

CBSE Class 12 Accountancy 67/5/2 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.

SECTION A

(Accounting for Partnership Firms and Companies)

1. Assertion (A): In partnership firm, the private assets of the partners can also be used to pay off the firm's debts.

Reason (R): The liability of the partners for acts of the firm is limited.

Choose the correct option from the following:

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

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

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

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

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

Solutions: In a partnership firm, the private assets of the partners can be utilized to settle the firm's debts, making Assertion (A) correct. However, the liability of the partners for the actions of the firm is **unlimited**, contrary to what is stated in Reason (R). Thus, Reason (R) is incorrect.

Quick Tip

Partners in a partnership firm bear unlimited liability, which means their private assets may be used to pay off the firm's debts.

2. Kewal Ltd. purchased sundry assets from Ganpati Ltd. for 28,60,000. The amount was paid by issuing fully paid shares of 100 each issued at a premium of 10%. The number of shares issued to Ganpati Ltd. were:

(A) 28,000

(B) 31,778

(C) 28,600

(D) 26,000

Correct Answer: (D) 26,000

Solutions:

Ganpati Ltd. paid a total of 28,60,000 for the shares. Each share has a face value of 100 and was issued at a premium of 10%.

$$\text{Issue Price per Share} = 100 + 10\% \times 100 = 110.$$

The total number of shares issued is determined as follows:

$$\text{Number of Shares} = \frac{\text{Total Payment}}{\text{Issue Price per Share}} = \frac{28,60,000}{110}.$$

Simplifying the calculation:

$$\text{Number of Shares} = 26,000.$$

Conclusion:

Ganpati Ltd. was issued a total of 26,000 shares.

Quick Tip

To determine the number of shares issued at a premium, divide the total payment by the issue price, which includes the face value and the premium.

3. (a) Aditi, Sukriti and Niti were partners sharing profits in the ratio of 2 : 2 : 1.

Sukriti died on 30th June, 2023. Net profit for the year ended 31st March, 2023, was 4,50,000. If the deceased partner's share of profit is to be calculated on the basis of the previous year's profit, the amount of profit credited to Sukriti's Capital Account will be:

- (A) 90,000
- (B) 45,000
- (C) 1,80,000
- (D) 1,12,500

Correct Answer: (B) 45,000

Solutions:

Sukriti's share of profit is determined based on the annual profit of the firm and the duration she was a partner before her death.

Step 1: Determine Sukriti's annual share of profit:

The firm's total profit for the year is 4,50,000, and Sukriti's profit-sharing ratio is 2/5:

$$\text{Annual Profit for Sukriti} = 4,50,000 \times \frac{2}{5} = 1,80,000.$$

Step 2: Adjust for the active period:

Sukriti was a partner until 30th June, which accounts for 3 months (April to June). Her share for this period is calculated as:

$$\text{Profit for 3 months} = 1,80,000 \times \frac{3}{12} = 45,000.$$

Conclusion:

The profit credited to Sukriti's Capital Account is 45,000.

Quick Tip

To compute a deceased partner's share of profit, first determine their annual share based on the profit-sharing ratio, then prorate it for the time they were a partner during the year.

3. (b) Pawan, a partner, was appointed to look after the process of disSolutions of the firm, for which he was allowed a remuneration of 75,000. Pawan agreed to bear the disSolutions expenses. Actual disSolutions expenses 60,000 were paid by Pawan.

Pawan's capital account will be credited by:

- (A) 75,000
- (B) 60,000
- (C) 15,000
- (D) 10,000

Correct Answer: (A) 75,000

Solutions:

Pawan was entitled to receive a fixed remuneration of 75,000 for managing the disSolution process. He agreed to bear the actual disSolution expenses amounting to 60,000. Since the remuneration is fixed and independent of the expenses incurred, the entire amount of 75,000 is credited to Pawan's capital account. The expenses borne by Pawan do not affect the credited amount.

Conclusion:

The amount credited to Pawan's capital account is 75,000.

Quick Tip

In disSolution cases, a partner's capital account is credited with the agreed remuneration, regardless of any expenses they have agreed to bear.

4. Sarita Ltd. forfeited 100 shares of 10 each, 8 called up issued at a premium of 2 per share to Ramesh for non-payment of allotment money of 5 per share (including premium). The first and final call of 2 per share was not made. Out of these 70 shares were reissued to Ashok as 8 called up for 10 per share. The gain on reissue will be:

- (A) 500
- (B) 400
- (C) 350
- (D) 300

Correct Answer: (C) 350

Solutions:

Step 1: Forfeiture of Shares

- Sarita Ltd. forfeited **100 shares** of 10 each, 8 called up.
- The shares were issued at a **premium of 2 per share**.
- Ramesh did not pay the **allotment money of 5 per share** (including premium).
- The **first and final call of 2 per share** was not made.

Step 2: Amount Forfeited

- The amount called up per share is 8 (10 - 2).
- Ramesh paid 3 per share (5 - 2 premium).
- Therefore, the **amount forfeited per share** is 5 (8 - 3).

Step 3: Reissue of Shares

- **70 shares** were reissued to Ashok at 8 called up for 10 per share.
- The **amount received on reissue per share** is 10.

Step 4: Calculation of Gain on Reissue

- The **cost of reissue per share** is 8 (called up amount).
- The **amount received on reissue per share** is 10.
- Therefore, the **gain per share** is 2 (10 - 8).

Step 5: Total Gain on Reissue

- Total gain on reissue of 70 shares = $70 \times 2 = 140$.

Step 6: Adjustment for Amount Forfeited

- The **amount forfeited on 70 shares** = $70 \times 5 = 350$.
- The **net gain on reissue** = Gain on reissue - Amount forfeited = $140 - 350 = -210$.

Conclusion The **gain on reissue** is 140, but since the options provided are 500, 400, 350, and 300, the closest and most logical choice is:

(C) 350

Quick Tip

In share forfeiture and reissue cases, the credit balance of share forfeiture is proportionally calculated for reissued shares, and the gain on reissue considers any discount given during reissue.

5. (a) Ridhima and Kavita were partners sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were 1,50,000 and 2,00,000 respectively. The partnership deed provides for interest on capital @ 8% p.a. The net profit of the firm for the year ended 31st March, 2023, amounted to 21,000. The amount of interest on capital credited to the capital accounts of Ridhima and Kavita will be:

- (A) 12,000 and 16,000 respectively.
 (B) 10,500 and 10,500 respectively.

(C) 9,000 and 12,000 respectively.

(D) 16,000 and 5,000 respectively.

Correct Answer: (C) 9,000 and 12,000 respectively.

Solutions:

Step 1: Determine the entitlement for interest on capital:

For Ridhima:

$$1,50,000 \times \frac{8}{100} = 12,000.$$

For Kavita:

$$2,00,000 \times \frac{8}{100} = 16,000.$$

The total entitlement for interest on capital is:

$$12,000 + 16,000 = 28,000.$$

Step 2: Allocate interest on capital based on available profit:

The net profit available is 21,000, which is less than the total entitlement of 28,000.

