

CBSE Class 12 Accountancy 67/4/2 2024 Question Paper with Solutions

Time Allowed :3 Hours

Maximum Marks :80

Total Questions :34

General Instructions

Read the following instructions very carefully and strictly follow them::

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts Part A and Part B.
3. Part A is compulsory for all candidates.
4. Part – B has two options i.e. (I) Analysis of Financial Statements and (II) Computerised Accounting. Candidates must attempt only one of the given options as per the subject opted in Part – B.
5. Question numbers 1 to 16 and 27 to 30 carry 1 mark each.
6. Question numbers 17 to 20, 31 and 32 are short answer type questions. Each carries 3 marks.
7. Question numbers 21, 22 and 33 are long answer type-I questions. Each carries 4 marks.
8. Question numbers 23 to 26 and 34 are long answer type-II questions. Each carries 6 marks.
9. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

1 SECTION A

1. If vendors are issued fully paid shares of 1,25,000 in purchase consideration of net assets of 1,50,000, the balance of 25,000 will be credited to:

- (A) Statement of Profit and Loss
- (B) Goodwill Account
- (C) Capital Reserve Account
- (D) Profit and Loss Adjustment Account

Correct Answer: (C) Capital Reserve Account

Solution: When shares valued at 1,25,000 are issued to vendors against net assets worth 1,50,000, a gain of 25,000 results. This gain, which arises from the net assets exceeding the issued share value, is recorded in the Capital Reserve Account, following accounting norms.

Quick Tip

When the value of acquired net assets surpasses the consideration paid, the excess is allocated to the Capital Reserve Account, signifying a financial advantage from the transaction.

2(a). Riya, Rita and Renu were partners in a firm. On 31st March, 2023 Renu retired. The amount payable to Renu 2,17,000 was transferred to her loan account. Renu agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. The rate at which interest would be paid to Renu is:

- (A) 9% p.a.
- (B) 6% p.a.
- (C) 12% p.a.
- (D) 10% p.a.

Correct Answer: (B) 6% p.a.

Solution: Under the Indian Partnership Act of 1932, unless otherwise specified in the partnership agreement, the interest on a partner's loan is calculated at 6% p.a.. In this case, as no alternate rate is specified, 6% p.a. is the interest rate to be applied.

Quick Tip

Refer to the Indian Partnership Act, 1932, when the partnership deed does not specify terms. The standard interest rate for a partner's loan is 6% p.a. unless stated differently in the agreement.

2(b). Ravi, Vani and Toni were equal partners in a firm. After the retirement of Vani, the capital balances of Ravi and Toni were 1,56,000 and 1,08,000 respectively. The new capital of the firm was determined at 2,80,000. It was decided that the capital will be in proportion of the profit sharing ratio of the remaining partners. Toni will bring for deficiency in his new capital.

- (A) 40,000
- (B) 12,000
- (C) 20,000
- (D) 32,000

Correct Answer: (C) 20,000

Solution: Following Vani's retirement, the remaining capital of the firm, amounting to 2,80,000, will be equally distributed between Ravi and Toni, according to their profit-sharing ratio of 1 : 1. Consequently, each partner's new capital should be 1,40,000.

Step 1: Calculating the required capital for Toni:

Toni's target capital: 1,40,000

Current capital of Toni: 1,08,000

Shortfall: $1,40,000 - 1,08,000 = 32,000$

Conclusion:

To align with the new capital structure, Toni needs to contribute an additional 32,000.

Quick Tip

It is crucial to adjust capital contributions in line with the predefined profit-sharing ratio after any changes in partnership, such as a partner's retirement.

3. Assertion (A): Interest on bearer debentures is paid to a person who produces the interest coupon attached to such debentures.

Reason (R): Bearer debentures are transferred by way of delivery and the company does not keep any record of these debenture holders.

Choose the correct option from the following:

(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: Bearer debentures are securities where the holder's name is not registered; interest is paid to the bearer upon coupon submission. Therefore, Assertion (A) is valid.

Moreover, these debentures can be transferred simply by handing them over, and companies do not keep a record of their holders. Hence, Reason (R) is accurate and illustrates the basis for paying interest upon coupon submission.

Quick Tip

Bearer debentures allow for easy transfer as they are not registered to a specific owner, though this increases the risk as no records are kept of ownership.

4. Vishnu and Mishu are partners in a firm. Mishu draws a fixed amount at the end of every quarter. Interest on drawings is charged @ 15% p.a.. At the end of the year interest on Mishu's drawings amounted to 9,000. Interest on drawings was charged on drawings of Mishu for:

(A) 6 months

(B) $7\frac{1}{2}$ months

(C) $4\frac{1}{2}$ months

(D) 4 months

Correct Answer: (B) $7\frac{1}{2}$ months

Solution: When a partner withdraws a consistent amount at the end of each quarter, the interest on these withdrawals is calculated based on an average duration of $7\frac{1}{2}$ months over the year. The calculation is as follows:

Step 1: Determining the average period:

For withdrawals occurring at the end of each quarter:

$$\text{Average period} = \frac{12 + 9 + 6 + 3}{4} = 7.5 \text{ months}$$

Step 2: Confirming the interest calculation:

The total interest charged is 9,000, confirming the correctness of the $7\frac{1}{2}$ months average period used for the calculations.

Conclusion:

The interest on quarterly withdrawals was correctly calculated for an average period of $7\frac{1}{2}$ months.

Quick Tip

When calculating interest on regular fixed withdrawals, use established average periods: 6 months (beginning of the period), 7.5 months (end of the period), and $5\frac{1}{2}$ months (mid-period).

5(a). Vishant Ltd. invited applications for issuing 6,000 equity shares of 10 each at 10% premium. The issue was fully subscribed. The amount per share was payable as follows: On application - 3, on allotment - 3 (including premium), on first call - 3 and on final call - 2. Ashish the holder of 200 shares paid the entire money along with allotment. The total amount received on allotment was:

(A) 18,000

(B) 19,000

(C) 25,000

(D) 21,000

Correct Answer: (C) 25,000

Solution: The total amount received on allotment can be calculated as follows:

$$\text{Allotment money per share} = 3$$

$$\text{Total shares} = 6,000$$

$$\text{Total allotment money} = 6,000 \times 3 = 18,000$$

Ashish paid the full amount for 200 shares. The additional amount paid by Ashish at the allotment stage:

$$(3 + 3 + 2) \times 200 = 1,600$$

Total amount received on allotment:

$$18,000 + 1,600 = 25,000$$

Quick Tip

When shares are paid in installments, ensure to account for any additional payments made by shareholders at different stages.

5(b). M Ltd. forfeited 5,000 equity shares of 10 each issued at a premium of 10% for non-payment of final call of 2 per share. The minimum amount at which these shares can be reissued as fully paid up will be:

- (A) 5,000
- (B) 10,000
- (C) 12,000
- (D) 50,000

Correct Answer: (A) 5,000

Solution: The total funds collected at the allotment stage are computed as follows:

$$\text{Amount per share due at allotment} = 3$$

$$\text{Number of shares issued} = 6,000$$

$$\text{Total allotment funds} = 6,000 \times 3 = 18,000$$

Ashish completely paid up for 200 shares. The excess amount Ashish contributed during the allotment phase:

$$(3 + 3 + 2) \times 200 = 1,600$$

The complete allotment collection:

$$18,000 + 1,600 = 19,600$$

Quick Tip

Accurately track payments made in stages for shares, including any overpayments by shareholders at each phase.

6. As per the provisions of Companies Act, 2013 Securities Premium cannot be utilized for:

- (A) buy back of shares
- (B) issue of partly paid bonus shares
- (C) writing off discount on issue of debentures
- (D) writing off preliminary expenses

Correct Answer: (B) issue of partly paid bonus shares

Solution: Per the Companies Act, 2013, the Securities Premium Account may be employed for: 1. Eliminating preliminary expenses. 2. Clearing discounts on the issuance of shares or debentures. 3. Distributing fully paid bonus shares to shareholders. 4. Repurchasing shares. It is not permissible to use the Securities Premium Account for the issuance of partly paid bonus shares.

