer of $2,00,000\times 2/10=$ Rs $40,000$ from Vivek to Manya. This preserves the old partners' entitlement without altering asset or liability balances.

Step 2: Distribute the accumulated balances General Reserve of Rs 2,40,000 is credited in $5:3:2$: Rs 1,20,000, Rs 72,000 and Rs 48,000. The debit Profit and Loss balance of Rs 60,000 is charged in the same old ratio: Rs 30,000, Rs 18,000 and Rs 12,000. These balances are distributed separately, as required.

Step 3: Pass the journal entries Journal of the Firm (1st April, 2025)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2025	General Reserve A/c Dr.		2,40,000	
	To Manya's Capital A/c			1,20,000
	To Vivek's Capital A/c			72,000
	To Vishal's Capital A/c			48,000
	(Being reserve distributed in old ratio)			
1-4-2025	Manya's Capital A/c Dr.		30,000	
	Vivek's Capital A/c Dr.		18,000	
	Vishal's Capital A/c Dr.		12,000	
	To Profit and Loss A/c			60,000
	(Being accumulated loss distributed in old ratio)			
1-4-2025	Vivek's Capital A/c Dr.		1,20,000	
	To Manya's Capital A/c			1,20,000
	(Being goodwill adjusted for change in shares)			

1-4-2025	Vivek's Capital A/c Dr. To Manya's Capital A/c (Being revaluation gain adjusted without changing book values)		40,000	40,000

Step 4: Conclusion Reserve and accumulated loss are distributed in $5:3:2$; Vivek compensates Manya by Rs 1,20,000 for goodwill and Rs 40,000 for unrecorded revaluation gain.

Quick Tip to Solve: When revalued amounts stay out of the books, transfer the gain times the change in share from the gaining partner to the sacrificing partner.

19(a). Miraya Ltd. took over assets of Rs 70,00,000 and liabilities of Rs 12,00,000 of Vishal Ltd. for a purchase consideration of Rs 64,00,000. The payment of purchase consideration was made by issue of 50,000, 11% debentures of Rs 100 each at a premium of 20% to Vishal Ltd. and the balance through a cheque. Pass necessary journal entries for the above transactions in the books of Miraya Ltd. [3 marks]

Solution:

Concept:

- Assets and liabilities taken over are recorded at their agreed values. Goodwill is the excess of purchase consideration over net assets acquired.
- Debentures issued at a premium discharge the vendor at their issue price; their face value is credited to Debentures Account and the premium to Securities Premium Account.

Step 1: Calculate goodwill and the cheque payment Net assets acquired and goodwill are:

$$\text{Net assets} = 70,00,000 - 12,00,000 = \text{Rs } 58,00,000,$$
$$\text{Goodwill} = 64,00,000 - 58,00,000 = \text{Rs } 6,00,000.$$

Each debenture is issued for Rs $100+20 = 120$. Hence the value of debentures issued is $50,000 \times 120 =$ Rs $60,00,000$, comprising face value Rs 50,00,000 and premium Rs 10,00,000. The remaining purchase consideration payable by cheque is $64,00,000 - 60,00,000 =$ Rs $4,00,000$. The 11% rate describes the interest obligation; it does not change the issue price.

Step 2: Record the acquisition and settlement Journal of Miraya Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To Vishal Ltd. (Being business acquired and goodwill recorded)		70,00,000 6,00,000	 12,00,000 64,00,000
	Vishal Ltd. Dr. To 11% Debentures A/c To Securities Premium A/c To Bank A/c (Being purchase consideration discharged by debentures at 20% premium and cheque)		64,00,000	 50,00,000 10,00,000 4,00,000

Both entries balance: the acquisition records total debits and credits of Rs 76,00,000 each, and the settlement clears the complete vendor balance of Rs 64,00,000.

Step 3: Conclusion Goodwill is Rs 6,00,000 and the cheque payment is Rs 4,00,000; debentures and securities premium are credited by Rs 50,00,000 and Rs 10,00,000 respectively.

Quick Tip to Solve: Value debentures at Rs 120 for settling the vendor, but credit their account at face value Rs 100.

OR

19(b). Delta Ltd. invited applications for issuing 30,000, 9% debentures of Rs 100 each at a premium of Rs 30 per debenture. The full amount was payable on application. Applications were received for 40,000 debentures. Applications for 2,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on pro rata basis. Pass the necessary journal entries for the above transactions in the books of Delta Ltd. [3 marks]

Solution:

Concept:

- Application receipts include both the face value and the issue premium when the full issue price is payable on application.
- In pro rata allotment, excess application money must be refunded when no further instalment remains payable.

Step 1: Compute receipts, allotment and refunds The application price is $100 + 30 =$ Rs 130 per debenture. Total application money is $40,000 \times 130 =$ Rs $52,00,000$. Rejected applications receive $2,000 \times 130 =$ Rs $2,60,000$.

The remaining 38,000 applications receive 30,000 debentures in the ratio $30,000 : 38,000 = 15 : 19$. Their excess application money is $(38,000 - 30,000) \times 130 =$ Rs $10,40,000$. Since the full price is payable on application, this excess is also refunded. Therefore, total refund is Rs 13,00,000 and the retained amount is Rs 39,00,000. Of the retained amount, $30,000 \times 100 =$ Rs $30,00,000$ is debenture capital and $30,000 \times 30 =$ Rs $9,00,000$ is securities premium.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being full application money received for 40,000 debentures)		52,00,000	 52,00,000
	Debenture Application A/c Dr. To Bank A/c (Being rejected applications and excess pro rata application money refunded)		13,00,000	 13,00,000
	Debenture Application A/c Dr. To 9% Debentures A/c To Securities Premium A/c (Being 30,000 debentures allotted at a premium of Rs 30 each)		39,00,000	 30,00,000 9,00,000

The application account closes because Rs 52,00,000 received equals Rs 13,00,000 refunded plus Rs 39,00,000 transferred on allotment.

Step 3: Conclusion Debentures allotted: 30,000; securities premium: Rs 9,00,000; total application money refunded: Rs 13,00,000.

Quick Tip to Solve: With the full price payable on application, refund the excess for pro rata applicants as well as rejected applicants.

20. Average profits of a firm during the last few years were Rs 3,20,000. The normal rate of return in a similar business is 10%. If the goodwill of the firm is Rs 8,00,000 at four years purchase of super profit, find the capital employed by the firm. [3 marks]

Solution:

Concept:

- Under the super profit method, goodwill equals super profit multiplied by the number of years of purchase.
- Super profit is average profit less normal profit. Normal profit equals capital employed multiplied by the normal rate of return.

Step 1: Obtain annual super profit from goodwill Let super profit be S, goodwill be G, and the number of years of purchase be n. The given goodwill is the capitalised purchase value of four years of super profit, so

$$G = S \times n, \qquad S = \frac{G}{n} = \frac{8,00,000}{4} = \text{Rs } 2,00,000.$$

This is the annual excess earning above the normal return on the firm's capital. It is not the firm's entire annual average profit.

Step 2: Find normal profit and reverse the normal return formula The annual average profit is Rs

3,20,000. Subtracting the annual super profit gives the profit normally expected on capital employed:

$$\begin{aligned}\text{Normal profit} &= \text{Average profit} - \text{Super profit}\\ &= 3,20,000 - 2,00,000 = \text{Rs } 1,20,000.\end{aligned}$$

Let capital employed be C. The normal rate of return is 10% per annum; hence

$$1,20,000 = C \times \frac{10}{100},$$
$$C = \frac{1,20,000 \times 100}{10} = \text{Rs } 12,00,000.$$

As a check, 10% of Rs 12,00,000 is Rs 1,20,000. Deducting this from average profits gives super profit Rs 2,00,000, and purchasing it for four years gives goodwill Rs 8,00,000, exactly matching the question. Capitalising the entire average profit would include the super profit and therefore overstate capital employed.

Step 3: Conclusion The capital employed by the firm is $\boxed{\text{Rs } 12,00,000}$.

Quick Tip to Solve: First divide goodwill by four to find super profit; capitalise only the remaining normal profit at 10%.

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

(i) Issued 7,000, 9% debentures of Rs 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years.

(ii) Issued 8,000, 11% debentures of Rs 100 each at a premium of 10%, redeemable at a premium of 5% after 5 years. [4 marks]

Solution:

Concept:

- Debentures Account is credited with nominal value: number of debentures multiplied by face value. Bank is debited with actual issue proceeds.
- Loss on Issue of Debentures includes discount on issue and premium payable on redemption. Securities Premium Reserve records premium received on issue.

Step 1: (i) Calculate the issue proceeds and loss Nominal value $= 7,000 \times 100 =$ Rs $7,00,000$. Issue discount $= 7,00,000 \times 10\% =$ Rs $70,000$, so bank receives Rs 6,30,000. Redemption premium $= 7,00,000 \times 5\% =$ Rs $35,000$. Thus loss on issue is $70,000 + 35,000 =$ Rs $1,05,000$. The future redemption premium is recognised as a liability at issue itself.