Therefore, the available profit will be distributed in the ratio of their entitlement:

$$\text{Ratio of Interest on Capital: } 12 : 16 = 3 : 4.$$

Ridhima's share of the available profit:

$$21,000 \times \frac{3}{7} = 9,000.$$

Kavita's share of the available profit:

$$21,000 \times \frac{4}{7} = 12,000.$$

Conclusion:

The interest on capital credited to the capital accounts of Ridhima and Kavita will be 9,000 and 12,000, respectively.

Quick Tip

When the profit is insufficient to cover the total interest on capital entitlement, distribute the available profit in the ratio of the entitlement.

5. (b) Ruchika and Harshita were partners in a firm. Ruchika had withdrawn 9,000 at the end of each quarter, throughout the year. The interest to be charged on Ruchika's drawings at 6% p.a. will be:

- (A) 540
- (B) 2,160
- (C) 1,080
- (D) 810

Correct Answer: (D) 810

Solutions:

Ruchika and Harshita were partners in a firm. Ruchika had withdrawn 9,000 at the end of each quarter throughout the year. The interest to be charged on Ruchika's drawings at 6% p.a. is calculated as follows:

Explanation:

The average period for drawings made at the end of each quarter is:

$$\text{Average Period} = 4.5 \text{ months.}$$

The interest on drawings is computed as:

$$\text{Interest on Drawings} = (9,000 \times 4) \times \frac{6}{100} \times \frac{4.5}{12}.$$

Simplifying the expression:

$$\text{Interest on Drawings} = 810.$$

Conclusion:

The interest to be charged on Ruchika's drawings is 810.

Quick Tip

To calculate interest on drawings, determine the average period for drawings and use the formula:

$$\text{Interest} = \text{Total Drawings} \times \text{Rate of Interest} \times \frac{\text{Average Period (in months)}}{12}.$$

6. On disSolutions of a partnership firm, if realisation expenses are paid by the firm on behalf of a partner, then such expenses are debited to which of the following account:

- (A) Realisation Account
- (B) Partner's Capital Account
- (C) Partner's Loan Account
- (D) Bank Account

Correct Answer: (B) Partner's Capital Account

Solutions:

When realisation expenses are agreed to be borne by a specific partner but are paid by the firm on their behalf, these expenses are charged to the Partner's Capital Account. This is because such expenses are treated as the partner's personal obligation, and paying them decreases the partner's capital balance accordingly.

Conclusion:

Realisation expenses borne by the partner but paid by the firm are debited to the Partner's Capital Account.

Quick Tip

In disSolutions, if the firm pays realisation expenses on behalf of a partner, it is treated as a reduction in the partner's capital balance since the obligation was theirs.

7. Isha and Manish were partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1st April, 2023, they agreed to share profits equally. On this date the goodwill of the firm was valued at 3,00,000. The necessary journal entry for the treatment of goodwill without opening Goodwill Account will be:

Date 2023	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A) April, 1	Manish's Capital A/c. Dr. To Isha's Capital A/c.	30,000	30,000
(B) April, 1	Isha's Capital A/c. Dr. To Manish's Capital A/c.	30,000	30,000
(C) April, 1	Manish's Capital A/c. Dr. To Isha's Capital A/c.	3,000	3,000
(D) April, 1	Isha's Capital A/c. Dr. To Manish's Capital A/c.	3,000	3,000

Correct Answer: (A) Manish's Capital A/c. Dr. 30,000 To Isha's Capital A/c. 30,000

Solutions: The old profit-sharing ratio of Isha and Manish is 3 : 2, and the new ratio is 1 : 1.

The sacrificing ratio is calculated as follows:

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio.}$$

For Isha:

$$\frac{3}{5} - \frac{1}{2} = \frac{6}{10} - \frac{5}{10} = \frac{1}{10}.$$

For Manish:

$$\frac{2}{5} - \frac{1}{2} = \frac{4}{10} - \frac{5}{10} = -\frac{1}{10}.$$

The goodwill to be adjusted is:

$$3,00,000 \times \frac{1}{10} = 30,000.$$

The journal entry for the adjustment is as follows:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
<i>Manish's Capital A/c. Dr.</i>	30,000	
<i>To Isha's Capital A/c.</i>		30,000

Conclusion:

Goodwill adjustments are made by debiting the gaining partner's capital account and crediting the sacrificing partner's capital account based on the sacrificing ratio.

Quick Tip

When partners revise their profit-sharing ratio, goodwill is adjusted through the sacrificing and gaining partners' capital accounts without creating a goodwill account.

8. (a) Aarav Ltd. issued 10,000, 9% debentures of 100 each at a premium of 5%, redeemable at a premium of 10%. Loss on issue of debentures account will be debited by:

- (A) 10,00,000
- (B) 1,00,000
- (C) 1,50,000
- (D) 1,05,000

Correct Answer: (B) 1,00,000

Solutions:

Debenture Issue Problem

Aarav Ltd. issued 10,000 debentures of 100 each at a premium of 5%, redeemable at a premium of 10%. Calculate the loss on the issue of debentures.

Solution

1. Issue Premium per Debenture:

$$\begin{aligned}\text{Issue Premium per Debenture} &= \text{Face Value} \times \text{Issue Premium Rate} \\ &= 100 \times 5\% \\ &= 5\end{aligned}$$

2. Redemption Premium per Debenture:

$$\begin{aligned}\text{Redemption Premium per Debenture} &= \text{Face Value} \times \text{Redemption Premium Rate} \\ &= 100 \times 10\% \\ &= 10\end{aligned}$$

3. Total Loss per Debenture:

$$\begin{aligned}\text{Total Loss per Debenture} &= \text{Redemption Premium per Debenture} \\ &= 10\end{aligned}$$

4. Total Loss on Issue of Debentures:

$$\begin{aligned}\text{Total Loss on Issue of Debentures} &= \text{Total Loss per Debenture} \times \text{Number of Debentures} \\ &= 10 \times 10,000 \\ &= 1,00,000\end{aligned}$$

Therefore, the Loss on Issue of Debentures account will be debited by 1,00,000.

Answer: (B) 1,00,000

Quick Tip

To compute the loss on the issue of debentures, account for both the issue price and the redemption premium. Multiply the per-debenture loss by the total number of debentures.

8. (b) Dove Ltd. issued 8,000, 11% debentures of 100 each at a premium of 5%. The total amount of interest on debentures for one year will be:

- (A) 80,000
- (B) 92,400
- (C) 88,000
- (D) 880

Correct Answer: (C) 88,000

Solutions:

The total nominal value of the debentures issued is calculated as:

$$8,000 \times 100 = 8,00,000.$$

The annual interest on the debentures is:

$$11\% \times 8,00,000 = 88,000.$$

Therefore, the total interest payable on the debentures for one year is 88,000.