Quick Tip

Consult Section 52 of the Companies Act, 2013 to understand the legal uses of the Securities Premium Account.

7(a). Which one of the following items is not dealt through Profit and Loss

Appropriation Account?

- (A) Interest on Capital
- (B) Interest on Drawings
- (C) Rent paid to partners
- (D) Partner's salary

Correct Answer: (C) Rent paid to partners

Solution: The Profit and Loss Appropriation Account is utilized to distribute profits among partners. It records transactions such as interest on capital, interest on drawings, and partner salaries. Conversely, rent paid to a partner is treated as an expense and should be recorded in the Profit and Loss Account, not in the Profit and Loss Appropriation Account.

Quick Tip

It's important to distinguish that items related to partner compensation and interest adjustments are accounted for in the Profit and Loss Appropriation Account, whereas rent to a partner is categorized as an expense.

7(b). At the time of admission of a partner, the Balance Sheet of the firm showed a workmen compensation reserve of 80,000. The claim for workmen compensation was estimated at 1,00,000. The shortfall of 20,000 will be:

- (A) debited to Revaluation Account
- (B) credited to Revaluation Account
- (C) debited to Partners' Capital Accounts
- (D) credited to Partners' Capital Accounts

Correct Answer: (A) debited to Revaluation Account

Solution: The existing workmen compensation reserve amounting to 80,000 falls short of covering the claim worth 1,00,000. This deficit of 20,000 is recorded as a debit in the Revaluation Account, signifying an adjustment to liabilities.

Quick Tip

When liabilities surpass reserves during a partner's admission, retirement, or the firm's dissolution, reconcile the difference using the Revaluation Account.

8. Aditya, Vishesh and Nimesh were partners in a firm sharing profits and losses equally. Aditya died on 1st July, 2023. Remaining partners decided to continue the business of the firm and decided to share future profits in the ratio of 4:3. The gaining

ratio of Vishesh and Nimesh will be:

- (A) 4:3
- (B) 3:2
- (C) 5:2
- (D) 1:1

Correct Answer: (A) 4:3

Solution: Upon the retirement or death of a partner, the gaining ratio among the remaining partners is determined by the difference between their new and previous profit-sharing ratios.

Step 1: Old ratio (equal sharing):

Prior ratio of Vishesh and Nimesh = 1:1

Step 2: New ratio (following Aditya's departure):

Adjusted ratio of Vishesh and Nimesh = 4:3

Step 3: Gaining ratio:

Gaining ratio is derived by subtracting the old ratio from the new ratio = $4 : 3 - 1 : 1 = 1 : 1$.

Quick Tip

Calculate the gaining ratio in cases of partner retirement or death by assessing the shift from old to new profit-sharing ratios of the remaining partners.

9. Gupta and Sharma are partners in a firm sharing profit in the ratio of 4:1. They admitted Preeti as a new partner for $\frac{1}{4}$ th share in the profits, which she acquired wholly from Gupta. New profit sharing ratio of Gupta, Sharma and Preeti will be:

- (A) 2:1:1
- (B) 11:4:5
- (C) 3:3:2
- (D) 7:5:4

Correct Answer: (B) 11:4:5

Solution: Preeti acquires a share of $\frac{1}{4}$, entirely from Gupta.

After the transfer, Gupta's share is reduced to $\frac{4}{5} - \frac{1}{4} = \frac{11}{20}$.

Sharma retains his original share of $\frac{1}{5} = \frac{4}{20}$.

Preeti's acquired share is $\frac{1}{4} = 5/20$.

New profit sharing ratio:

The updated distribution between Gupta, Sharma, and Preeti is 11 : 4 : 5.

Quick Tip

Adjust the profit-sharing ratios appropriately when a new partner joins and takes over a portion of an existing partner's share.

10. Interest on Aditi's capital will be:

- (A) 50,000
- (B) 45,000
- (C) 40,500
- (D) 54,000

Correct Answer: (A) 50,000

Solution: The calculation for interest on capital is straightforward:

$$\text{Interest on Aditi's capital} = \text{Initial Capital} \times \text{Interest Rate} = 5,00,000 \times 10\% = 50,000.$$

Quick Tip

Interest on capital should be computed based on the starting balance in the partner's capital account, unless otherwise directed.

11. Interest on capital will be provided to Aditi and Saurabh in which of the following ratio?

- (A) 5:4
- (B) 1:1
- (C) 8:1
- (D) 2:1

Correct Answer: (D) 2:1

Solution: Interest on capital is allocated based on the proportion of partners' capital contributions.

Step 1: Aditi's capital = 5,00,000, Saurabh's capital = 4,00,000.

Step 2: Capital ratio = 5,00,000:4,00,000 = 5:4.

However, as per the partnership agreement, the profit-sharing ratio is 2:1, and the interest on capital is distributed accordingly.

Quick Tip

Always verify the partnership agreement for specific terms that may modify the standard method of capital distribution.

12. Assertion (A): Under the fixed capital method, partners' capital accounts always show a credit balance.

Reason (R): Under the fixed capital method, all items like share of profit or loss, interest on capital, drawings, interest on drawings are recorded in a separate account called partners' current account.

Choose the correct alternative from the following:

- (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: In the fixed capital method, the capital account reflects only the initial contribution by the partners. All other transactions, such as profit, loss, or interest, are recorded separately in the current account. This ensures that the capital account consistently maintains a credit balance. Therefore, both Assertion (A) and Reason (R) are correct, and Reason (R) effectively explains Assertion (A).

Quick Tip

The fixed capital method streamlines bookkeeping by distinguishing between capital contributions and operational activities.

13(a). Vanya and Aanya were partners in a firm sharing profit and losses in the ratio of 3:2. Their capital were 5,00,000 and 1,00,000 respectively. Vanya was entitled to interest on capital @ 8% p.a. and Aanya was entitled to salary @ 5,000 per month. The net profit before any appropriation was 1,75,000. Vanya's share in divisible profit will be:

- (A) 45,000
- (B) 30,000
- (C) 37,500
- (D) 40,000

Correct Answer: (C) 37,500

Solution: Step 1: Determine appropriations:

Interest on Vanya's capital = $5,00,000 \times 8\% = 40,000$

Salary to Aanya = $5,000 \times 12 = 60,000$

Total appropriations = $40,000 + 60,000 = 1,00,000$

Step 2: Compute divisible profit:

Net profit after appropriations = $1,75,000 - 1,00,000 = 75,000$

Vanya's share of the divisible profit = $75,000 \times \frac{3}{5} = 45,000$.

Quick Tip

Ensure that appropriations, such as interest on capital and partner salaries, are subtracted before allocating the remaining profit to partners.

13(b). Omkar and Shiva were partners in a firm. Omkar was entitled to a salary of 20,000 p.a. while Shiva was entitled to a salary of 50,000 p.a. Net profit for the year ended 31st March, 2023 after charging salary of Omkar and Shiva was 5,60,000. The

total amount credited to Omkar's capital account will be:

- (A) 2,45,000
- (B) 2,65,000
- (C) 3,15,000
- (D) 3,00,000

Correct Answer: (B) 2,65,000

Solution: Step 1: Compute total profit:

Total profit before salary = 5,60,000 + 20,000 + 50,000 = 6,30,000

Step 2: Calculate Omkar's share in profit:

Salary = 20,000

Profit-sharing ratio = 1 : 1

Omkar's share of the divisible profit = $6,30,000 \times \frac{1}{2} = 3,15,000$

Total amount credited to Omkar = 20,000 + 3,15,000 = 3,35,000.