Step 2: (i) Record issue at discount, redeemable at premium Journal of Mitali Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,30,000	
	Loss on Issue of Debentures A/c Dr.		1,05,000	
	To 9% Debentures A/c			7,00,000
	To Premium on Redemption of Debentures A/c			35,000
	(Being 7,000 debentures of Rs 100 issued at 10% discount, redeemable at 5% premium.)			

Step 3: (ii) Calculate proceeds, securities premium and redemption premium Nominal value $= 8,000 \times 100 =$ Rs $8,00,000$. The issue premium is $8,00,000 \times 10\% =$ Rs $80,000$, giving bank proceeds of Rs 8,80,000. Redemption premium $= 8,00,000 \times 5\% =$ Rs $40,000$. Since there is no discount on issue, the loss on issue is only Rs 40,000. Issue premium and redemption premium are recorded separately; they must not be netted in the initial entry.

Step 4: (ii) Record issue at premium, redeemable at premium Journal of Mitali Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		8,80,000	
	Loss on Issue of Debentures A/c Dr.		40,000	
	To 11% Debentures A/c			8,00,000
	To Securities Premium Reserve A/c			80,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 8,000 debentures of Rs 100 issued at 10% premium, redeemable at 5% premium.)			

Step 5: Conclusion The issue losses are Rs 1,05,000 in case (i) and Rs 40,000 in case (ii); bank receipts are Rs 6,30,000 and Rs 8,80,000 respectively.

Quick Tip to Solve: Compute issue proceeds and redemption premium separately before balancing the journal entry.

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

(i) Arjun was appointed to look after dissolution work for which he was allowed a remuneration of Rs 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Arjun were Rs 9,500.

(ii) A creditor to whom the firm owed Rs 9,000, accepted stock of Rs 3,000 at a discount of 10% and the balance was paid to him in cash.

(iii) Kunal had given a loan of Rs 20,000 to the firm. He was paid Rs 19,000 in full settlement of his loan.

(iv) A piece of furniture, which was not recorded in the books was taken over by Arjun at Rs 27,000 whereas its expected value was Rs 30,000. [4 marks]

Solution:

Concept:

- After assets and external liabilities have been transferred, cash paid to settle an external liability is debited to Realisation Account. No separate entry is made for an asset handed to a creditor.
- Remuneration payable to a partner is credited to that partner's Capital Account. An unrecorded asset taken over by a partner is debited to capital and credited to Realisation.

Step 1: (i) Remuneration and privately borne expenses Arjun is entitled to Rs 10,000, so Realisation Account is debited and his Capital Account credited. He agreed to bear dissolution expenses himself and actually paid Rs 9,500. Therefore no entry is passed in the firm's books for that payment; neither Bank nor his Capital Account is adjusted for Rs 9,500.

Step 2: (ii) Work out cash paid to creditor The agreed value of stock accepted is $3,000 \times 90\% =$ Rs $2,700$. The cash balance is $9,000 - 2,700 =$ Rs $6,300$. Since both stock and creditor have already been transferred to Realisation Account, record only the cash payment, debiting Realisation Account.

Step 3: (iii) Settle the partner loan A partner loan is kept separate from external liabilities transferred to Realisation. Debit Kunal's Loan Account by its full balance, Rs 20,000; credit Bank with Rs 19,000. The waived balance of Rs 1,000 is a gain credited to Realisation Account, closing the loan account completely.

Step 4: (iv) Value the unrecorded furniture and pass entries The agreed takeover price, Rs 27,000, is the amount to record. The expected value Rs 30,000 is not a realised amount and creates no additional entry. Debit Arjun's Capital Account for the asset received and credit Realisation Account.

Journal of Arjun and Kunal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		10,000	
	To Arjun's Capital A/c			10,000
	(Being remuneration allowed to Arjun for dissolution work and bearing expenses.)			
	Realisation A/c Dr.		6,300	
	To Bank A/c			6,300
	(Being creditor settled after acceptance of stock for Rs 2,700 and payment of balance.)			
	Kunal's Loan A/c Dr.		20,000	
	To Bank A/c			19,000
	To Realisation A/c			1,000
	(Being partner's loan settled for Rs 19,000, yielding a gain of Rs 1,000.)			
	Arjun's Capital A/c Dr.		27,000	
	To Realisation A/c			27,000
	(Being unrecorded furniture taken over by Arjun at the agreed value.)			

Step 5: Conclusion The entries record Rs 10,000 remuneration, Rs 6,300 creditor settlement, Rs 1,000 gain on loan settlement and Rs 27,000 furniture takeover. No entry is required for expenses personally borne and paid by Arjun.

Quick Tip to Solve: For stock accepted by a creditor, subtract its agreed settlement value, not its book value, from the debt.

23. Radhey Ltd. has an authorized capital of Rs 50,00,000 divided into equity shares of Rs 100 each. The company invited applications for issuing 45,000 shares. Applications for 44,000 shares were received and allotment in full was made to all the applicants. All calls were made and duly received except on 500 shares on which the final call of Rs 20 per share was not received. The company forfeited 400 shares on which the final call was not received. [6 marks]

23(i). The Nominal Capital of the company is: [1 mark]

(A) Rs 43,50,000

(B) Rs 44,00,000

(C) Rs 45,00,000

(D) Rs 50,00,000

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

Solution:

Concept:

- Nominal capital means authorised or registered capital: the maximum share capital permitted by the company's constitutional documents.
- Authorised capital equals the number of authorised shares multiplied by their face value; it differs from issued and subscribed capital.

Step 1: Identify the authorised amount The case expressly gives authorised capital as Rs 50,00,000,

divided into shares of Rs 100. This corresponds to $50,00,000/100 = 50,000$ authorised shares. No change in this ceiling is stated.

Step 2: Compare all options Rs 45,00,000 in (C) is the capital offered for issue, while Rs 44,00,000 in (B) is the face value of shares subscribed before forfeiture. Rs 43,50,000 in (A) is not the authorised amount. Neither calls in arrears nor forfeiture changes nominal capital, so only (D) matches the stated ceiling.

Step 3: Conclusion The Nominal Capital is Rs 50,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Link the word nominal directly with authorised capital, before considering applications or unpaid calls.

23(ii). The Issued Capital of the company is: [1 mark]

(A) Rs 45,00,000

(B) Rs 50,00,000

(C) Rs 43,50,000

(D) Rs 44,00,000

Correct Answer: (A) Rs 45,00,000

Solution:

Concept:

- Issued capital is the face value of shares offered by the company for subscription out of its authorised capital.
- Issued capital is calculated from shares invited for issue, whereas subscribed capital uses shares actually applied for and allotted.

Step 1: Calculate the capital offered Radhey Ltd. invited applications for 45,000 equity shares of Rs 100 each. Therefore issued capital is

$$45,000 \times \text{Rs } 100 = \text{Rs } 45,00,000.$$

The shortfall in applications does not alter the amount originally offered.

Step 2: Check the alternatives (A) matches Rs 45,00,000. Option (B), Rs 50,00,000, represents authorised capital. Option (D), Rs 44,00,000, represents the face value of 44,000 subscribed shares before forfeiture. Option (C), Rs 43,50,000, is not the value of shares issued. Calls unpaid and subsequent forfeiture affect other capital disclosures, not this calculation.

Step 3: Conclusion The Issued Capital is Rs 45,00,000. Hence, the correct option is (A).

Quick Tip to Solve: For issued capital, multiply shares offered by face value; do not substitute the shares applied for.

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

(A) Rs 43,58,000

(B) Rs 43,90,000

(C) Rs 43,50,000

(D) Rs 44,00,000

Correct Answer: (C) Rs 43,50,000

Solution:

Concept:

- Subscribed and fully paid capital includes only shares on which the entire face value has been received.
- Shares with calls unpaid are not fully paid; forfeiture does not convert an unpaid share into a fully paid share.

Step 1: Count the fully paid shares Of the 44,000 allotted shares, final call remained unpaid on 500. Hence fully paid shares are $44,000 - 500 = 43,500$. The subsequent forfeiture of 400 of the defaulting shares does not change this number.

Step 2: Calculate capital and compare the options At Rs 100 per share, fully paid capital is $43,500 \times 100 =$ Rs $43,50,000$. Option (A) includes an incorrect adjustment, (B) does not exclude all partly paid shares, and (D) counts every allotted share as fully paid.

Step 3: Conclusion Subscribed and fully paid up capital is $\boxed{\text{Rs } 43,50,000}$, option (C).

Quick Tip to Solve: Exclude all 500 defaulting shares when counting fully paid shares, including those later forfeited.

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

(A) Rs 43,50,000

(B) Rs 43,90,000

(C) Rs 43,82,000

(D) Rs 44,00,000

Correct Answer: (B) Rs 43,90,000

Solution:

Concept:

- Share capital presented includes paid up capital on surviving shares plus the amount originally received on forfeited shares that have not been reissued.
- Calls in arrears on surviving shares are deducted from their called up capital.