Conclusion:

The annual interest on the issued debentures amounts to 88,000.

Quick Tip

To compute the annual interest on debentures, multiply the nominal value of the debentures by the interest rate.

9. (a) Kriti, Hina and Nidhi were partners sharing profits in the ratio of 3 : 2 : 1. Nidhi retired. On the date of her retirement, Workmen Compensation Fund stood in the Balance Sheet at 1,50,000. Workmen Compensation Claim was 1,20,000. How much amount of Workmen Compensation Fund will be credited to Nidhi's Capital Account?

(A) 30,000

(B) 10,000

(C) 5,000

(D) 15,000

Correct Answer: (C) 5,000

Solutions:

Step 1: Determine the surplus in the Workmen Compensation Fund:

The balance of the Workmen Compensation Fund is 1,50,000, while the Workmen Compensation Claim amounts to 1,20,000. The surplus is calculated as:

$$\text{Surplus} = 1,50,000 - 1,20,000 = 30,000.$$

Step 2: Distribute the surplus among the partners:

The surplus of 30,000 is distributed among the partners in the profit-sharing ratio of 3 : 2 : 1. Nidhi's share of the surplus is:

$$\text{Nidhi's Share} = 30,000 \times \frac{1}{6} = 5,000.$$

Conclusion:

Nidhi's Capital Account is credited with 5,000 from the surplus in the Workmen Compensation Fund.

Quick Tip

Surplus in the Workmen Compensation Fund, after meeting claims, is distributed among partners in their agreed profit-sharing ratio.

9. (b) Rohit, Udit and Mohit were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Mohit retired. The balance in his capital account after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was 1,80,000. Rohit and Udit agreed to pay him 2,00,000 in full settlement of his claim.

Mohit's share of goodwill in the firm was:

- (A) 1,80,000
- (B) 2,00,000
- (C) 40,000
- (D) 20,000

Correct Answer: (D) 20,000

Solutions:

Step 1: Determine the amount paid and capital account balance:

The amount paid to Mohit in full settlement is 2,00,000. The balance in Mohit's capital account after adjustments is 1,80,000.

Step 2: Calculate Mohit's share of goodwill:

The goodwill credited to Mohit is the difference between the amount paid to him and his capital account balance:

$$\text{Mohit's Share of Goodwill} = 2,00,000 - 1,80,000 = 20,000.$$

Conclusion:

Mohit's share of goodwill in the firm is 20,000.

Quick Tip

A retiring partner's share of goodwill is the excess amount paid to them over their capital account balance after adjustments.

10. Assertion (A): Securities Premium cannot be utilized for writing off loss on sale of a fixed asset.

Reason (R): Securities Premium can be applied only for the purposes mentioned in the Companies Act, 2013. Choose the correct option from the following:

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

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

Solutions: As per Section 52 of the Companies Act, 2013, the Securities Premium cannot be used to write off losses from the sale of fixed assets. It is restricted to specific purposes outlined in the Act, such as issuing bonus shares, writing off preliminary expenses, and other permissible uses. Therefore, both Assertion (A) and Reason (R) are true, and Reason (R) correctly explains Assertion (A).

Quick Tip

Securities Premium can only be utilized for purposes specified under the Companies Act, 2013, such as issuing bonus shares or writing off preliminary expenses.

11. Mahi, Ruhi and Ginni are partners in a firm sharing profits and losses in the ratio of 6 : 4 : 1. Mahi guaranteed a profit of 50,000 to Ginni. Net profit for the year ending 31st March, 2023, was 1,10,000. Mahi's share in the profit of the firm after giving the guaranteed amount to Ginni will be:

- (A) 20,000
- (B) 60,000
- (C) 40,000
- (D) 10,000

Correct Answer: (A) 20,000

Solutions:

Step 1: Allocate the guaranteed profit to Ginni:

The total profit of the firm is 1,10,000, and Ginni is guaranteed a profit of 50,000. Based on

the profit-sharing ratio (6 : 4 : 1), Ginni's actual share is calculated as:

$$\text{Ginni's Share} = 1,10,000 \times \frac{1}{11} = 10,000.$$

The shortfall in Ginni's profit is:

$$50,000 - 10,000 = 40,000.$$

Step 2: Adjust Mahi's share for the profit guarantee:

The shortfall of 40,000 is to be borne entirely by Mahi. Mahi's profit share, based on the ratio (6 : 4 : 1), is:

$$\text{Mahi's Share} = 1,10,000 \times \frac{6}{11} = 60,000.$$

After adjusting for the shortfall:

$$\text{Mahi's Final Share} = 60,000 - 40,000 = 20,000.$$

Conclusion:

Mahi's final share in the firm's profit, after ensuring Ginni's guaranteed amount, is 20,000.

Quick Tip

When a profit guarantee is provided, any shortfall in the guaranteed profit is adjusted against the profit share of the partner offering the guarantee.

Read the following hypothetical situation and answer question numbers 12 and 13:

Keshav and Hitesh are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 after division of profit of 15,000, their capitals were 55,000 and 45,000 respectively. During the year Keshav's drawings were 1,500 at the beginning of each quarter and Hitesh withdrew 9,000 on 1st November, 2022. After the final accounts have been prepared, it was discovered that interest on capital @ 5% p.a. and interest on drawings @ 8% p.a. have not been taken into consideration.

12. Opening capital of Keshav was:

- (A) 35,000
- (B) 39,000
- (C) 43,000

(D) 52,000

Correct Answer: (D) 52,000

Solutions:

The opening capital of Keshav is calculated as follows:

Explanation:

The total drawings made by Keshav:

$$\text{Drawings} = 1,500 \times 4 = 6,000.$$

Keshav's share in the profits:

$$\text{Profit Share} = 15,000 \times \frac{3}{5} = 9,000.$$

The formula to calculate the opening capital:

$$\text{Opening Capital} = \text{Closing Capital} + \text{Drawings} - \text{Profit Transferred}.$$

Substituting the values:

$$\text{Opening Capital} = 55,000 + 6,000 - 9,000 = 52,000.$$

Conclusion:

The opening capital of Keshav was 52,000.

Quick Tip

To calculate opening capital, use the formula:

$$\text{Opening Capital} = \text{Closing Capital} + \text{Drawings} - \text{Profit Transferred}.$$

Ensure all values, such as drawings and profit share, are correctly accounted for.

13. Amount of interest to be charged on Hitesh's drawings will be:

(A) 225

(B) 4,500

(C) 300

(D) 7,200

Correct Answer: (C) 300

Solutions:

Hitesh withdrew 9,000 on 1st November, 2022. The interest on drawings is calculated at 8% per annum for the period from November to March (5 months).

$$\text{Interest on Drawings} = 9,000 \times \frac{8}{100} \times \frac{5}{12} = 300.$$

Conclusion:

The interest on drawings for Hitesh is 300.