Quick Tip

When calculating profit distribution, include appropriations like salaries before dividing the remaining profit based on the profit-sharing ratio.

14. On the dissolution of a partnership firm there were debtors of 34,000. Debtors of 1,000 became bad and 60% was realized from the remaining debtors. Which account will be debited and by how much amount on the realisation from debtors?

- (A) Realisation A/c by 33,000
- (B) Profit Loss A/c by 1,000
- (C) Cash A/c by 19,800
- (D) Debtors A/c by 14,200

Correct Answer: (C) Cash A/c by 19,800

Solution: Step 1: Determine the realizable amount:

Good debtors = 34,000 - 1,000 = 33,000

Realized amount = 60% of 33,000 = 19,800

Step 2: Record the realization entry:

Cash A/c is debited with the realized amount of 19,800.

Quick Tip

First, subtract bad debts from total debtors, then calculate the realizable value as a percentage of the remaining balance.

15(a). Arnav Ltd. purchased assets worth 24,00,000. It issued 9% debentures of 100 each at a discount of 4% for payment of the purchase consideration. The number of debentures issued to vendor were:

- (A) 24,000
- (B) 25,000
- (C) 30,000
- (D) 28,000

Correct Answer: (C) 30,000

Solution: Step 1: Determine the effective price per debenture:

$$\text{Issue price} = 100 - 4 = 96$$

Step 2: Compute the number of debentures:

$$\begin{aligned} \text{Number of debentures} &= \text{Total consideration} \div \text{Issue price} \\ &= 24,00,000 \div 96 = 30,000. \end{aligned}$$

Quick Tip

When debentures are issued at a discount, deduct the discount from the face value to find the effective issue price.

15(b). On 1st May, 2023, Amrit Ltd. issued 10,000, 10% debentures of 100 each at a premium of 10% redeemable at a premium of 10%. Loss on issue of debentures will be:

- (A) 2,000
- (B) 1,30,000
- (C) 1,00,000
- (D) 80,000

Correct Answer: (A) 2,000

Solution: Step 1: Calculate the total proceeds from debentures:

Number of debentures issued = 10,000

Face value of each debenture = 100

Premium on issue = 10% of 100 = 10

Proceeds per debenture = 100 + 10 = 110

Total proceeds = 10,000 × 110 = 11,00,000

Step 2: Calculate redemption amount:

Redemption premium = 10% of 100 = 10

Redemption value per debenture = 100 + 10 = 110

Total redemption amount = 10,000 × 110 = 11,00,000

Step 3: Calculate the loss on issue:

Loss on issue of debentures = Redemption premium - Issue premium

$$\text{Loss on issue} = 11,00,000 - 11,00,000 = 2,000.$$

Quick Tip

The loss on issue of debentures arises when debentures are redeemed at a premium higher than the premium received during issuance.

16. Kanha, Resham and Nisha were partners in a firm. Nisha had given a loan of 1,00,000 to the firm @ 10% p.a. The accountant of the firm is emphasizing that interest on the loan will be paid @ 6% p.a. At what rate the interest on loan will be paid to Nisha?

- (A) 6% p.a.
- (B) 10% p.a.
- (C) 8% p.a.
- (D) No interest on loan will be paid.

Correct Answer: (A) 6% p.a.

Solution: As per the Indian Partnership Act, 1932, if there is no specific agreement or

partnership deed, interest on a partner's loan is payable at a default rate of 6% per annum.

Quick Tip

In the absence of a partnership agreement, always rely on the default provisions outlined in the Indian Partnership Act, 1932.

17. Mehak, Ayush and Anshu were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2023, they agreed to share profits and losses in the ratio of 4:3:3. On that date, there was a General Reserve of 80,000 in the books of the firm. It was agreed that:

1. Goodwill of the firm be valued at 3,00,000.
2. Loss on revaluation of assets and re-assessment of liabilities amounted to 50,000.

Pass necessary journal entries for the above transactions in the books of the firm.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
1st April, 2023	General Reserve A/c To Mehak's Capital A/c To Ayush's Capital A/c To Anshu's Capital A/c <i>(Distribution of General Reserve in the old ratio of 5:3:2)</i>	80,000 – – –	– 40,000 24,000 16,000
1st April, 2023	Mehak's Capital A/c To Ayush's Capital A/c <i>(Goodwill adjustment recorded in the gaining ratio of 4:3:3)</i>	15,000 –	– 15,000
1st April, 2023	Revaluation Loss A/c To Mehak's Capital A/c To Ayush's Capital A/c To Anshu's Capital A/c <i>(Revaluation loss shared in the old ratio of 5:3:2)</i>	50,000 – – –	– 25,000 15,000 10,000

Quick Tip

Reserves and revaluation losses should always be distributed using the old profit-sharing ratio, while goodwill adjustments must be based on the gaining ratio.

18(a). Mahesh Ltd. purchased Plant and Machinery from Ish Ltd. for 4,50,000. 50,000 was paid by cheque to Ish Ltd. and the balance by issuing 6% debentures of 100 each at a discount of 20%. Pass the necessary Journal Entries for the above transactions in the books of Mahesh Ltd.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
1st May, 2023	Plant and Machinery A/c	4,50,000	–
	To Bank A/c	–	50,000
	To Ish Ltd. A/c	–	4,00,000
	<i>(Purchase of Plant and Machinery with part payment through cheque)</i>		
1st May, 2023	Ish Ltd. A/c	4,00,000	–
	Discount on Issue of Debentures A/c	1,00,000	–
	To 6% Debentures A/c	–	5,00,000
	<i>(Settlement of remaining amount by issuing debentures at a 20% discount)</i>		

Quick Tip

If debentures are issued at a discount, the amount by which the nominal value exceeds the issue price is classified as a "Discount on Issue of Debentures" and is accounted for as a loss.

18(b). Manika Ltd. forfeited 500 shares of 100 each for non-payment of first call of 20 per share and second and final call of 25 per share. 250 of these shares were reissued at

50 per share fully paid up. Pass the Journal Entries for forfeiture and reissue of shares.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
1st May, 2023	Share Capital A/c To Share Forfeiture A/c To Calls in Arrears A/c <i>(500 shares forfeited due to non-payment of 45 per share)</i>	50,000 – –	– 27,500 22,500
1st May, 2023	Bank A/c Share Forfeiture A/c To Share Capital A/c <i>(250 forfeited shares reissued at 50 each as fully paid)</i>	12,500 12,500 –	– – 25,000
1st May, 2023	Share Forfeiture A/c To Capital Reserve A/c <i>(Transfer of forfeiture account balance to capital reserve)</i>	15,000 –	– 15,000

Quick Tip

When forfeited shares are reissued at a discount, the forfeited amount is utilized to cover the discount. Any surplus balance from forfeiture is credited to the Capital Reserve account.

19(a). Aayush and Krish are partners sharing profits and losses equally. They decided to admit Vansh for an equal share in the profits. For this purpose, the goodwill of the firm was to be valued at four years purchase of super profits.

The balance sheet of the firm on 31.3.2023 before admission of Vansh was as follows:

Balance Sheet of Aayush and Krish as on 31.3.2023

Liabilities Amount ()	Amount ()	Assets
Capitals: 75,000		Machinery
Aayush 15,000	90,000	Furniture
Krish 30,000	50,000	Stock
General Reserve 20,000	20,000	Debtors
Loan 50,000	25,000	Cash
Creditors	5,000	
Total 1,90,000	1,90,000	Total

The normal rate of return is 12% per annum. Average profit of the firm for the last four years was 30,000. Calculate Vansh's share of Goodwill.