Step 1: Calculate paid up capital after forfeiture Surviving shares are $44,000 - 400 = 43,600$. Their called up capital is Rs 43,60,000. Calls in arrears survive on $500 - 400 = 100$ shares: $100 \times 20 =$ Rs $2,000$. Paid up capital is therefore Rs 43,58,000.

Step 2: Add the forfeiture balance and compare Amount received on forfeited shares is $400 \times (100 - 20) = \text{Rs } 32,000$. Thus share capital presented is $43,58,000 + 32,000 = \text{Rs } 43,90,000$. (A) includes only fully paid shares; (C) incorrectly deducts forfeited arrears again; (D) ignores unpaid calls.

Step 3: Conclusion Share capital presented is $\boxed{\text{Rs } 43,90,000}$, option (B).

Quick Tip to Solve: Add the amount received on forfeited shares to the paid up capital of the shares still outstanding.

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

[1 mark]

(A) Rs 50,000

(B) Rs 40,000

(C) Rs 8,000

(D) Rs 32,000

Correct Answer: (D) Rs 32,000

Solution:

Concept:

- Share Forfeiture Account is credited with the share capital amount already received on the shares forfeited.
- The unpaid final call is excluded from the forfeiture credit. No reissue is stated, so the entire forfeiture credit remains disclosed.

Step 1: Find the amount received per forfeited share Face value is Rs 100 and the unpaid final call is Rs 20. Therefore the company had received $100 - 20 = \text{Rs } 80$ on each forfeited share.

Step 2: Calculate the forfeiture balance and test the options Only 400 shares were forfeited, giving $400 \times 80 = \text{Rs } 32,000$. Rs 50,000 is the face value of all 500 defaulting shares; Rs 40,000 is the face value of the forfeited shares; Rs 8,000 is their unpaid call. None is the amount already received.

Step 3: Conclusion Share Forfeiture Account is $\boxed{\text{Rs } 32,000}$, option (D).

Quick Tip to Solve: Multiply forfeited shares by the amount actually received per share, excluding the unpaid call.

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

(A) Rs 8,000

(B) Rs 2,000

(C) Rs 10,000

(D) Rs 5,000

Correct Answer: (B) Rs 2,000

Solution:

Concept:

- Calls in arrears disclosed relate to unpaid calls on shares remaining subscribed after forfeiture.
- On forfeiture, the unpaid call relating to forfeited shares is cancelled from Calls in Arrears Account.

Step 1: Find the surviving defaulting shares Of 500 shares with the final call unpaid, 400 were forfeited. Hence $500 - 400 = 100$ shares remain subscribed with the final call outstanding.

Step 2: Calculate the outstanding call and compare Calls in arrears are $100 \times 20 = \text{Rs } 2,000$. Rs 8,000 is the arrears cancelled on 400 forfeited shares. Rs 10,000 is the original arrears before forfeiture. Rs 5,000 follows neither the surviving share count nor the stated call rate.

Step 3: Conclusion Calls in Arrears disclosed are $\boxed{\text{Rs } 2,000}$, option (B).

Quick Tip to Solve: First remove forfeited shares from the defaulting share count; then multiply by the unpaid call.

24. Mohit, Anisha and Shivam were partners in a firm sharing profits and losses in the ratio of 4:3:2. On 30th September, 2023 Mohit died. After all necessary adjustments, Mohit's capital account showed a credit balance of Rs 4,50,000. On 1st October 2023, Mohit's executors were paid Rs 50,000 in cash and the balance in two equal yearly instalments starting from 30th September, 2024 with interest @ 6% p.a. on the unpaid amount. The firm closes its books on 31st March every year.

Prepare Mohit's Executors account till the Amount is finally paid. [6 marks]

Solution:

Concept:

- The amount due to the deceased partner is transferred from his capital account to his executors account. Payment reduces this liability.
- Interest is charged at 6% per annum on the unpaid principal. Equal yearly instalments repay equal portions of principal, with interest payable in addition.
- Because accounts close on 31st March, split interest at each financial year end and at each September payment date.

Step 1: Determine the principal instalments Mohit is owed Rs 4,50,000 after all adjustments. The immediate cash payment on 1st October, 2023 is Rs 50,000, leaving $4,50,000 - 50,000 = \text{Rs } 4,00,000$. Each of the two yearly principal instalments is $4,00,000/2 = \text{Rs } 2,00,000$.

Step 2: Calculate interest and payments For 1st October, 2023 to 31st March, 2024, interest is

$4,00,000 \times 6/100 \times 6/12 =$ Rs $12,000$. A further Rs 12,000 accrues from 1st April to 30th September, 2024. The first yearly payment is therefore Rs 2,24,000, comprising Rs 2,00,000 principal and Rs 24,000 interest. Remaining principal is Rs 2,00,000. Interest for October, 2024 to March, 2025 is Rs 6,000 and for April to September, 2025 is another Rs 6,000. The final payment is Rs 2,12,000. Interest credited at a year end is not added to principal for computing subsequent simple interest.

Step 3: Prepare the executors account **Mohit's Executors Account**

Dr.	Particulars	Rs	Particulars	Rs	Cr.
1-10-23	To Cash A/c	50,000	By Mohit's Capital A/c	4,50,000	30-9-23
31-3-24	To Balance c/d	4,12,000	By Interest A/c	12,000	31-3-24
	Total	4,62,000	Total	4,62,000	
30-9-24	To Bank A/c	2,24,000	By Balance b/d	4,12,000	1-4-24
31-3-25	To Balance c/d	2,06,000	By Interest A/c	12,000	30-9-24
			By Interest A/c	6,000	31-3-25
	Total	4,30,000	Total	4,30,000	
30-9-25	To Bank A/c	2,12,000	By Balance b/d	2,06,000	1-4-25
			By Interest A/c	6,000	30-9-25
	Total	2,12,000	Total	2,12,000	

Step 4: Check the full settlement Total interest is Rs 36,000. Total payments of Rs 4,86,000 equal the initial liability of Rs 4,50,000 plus interest; the account is fully settled.

Step 5: Conclusion Mohit's executors are finally paid on 30th September, 2025. The annual payments are $\boxed{\text{Rs } 2,24,000 \text{ and Rs } 2,12,000}$.

Quick Tip to Solve: Split each annual interest period at 31st March, but calculate interest on unpaid principal only.

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

(i) Sanya Ltd. forfeited 2,000 shares of Rs 10 each, issued at a premium of Rs 2 per share, Rs 8 called up, for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 700 shares were reissued to Dev as Rs 8 paid up for Rs 10 per share.

(ii) Moksh Ltd. forfeited 5,000 shares of Rs 10 each on which first call of Rs 3 per share was not received. The second and final call of Rs 2 per share has not yet been called. Out of these, 2,000 shares were issued to Geeta as Rs 8 paid up for Rs 7 per share. [6 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with called-up capital; credit unpaid instalments and credit Share Forfeiture with capital already received. Unreceived premium is cancelled by debiting Securities Premium.
- On reissue, the discount is debited to Share Forfeiture. Transfer only the forfeiture profit relating to the shares actually reissued to Capital Reserve.

Step 1: Sanya Ltd.: calculate forfeiture and reissue amounts The called-up capital is $2,000 \times 8 =$

Rs $16,000$. The unpaid allotment is $2,000 \times 5 =$ Rs $10,000$, comprising capital of Rs 6,000 and premium of Rs 4,000. Thus capital already received is Rs 10,000, or Rs 5 per share. Cancel the unpaid premium as it was credited when allotment became due. Reissue proceeds are $700 \times 10 =$ Rs $7,000$; capital credited is $700 \times 8 =$ Rs $5,600$, leaving fresh premium of Rs 1,400. There is no reissue discount. The realised forfeiture profit is $700 \times 5 =$ Rs $3,500$.

Step 2: Journal entries: Sanya Ltd. Journal of Sanya Ltd.

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

Step 3: Moksh Ltd.: calculate forfeiture and reissue amounts The final call of Rs 2 is uncalled, so called-up capital is Rs 8 per share, not the face value of Rs 10. Debit capital by $5,000 \times 8 =$ Rs $40,000$. The unpaid first call is $5,000 \times 3 =$ Rs $15,000$; hence forfeiture receives Rs 25,000, or Rs 5 per share. For 2,000 reissued shares, bank receives Rs 14,000 against paid-up capital of Rs 16,000. The discount of Rs 2,000 is within their forfeiture balance of Rs 10,000. Transfer the difference, Rs 8,000, to Capital Reserve.

Step 4: Journal entries: Moksh Ltd. Journal of Moksh Ltd.

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

Step 5: Conclusion Sanya Ltd. transfers Rs 3,500 to Capital Reserve and retains Rs 6,500 in Share Forfeiture. Moksh Ltd. transfers Rs 8,000 to Capital Reserve and retains Rs 15,000 in Share Forfeiture for the shares not yet reissued.