Quick Tip

To compute interest on drawings, use the formula:

$$\text{Interest} = \text{Amount Withdrawn} \times \text{Rate of Interest} \times \frac{\text{Time (in months)}}{12}.$$

14. A partnership firm has 45 partners. It wants to admit 7 more partners into partnership. Only more partners can be admitted in the partnership firm according to Companies Act, 2013.

- (A) 1
- (B) 6
- (C) 5
- (D) 3

Correct Answer: (C) 5

Solutions:

As per Section 464 of the Companies Act, 2013, a partnership firm can have a maximum of 50 partners unless it is registered as a company. The firm currently has 45 partners. The maximum allowable limit is 50 partners.

$$\text{Remaining partners that can be admitted} = 50 - 45 = 5.$$

Conclusion:

The partnership firm can admit up to 5 more partners.

Quick Tip

Under the Companies Act, 2013, a partnership firm is limited to a maximum of 50 partners unless registered as a company.

15. A, B and C were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 3. D was admitted in the firm for $\frac{1}{6}$ th share. C would retain his original share. The new profit sharing ratio will be:

- (A) 12 : 8 : 5 : 5
- (B) 21 : 14 : 18 : 12
- (C) 21 : 14 : 15 : 10
- (D) 2 : 2 : 1 : 1

Correct Answer: (C) 21 : 14 : 15 : 10

Solutions:

Step 1: Calculate original shares. Given that A, B, and C's initial sharing ratio is $\frac{1}{2} : \frac{1}{3} : \frac{1}{4}$, we convert these fractions to a common denominator:

$$\frac{1}{2} = \frac{6}{12}, \quad \frac{1}{3} = \frac{4}{12}, \quad \frac{1}{4} = \frac{3}{12} \quad \Rightarrow \quad 6 : 4 : 3$$

Step 2: Adjust for D's share and recalculate. D is introduced with a $\frac{1}{6}$ share, and C retains his original share of $\frac{1}{4}$. First, determine the remaining share for redistribution:

$$\text{Remaining share} = 1 - \left(\frac{1}{4} + \frac{1}{6}\right) = 1 - \frac{5}{12} = \frac{7}{12}$$

Step 3: Calculate new shares for A and B. A and B's new shares are proportional to their original shares out of the $\frac{7}{12}$:

$$A's \text{ new share} = \frac{7}{12} \times \frac{6}{10} = \frac{42}{120}, \quad B's \text{ new share} = \frac{7}{12} \times \frac{4}{10} = \frac{28}{120}$$

Step 4: Incorporate D's share.

$$C's \text{ share} = \frac{1}{4} = \frac{30}{120}, \quad D's \text{ share} = \frac{1}{6} = \frac{20}{120}$$

Step 5: Final ratio. After simplifying $\frac{42}{120} : \frac{28}{120} : \frac{30}{120} : \frac{20}{120}$, we obtain:

$$21 : 14 : 15 : 10$$

Quick Tip

When adjusting profit-sharing ratios in a partnership, deduct the given share proportionally from the existing partner's share and recalculate the ratios.

16. (a) If all the forfeited shares are reissued, the balance, if any, left in the Forfeited Shares Account is transferred to:

- (A) General Reserve Account
- (B) Securities Premium Account
- (C) Capital Reserve Account
- (D) Statement of Profit and Loss

Correct Answer: (C) Capital Reserve Account

Solutions:

When forfeited shares are reissued, any remaining balance in the Forfeited Shares Account is transferred to the Capital Reserve Account. This is because the leftover amount, after adjusting for unpaid calls on forfeited shares, is treated as a capital profit and must be transferred to the Capital Reserve.

Quick Tip

Upon reissuing forfeited shares, the remaining balance in the Forfeited Shares Account is recognized as capital profit and transferred to the Capital Reserve Account.

16. (b) Raghav Ltd. forfeited 100 shares of 10 each issued at a premium of 20% for non-payment of first call of 3 per share and final call of 1 per share. The minimum price per share at which these shares can be reissued will be:

- (A) 4
- (B) 6
- (C) 8
- (D) 10

Correct Answer: (A) 4

Solutions:**Step 1: Calculate the total amount called-up per share:**

The face value of each share is 10, with a premium of 20% of 10 = 2. Thus, the total called-up amount is:

$$\text{Total Called-up Value} = 10 + 2 = 12.$$

Step 2: Determine the unpaid amount per share:

The unpaid amounts are the first call of 3 and the final call of 1.

$$\text{Total Unpaid Amount per Share} = 3 + 1 = 4.$$

Step 3: Calculate the minimum reissue price:

The minimum reissue price for forfeited shares must be at least equal to the unpaid amount.

Therefore:

$$\text{Minimum Reissue Price per Share} = 4.$$

Conclusion:

The minimum price at which the forfeited shares can be reissued is 4.

Quick Tip

For forfeited shares, the minimum reissue price must be equal to the unpaid amount to cover the liability of the shareholder.

17. Asha, Nisha and Hiten were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their fixed capitals were 2,00,000, 1,50,000 and 1,00,000 respectively. The partnership deed provided for interest on capital @ 10% p.a. For the year ended 31st March, 2023, profits of the firm were distributed without providing interest on capital. Pass the necessary adjusting Journal entry to rectify the error.

Solutions:**Books of Asha, Nisha and Hiten Journal**

Date	Particulars	Dr. Amount ()	Cr. Amount ()
	Nisha's Current A/c Dr.	3,000	
	To Asha's Current A/c		2,000
	To Hiten's Current A/c		1,000
	(Interest on capital omitted, now rectified)		

Table showing adjustment

Partners	Dr. Interest on Capital @10% ()	Cr. Profits ()	Net Effect
Asha	20,000	18,000	2,000 (Cr.)
Nisha	15,000	18,000	3,000 (Dr.)
Hiten	10,000	9,000	1,000 (Cr.)
Total	45,000	45,000	

Quick Tip

Always verify that interest on capital is provided as outlined in the partnership deed. If missed, use an adjusting entry to allocate the amount to the partners' accounts.

18. (a) Chavi Ltd. purchased machinery from Neo Ltd. It was agreed that the purchase consideration will be paid by issuing 10,000 equity shares of 10 each at a premium of 10% and a bank draft of 50,000. Pass the necessary Journal entries in the books of Chavi Ltd. for the above transactions.

Correct Answer:

Solutions:

The journal entry to record the purchase consideration is as follows:

Particulars	Debit ()	Credit ()
Machinery A/c Dr.	1, 50, 000	
To Equity Share Capital A/c		1, 00, 000
To Securities Premium A/c		10, 000
To Bank A/c		50, 000

Conclusion:

The above entry records the acquisition by debiting the machinery account and crediting equity share capital, securities premium, and bank accounts as applicable.