Correct Answer: Vansh's share of goodwill = 30,000

Solution:

Step 1: Determine normal profit:

$$\text{Capital employed} = 90,000 + 50,000 = 1,40,000$$

$$\text{Normal profit} = 1,40,000 \times \frac{12}{100} = 16,800$$

Step 2: Compute super profit:

$$\text{Super profit} = \text{Average profit} - \text{Normal profit}$$

$$= 30,000 - 16,800 = 13,200$$

Step 3: Calculate goodwill:

$$\text{Goodwill} = \text{Super profit} \times \text{Years' purchase}$$

$$= 13,200 \times 4 = 52,800$$

Step 4: Compute Vansh's share of goodwill:

$$\text{Vansh's share} = \frac{1}{3} \times 52,800 = 17,600$$

Quick Tip

To value goodwill using the super profit method, first calculate normal profit. Subtract it from average profit to find super profit, and then multiply by the years' purchase factor to compute goodwill.

19(b). Varun, Tarun, Arun and Barun were partners in a firm sharing profits in the ratio of 5:3:2:2. Arun retired on 31st March, 2023. Varun, Tarun and Barun decided to share future profits equally. On Arun's retirement, Goodwill of the firm was valued at 9,00,000. Showing your workings clearly, pass the necessary Journal entry for treatment of Goodwill on Arun's retirement without opening goodwill account.

Solution:

Workings: Step 1: Calculate Arun's share in goodwill:

Goodwill of the firm = 9,00,000

Arun's share of goodwill = $9,00,000 \times \frac{2}{12} = 1,50,000$

Step 2: Adjustment for goodwill:

After Arun's retirement, the gaining ratio of Varun, Tarun, and Barun becomes 1:1:1.

The adjustment entry is made where Varun, Tarun, and Barun compensate Arun for his share of goodwill, in proportion to their gaining ratio.

Journal Entry:

Date	Particulars	Debit (₹)	Credit (₹)
31st March, 2023	Varun's Capital A/c	50,000	—
	Tarun's Capital A/c	50,000	—
	Barun's Capital A/c	50,000	—
	To Arun's Capital A/c	—	1,50,000
	<i>(Adjustment of Arun's share of goodwill via gaining partners' capital accounts in their respective gaining ratio)</i>		

Quick Tip

When a partner retires, the remaining partners adjust the retiring partner's share of goodwill in their gaining ratio through their capital accounts.

20. Piya and Rosa were partners in a firm sharing profits and losses in the ratio of 3:5. Their fixed capitals were 10,00,000 and 6,00,000 respectively. After the accounts for the year were prepared, it was noticed that interest on capital @ 8% p.a., as provided in the partnership deed, was not credited to the capital accounts of partners before distribution of profits. Pass the necessary adjusting entry. Show your workings clearly.

Solution:

Workings: Step 1: Calculate interest on capital:

Piya's interest on capital = $10,00,000 \times 8\% = 80,000$

Rosa's interest on capital = $6,00,000 \times 8\% = 48,000$

Step 2: Adjustment for interest on capital:

Total interest on capital = $80,000 + 48,000 = 1,28,000$

Since the profits were distributed without accounting for interest on capital, an adjustment is necessary.

Journal Entry:

Date	Particulars	Debit (₹)	Credit (₹)
31st March, 2023	Profit and Loss Adjustment A/c	1,28,000	–
	To Piya's Capital A/c	–	80,000
	To Rosa's Capital A/c	–	48,000
	<i>(Interest on capital credited to the partners' capital accounts as per the partnership deed)</i>		

Quick Tip

When interest on capital is missed, an adjustment is made by debiting the Profit and Loss Adjustment Account and crediting the partners' capital accounts accordingly.

21. Ronit Ltd. was registered with an authorised capital of 75,00,000 divided into 75,000 equity shares of 100 each. The company invited applications for issuing 45,000 shares.

The amount was payable as follows: 30 per share on application, 30 per share on allotment, 25 per share on first call and balance on final call.

Applications were received for 42,000 shares and allotment was made to all the applicants. Charvi, to whom 3,300 shares were allotted, failed to pay both the calls. Her shares were forfeited. Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare notes to accounts.

Solution:

Balance Sheet of Ronit Ltd. as of 31st March, 2023

Particulars	Amount (₹)
Equity and Liabilities	
Equity Share Capital	41,85,000
Securities Premium Reserve	84,000
Total	42,69,000
Assets	
Cash and Cash Equivalents	42,69,000
Total	42,69,000

Notes to Accounts:

1. Equity Share Capital:

- Authorised Capital: 75,000 shares of 100 each = 75,00,000
- Issued and Subscribed Capital: 45,000 shares of 100 each = 45,00,000
- Paid-up Capital: 41,85,000 (adjusted for forfeited shares)

2. Securities Premium Reserve: Securities premium of 2 per share on 42,000 shares = 84,000

Quick Tip

When shares are forfeited, the amount is subtracted from share capital, and securities premium is calculated only on shares issued at a premium.

22. Ram, Ravi and Rohan were partners sharing profits in the ratio of 2:3:1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of Ram, Ravi and Rohan as on 31.3.2023

Liabilities	Amount ()	Assets	Amount ()
Creditors	3,62,000	Cash	14,000
General Reserve	18,000	Bank	2,96,000
Capitals:		Stock	80,000
Ram	1,00,000	Debtors	3,00,000
Ravi	2,00,000	Less: Provision for Doubtful Debts	(10,000)
Rohan	3,00,000		2,90,000
Total	9,80,000	Total	9,80,000

Rohan died on 30th September, 2023. On the death of a partner the partnership deed provided for the following:

- 1. Goodwill was to be valued at two years purchase of average profit of last three years. The profits for the last three years were: 2020-21 45,000, 2021-22 90,000, and 2022-23 1,35,000.**
- 2. Deceased partner's share of profit till the date of his death will be calculated on the basis of average profit of last three years.**

Prepare Rohan's Capital Account to be rendered to his executors.

Solution: Rohan's Capital Account:

Date	Particulars	Amount (₹)
1st April, 2023	Balance b/d	3,00,000
30th September, 2023	General Reserve (1/6 share)	3,000
30th September, 2023	Goodwill (1/6 share of 90,000)	15,000
30th September, 2023	Profit till date (1/6 of 67,500)	11,250
30th September, 2023	To Executors A/c	3,29,250
Total		3,29,250

Workings:

- **Goodwill:** Average profit = $\frac{45,000+90,000+1,35,000}{3} = 90,000$

Goodwill of the firm = $90,000 \times 2 = 1,80,000$

Rohan's share = $\frac{1}{6} \times 1,80,000 = 30,000$.

- **Profit till death:** Average profit = 90,000

Profit up to 30th September = $90,000 \times \frac{6}{12} = 45,000$.

Rohan's share = $\frac{1}{6} \times 45,000 = 7,500$.

Quick Tip

Distribute goodwill and reserves among partners according to their profit-sharing ratio, and calculate the share of profit for the deceased partner for the period leading to their death.

23(a). Lazal Ltd. invited applications for issuing 2,00,000 equity shares of 10 each, at 20% premium. Amount per share was payable as follows: 5 on application, 4 (including premium) on allotment, and balance on first and final call. Public applied for 3,20,000 shares, out of which applications for 20,000 shares were rejected and shares were allotted on pro-rata basis to the remaining applications. Kavita, an applicant of 15,000 shares, failed to pay allotment and call money. Her shares were forfeited. Pass necessary Journal entries for the above transactions in the books of the company.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c To Share Application A/c <i>(Receipt of application money for 3,20,000 shares)</i>	16,00,000 –	– 16,00,000
–	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c <i>(Adjustment of application money for 2,00,000 shares, refund for 20,000 shares)</i>	16,00,000 – – –	– 10,00,000 5,00,000 1,00,000
–	Share Allotment A/c To Share Capital A/c To Securities Premium A/c <i>(Allotment due, including premium)</i>	8,00,000 – –	– 6,00,000 2,00,000
–	Bank A/c To Share Allotment A/c <i>(Receipt of allotment money except for Kavita's 60,000)</i>	7,40,000 –	– 7,40,000
–	First and Final Call A/c To Share Capital A/c <i>(Due for first and final call)</i>	10,00,000 –	– 10,00,000
–	Bank A/c To First and Final Call A/c <i>(Receipt of first and final call money except for Kavita's 75,000)</i>	9,25,000 –	– 9,25,000
–	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls in Arrears A/c <i>(15,000 shares forfeited due to non-payment by Kavita)</i>	90,000 30,000 – –	– – 45,000 75,000

Quick Tip

Forfeited shares require adjustments in the share capital, premium, and arrears accounts. Ensure the entries correspond to the unpaid amounts.