Quick Tip to Solve: Exclude uncalled capital on forfeiture; calculate the forfeiture profit only for the number of shares actually reissued.

OR

25(b). Raga Ltd. invited applications for issuing 85,000 equity shares of Rs 100 each at par. The amount was payable as follows:

On Application - Rs 30 per share

On Allotment - Rs 40 per share

On First and final call - balance

Applications were received for 80,000 shares and allotment was made to all the applicants in full. When the allotment was due, one shareholder failed to pay the amount on 300 shares held by him and another shareholder holding 500 shares paid the entire amount on his shares. The first and final call was duly received, along with arrears of allotment.

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

Solution:

Concept:

- Only subscribed shares generate share capital. Application, allotment and call money are recognised on 80,000 shares; no entry is passed for 5,000 unsubscribed shares.
- Calls in Arrears records amounts due but unpaid; Calls in Advance records money received before the relevant call is due. Adjust the latter when the call becomes due.

Step 1: Calculate the instalments and bank receipts The first and final call is $100 - 30 - 40 = \text{Rs } 30$ per share. Application money is $80,000 \times 30 = \text{Rs } 24,00,000$; allotment due is $80,000 \times 40 = \text{Rs } 32,00,000$. Allotment arrears are $300 \times 40 = \text{Rs } 12,000$. The holder of 500 shares pays an additional $500 \times 30 = \text{Rs } 15,000$ towards the future call. Thus allotment-stage bank receipt is $32,00,000 - 12,000 + 15,000 = \text{Rs } 32,03,000$. The call due totals Rs 24,00,000; after adjusting the advance, fresh call receipts are Rs 23,85,000. Adding the recovered arrears gives bank receipt of Rs 23,97,000.

Step 2: Record the transactions Journal of Raga 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 80,000 shares at Rs 30 each)			
	Share Application A/c Dr.		24,00,000	
	To Share Capital A/c			24,00,000
	(Being application money transferred to share capital)			
	Share Allotment A/c Dr.		32,00,000	
	To Share Capital A/c			32,00,000
	(Being allotment of Rs 40 per share due on 80,000 shares)			

	Bank A/c Dr.		32,03,000	
	Calls in Arrears A/c Dr.		12,000	
	To Share Allotment A/c			32,00,000
	To Calls in Advance A/c			15,000
	(Being allotment received with arrears on 300 shares and call advance on 500 shares)			
	Share First and Final Call A/c Dr.		24,00,000	
	To Share Capital A/c			24,00,000
	(Being first and final call of Rs 30 per share due)			
	Calls in Advance A/c Dr.		15,000	
	To Share First and Final Call A/c			15,000
	(Being advance on 500 shares adjusted against call due)			
	Bank A/c Dr.		23,97,000	
	To Share First and Final Call A/c			23,85,000
	To Calls in Arrears A/c			12,000
	(Being call money received after adjustment of advance, together with allotment arrears)			

Step 3: Open and close the arrears and advance accounts Calls in Arrears Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Allotment A/c	12,000	By Bank A/c	12,000	
	Total	12,000	Total	12,000	

Both sides are equal after recovery; the closing balance is nil. Calls in Advance Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share First and Final Call A/c	15,000	By Bank A/c	15,000	
	Total	15,000	Total	15,000	

The advance is fully adjusted when the call becomes due, so its closing balance is also nil.

Step 4: Conclusion The subscribed share capital is $80,000 \times 100 =$ Rs $80,00,000$, fully paid. Calls in Arrears and Calls in Advance both close with nil balance. Total bank receipts reconcile: Rs 24,00,000 + Rs 32,03,000 + Rs 23,97,000 = Rs 80,00,000.

Quick Tip to Solve: At allotment subtract the unpaid allotment and add future-call advances; at the final call reverse those timing differences.

26(a). **Mitali and Karan were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31st March, 2025 was as follows:**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Mitali 8,00,000 Karan 5,00,000	13,00,000	Machinery	8,00,000
Investment Fluctuation fund	20,000	Furniture	5,00,000
	1,30,000	Investments	1,50,000
Creditors	2,00,000	Debtors 1,10,000 less Provision 10,000	1,00,000
		Stock	80,000
		Cash	20,000
Total	16,50,000	Total	16,50,000

On 1st April, 2025, Nitin was admitted for 1/4 share in the profits of the firm on the following terms:
(i) Nitin will bring Rs 3,00,000 as Capital and Rs 1,50,000 for his share of goodwill premium in cash.
(ii) Stock was sold at Rs 70,000.
(iii) Machinery was found to be overvalued by Rs 8,500.
(iv) All debtors were found to be good, hence provision for doubtful debts was not required.
(v) A liability of Rs 3,500 included in creditors is not likely to arise.
(vi) The market value of the investments was Rs 1,40,000.
(vii) The new profit sharing ratio between Mitali, Karan and Nitin will be 2:2:1.
Pass necessary journal entries for the above transactions on Nitin's admission. [6 marks]

Solution:

Concept:

- Changes in asset and liability values enter Revaluation Account; its balance belongs to old partners in their old ratio, here $3:2$.
- Goodwill premium compensates sacrificing partners. Investment Fluctuation Fund first absorbs the fall in investments; its surplus belongs to old partners.

Step 1: Determine sacrifice and treatment of premium The explicitly stated new ratio is $2:2:1$. Thus Mitali sacrifices $3/5 - 2/5 = 1/5$, while Karan sacrifices $2/5 - 2/5 = 0$. The entire premium of Rs 1,50,000 is credited to Mitali. The printed reference to a one-fourth share is inconsistent with Nitin's one-fifth share in the stated new ratio; the explicit new ratio is used for the capital adjustment.

Step 2: Record capital, goodwill and asset adjustments Journal of the firm on 1st April, 2025

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Cash A/c Dr.		4,50,000	
	To Nitin's Capital A/c			3,00,000
	To Premium for Goodwill A/c			1,50,000
	(Being capital and goodwill received)			

	Premium for Goodwill A/c Dr.		1,50,000	
	To Mitali's Capital A/c			1,50,000
	(Being premium credited to sacrificing partner)			
	Cash A/c Dr.		70,000	
	Revaluation A/c Dr.		10,000	
	To Stock A/c			80,000
	(Being stock sold below book value)			
	Revaluation A/c Dr.		8,500	
	To Machinery A/c			8,500
	(Being machinery value reduced)			

Step 3: Record provision, liability and investment adjustments Journal of the firm on 1st April, 2025

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Provision for Doubtful Debts A/c Dr.		10,000	
	To Revaluation A/c			10,000
	(Being unnecessary provision reversed)			
	Creditors A/c Dr.		3,500	
	To Revaluation A/c			3,500
	(Being liability no longer required reversed)			
	Investment Fluctuation Fund A/c Dr.		20,000	
	To Investments A/c			10,000
	To Mitali's Capital A/c			6,000
	To Karan's Capital A/c			4,000
	(Being investment loss met and surplus distributed)			
	Mitali's Capital A/c Dr.		3,000	
	Karan's Capital A/c Dr.		2,000	
	To Revaluation A/c			5,000
	(Being revaluation loss shared in old ratio)			

Step 4: Check revaluation and reserve allocation The stock loss is $80,000 - 70,000 =$ Rs $10,000$, and machinery loss is Rs 8,500. Credits are the provision reversal Rs 10,000 and creditors reversal Rs 3,500. Hence revaluation loss is $18,500 - 13,500 =$ Rs $5,000$, borne by Mitali Rs 3,000 and Karan Rs 2,000. The investment fall $1,50,000 - 1,40,000 =$ Rs $10,000$ is met by the fund; the remaining Rs 10,000 is distributed Rs 6,000 and Rs 4,000.

Step 5: Conclusion The above entries record the admission; revaluation loss is Rs 5,000 and the goodwill premium is credited entirely to Mitali.

Quick Tip to Solve: Compute sacrifice from old and new shares before distributing goodwill; use the fund before charging an investment loss.

OR

26(b). **Raghav, Meeta and Pranav were partners in a firm sharing profits and losses in the ratio of 5:3:2. Their balance sheet as at 31st March, 2025 was as follows:**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Raghav 2,50,000 Meeta 2,00,000 Pranav 1,50,000	6,00,000	Plant and Machinery	4,30,000
General Reserve	40,000	Furniture	1,60,000
Bills payable	30,000	Stock	90,000
Creditors	1,20,000	Debtors 80,000 less Provision 2,000	78,000
		Cash	32,000
Total	7,90,000	Total	7,90,000

On 1st April, 2025, Pranav retired from the firm on the following terms:

(i) Plant and Machinery was found to be undervalued by Rs 20,000.

(ii) Furniture was revalued at Rs 1,62,000.

(iii) The provision for doubtful debts on debtors was to be created @ 5%.