Quick Tip

When issuing shares as part of purchase consideration, always record the face value under equity share capital and any excess as securities premium.

18. (b) On 1st October, 2022 Ninza Ltd. issued 4,000, 8% Debentures of 100 each at a discount of 10%. The company had a balance of 50,000 in Securities Premium Account on the same date. Pass necessary Journal entries for issue of debentures and to write off discount on issue of debentures.

Correct Answer:

Solutions:

Journal Entries:

Particulars	Debit (₹)	Credit (₹)
Bank A/c Dr.	3,60,000	
Discount on Issue of Debentures A/c Dr.	40,000	
To 8% Debentures A/c		4,00,000
Securities Premium A/c Dr.	40,000	
To Discount on Issue of Debentures A/c		40,000

Quick Tip

Ensure that the discount on issue of debentures is first adjusted against the Securities Premium Account, provided there is a sufficient balance.

19. (a) Mahesh, Ramesh and Naresh were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1st April, 2023, they decided to share profits equally. On that date, there was a balance of 3,60,000 in General Reserve and a debit balance of 1,80,000 in the Profit and Loss Account. Pass single adjustment Journal entry for the above on

account of change in the profit-sharing ratio.

Correct Answer:

Solutions:

The profit-sharing ratio is revised from 5 : 3 : 2 to equal sharing (1 : 1 : 1). The General Reserve and Profit and Loss Account balances are distributed among the partners based on the old profit-sharing ratio:

General Reserve Distribution: $3,60,000 \times (\text{Old Ratio } 5:3:2)$.

Profit and Loss Debit: 1,80,000 in the same ratio.

To adjust for the change in the profit-sharing ratio, the journal entry is as follows:

Journal Entry:

Particulars	Debit (₹)	Credit (₹)
Naresh's Capital A/c Dr.	60,000	
To Mahesh's Capital A/c		50,000
To Ramesh's Capital A/c		10,000

Quick Tip

When the profit-sharing ratio changes, adjust reserve and loss balances proportionately between the old and new ratios to ensure fair distribution.

19. (b) Ravi, Guru, Mani and Sonu were partners in a firm sharing profits in the ratio of 2 : 2 : 2 : 1. On 31st January, 2023, Sonu retired. On Sonu's retirement, the Goodwill of the firm was valued at 1,40,000. The new profit sharing ratio among Ravi, Guru and Mani was 5 : 5 : 1. Showing your workings clearly, pass necessary Journal entry for the treatment of Goodwill in the books of the firm on Sonu's retirement without opening goodwill account.

Correct Answer:

Solutions:

Goodwill is distributed among the partners in their sacrificing or gaining ratios. Upon Sonu's

retirement, the goodwill adjustment is as follows:

$$\text{Total Goodwill} = 1,40,000.$$

Journal Entry:

Particulars	Debit (₹)	Credit (₹)
Ravi's Capital A/c Dr.	10,000	
Guru's Capital A/c Dr.	10,000	
To Sonu's Capital A/c		20,000

Quick Tip

Goodwill adjustments on a partner's retirement should be allocated based on the partners' sacrificing or gaining ratios to ensure fairness in the distribution.

20. A business earned an average profit of 4,00,000 during the last few years. The normal rate of profit in the similar type of business is 10%. The value of assets and liabilities of the business were 20,00,000 and 5,00,000 respectively. Calculate the value of goodwill of the firm by Super Profits Method if it is valued at 2 years purchase of super profit.

Solutions:

The formula for calculating goodwill using the Super Profits Method is:

$$\text{Goodwill} = \text{Super Profit} \times \text{Number of Years' Purchase}.$$

Step 1: Calculate the Normal Profit

The normal profit is determined using the formula:

$$\text{Normal Profit} = \text{Capital Employed} \times \text{Normal Rate of Profit}.$$

The capital employed is calculated as:

$$\text{Capital Employed} = \text{Assets} - \text{Liabilities} = 20,00,000 - 5,00,000 = 15,00,000.$$

Now, calculate the normal profit:

$$\text{Normal Profit} = 15,00,000 \times 10\% = 1,50,000.$$

Step 2: Calculate the Super Profit

Super profit is the excess of actual profit over normal profit:

$$\text{Super Profit} = \text{Actual Profit} - \text{Normal Profit.}$$

$$\text{Super Profit} = 4,00,000 - 1,50,000 = 2,50,000.$$

Step 3: Calculate Goodwill

Using the Super Profits Method and the 2 years' purchase of super profit:

$$\text{Goodwill} = 2,50,000 \times 2 = 5,00,000.$$

Conclusion:

The goodwill of the business, calculated using the Super Profits Method, is 5,00,000.

Quick Tip

To calculate goodwill using the Super Profits Method, ensure to compute the normal profit based on capital employed and the normal rate of profit before determining the super profit.

21. Madhav, Raghav and Purav were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31st March, 2023 was as follows:

Balance Sheet of Madhav, Raghav and Purav as at 31st March, 2023	
Liabilities	Amount (₹)
Creditors	1,00,000
General Reserve	50,000
Capitals:	
Madhav	60,000
Raghav	1,00,000
Purav	40,000
Total Liabilities	3,50,000
Assets	Amount (₹)
Bank	20,000
Stock	1,10,000
Investment	70,000
Furniture	35,000
Building	1,15,000
Total Assets	3,50,000

Purav died on 30th September, 2023. According to Partnership deed, his legal representatives are entitled to the following:

(i) Balance in his Capital Account.

(ii) Share of profit up to the date of death to be calculated on the basis of last year's profit.

(iii) Share of goodwill calculated on the basis of three years purchase of average profits of last four years.

(iv) Interest on capital @12% p.a.

Purav's share of profit was 3,000, and the average profit of the last four years was 50,000. Purav's drawings up to the date of death were 10,000. Prepare Purav's Capital Account to be rendered to his legal representatives.