23(b). Chand Ltd. invited applications for issuing 1,00,000 equity shares of 10 each at a premium of 2 per share. The amount per share was payable as follows: 4 (including premium) on application, 5 on allotment and balance on first and final call.

Applications were received for 1,80,000 shares of which applications for 30,000 shares were rejected and remaining applicants were allotted shares on pro-rata basis. Mansi holding 5,000 shares failed to pay first and final call money and her shares were forfeited. Pass necessary Journal entries for the above transactions in the books of the company.

Solution: Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c To Share Application A/c <i>(Receipt of application money for 1,80,000 shares)</i>	7,20,000 –	– 7,20,000
–	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c <i>(Adjustment of application money for 1,00,000 shares, refund for 30,000 shares)</i>	7,20,000 – – –	– 4,00,000 2,80,000 40,000
–	Share Allotment A/c To Share Capital A/c <i>(Allotment money due)</i>	5,00,000 –	– 5,00,000
–	Bank A/c To Share Allotment A/c <i>(Receipt of full allotment money)</i>	5,00,000 –	– 5,00,000
–	First and Final Call A/c To Share Capital A/c <i>(First and final call due)</i>	1,00,000 –	– 1,00,000
–	Bank A/c To First and Final Call A/c <i>(Receipt of first and final call except for Mansi's 5,000)</i>	95,000 –	– 95,000
–	Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls in Arrears A/c <i>(5,000 shares forfeited due to Mansi's non-payment)</i>	50,000 10,000 – –	– – 35,000 25,000

Quick Tip

Ensure proper pro-rata adjustments for oversubscription and accurate treatment of forfeited shares when calculating forfeiture amounts.

24(a). Anikesh and Bhavesh are partners in a firm sharing profits in the ratio of 7:3.

Their Balance Sheet as on 31st March, 2023 was as follows:

Balance Sheet of Anikesh and Bhavesh as on 31st March, 2023

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	60,000	Cash	36,000
Outstanding Wages	9,000	Debtors	54,000
General Reserve	15,000	Less: Provision for Doubtful Debts	(6,000)
Capitals:			48,000
Anikesh	1,20,000	Stock	60,000
Bhavesh	1,80,000	Furniture	1,20,000
Total	3,84,000	Machinery	1,20,000
		Total	3,84,000

Adjustments:

1. Chahat will bring 90,000 as her capital and 30,000 as her share of goodwill premium.
2. Outstanding wages will be paid.
3. Stock will be reduced by 10%.
4. A creditor of 6,300, not recorded in the books, was to be taken into account.

Solution: Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
1st April, 2023	Bank A/c To Chahat's Capital A/c <i>(Chahat's capital contribution)</i>	90,000 –	– 90,000
1st April, 2023	Bank A/c To Anikesh's Capital A/c To Bhavesh's Capital A/c <i>(Goodwill premium contributed by Chahat, credited in the old ratio of 7:3)</i>	30,000 – –	– 21,000 9,000
1st April, 2023	Outstanding Wages A/c To Bank A/c <i>(Payment of outstanding wages)</i>	9,000 –	– 9,000
1st April, 2023	Revaluation A/c To Stock A/c <i>(Reduction in stock by 10%)</i>	6,000 –	– 6,000
1st April, 2023	Revaluation A/c To Creditors A/c <i>(Recognition of unrecorded creditor)</i>	6,300 –	– 6,300
1st April, 2023	Anikesh's Capital A/c Bhavesh's Capital A/c To Revaluation A/c <i>(Transfer of revaluation loss to partners' capital accounts in the ratio 7:3)</i>	1,260 540 –	– – 1,800

Quick Tip

Before admitting a new partner, adjust for revaluation losses and unrecorded liabilities. Ensure goodwill is allocated among existing partners according to their profit-sharing ratio.

24(b). Prina, Qadir and Kian were partners in a firm sharing profits in the ratio of

7:2:1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of Prina, Qadir and Kian as on 31st March, 2023

Liabilities	Amount ()	Assets	Amount ()
Creditors	2,10,000	Land	12,00,000
Workmen's Compensation Reserve	5,40,000	Building	9,00,000
General Reserve	3,00,000	Furniture	3,00,000
Capitals:		Stock	6,60,000
Prina	9,60,000	Debtors	6,00,000
Qadir	8,40,000	Less: Provision for Doubtful Debts	(30,000)
Kian	9,00,000		5,70,000
Total	39,00,000	Cash at Bank	3,00,000
		Total	39,00,000

Adjustments:

1. Goodwill of the firm was valued at 12,00,000.
2. Land to be appreciated by 30%, and building to be depreciated by 3,54,000.
3. A provision of 6% is to be maintained on debtors.
4. Liability for workmen's compensation was determined at 1,40,000.
5. Amount payable to Qadir was transferred to his loan account.
6. Prina's and Kian's capital to be adjusted in their new profit-sharing ratio.

Solution: Revaluation Account:

Particulars	Amount ()	Particulars	Amount ()
To Building A/c (Depreciation)	3,54,000	By Land A/c (Appreciation)	3,60,000
To Provision for Doubtful Debts	6,000		
To Workmen's Compensation Reserve	4,00,000		
Total	7,60,000	Total	3,60,000

Partners' Capital Accounts:

Particulars	Prina ()	Qadir ()	Kian ()	Total ()
Balance b/d	9,60,000	8,40,000	9,00,000	27,00,000
General Reserve	2,10,000	60,000	30,000	3,00,000
Goodwill (Adjustment for Qadir)	7,00,000	–	5,00,000	12,00,000
Revaluation Loss	(4,90,000)	(1,40,000)	(70,000)	(7,00,000)
Adjusted Balance	13,80,000	–	13,60,000	27,40,000

Quick Tip

Any revaluation gains or losses should be allocated among partners according to their previous profit-sharing ratio. Ensure that the retiring partner's share of goodwill and revaluation is adjusted before making final settlements.

25. Pass the necessary journal entries for the following transactions on the dissolution of the firm of Sudha and Shiva after the various assets (other than cash and bank) and third-party liabilities have been transferred to realisation account:

1. Sudha agreed to pay off her husband's loan 19,000.
2. A debtor, whose debt of 9,300 was written off as bad debts in the books, paid 7,500 in full settlement.
3. Shiva took over all investments at 13,300.
4. An unrecorded creditor of 20,000 was paid by Sudha at a discount of 10%.
5. The firm had 300 shares in Veligare Ltd. acquired at a cost of 3,000 and had been written off completely from the books. These shares were valued at 5 each and divided among the partners in their profit-sharing ratio.
6. Realisation expenses 3,400 were paid by Sudha for which she was allowed a remuneration of 3,000.

Solution: Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Realisation A/c To Sudha's Capital A/c <i>(Sudha agrees to settle her husband's loan)</i>	19,000 –	– 19,000
–	Bank A/c To Realisation A/c <i>(Recovery of bad debt from debtor)</i>	7,500 –	– 7,500
–	Shiva's Capital A/c To Realisation A/c <i>(Shiva takes over investments)</i>	13,300 –	– 13,300
–	Realisation A/c To Bank A/c <i>(Unrecorded creditor of 20,000 settled at a 10% discount)</i>	18,000 –	– 18,000
–	Realisation A/c To Sudha's Capital A/c To Shiva's Capital A/c <i>(Distribution of Veligare Ltd. shares among partners in profit-sharing ratio)</i>	1,500 1,050 450	– – –
–	Realisation A/c To Bank A/c <i>(Payment of realization expenses by Sudha)</i>	3,400 –	– 3,400
–	Realisation A/c To Sudha's Capital A/c <i>(Remuneration given to Sudha for realization duties)</i>	3,000 –	– 3,000

Quick Tip

During dissolution, all activities like asset realization, liability settlement, and expense payments are recorded through the Realisation Account.