(iv) Goodwill of the firm was valued at Rs 4,00,000 and the same was to be adjusted through the capital accounts of the remaining partners.

(v) Pranav was paid in cash brought in by Raghav and Meeta in such a way so as to make the capital proportionate to the new profit sharing ratio.

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

Solution:

Concept:

- Revaluation profit and accumulated reserves are distributed in the old profit sharing ratio $5:3:2$, including the retiring partner.
- When no new ratio is specified, the continuing partners retain their relative old shares, here $5:3$. Goodwill compensation is borne in their gaining ratio, also $5:3$.

Step 1: Calculate revaluation profit Plant and machinery increases by Rs 20,000 and furniture increases by $1,62,000 - 1,60,000 =$ Rs $2,000$. The required provision is $80,000 \times 5\% =$ Rs $4,000$. Since Rs 2,000 already exists, only an additional Rs 2,000 is charged. Profit is $20,000+2,000-2,000 =$ Rs $20,000$, shared as Rs 10,000, Rs 6,000 and Rs 4,000.

Revaluation Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Provision for doubtful debts	2,000	By Plant and Machinery	20,000	
	To Raghav's Capital	10,000	By Furniture	2,000	
	To Meeta's Capital	6,000			
	To Pranav's Capital	4,000			
	Total	22,000	Total	22,000	

Step 2: Allocate reserve and compensate Pranav for goodwill The general reserve of Rs 40,000 is credited to Raghav Rs 20,000, Meeta Rs 12,000 and Pranav Rs 8,000. Pranav's goodwill share is $4,00,000 \times 2/10 =$ Rs $80,000$. Raghav gains $5/8 - 5/10 = 1/8$; Meeta gains $3/8 - 3/10 = 3/40$, giving gaining ratio $5:3$. Debit their capitals by Rs 50,000 and Rs 30,000 respectively and credit Pranav Rs 80,000.

Step 3: Work out settlement and proportionate capitals Adjusted capitals before cash are Raghav $2,50,000 + 20,000 + 10,000 - 50,000 =$ Rs $2,30,000$; Meeta $2,00,000 + 12,000 + 6,000 - 30,000 =$ Rs $1,88,000$; Pranav $1,50,000 + 8,000 + 4,000 + 80,000 =$ Rs $2,42,000$. Since the full retirement payment is brought by the continuing partners, their combined capital after the cash introduction is $2,30,000 + 1,88,000 + 2,42,000 =$ Rs $6,60,000$. In $5:3$, capitals must be Rs 4,12,500 and Rs 2,47,500. Cash introduced is therefore Rs 1,82,500 and Rs 59,500; together this equals Pranav's settlement.

Step 4: Prepare the balanced capital accounts Partners' Capital Accounts

Dr. Particulars	Raghav Rs	Meeta Rs	Pranav Rs	Particulars Cr.	Raghav Rs	Meeta Rs	Pranav Rs
To Pranav's Capital	50,000	30,000	–	By Balance b/d	2,50,000	2,00,000	1,50,000
To Cash	–	–	2,42,000	By General Reserve	20,000	12,000	8,000
To Balance c/d	4,12,500	2,47,500	–	By Revaluation	10,000	6,000	4,000
				By Raghav's Capital	–	–	50,000
				By Meeta's Capital	–	–	30,000
				By Cash	1,82,500	59,500	–
Total	4,62,500	2,77,500	2,42,000	Total	4,62,500	2,77,500	2,42,000

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

Quick Tip to Solve: Charge only the increase in the existing provision; include the cash financing retirement when fixing continuing capitals.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27(a). In common size income statement, each item is expressed as a percentage of ____. [1 mark]

(A) Total income

(B) Total expenses

(C) Revenue from operations

(D) Net profit after tax

Correct Answer: (C) Revenue from operations

Solution:

Concept:

- A common size income statement uses revenue from operations as the common base, taken as 100%.
- Each amount is divided by the same base, so the percentages reveal the composition of income and expenses.

Step 1: Identify the denominator For every item,

$$\text{Common size percentage} = \frac{\text{Amount of the item}}{\text{Revenue from operations}} \times 100.$$

Thus revenue from operations is the base even when other income is present.

Step 2: Check the alternatives Total income includes other income and is not the prescribed base. Total expenses would measure expense composition, while net profit after tax is the residual result and is not used as the denominator. Therefore options (A), (B) and (D) do not give the required base.

Step 3: Conclusion Hence, the correct option is (C): Revenue from operations.

Quick Tip to Solve: For an income statement, set revenue from operations to 100% before calculating other percentages.

OR

27(b). The statements which are useful both in intra firm comparison over different years and also in inter firm comparison for the same year or for several years are known as: [1 mark]

(A) Comparative statement

(B) Common size statement

(C) Income statement

(D) Cash flow statement

Correct Answer: (B) Common size statement

Solution:

Concept:

- Common size statements express each item as a percentage of a common base, making statements comparable despite differences in business size.
- For a common size balance sheet the base is total assets or total liabilities; for a statement of profit and loss it is revenue from operations.

Step 1: Identify the comparison required The question requires comparison within the same firm across years and between different firms. A percentage statement removes the effect of different absolute sizes and permits both comparisons.

Step 2: Check the alternatives Comparative statements primarily show absolute and percentage changes between periods. An income statement reports profit, while a cash flow statement reports cash movements; neither name denotes the standardised percentage comparison described here.

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

Quick Tip to Solve: For comparison between firms of different sizes, look for percentages of a common base.

28. Statement-I: Cash equivalents mean short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Statement-II: An investment normally qualifies as a cash equivalent only when it has a short maturity period of three months or more from the date of acquisition.

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

(A) Both the Statements are false.

(B) Both the Statements are true.

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

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

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

Solution:

Concept:

- Cash equivalents are short-term, highly liquid investments readily convertible into known cash amounts and subject to insignificant value-change risk.
- The normal qualifying maturity is three months or less from the date of acquisition.

Step 1: Evaluate Statement I Statement I reproduces the defining liquidity, convertibility and low-risk features of cash equivalents. It is therefore true; short-term investment status alone would not be sufficient without these features.

Step 2: Evaluate Statement II The phrase "three months or more" is incorrect. The normal limit is three months or less from acquisition, so Statement II is false. Thus neither both-true nor both-false applies, and the alternative reversing the two truth values also fails.

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

Quick Tip to Solve: Check the direction of the maturity limit: three months or less, measured from acquisition.

29. The quick ratio of Theta Ltd. is 0.8:1. Which of the following transactions will result in decrease in this ratio? [1 mark]

(A) Sold goods on credit Rs 39,000.

(B) Cash collected from debtors Rs 76,000.

(C) Outstanding electricity bill paid Rs 41,000.

(D) Issue of shares Rs 5,00,000.

Correct Answer: (C) Outstanding electricity bill paid Rs 41,000.

Solution:

Concept:

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

Step 1: Test payment of the outstanding bill Let current liabilities be L, so quick assets are $0.8L$. After payment of Rs 41,000, the ratio is $\frac{0.8L - 41,000}{L - 41,000}$. For positive remaining liabilities, its difference from 0.8 is $\frac{-8,200}{L - 41,000} < 0$.

Step 2: Test the other transactions A credit sale increases debtors, hence quick assets, while leaving current liabilities unchanged, so (A) raises the ratio. Collection from debtors only converts receivables into cash and leaves quick assets unchanged, so (B) has no effect. A cash issue of shares increases cash without increasing current liabilities, so (D) raises the ratio.

Step 3: Conclusion Payment of the outstanding electricity bill decreases the quick ratio. Hence, the correct option is (C).

Quick Tip to Solve: For an initial ratio below one, an equal reduction in both terms makes the ratio fall.

30(a). Which of the following transactions is NOT a cash flow from investing activity? [1 mark]

(A) Sale of machinery for cash Rs 90,000

(B) Purchase of goodwill Rs 5,00,000

(C) Purchase of marketable securities for cash Rs 20,000

(D) Sale of furniture for Rs 43,000 for cash

Correct Answer: (C) Purchase of marketable securities for cash Rs 20,000

Solution:

Concept:

- Investing activities involve acquiring and disposing of long-term assets and investments other than cash equivalents.
- Marketable securities treated as cash equivalents form part of cash and cash equivalents; transfers into them are excluded from cash flows.

Step 1: Identify the long-term asset transactions Sale of machinery for Rs 90,000 and sale of furniture for Rs 43,000 generate investing inflows. Purchase of goodwill for Rs 5,00,000 is acquisition of an intangible long-term asset and is an investing outflow. Thus (A), (B) and (D) belong to investing activities.

Step 2: Identify the cash-equivalent transfer In the classification intended by this question, marketable securities are cash equivalents. Their purchase for Rs 20,000 exchanges cash for another component of cash and cash equivalents; it is therefore excluded from investing cash flows.

Step 3: Conclusion Purchase of marketable securities for cash Rs 20,000 is the required transaction. Hence, the correct option is (C).