Solutions:

Step 1: Calculation of Goodwill

Goodwill is calculated as:

$$\text{Goodwill} = \text{Average Profits} \times 3 \text{ years' purchase.}$$

$$50,000 \times 3 = 1,50,000.$$

Purav's share of goodwill is $\frac{1}{5}$ of the total goodwill:

$$1,50,000 \times \frac{1}{5} = 30,000.$$

Step 2: Calculation of Interest on Capital

Interest on capital for 6 months is calculated as:

$$\text{Interest on Capital} = 40,000 \times 12\% \times \frac{6}{12} = 2,400.$$

Step 3: Purav's Share of Profit

Based on the last year's profit:

$$\text{Purav's Share of Profit} = 3,000.$$

Journal Entries:

Particulars	Dr. Amount ()	Cr. Amount ()
General Reserve A/c Dr.	10,000	
To Purav's Capital A/c		10,000
Profit and Loss Suspense A/c Dr.	3,000	
To Purav's Capital A/c		3,000
Madhav's Capital A/c Dr.	18,000	
Raghav's Capital A/c Dr.	6,000	
To Purav's Capital A/c		30,000
Interest on Capital A/c Dr.	2,400	
To Purav's Capital A/c		2,400
Purav's Drawings A/c Dr.	10,000	
To Purav's Capital A/c		10,000

Purav's Capital Account:

Particulars	Dr. Amount ()	Cr. Amount ()
To Drawings 40,000	10,000	By Balance b/d
To Legal Representatives A/c 10,000	75,400	By General Reserve
		By Profit (up to death)
3,000		
		By Goodwill
30,000		
		By Interest on Capital
2,400		

Quick Tip

When preparing a deceased partner's capital account, include credits for entitlements such as goodwill, profit, and interest on capital, and debit drawings or other adjustments as applicable.

22. On 1st April 2023, Khyati Ltd. was formed with an authorised capital of 20,00,000 divided into 2,00,000 equity shares of 10 each. The company invited applications for issuing 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, 8 per share were called and final call of 2 per share has not been made yet. Siya holding 2,000 shares and Piya holding 4,000 shares did not pay the first call of 2 per share. All the shares of Siya and Piya were forfeited after the first call. Solutions:

Khyati Ltd.

Balance Sheet as at — (An Extract)

Particulars	Note no.	Amount ()
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	13,48,000

Notes to Accounts:

Particulars	Amount ()
1. Share Capital	
Authorised Capital	
2,00,000 equity shares of 10 each	20,00,000
Issued capital	
1,80,000 equity shares of 10 each	18,00,000
Subscribed Capital	
Subscribed but not fully paid	
1,64,000 equity shares of 10 each, 8 called up	13,12,000
Add Forfeited Shares Account	36,000
	13,48,000

Quick Tip

When preparing a balance sheet, ensure forfeited shares are included under equity adjustments and calls-in-arrears are reflected as receivables.

23. (a) Murari Ltd. invited applications for issuing 80,000 equity shares of 10 each at a premium of 4 per share. The amount per share was payable as follows: 5 on application and 9 (including premium) on allotment. Applications were received for 1,40,000 shares and allotment was made on pro-rata basis to all the applicants. Money overpaid on application was utilised towards sums due on allotment. The allotment money was duly received except from Sameer who had applied for 1,400 shares. His shares were forfeited. Pass the necessary journal entries in the books of Murari Ltd. to record the above transactions. Open calls-in-arrears account wherever required.

Solutions:

Books of Murari Ltd.

Journal

Date	Particulars	LF	Dr. Amount ()	Cr. Amount ()
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,40,000 shares)		7,00,000	7,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Application money transferred to share capital account and share allotment account)		7,00,000 4,00,000 3,00,000	
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on allotment)		7,20,000 4,00,000 3,20,000	
	Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share Allotment A/c (Allotment money received except on 800 shares)		4,15,800 4,200	4,20,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share forfeiture A/c To Calls in arrears A/c (800 shares forfeited for non payment of allotment money)		8,000 3,200 7,000 4,200	

Quick Tip

During oversubscription, ensure proper pro-rata allocation of excess amounts, and handle calls-in-arrears and forfeitures with precise journal adjustments.

23. (a) Murari Ltd. invited applications for issuing 80,000 equity shares of 10 each at a premium of 4 per share. The amount per share was payable as follows: 5 on application and 9 (including premium) on allotment. Applications were received for 1,40,000 shares and allotment was made on pro-rata basis to all the applicants. Money overpaid on application was utilised towards sums due on allotment. The allotment money was duly

received except from Sameer who had applied for 1,400 shares. His shares were forfeited. Pass the necessary journal entries in the books of Murari Ltd. to record the above transactions. Open calls-in-arrears account wherever required.

Solutions:

Journal Entries:

Particulars	Dr. Amount ()	Cr. Amount ()
Bank A/c Dr.	7,00,000	
To Share Application A/c		7,00,000
Share Application A/c Dr.	7,00,000	
To Equity Share Capital A/c		4,00,000
To Share Allotment A/c		3,00,000
Bank A/c Dr.	6,40,000	
Calls-in-Arrears A/c Dr.	12,600	
To Share Allotment A/c		6,52,600
Equity Share Capital A/c Dr.	14,000	
To Forfeited Shares A/c		7,000
To Calls-in-Arrears A/c		7,000

Conclusion:

The journal entries appropriately record the share application, allotment, calls-in-arrears, and forfeiture processes, ensuring accurate adjustments for oversubscription and forfeited shares.

Quick Tip

During oversubscription, excess application amounts must be properly adjusted against subsequent allotments or calls. Handle calls-in-arrears and forfeitures with precise journal entries.

23. (b) Kavya Ltd. invited applications for issuing 30,000 shares of 10 each at a premium of 2 per share. The amount was payable as follows: On application and allotment 7 per share, On first and final call 5 per share (including 2 premium). Applications were received for 33,000 shares. Applications for 3,000 shares were

rejected, and money returned to the applicants. Applications for 30,000 shares were accepted in full. The application and allotment money was duly received. The first and final call was made and money received except from a shareholder holding 500 shares. His shares were forfeited. All these shares were re-issued to Kartik as fully paid for 8 per share. Pass necessary journal entries for the above transactions in the books of Kavya Ltd. Open calls-in-arrears account wherever required.

Solutions:

Books of Kavya Ltd.

Journal

Date	Particulars	LF	Dr. Amount ()	Cr. Amount ()
	Bank A/c Dr. To Share Application and Allotment A/c (Application money received on 33,000 shares)		2,31,000	2,31,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Bank A/c (Application money transferred to share capital account and balance refunded)		2,31,000 2,10,000 21,000	
	Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on first and final call)		1,50,000 90,000 60,000	
	Bank A/c Dr. Calls in arrears A/c Dr. To Share First and Final Call A/c (First and final call received except on 500 shares)		1,47,500 2,500	1,50,000
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (500 shares forfeited for non payment of first and final call)		5,000 1,000 3,500 2,500	
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Forfeited shares reissued as fully paid for 8 per share)		4,000 1,000	5,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Gain on reissue of forfeited shares transferred to Capital Reserve A/c)		2,500	2,500

Quick Tip

When shares are reissued, ensure to record the reissue price accurately. Any surplus remaining in the forfeited shares account should be transferred to the capital reserve.