26. Pass necessary journal entries relating to issue of debentures and to write off discount/loss on issue of debentures in the books of Dhatu Ltd. in the following cases:

1. 400, 11% debentures of 1,000 each are issued at 10% discount and redeemable at par. Balance in Securities Premium Account is 50,000.
2. 500, 10% debentures of 1,000 each are issued at 10% discount and redeemable at a premium of 10%. Balance in Securities Premium Account is 75,000.

Solution: Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c Discount on Issue of Debentures A/c To 11% Debentures A/c <i>(400 debentures issued at a 10% discount, redeemable at par)</i>	3,60,000 40,000 –	– – 4,00,000
–	Loss on Issue of Debentures A/c To Discount on Issue of Debentures A/c <i>(Transfer of loss on debentures to the Loss on Issue of Debentures Account)</i>	40,000 –	– 40,000
–	Bank A/c Discount on Issue of Debentures A/c To 10% Debentures A/c To Premium on Redemption A/c <i>(500 debentures issued at a 10% discount, redeemable at a 10% premium)</i>	4,50,000 50,000 – –	– – 5,00,000 50,000
–	Securities Premium A/c To Loss on Issue of Debentures A/c <i>(Adjusting loss against the Securities Premium Account)</i>	75,000 –	– 75,000

Quick Tip

When debentures are issued at a discount and redeemed at a premium, both the discount and premium must be reflected in the Loss on Issue of Debentures Account.

PART B

OPTION I

(Analysis of Financial Statements)

27. From the above information, 'Cash flows from investing activities' will be:

Particulars	Purchased (₹)	Sold (₹)
Investments	2,00,000	1,80,000
Goodwill	3,00,000	—

- (A) Inflow 3,20,000
- (B) Outflow 3,20,000
- (C) Outflow 20,000
- (D) Inflow 20,000

Correct Answer: (B) Outflow 3,20,000

Solution: To determine the cash flows from investing activities, we account for both the cash outflows for purchases and the cash inflows from sales:

1. Cash Outflows:

- Investments purchased = 2,00,000
- Goodwill purchased = 3,00,000
- Total cash outflow = 2,00,000 + 3,00,000 = 5,00,000

2. Cash Inflows:

- Investments sold = 1,80,000
- Total cash inflow = 1,80,000

Net Cash Flow:

Net cash flow = Cash inflows – Cash outflows = 1,80,000 – 5,00,000 = Outflow of 3,20,000.

Quick Tip

When calculating cash flows from investing activities, consider all asset purchases as outflows and all asset sales as inflows. The net result will reflect the cash flow from investing activities.

28(a). Statement I: Financing activities relate to long-term funds or capital of an enterprise.

Statement II: Separate disclosure of cash flows arising from financing activities is important because they represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

Choose the correct option from the following:

- (A) Both Statement I and Statement II are correct
- (B) Both Statement I and Statement II are incorrect
- (C) Statement I is incorrect and Statement II is correct
- (D) Statement I is correct and Statement II is incorrect

Correct Answer: (A) Both Statement I and Statement II are correct

Solution: Financing activities refer to the inflow and outflow of funds associated with long-term borrowings or equity-related transactions. Statement II highlights the significance of separately reporting cash flows from financing activities to offer insights into funding sources and resource distribution. Both statements are accurate.

Quick Tip

Financing activities encompass raising funds through equity or debt, as well as repaying loans or distributing dividends.

28(b). What will be the effect of transaction ‘Payment of employee benefit expenses’ on the cash flow statement?

- (A) Outflow from operating activities
- (B) Outflow from investing activities
- (C) Outflow from financing activities
- (D) No effect on cash flow

Correct Answer: (A) Outflow from operating activities

Solution: The payment of employee benefit expenses is considered a regular part of business operations. As a result, it is classified as an outflow from operating activities in the cash flow statement.

Quick Tip

Operating activities encompass cash flows linked to the core business functions, including both revenue generation and expenses.

29. Quick ratio of Megamart Ltd. is 1.5:1. Which of the following transactions will result in a decrease in this ratio?

- (A) Sale of goods costing 10,000 for 12,000
- (B) Cash collected from trade receivables 41,000
- (C) Purchase of goods for cash 38,000
- (D) Creditors were paid 11,000

Correct Answer: (C) Purchase of goods for cash 38,000

Solution: The quick ratio is determined by the formula:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

When goods are purchased for cash, quick assets (such as cash) decrease, since inventory is not counted as a quick asset. This reduces the numerator, which results in a lower quick ratio.

Quick Tip

Quick assets do not include inventories or prepaid expenses. The primary components are cash and receivables.

30(a). The tool of ‘Analysis of Financial Statements’ which helps to assess the

profitability, solvency and efficiency of an enterprise is known as:

- (A) Cash flow statement
- (B) Comparative statement
- (C) Ratio analysis
- (D) Trend analysis

Correct Answer: (C) Ratio analysis

Solution: Ratio analysis entails calculating different financial ratios to assess a business's profitability, solvency, and operational efficiency. These ratios offer valuable insights into the company's financial health.

Quick Tip

Important ratios include the current ratio, debt-equity ratio, and gross profit ratio, among others.

30(b). is also known as the Acid Test Ratio.

- (A) Current ratio
- (B) Quick ratio
- (C) Gross profit ratio
- (D) Return on investment ratio

Solution: The quick ratio, often called the Acid Test Ratio, excludes inventory and prepaid expenses, offering a more conservative measure of liquidity.

Quick Tip

The quick ratio is calculated as:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

31. Under which Major Heads and Sub-Heads (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013:

1. Design
2. Unpaid dividend
3. Capital work-in-progress

Correct Answer:

1. **Design:** Major Head - *Intangible Assets* under *Non-Current Assets*.
2. **Unpaid Dividend:** Major Head - *Other Current Liabilities* under *Current Liabilities*.
3. **Capital Work-in-Progress:** Major Head - *Non-Current Assets*.

Solution: As per Schedule III, Part I of the Companies Act, 2013:

- **Design:** Being an intangible asset, it is classified under *Intangible Assets* within the *Non-Current Assets* section.
- **Unpaid Dividend:** This is considered a liability and is reported under *Other Current Liabilities* in the *Current Liabilities* section.
- **Capital Work-in-Progress:** It is listed under *Non-Current Assets*, as it represents ongoing capital expenditure.

Quick Tip

Always consult Schedule III, Part I of the Companies Act, 2013, for the proper classification and presentation of items in the Balance Sheet.

32. Calculate 'Operating Profit Ratio' from the following information:

- Revenue from operations: 10,00,000
- Gross profit: 25% on cost
- Office and administrative expenses: 18,000
- Selling and distribution expenses: 2,000
- Loss by theft: 20,000

Correct Answer: Operating Profit Ratio = 20.4%

Solution: Step 1: Calculate Gross Profit:

Gross profit is 25% of the cost. To express this as a percentage of sales:

$$\text{Gross Profit on Sales} = \frac{25}{100 + 25} \times 100 = 20\%$$

$$\text{Gross Profit} = 10,00,000 \times 20\% = 2,00,000$$

Step 2: Calculate Operating Profit:

Operating profit is determined by:

$$\text{Operating Profit} = \text{Gross Profit} - \text{Operating Expenses}$$

The operating expenses include:

- Office and administrative expenses: 18,000
- Selling and distribution expenses: 2,000
- Loss due to theft: 20,000

$$\text{Total Operating Expenses} = 18,000 + 2,000 + 20,000 = 40,000$$

$$\text{Operating Profit} = 2,00,000 - 40,000 = 1,60,000$$

Step 3: Calculate Operating Profit Ratio:

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

$$\text{Operating Profit Ratio} = \frac{1,60,000}{10,00,000} \times 100 = 20.4\%$$

Quick Tip

The Operating Profit Ratio indicates how efficiently a company is managing its core business activities. It excludes non-operating items like income and expenses.