Quick Tip to Solve: Exclude purchases of cash-equivalent marketable securities before classifying investing activities.

OR

30(b). Which of the following transactions will not result in flow of cash? [1 mark]

(A) Purchase of furniture through a cheque

(B) Payment of salaries

(C) Issue of shares

(D) Cash deposited in the bank

Correct Answer: (D) Cash deposited in the bank

Solution:

Concept:

- A cash flow changes the total of cash and cash equivalents through an external receipt or payment.
- Transfers between cash in hand and a demand bank deposit do not change the aggregate cash balance.

Step 1: Trace the bank deposit Depositing cash in the bank reduces cash in hand and increases the bank balance by the same amount. Both are components of cash and cash equivalents, so their combined amount is unchanged and no cash flow results.

Step 2: Check the remaining alternatives Purchase of furniture through a cheque is an investing cash outflow. Payment of salaries is an operating cash outflow. Issue of shares for cash is a financing cash inflow. Each changes aggregate cash and cash equivalents, unlike a transfer from the cash box to the bank.

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

Quick Tip to Solve: Add cash in hand and bank balances together before deciding whether a transaction is a cash flow.

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

(i) Loose tools

(ii) Design

(iii) Capital work in progress [3 marks]

Solution:

Concept:

- Assets are classified as current or non-current according to their nature and their expected realisation or consumption in the operating cycle.
- Under non-current assets, fixed assets distinguish tangible assets, intangible assets and capital work in progress.

Step 1: Classify loose tools Loose tools are included in inventories under current assets. They represent stores or tools held for use in the operating process; they are not classified here as an

individually capitalised item of plant and machinery.

Step 2: Classify design A design is an identifiable non-physical resource. It is classified under non-current assets, fixed assets, intangible assets. The absence of physical substance distinguishes it from tangible plant and equipment.

Step 3: Classify capital work in progress Capital work in progress represents expenditure on a fixed asset whose construction is not yet complete. It is shown under non-current assets, fixed assets, as capital work in progress rather than adding it to completed tangible assets.
Balance Sheet classification extract:

Item	Major head	Sub-head and detailed classification
Loose tools	Current assets	Inventories
Design	Non-current assets	Fixed assets: Intangible assets
Capital work in progress	Non-current assets	Fixed assets: Capital work in progress

Step 4: Conclusion Loose tools: Current assets–Inventories; Design: Non-current assets–Fixed assets–Intangible assets; Capital work in progress: Non-current assets–Fixed assets–Capital work in progress.

Quick Tip to Solve: First choose current or non-current; then identify inventory, intangible asset, or unfinished capital asset.

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

Particulars	Note No.	2024-25 (Rs)	2023-24 (Rs)
Revenue from operations		**80,00,000**	**40,00,000**
Cost of materials consumed		**24,00,000**	**16,00,000**
Employee benefit expenses		**4,00,000**	**2,00,000**
Income tax @ 20%			

[3 marks]

Solution:

Concept:

- In a common size statement of profit and loss, revenue from operations is taken as 100% in each year.
- Each item percentage $= \dfrac{\text{Item amount}}{\text{Revenue from operations}} \times 100$. Income tax is calculated on profit before tax.

Step 1: Calculate profits and income tax For 2023–24, total expenses are $16,00,000 + 2,00,000 =$ Rs $18,00,000$. Profit before tax is $40,00,000 - 18,00,000 =$ Rs $22,00,000$; tax at 20% is Rs 4,40,000 and profit after tax is Rs 17,60,000.

For 2024–25, total expenses are $24,00,000 + 4,00,000 =$ Rs $28,00,000$. Profit before tax is Rs 52,00,000; tax at 20% is Rs 10,40,000 and profit after tax is Rs 41,60,000.

Step 2: Prepare the common size statement CK Ltd.
Common Size Statement of Profit and Loss for the years ended 31st March, 2024 and 31st March, 2025

Particulars	2023–24 (Rs)	%	2024–25 (Rs)	%
Revenue from operations	40,00,000	100	80,00,000	100
Total revenue	40,00,000	100	80,00,000	100
Expenses:				
Cost of materials consumed	16,00,000	40	24,00,000	30
Employee benefit expenses	2,00,000	5	4,00,000	5
Total expenses	18,00,000	45	28,00,000	35
Profit before tax	22,00,000	55	52,00,000	65
Income tax	4,40,000	11	10,40,000	13
Profit after tax	17,60,000	44	41,60,000	52

For example, the 2024–25 materials percentage is $24,00,000/80,00,000 \times 100 = 30\%$. Tax is 20% of profit before tax, not 20% of revenue; its common size percentages are therefore 11% and 13%.

Step 3: Conclusion Profit after tax is Rs 17,60,000 (44% of revenue) in 2023–24 and Rs 41,60,000 (52%) in 2024–25.

Quick Tip to Solve: Use each year's own revenue as the denominator, and apply the tax rate to profit before tax.

33. The following information has been obtained from the books of Naval Ltd. Trade receivables turnover ratio of the company is 4 times, cost of revenue from operations Rs 6,40,000; gross profit ratio 20%, closing trade receivables were Rs 20,000 more than that in the beginning, cash revenue from operations being 33-1/3% of credit revenue from operations. Calculate its opening and closing trade receivables. [4 marks]

Solution:

Concept:

- Gross profit ratio is gross profit divided by revenue from operations. Hence cost of revenue from operations equals $100\% - 20\% = 80\%$ of revenue.
- Trade receivables turnover ratio equals net credit revenue from operations divided by average trade receivables; average receivables equal half the sum of opening and closing balances.

Step 1: Calculate total revenue from operations Let total revenue from operations be R. The given cost of Rs 6,40,000 represents 80% of revenue, since gross profit is 20% of revenue, not of cost. Therefore,

$$R = \frac{6,40,000 \times 100}{80} = \text{Rs } 8,00,000.$$

Gross profit is Rs 1,60,000, which checks with the given ratio.

Step 2: Separate credit revenue from cash revenue Cash revenue is $33\frac{1}{3}\% = \frac{1}{3}$ of credit revenue. Let credit revenue be C. Then total revenue is credit revenue plus cash revenue:

$$C + \frac{C}{3} = 8,00,000, \qquad C = 8,00,000 \times \frac{3}{4} = \text{Rs } 6,00,000.$$

Thus cash revenue is Rs 2,00,000. The turnover ratio uses credit revenue, so the total revenue of Rs 8,00,000 must not be used in its numerator.

Step 3: Find average, opening and closing trade receivables Using the given turnover of 4 times,

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

Let opening trade receivables be x; closing trade receivables are $x + 20,000$. Therefore,

$$\frac{x + (x + 20,000)}{2} = 1,50,000, \qquad 2x = 2,80,000, \qquad x = 1,40,000.$$

The closing balance is Rs 1,60,000. Their average is Rs 1,50,000 and Rs 6,00,000 divided by this average is exactly 4, verifying both balances.

Step 4: Conclusion Opening trade receivables = $\boxed{\text{Rs } 1,40,000}$; closing trade receivables = $\boxed{\text{Rs } 1,60,000}$.

Quick Tip to Solve: Cash revenue is one-third of credit revenue, so credit revenue is three-fourths of total revenue, not two-thirds.

34. From the following Balance Sheet of Rama Ltd. as at 31st March, 2025, calculate cash flows from Investing Activities and cash flows from Financing Activities.

Particulars	Note No.	31-3-2025 (Rs)	31-3-2024 (Rs)
I. Equity and Liabilities:			
1. Shareholders funds (a) Share Capital		21,00,000	10,00,000
(b) Reserves and Surplus	1	1,30,000	2,40,000
2. Non-current liabilities Long-term borrowings	2	2,50,000	3,20,000
3. Current Liabilities (a) Short-term borrowings	3	90,000	70,000
(b) Trade Payables		20,000	60,000
Total		25,90,000	16,90,000

II. Assets:			
1. Non-current Assets (a) Property, Plant and Equipment and Intangible Assets (i) Property Plant and Equipment	4	14,00,000	9,00,000
(ii) Intangible Assets	5	4,00,000	2,40,000
(b) Non-current Investments		5,44,000	3,40,000
2. Current Assets (a) Inventories		1,45,000	54,000
(b) Trade Receivables		62,000	1,26,000
(c) Cash and Cash Equivalents		39,000	30,000
Total		25,90,000	16,90,000

Notes to Accounts:

Note No.	Particulars	31-03-2025 (Rs)	31-03-2024 (Rs)
1.	Reserves and Surplus i.e. Balance in Statement of Profit and Loss	1,30,000	2,40,000
2.	Long-term borrowings 10% Debentures	2,50,000	3,20,000
3.	Short-term borrowings Bank overdraft	90,000	70,000
4.	Property, Plant and Equipment Plant and Machinery Accumulated Depreciation	15,20,000 (1,20,000)	9,80,000 (80,000)
		14,00,000	9,00,000
5.	Intangible Assets: Goodwill	4,00,000	2,40,000

Additional Information:

(i) Depreciation amounting to Rs 80,000 was charged on plant and machinery during the year.