24. (a) Arnav, Bhavi and Chavi were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of Arnav, Bhavi and Chavi as at 31st March, 2023	
Liabilities	Amount ()
Capitals:	
Arnav	1,80,000
Bhavi	1,60,000
Chavi	1,00,000
Creditors	2,50,000
Total	6,90,000
Assets	Amount ()
Plant & Machinery	3,00,000
Furniture	20,000
Debtors	3,50,000
Less: Provision for Doubtful Debts	20,000
Cash in Hand	10,000
Profit & Loss Account	30,000
Total	6,90,000

Adjustments:

- (i) Plant and Machinery to be valued at 4,30,000.**
- (ii) Provision for Bad Debts to be increased by 50%.**
- (iii) Chavi's share of Goodwill valued at 80,000, treated without opening goodwill account.**
- (iv) Total amount payable to Chavi brought in by Arnav and Bhavi in their new profit-sharing ratio.**

Prepare Revaluation Account and Partner's Capital Accounts.

Solutions:

Revaluation Account:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Provision for Doubtful Debts	10,000	
To Plant and Machinery		1,30,000
To Profit Transferred:		
Arnav (3/5)		72,000
Bhavi (2/5)		48,000
Total	1,30,000	1,30,000

Partners' Capital Account:

Particulars	Arnav (₹)	Bhavi (₹)	Chavi (₹)
Balance b/d	1,80,000	1,60,000	1,00,000
Revaluation Profit	72,000	48,000	—
Goodwill Adjustment	(48,000)	(32,000)	80,000
To Bank A/c	—	—	1,80,000
Total	2,04,000	1,76,000	—

Quick Tip

Ensure all revaluation and goodwill adjustments are accurately allocated in the partners' capital accounts before finalizing the accounts.

24. (b) Divya and Ekta were partners in a firm sharing profits in the ratio of 3 : 1. On 31st March, 2023, they admitted Sona as a new partner for 1/4th share in the profits of the firm. Their Balance Sheet on that date was as follows:

Balance Sheet of Divya and Ekta as at 31st March, 2023	
Liabilities	Amount ()
Capitals:	
Divya	10,00,000
Ekta	7,00,000
General Reserve	3,20,000
Creditors	5,40,000
Total	25,60,000
Assets	Amount ()
Land and Building	5,00,000
Machinery	6,00,000
Stock	1,50,000
Debtors	4,00,000
Less: Provision for Doubtful Debts	30,000
Investments	5,00,000
Cash	4,40,000
Total	25,60,000

Adjustments:

- (i) Goodwill of the firm valued at 2,40,000.**
- (ii) Land and Building valued at 7,12,000.**
- (iii) Provision for doubtful debts excess by 8,000.**
- (iv) Liability of 20,000 included in Creditors not likely to arise.**
- (v) Capitals of Divya and Ekta adjusted on the basis of Sona's capital by opening current accounts.**

Prepare Revaluation Account and Partner's Capital Accounts.

Solutions:

Revaluation Account:

Particulars	Dr. Amount ()	Cr. Amount ()
Provision for Doubtful Debts	8,000	
Liabilities Written Back		20,000
To Land and Building		2,12,000
To Profit Transferred:		
Divya (3/4)		1,59,000
Ekta (1/4)		53,000
Total	2,20,000	2,20,000

Partners' Capital Account:

Particulars	Divya ()	Ekta ()	Sona ()
Balance b/d	10,00,000	7,00,000	—
Revaluation Profit	1,59,000	53,000	—
Goodwill Adjustment	(1,80,000)	(60,000)	2,40,000
To Current A/c	9,79,000	6,93,000	—
Total	10,79,000	7,53,000	4,00,000

Conclusion:

The Revaluation Account reflects the adjustments for revaluation profit, which is transferred to Divya and Ekta as per their profit-sharing ratio. The Partners' Capital Account includes the goodwill adjustment and balances the new partner's contribution.

Quick Tip

Ensure revaluation profits and goodwill adjustments are appropriately allocated among partners, and capital accounts are balanced to reflect the incoming partner's contribution.

25. Pass the necessary journal entries for the following transactions on the disSolutions of the firm of Abhay and Mansi after various assets (other than cash) and third-party liabilities have been transferred to Realisation Account:

(i) Abhay took over stock worth 67,000 at 56,000.

(ii) There was an old computer which had been written off completely from the books. It was estimated to realise 4,000. It was taken away by Mansi at the estimated price less 10%.

(iii) Unrecorded liabilities amounting to 7,500 were settled at 5,000.

(iv) Realisation expenses amounting to 8,000 were paid by Abhay.

(v) Investment, whose face value was 15,000, was realized at 40

(vi) Profit on realisation 24,000 was to be distributed between Abhay and Mansi in their profit sharing ratio, which is 2 : 1.

Solutions:

(i) Abhay took over stock valued at 67,000 for 56,000.

Particulars	Debit ()	Credit ()
Stock A/c	67,000	
To Abhay's Capital A/c		56,000
To Realisation A/c		11,000

(ii) An old computer, fully written off, was estimated to realise 4,000. Mansi took it for the estimated price less 10%.

Particulars	Debit ()	Credit ()
Realisation A/c	4,000	
To Mansi's Capital A/c		3,600
To Loss on Realisation A/c		400

(iii) Unrecorded liabilities of 7,500 were settled for 5,000.

Particulars	Debit ()	Credit ()
Realisation A/c	7,500	
To Liabilities A/c		5,000

(iv) Abhay paid realisation expenses amounting to 8,000.

Particulars	Debit ()	Credit ()
Realisation A/c	8,000	
To Bank A/c		8,000

(v) Investments with a face value of 15,000 were realised at 40%.

Particulars	Debit ()	Credit ()
Bank A/c	6,000	
To Investment A/c		15,000

(vi) Profit on realisation of 24,000 was distributed between Abhay and Mansi in their profit-sharing ratio of 2 : 1.

Particulars	Debit ()	Credit ()
Realisation A/c	24,000	
To Abhay's Capital A/c		16,000
To Mansi's Capital A/c		8,000

Conclusion:

The journal entries record the disSolutions process by transferring assets, liabilities, and realisation profits or losses, ensuring accuracy in distribution.

Quick Tip

Ensure to pass all required journal entries during the disSolutions process to accurately reflect the transfer of assets, liabilities, and realisation profits or losses.

26. Pass journal entries relating to issue of debentures in the books of Star Ltd. in each of the following cases:

- (i) Issued 50,000, 9% Debentures of 100 each at a discount of 10%, redeemable at par.**
- (ii) Issued 6,000, 9% Debentures of 100 each at a premium of 5%, redeemable at a premium of 10%.**
- (iii) Issued 4,000, 10% Debentures of 100 each at par, redeemable at a premium of 5%.**

Solutions:

- (i) 50,000, 9% Debentures of 100 each were issued at a 10% discount, redeemable at par.

Particulars	Debit ()	Credit ()
Bank A/c	45,00,000	
Discount on Issue of Debentures A/c	5,00,000	
To 9% Debentures A/c		50,00,000

(ii) 6,000, 9% Debentures of 100 each were issued at a premium of 5% and are redeemable at a premium of 10%.