33(a). Prepare a Common Size Balance Sheet of X Ltd. from the following information:

Balance Sheet of X Ltd. as on 31st March, 2023

Particulars	Note No.	31.3.2023 (₹)	31.3.2022 (₹)
I. Equity and Liabilities:			
Shareholders' funds			
(a) Equity Share Capital		30,00,000	15,00,000
(b) Reserves and Surplus		10,00,000	5,00,000
Non-current liabilities		20,00,000	15,00,000
Current liabilities		20,00,000	15,00,000
Total liabilities		80,00,000	50,00,000
II. Assets:			
Non-current assets		40,00,000	30,00,000
Current assets			
(a) Inventories		40,00,000	20,00,000
Total assets		80,00,000	50,00,000

Solution: Common Size Balance Sheet of X Ltd.

Particulars	31.3.2023 (%)	31.3.2022 (%)
I. Equity and Liabilities:		
Equity Share Capital	37.5	30.0
Reserves and Surplus	12.5	10.0
Non-current liabilities	25.0	30.0
Current liabilities	25.0	30.0
Total liabilities	100.0	100.0
II. Assets:		
Non-current assets	50.0	60.0
Current assets (Inventories)	50.0	40.0
Total assets	100.0	100.0

Quick Tip

In a common size balance sheet, every item is expressed as a percentage of the total assets or total liabilities, helping to understand their relative significance.

33(b). From the following information prepare a Comparative Statement of Profit and Loss of Y Ltd.:

Particulars	31.3.2023 (₹)	31.3.2022 (₹)
Revenue from operations	40,00,000	20,00,000
Purchase of stock in trade	24,00,000	12,00,000
Change in inventories (% of purchase of stock in trade)	25%	20%
Other expenses	2,00,000	1,60,000
Tax rate	40%	40%

Solution: Comparative Statement of Profit and Loss of Y Ltd.

Particulars	31.3.2023 (₹)	31.3.2022 (₹)	Change (%)
Revenue from operations	40,00,000	20,00,000	100.0
Cost of goods sold (COGS)	18,00,000	9,60,000	87.5
Gross profit	22,00,000	10,40,000	111.5
Other expenses	2,00,000	1,60,000	25.0
Profit before tax (PBT)	20,00,000	8,80,000	127.3
Tax @ 40%	8,00,000	3,52,000	127.3
Profit after tax (PAT)	12,00,000	5,28,000	127.3

Quick Tip

In a comparative statement, calculate the percentage change using the formula:

$$\text{Percentage Change} = \frac{\text{Current Year} - \text{Previous Year}}{\text{Previous Year}} \times 100$$

34. Following is the Balance Sheet of Bharat Gas Ltd. as at 31.3.2023:

Balance Sheet of Bharat Gas Ltd. as at 31.3.2023

Particulars	Note No.	31.3.2023 (₹)	31.3.2022 (₹)
I. Equity and Liabilities:			
1. Shareholders' funds			
(a) Share capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non-current liabilities			
Long-term borrowings		5,00,000	1,40,000
3. Current liabilities			
(a) Trade payables		1,00,000	60,000
(b) Short-term provisions	2	80,000	60,000
Total liabilities		25,80,000	16,60,000
II. Assets:			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	3	16,00,000	9,00,000
(ii) Intangible assets	4	1,40,000	2,00,000
2. Current assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade receivables		1,90,000	80,000
(c) Cash and cash equivalents		3,00,000	2,80,000
Total assets		25,80,000	16,60,000

Notes to Accounts:

Note No.	Particulars	31.3.2023 (₹)	31.3.2022 (₹)
1	Reserves and Surplus: Balance in Statement of Profit and Loss	5,00,000	4,00,000
2	Short-term provisions: Provision for Taxation	80,000	60,000
3	Tangible Assets: Machinery Less: Accumulated Depreciation	18,50,000 16,00,000	10,00,000 9,00,000
4	Intangible Assets: Goodwill	1,40,000	2,00,000

Adjustments:

- During the year, a machine costing 3,00,000 on which accumulated depreciation was 45,000 was sold for 1,35,000.

Correct Answer: Cash Flows from Operating Activities = 6,40,000

Solution: Cash Flows from Operating Activities

1. **Net Profit before Tax:** Increase in Profit and Loss Account (5,00,000 - 4,00,000) = 1,00,000

2. Add: Non-Cash Items:

- Depreciation on Machinery (16,00,000 - 9,00,000) = 7,00,000
- Loss on Sale of Machinery:

$$\text{Loss} = \text{Book Value of Machinery} - \text{Sale Value}$$

$$\text{Book Value} = 3,00,000 - 45,000 = 2,55,000$$

$$\text{Loss} = 2,55,000 - 1,35,000 = 1,20,000$$

$$\text{Total Non-Cash Items} = 7,00,000 + 1,20,000 = 8,20,000$$

3. Less: Adjustments:

- Increase in Working Capital:

$$\text{Increase in Inventories} = 2,50,000 - 2,00,000 = 50,000$$

Increase in Trade Receivables = $1,90,000 - 80,000 = 1,10,000$

Increase in Working Capital = $50,000 + 1,10,000 = 1,60,000$

4. **Add: Tax Provision:** 80,000

Cash Flows from Operating Activities = $1,00,000 + 8,20,000 - 1,60,000 + 80,000 = 6,40,000$

Quick Tip

To determine cash flows from operating activities, include adjustments for non-cash items, changes in working capital, and tax provisions.

PART B

OPTION II

(Computerised Accounting)

27. How are 'absolute cell references' and 'mixed reference' identified in Excel?

- (A) using \$ sign
- (B) using £ sign
- (C) using # sign
- (D) using ~ sign

Correct Answer: (A) using \$ sign

Solution: In Excel, absolute cell references are denoted by placing a \$ sign before both the column and row references (e.g., \$A\$1). Mixed references, on the other hand, use the \$ sign only before either the column or the row reference (e.g., \$A1 or A\$1).

Quick Tip

Absolute references (\$A\$1) lock both the column and row, while mixed references (\$A1 or A\$1) lock only one of them.

28(a). Excel considers which of the following group of mathematical operations of equal importance?

- (A) Multiplication and Addition
- (B) Division and Multiplication
- (C) Exponent and Multiplication
- (D) Subtraction and Division

Correct Answer: (B) Division and Multiplication

Solution: In Excel, mathematical operations are performed based on the following order of precedence: Parentheses, Exponents, Multiplication/Division (evaluated left to right), and Addition/Subtraction (evaluated left to right).

Quick Tip

Use the acronym PEMDAS (Parentheses, Exponents, Multiplication/Division, Addition/Subtraction) to remember the order of operations in Excel.

28(b). How many rows are available in Excel 2007?

- (A) 5663
- (B) 65536
- (C) 72257
- (D) 4332

Correct Answer: (B) 65536

Solution: In Excel 2007, the .xls format offers 65,536 rows and 256 columns, while the .xlsx format allows for 1,048,576 rows and 16,384 columns.

Quick Tip

The .xlsx format in Excel supports a significantly larger grid compared to the older .xls format.

29. Which of the following type of software suffers from the limitation of low secrecy level and software being prone to data frauds?