(ii) During the year a new machine costing Rs 8,00,000 was purchased and an old machine was sold at a profit of Rs 8,000.

(iii) Interest paid on debentures amounted to Rs 32,000. [6 marks]

Solution:

Concept:

- Investing activities include cash purchases and sales of property, plant and equipment, goodwill and non-current investments. Sale proceeds equal the carrying amount sold plus profit on sale.
- Financing activities include proceeds from share capital, redemption of debentures, changes in short-term bank borrowings and interest paid by a non-financial company. Non-cash depreciation is not itself an investing payment.

Step 1: Calculate the cash proceeds from sale of machinery The machinery note gives gross cost

separately from accumulated depreciation. The gross cost of the machine sold is:

$$9,80,000 + 8,00,000 - 15,20,000 = \text{Rs } 2,60,000.$$

Accumulated depreciation removed on disposal is opening accumulated depreciation plus current depreciation less the closing balance:

$$80,000 + 80,000 - 1,20,000 = \text{Rs } 40,000.$$

Consequently, the carrying amount of the machinery sold is Rs 2,60,000 less Rs 40,000, or Rs 2,20,000. Adding the given profit of Rs 8,000 gives cash sale proceeds of Rs 2,28,000. Depreciation is used to find carrying amount; it is not deducted from the sale proceeds again.

Step 2: Determine the other investing cash payments Goodwill increases from Rs 2,40,000 to Rs 4,00,000, giving a purchase payment of Rs 1,60,000. Non-current investments increase from Rs 3,40,000 to Rs 5,44,000, giving purchases of Rs 2,04,000. No separate disposal or non-cash transaction is stated for either item. The machinery purchase is the explicitly given Rs 8,00,000, rather than the change in its net balance-sheet amount.

Step 3: Present cash flows from investing activities Rama Ltd. — Cash Flow Statement (Extract) for the year ended 31st March, 2025

Particulars	Amount (Rs)
Cash flows from Investing Activities	
Proceeds from sale of plant and machinery	2,28,000
Purchase of plant and machinery	(8,00,000)
Purchase of goodwill	(1,60,000)
Purchase of non-current investments	(2,04,000)
Net cash used in Investing Activities	(9,36,000)

Parentheses denote cash outflows. Total investing payments are Rs 11,64,000; after deducting the receipts of Rs 2,28,000, the net investing outflow is Rs 9,36,000.

Step 4: Calculate and present financing cash flows Share capital increases by Rs 11,00,000, debentures decrease by Rs 70,000 and bank overdraft increases by Rs 20,000. These represent an issue of shares, redemption of debentures and additional short-term bank borrowing respectively. Interest actually paid is the given Rs 32,000; it need not be estimated from the closing debenture balance.
Rama Ltd. — Cash Flow Statement (Extract) for the year ended 31st March, 2025

Particulars	Amount (Rs)
Cash flows from Financing Activities	
Proceeds from issue of shares	11,00,000
Redemption of debentures	(70,000)
Increase in bank overdraft	20,000
Interest paid on debentures	(32,000)
Net cash from Financing Activities	10,18,000

The bank overdraft is classified under short-term borrowings in the supplied balance sheet and is treated as financing. The decrease in reserves is not a separate financing cash flow. Inventories, trade receivables and trade payables concern operating activities and do not enter the two sections requested.

Step 5: Conclusion Net cash used in Investing Activities is $\boxed{\text{Rs } 9,36,000}$. Net cash from Financing Activities is $\boxed{\text{Rs } 10,18,000}$.

Quick Tip to Solve: Use gross machinery cost to find cost sold, then remove its accumulated depreciation and add the profit to obtain sale proceeds.

OPTION - II (Computerised Accounting)

27. Which chart element details the data values and categories below the chart: [1 mark]

(A) Data marker

(B) Data labels

(C) Data tables

(D) Data point

Correct Answer: (C) Data tables

Solution:

Concept:

- A data table is the chart element that displays the underlying numerical values and category names in a tabular form below the chart.
- Data markers and data points represent individual observations in the plotted chart, whereas data labels identify plotted observations.

Step 1: Identify the required chart element The question asks for both data values and categories arranged below the chart. This describes a data table, which lets the reader see the source figures alongside the graphical display.

Step 2: Check the alternatives Option (A), a data marker, is a bar, symbol or other graphical representation within the chart. Option (B), data labels, adds information beside individual plotted values. Option (D), a data point, is an individual value represented in a series. None of these is the tabular listing below the chart. Option (C) directly names that listing.

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

Quick Tip to Solve: Look for the words "values and categories below": together they indicate a data table.

28(a). Mainly the components of computer are: [1 mark]

(A) Hardware and software

(B) System software and Hardware

(C) Application software and Hardware

(D) System software and Application software

Correct Answer: (A) Hardware and software

Solution:

Concept:

- Hardware comprises the physical parts of a computer; software comprises the programs and instructions that make those parts operate.
- System software controls the computer, while application software performs particular user tasks. Both belong to software.

Step 1: Identify the two broad components A computer requires physical equipment, such as the keyboard, processor and monitor, together with programs that direct its operations. These two main categories are hardware and software.

Step 2: Check the remaining combinations Options (B) and (C) each include only one class of software with hardware, so each leaves out another class of programs. Option (D) lists two classes of software and omits physical equipment altogether.

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

Quick Tip to Solve: Look for the broad categories: system and application software are subdivisions of software.

OR

28(b). Which of the following is not a part of equity and liability group of accounts? [1 mark]

(A) Money received against share warrants

(B) Deferred tax liability

(C) Capital work in progress

(D) Trade payable

Correct Answer: (C) Capital work in progress

Solution:

Concept:

- Equity represents owners' funds; liabilities represent amounts owed by the business.
- Capital work in progress is expenditure on a fixed asset that is not yet ready for its intended use, so it is an asset.

Step 1: Classify capital work in progress Capital work in progress represents incomplete construction

or installation of a long-term asset. It appears under non-current assets, not under equity and liabilities.

Step 2: Check the other three options Money received against share warrants is presented with shareholders' funds. Deferred tax liability is a liability, and trade payables are amounts due to suppliers. These three therefore belong to the equity and liabilities side.

Step 3: Conclusion Capital work in progress is not part of the equity and liabilities group. Hence, the correct option is (C).

Quick Tip to Solve: Ask whether the item is a resource owned or a claim on the business; unfinished assets are resources.

29(a). Which type of software package is suitable for an organization where the volume of accounting transaction is very low and adaptability is very high? [1 mark]

(A) Specific

(B) Generic

(C) Tailored

(D) (A) and (C) both

Correct Answer: (B) Generic

Solution:

Concept:

- A generic or ready-to-use accounting package provides standard accounting features and is suitable for a small volume of transactions.
- Adaptability here refers to the organisation's willingness and ability to adapt its procedures to the standard software.

Step 1: Match the stated requirements The organisation has very low transaction volume and very high adaptability. It can adopt the procedures of an available standard package, so a generic package meets its needs without costly special development.

Step 2: Compare the alternatives Specific and tailored packages are developed for particular organisational requirements. They are appropriate when special requirements or limited ability to adapt make a standard package unsuitable. Thus (A), (C) and their combination in (D) do not give the best match here.

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

Quick Tip to Solve: High organisational adaptability allows adoption of a standard ready-to-use package.

OR

29(b). What is used to build single formula with multiple results in Excel? [1 mark]

(A) Array

(B) Derived value

(C) Vectors

(D) Round()

Correct Answer: (A) Array

Solution:

Concept:

- An array formula can process a collection of values using one formula and can return more than one result.
- A formula that returns an array can produce related outputs across multiple cells.

Step 1: Identify the required formula facility To obtain several results from a single formula, Excel uses an array formula. Its operations are applied to a set or range of values rather than only to one individual value.

Step 2: Eliminate the other options A derived value is an output of calculation, not the formula facility. A vector describes a collection mathematically but is not the expected Excel feature here. ROUND() rounds a number to a specified number of digits; it does not by itself identify the multiple-result formula facility.

Step 3: Conclusion An array is used to build a single formula with multiple results. Hence, the correct option is (A).

Quick Tip to Solve: When a question links one Excel formula with multiple results, identify an array formula.

30. Depreciation is generated from which of the following accounting sub-system: [1 mark]

(A) Tax accounting sub-system

(B) Expense accounting sub-system

(C) Fixed assets accounting sub-system

(D) Final accounts sub-system

Correct Answer: (C) Fixed assets accounting sub-system

Solution:

Concept:

- The fixed assets accounting sub-system maintains asset cost, acquisition details, useful life, depreciation and written-down value.
- Depreciation allocates the depreciable amount of a fixed asset over its useful life.