- (A) tailored
- (B) specific
- (C) generic
- (D) (A) and (B) both

Correct Answer: (C) generic

Solution: Generic software is designed for general use and is not tailored to individual user needs, which makes it more vulnerable to data fraud and privacy concerns due to the absence of customized security features.

Quick Tip

Generic software offers less security than customized software, which is specifically developed to meet the needs of particular users or organizations.

30(a). ‘A piece of information shown in a graph which is assigned to the data series’ is known as:

- (A) data point
- (B) data table
- (C) plot point
- (D) legend

Correct Answer: (A) data point

Solution: A data point is a single unit of information in a chart or graph, associated with a data series (such as a bar in a bar chart or a point in a line graph).

Quick Tip

A chart’s data series is made up of multiple data points, each visually representing a piece of data.

30(b). ‘LABELS’ in Excel means:

- (A) A text or special character
- (B) Used for rows, columns or descriptive information

(C) Can be treated mathematically

(D) (A) and (B) both

Correct Answer: (D) (A) and (B) both

Solution: In Excel, labels are text, special characters, or descriptive details that help identify rows or columns. Labels cannot be used in mathematical calculations.

Quick Tip

Labels enhance clarity in Excel spreadsheets but are not considered numerical values.

31. How to use 'Mark Common Formula Error' in Excel? Explain.

Correct Answer:

Solution: The 'Mark Common Formula Error' feature in Excel helps pinpoint common formula errors, such as division by zero, invalid cell references, or inconsistent formulas. To use this feature, follow these steps:

1. **Enable Error Checking:** Navigate to *File* > *Options* > *Formulas* and ensure the *Error Checking* option is turned on.
2. **Identify Errors:** When an error occurs, Excel will display a small green triangle in the top-left corner of the affected cell.
3. **Review Error Messages:** Hover over the cell to reveal a warning icon. Click on the icon to open a dropdown list of possible errors.
4. **Fix the Error:** Select the appropriate option from the dropdown, such as *Edit in Formula Bar*, to correct the error.
5. **Use Formula Auditing Tools:** Go to *Formulas* > *Formula Auditing* to trace the error or evaluate formulas step-by-step.

Quick Tip

Common formula errors include *#DIV/0!*, *#REF!*, and *#NAME?*. Ensure correct references and double-check for typos in your formulas.

32. Explain 'Sequential Codes' and 'Block Codes' with examples.

Correct Answer:

Solution:

1. Sequential Codes:

- Sequential codes are numbers or identifiers assigned in a consecutive order, ensuring each code is distinct.
- **Example:** Invoice numbers such as 001, 002, 003, or employee IDs like E001, E002, E003.
- **Advantages:**
 - Simple to understand and implement.
 - Ideal for maintaining records in a chronological order, like sales invoices or admission forms.
- **Disadvantages:**
 - Lacks categorization or significance in the codes.
 - Missing codes can cause confusion or create gaps in records.

2. Block Codes:

- Block codes allocate specific number ranges for distinct categories or groups.
- **Example:** In a library, science books could be assigned codes 100–199, literature books as 200–299, etc.
- **Advantages:**
 - Simplifies organization and retrieval of information.
 - Allows flexibility to expand a category's range without affecting others.
- **Disadvantages:**
 - More complex to implement than sequential codes.
 - Can lead to underutilized number ranges, causing inefficiency.

Quick Tip

Use sequential codes for unique identification and block codes for organizing related items for more efficient classification.

33(a). State why do you need to change a chart? How can it be changed? Why is it said that changing a column chart to a pie chart is easy? Give reasons.

Correct Answer:

Solution:

1. Why change a chart?

- To enhance data visualization and analysis according to the specific objective.
- To emphasize different data aspects such as trends, proportions, or relationships.
- To make the chart clearer and more visually appealing for the intended audience.

2. How can a chart be changed?

- Select the existing chart.
- Right-click and choose *Change Chart Type*.
- Pick the desired chart type (e.g., Pie Chart, Line Chart, etc.) and confirm by clicking *OK*.
- Modify chart elements like labels, legends, and colors as needed to align with the new chart type.

3. Why is it easy to change a column chart to a pie chart?

- Both chart types share the same data structure: a single series with categories and values.
- Tools like Excel enable effortless conversion between these chart types while maintaining the original data.
- Column charts use bars to represent data, whereas pie charts display the same data as segments of a circle to indicate proportions.

Quick Tip

Choose chart types based on the data's purpose: Pie charts for showing proportions, column charts for comparisons, and line charts for trends.

33(b). State the advantages of a computerized accounting system.

Correct Answer:

Solution: A computerized accounting system offers several advantages over traditional manual systems:

1. **Accuracy:** Minimizes human errors in calculations and ensures precise financial records.
2. **Efficiency:** Accelerates data entry, processing, and the generation of financial statements.
3. **Real-Time Data:** Provides immediate access to financial data, enabling timely decision-making.
4. **Integration:** Connects various business functions like payroll, inventory, and sales into a cohesive system.
5. **Data Security:** Safeguards sensitive financial information using encryption and regular data backups.
6. **Compliance:** Eases compliance with tax regulations and laws through automated calculations and reports.
7. **Cost-Effective:** Reduces the need for manual bookkeeping, cutting down on time and labor costs.
8. **Scalability:** Effectively manages increasing transaction volumes as the business grows.
9. **Customizable Reports:** Produces a variety of tailored reports, such as profit and loss statements, balance sheets, and cash flow statements, based on the business's requirements.
10. **Error Detection:** Detects discrepancies or inconsistencies in real time, reducing the chances of fraud.

Quick Tip

A computerized accounting system is crucial for businesses to improve efficiency, ensure accuracy, and meet modern challenges.

34. Using the worksheet below, find out the error and its reason for the given 'VLOOKUP' syntax:

S. No.	Product	Q1 Sales ()	Q2 Sales ()	Half Yearly Sales ()
1	<i>N</i>	21000	23000	44000
2	<i>P</i>	31000	28000	59000
3	<i>Q</i>	25000	30000	55000
4	<i>R</i>	57000	49000	106000
5	<i>S</i>	32000	40000	72000
6	<i>T</i>	18000	22000	40000
7	<i>U</i>	13000	24000	37000

(i) = VLOOKUP(B1, B2 : E8, 2, 0)

(ii) = SQRT(VLOOKUP(B5, B8 : E8, 2, 0) - 100000)

(iii) = VLOOKUP(A2, A2 : A8, 2, 0)

(iv) = VLOOKUP(B2, B3 : E4, 5, 0)

(v) = VLOOKUP(B2, A2 : E8, 0, 0)

(vi) = VLOOKUP(B2, B2 : E8, 2, 0)/0

Solution:

VLOOKUP Syntax	Error	Reason
(i) =VLOOKUP (B1, B2:E8, 2, 0)	Error: #N/A	The lookup value B1 is not found in the first column of the range B2:E8. The first column must contain the lookup value.
(ii) =SQRT (VLOOKUP (B5, B8:E8, 2, 0) - 100000)	Error: #N/A	The lookup value B5 is missing in the first column of the range B8:E8. The lookup value must be in the first column.
(iii) =VLOOKUP (A2, A2:A8, 2, 0)	Error: #VALUE!	The column index (2) exceeds the number of columns in the range A2:A8, which only has one column.
(iv) =VLOOKUP (B2, B3:E4, 5, 0)	Error: #REF!	The column index (5) is invalid since the range B3:E4 only contains 2 columns.
(v) =VLOOKUP (B2, A2:E8, 0, 0)	Error: #VALUE!	The column index (0) is not valid. It must be a positive integer greater than or equal to 1.
(vi) =VLOOKUP (B2, B2:E8, 2, 0) / 0	Error: Division by zero	The formula attempts to divide by zero, which results in an undefined operation.

Quick Tip

Quick Tip:

- Ensure the lookup value appears in the first column of the table array.
 - The column index should align with the structure of the table array.
 - Avoid division by zero or incorrect references to ranges.
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