Step 1: Locate the source of the calculation The fixed assets accounting sub-system holds the asset records needed to calculate depreciation. It generates the depreciation charge and updates the

carrying amount of each relevant asset.

Step 2: Distinguish the other sub-systems Tax accounting deals with taxes. Expense accounting records and processes expenses, while final accounts bring together information for financial statements. Although depreciation affects expenses and final accounts, the underlying depreciation calculation originates in the fixed assets sub-system.

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

Quick Tip to Solve: Distinguish the sub-system that calculates depreciation from the statements that later report it.

31. What is meant by cell reference, absolute cell reference and relative cell reference? [3 marks]

Solution:

Concept:

- A spreadsheet cell is identified by its column letter and row number; formulas use this address to obtain the cell's value.
- The reference type determines whether an address changes when a formula is copied to another location.

Step 1: Cell reference A cell reference is the address that identifies a cell in a worksheet. For example, A1 identifies the cell at the intersection of column A and row 1. A formula such as =A1+B1 uses references to add the contents of these two cells. Referencing cells allows the result to update when their contents change.

Step 2: Absolute cell reference An absolute cell reference fixes both the column and row by placing a dollar sign before each, for example A1. When a formula containing this reference is copied down or across, it continues to refer to cell A1. For example, copying =B2*A1 down one row produces =B3*A1. It is useful when every calculation uses the same rate or other constant held in one cell.

Step 3: Relative cell reference A relative cell reference changes according to the movement of the copied formula. It contains no dollar signs, for example A1. If =A1+B1 is copied from C1 to C2, it becomes =A2+B2 because the formula has moved down one row. This allows the same calculation to be repeated for successive records without rewriting every address.

Step 4: Conclusion A cell reference identifies a worksheet cell. An absolute reference remains fixed on copying, while a relative reference adjusts with the copied formula.

Quick Tip to Solve: Use dollar signs on both the column and row when a rate cell must remain fixed during copying.

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

Solution:

Concept:

- A computerised accounting system records and processes accounting data through accounting software and produces financial information.
- Its features describe how it processes records and how efficiently it provides usable accounting information.

Step 1: Speed A computerised accounting system processes large numbers of transactions rapidly. Once the necessary data have been entered, the software can post entries, compute balances and generate reports much faster than manual processing. For example, an updated trial balance can be obtained promptly after transactions are entered, helping management receive timely information.

Step 2: Accuracy The system performs calculations and postings according to programmed rules, thereby reducing arithmetic errors and mistakes caused by repeated manual copying. For example, it can calculate ledger balances consistently from recorded entries. Accuracy still depends on correct input data and correct software settings; a wrong amount entered by the user does not automatically become correct merely because a computer processes it.

Step 3: Reliability A computerised system applies the same programmed procedure consistently to similar transactions and can produce dependable accounting reports from properly maintained records. Authorised access, appropriate validation and regular backups help preserve the records and support dependable use. Consistent processing makes it easier to obtain comparable information whenever the reports are required.

Step 4: Conclusion Three features of a computerised accounting system are speed, accuracy and reliability.

Quick Tip to Solve: Explain each feature through its effect on accounting work, instead of only listing the feature names.

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

Solution:

Concept:

- Text manipulation functions are spreadsheet functions used to extract, join, count, clean or change the case of characters in a text string. They help organise names, account codes and other textual accounting data.
- A function's syntax specifies its name and the order of its arguments. A formula begins with an equals sign; text constants are enclosed in double quotation marks, while cell references are entered without quotation marks.

Step 1: Explain extraction functions and their syntax `=LEFT(text,num_chars)` returns the specified number of characters from the beginning of a string. `=RIGHT(text,num_chars)` returns them from its end. `=MID(text,start_num,num_chars)` returns the specified number of characters starting at the

given position. The first character is at position 1.

Here, `text` is a string or a reference to its cell; `num_chars` is the number of characters required, and `start_num` is the starting position. For example, if A1 contains `ACC2026`, `=LEFT(A1,3)` gives `ACC`, `=RIGHT(A1,4)` gives 2026, and `=MID(A1,4,2)` gives 20.

Step 2: Explain other common text functions `=LEN(text)` counts the characters in the text, including spaces. Thus `=LEN(A1)` gives 7 for the preceding example. `=UPPER(text)` converts letters to capitals; `=LOWER(text)` converts them to lower case. `=TRIM(text)` removes unwanted spaces, retaining single spaces between words.

`=CONCATENATE(text1,text2,...)` joins the supplied strings. For example, `=CONCATENATE("Cash","Account")` gives `Cash Account`. Each argument supplies the text to join, in the order required. These functions process textual data; they do not calculate the arithmetic total of account balances.

Step 3: Conclusion Text manipulation functions process spreadsheet text. Their syntax consists of an equals sign, a function name and its arguments in parentheses, for example `=MID(text,start_num,num_chars)`.

Quick Tip to Solve: Choose LEFT for the beginning, RIGHT for the end and MID for a stated starting position; count the first character as position 1.

OR

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

Solution:

Concept:

- A chart element is an individual component of a chart, such as its title, legend, axis, plot area or data series. Formatting controls its appearance, including font, colour, border, fill and number format.
- Select the particular element before opening its Format dialogue box. The available formatting options depend on the element selected.

Step 1: Select the chart and the required element Click the chart to activate it and display Chart Tools. Then click the particular element to be formatted, such as the chart title, legend, axis or a data series. Selection handles identify the selected element. Alternatively, use the Chart Elements drop-down list in the Current Selection group on the Format tab to select the required element accurately. For a single data point, select its series first and then click that point again.

Step 2: Open the formatting controls On the Chart Tools Format tab, in the Current Selection group, click Format Selection. This opens the Format dialogue box or formatting pane for the selected element. The same controls can normally be opened by right-clicking the selected element and choosing its Format command, for example Format Axis or Format Data Series. Check that the dialogue or pane names the element that you intend to change.

Step 3: Choose and apply the required format Select the relevant category and specify the required settings. For example, change Fill or Line/Border to alter colours and outlines, use text or font

controls for lettering, and use Number settings for the way axis values are displayed. Only the options applicable to the selected element will be available. In a dialogue box, click OK to apply the settings; in a formatting pane, changes are applied as selected, and the pane can then be closed. Inspect the chart to confirm that the intended element has the desired appearance and remains readable.

Step 4: Conclusion To change the format of a chart element, activate the chart, select the element, choose Format Selection, set the required formatting options and apply them.

Quick Tip to Solve: Check the element name in Current Selection before formatting, so that a change intended for one axis or data series affects the correct component.

34. Which error occur when a column is not wide enough or a negative date or time is used? State the various steps to correct this error. [6 marks]

Solution:

Concept:

- A spreadsheet displays a series of hash symbols, #####, when the formatted value cannot fit within the column width. This is commonly called the hash or number-display error.
- The same display can occur when a formula produces a negative date or time that the spreadsheet's date/time system cannot display. Correct the cause before changing the appearance of the cell.

Step 1: Identify the error and inspect the cell The error is ##### (a row of hash signs). Select the affected cell and inspect its actual value or formula in the formula bar. Check whether a normal number or date is merely too wide, or whether a date/time calculation gives a negative result. Hash signs do not by themselves mean that the formula has been deleted or the value has been lost.

Step 2: Increase the column width If the value is valid but does not fit, point to the right boundary of the column heading and drag it to the right. Alternatively, double-click that boundary to AutoFit the column to its contents. In Excel, selecting the column and choosing Home, Format, AutoFit Column Width provides the same correction. Check that the full number or date is now visible.

Step 3: Adjust the display format if necessary If a wide column is unsuitable for the worksheet, select the cell and use Format Cells to choose a shorter suitable number or date format. For example, reduce unnecessary displayed decimal places or use a shorter date style. The cell's number-format alignment settings may also allow Shrink to fit. These changes should preserve the meaning and required precision of the accounting information; do not remove meaningful digits from the underlying value merely to hide the hashes.

Step 4: Correct a negative date or time If widening the column does not help, inspect the date/time entries and the formula. Correct an incorrectly entered date, time or cell reference. For an ordinary elapsed-time calculation, verify that the end date/time is later than the start date/time and that subtraction is in the intended order. Where an interval crosses midnight, enter the correct dates with the times so that the elapsed duration is calculated correctly. Do not reverse a valid calculation simply to force a positive answer.

Step 5: Use a suitable format for a genuinely signed result If the result is intentionally a negative numerical difference, remove an inappropriate date/time format and use General or Number, with a

clear unit where needed. For example, a negative difference between date serial values can be displayed as a signed number of days. Widening alone cannot correct an unsupported negative date/time display. Recheck the formula and its displayed result after making the appropriate correction.

Step 6: Conclusion The error is #####. Correct it by widening or AutoFitting the column, choosing a suitable shorter display format, or correcting the negative date/time entry or calculation as appropriate.

Quick Tip to Solve: AutoFit the column first; if hashes remain, inspect the formula bar and check for a negative date/time result.