Particulars	Debit ()	Credit ()
Bank A/c	6,30,000	
To 9% Debentures A/c		6,00,000
To Securities Premium A/c		30,000

(iii) 4,000, 10% Debentures of 100 each were issued at par and are redeemable at a premium of 5%.

Particulars	Debit ()	Credit ()
Bank A/c	4,20,000	
To 10% Debentures A/c		4,00,000
To Securities Premium A/c		20,000

Conclusion:

The journal entries record the issuance of debentures at discounts or premiums, along with the adjustments for redemption terms.

Quick Tip

When debentures are issued at a discount or premium, ensure to separately account for the adjustments in the respective accounts, including securities premium or discount.

PART B
OPTION I
(Analysis of Financial Statements)

27. Which of the following transaction will result in flow of cash?

- (A) Cash withdrawn from bank 71,000.
- (B) Issue of 9% debentures of 1,00,000 to the vendors of Machinery.
- (C) Received from debtors 74,000.
- (D) Redeemed 10% debentures by converting into equity shares.

Correct Answer: (C) Received from debtors 74,000.

Solutions: Cash flow represents the movement of cash into or out of a business. The receipt of 74,000 from debtors is an actual cash inflow. Options (A), (B), and (D) do not directly affect cash flow, as they involve either credit transactions or non-cash adjustments. Thus, the correct answer is 74,000 received from debtors.

Quick Tip

Cash flow requires a direct cash movement. Non-cash transactions, such as issuing or converting debentures, do not generate cash flow.

28. (a) Shyam Sunder Ltd. is a financing company. Under which of the following activity will the amount of 'Interest paid on loan' be shown:

- (A) Investing activity
- (B) Financing activity
- (C) Both Financing & Operating activity
- (D) Operating activity

Correct Answer: (D) Operating activity

Solutions:

In the case of a financing company, interest paid on loans is treated as an operating activity because it is directly linked to the company's primary business of financing. This classification is consistent with the nature of its core operations.

Conclusion:

Interest paid on loans is recorded under operating activities for a financing company as it is integral to its core operations.

Quick Tip

For financing companies, both interest paid and interest earned are considered operating activities, as they are fundamental to the company's main business operations.

28. (b) Tax paid during the year ended 31st March, 2023 was 15,000. While calculating Net Profit before Tax and Extraordinary items, the amount of provision for tax to be added is

Particulars	1-4-2022	31-3-2023
Provision for Tax	10,000	25,000

- (A) 30,000
- (B) 25,000
- (C) 10,000
- (D) 15,000

Correct Answer: (A) 30,000

Solutions:

To calculate the Net Profit before Tax, the provision for tax added back includes both the increase in the tax provision during the year and the tax paid.

Step 1: Calculate the increase in the provision for tax:

$$\text{Increase in Provision} = 25,000 - 10,000 = 15,000.$$

Step 2: Include the tax paid during the year:

$$\text{Tax Paid} = 15,000.$$

Step 3: Compute the total provision for tax to be added:

$$\text{Total Provision to be Added} = 15,000 + 15,000 = 30,000.$$

Conclusion:

The total provision for tax to be added to calculate the Net Profit before Tax is 30,000.

Quick Tip

To compute Net Profit before Tax, ensure to add both the increase in the tax provision and the tax paid during the year, as they reflect non-operating adjustments.

29. Which of the following is not a tool of Analysis of Financial Statements?

- (A) Ratio Analysis
- (B) Comparative Statement
- (C) Statement of Profit Loss
- (D) Cash flow Statement

Correct Answer: (C) Statement of Profit Loss

Solutions:

Analysis of Financial Statements employs tools such as ratio analysis, comparative statements, and cash flow statements. Although the Statement of Profit Loss is essential for financial reporting, it is not considered an analytical tool. Thus, the correct answer is (C).

Quick Tip

Financial analysis relies on tools like ratio analysis, comparative statements, and cash flow statements, while the Statement of Profit Loss serves as a reporting document.

30. (a) Total Assets = 3,00,000, Non-current Assets = 2,60,000, Non-current Liabilities = 80,000, Shareholders Funds = 2,00,000, Current ratio calculated on the basis of the above information will be:

- (A) 0.5 : 1
- (B) 2 : 1
- (C) 1.5 : 1
- (D) 1 : 1

Correct Answer: (B) 2 : 1

Solutions:

Step 1: Determine Current Assets

Current Assets are calculated as:

$$\text{Current Assets} = \text{Total Assets} - \text{Non-current Assets.}$$

$$\text{Current Assets} = 3,00,000 - 2,60,000 = 40,000.$$

Step 2: Determine Current Liabilities

From the data provided, calculate Total Liabilities:

$$\text{Total Liabilities} = \text{Total Assets} - \text{Shareholders' Funds.}$$

$$\text{Total Liabilities} = 3,00,000 - 2,00,000 = 1,00,000.$$

Non-current Liabilities = 80,000. Therefore:

$$\text{Current Liabilities} = \text{Total Liabilities} - \text{Non-current Liabilities.}$$

$$\text{Current Liabilities} = 1,00,000 - 80,000 = 20,000.$$

Step 3: Calculate the Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{40,000}{20,000} = 2 : 1.$$

Conclusion:

The Current Ratio is 2 : 1.

Quick Tip

The Current Ratio measures a firm's liquidity. A ratio of 2 : 1 is considered ideal, indicating strong short-term financial health.

30. (b) When Current Ratio is 4 : 1, Current Assets are 60,000 and Quick Ratio is 2.5 : 1, the amount of 'Inventory' will be:

- (A) 22,500
- (B) 37,500
- (C) 15,000
- (D) 25,000

Correct Answer: (A) 22,500

Solutions:

Step 1: Determine Current Liabilities

Using the Current Ratio formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 4 : 1.$$

Given Current Assets = 60,000, calculate:

$$\text{Current Liabilities} = \frac{\text{Current Assets}}{\text{Current Ratio}} = \frac{60,000}{4} = 15,000.$$

Step 2: Calculate Inventory using the Quick Ratio

The Quick Ratio is given as 2.5 : 1, with the formula:

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

Substitute the known values:

$$2.5 = \frac{60,000 - \text{Inventory}}{15,000}.$$

Rearranging to solve for Inventory:

$$60,000 - \text{Inventory} = 15,000 \times 2.5 = 37,500.$$

$$\text{Inventory} = 60,000 - 37,500 = 22,500.$$

Conclusion:

The Inventory is 22,500.

Quick Tip

The Quick Ratio excludes inventory from current assets, focusing on the liquidity of readily available resources like cash and receivables.

31. Under which major heads and sub-heads will the following items be placed in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013:

(i) Computer Software

(ii) Unclaimed Dividend

(iii) Loose Tools

Solutions:

(i) **Computer Software: Major Head:** Non-Current Assets

Sub-Head: Intangible Assets

(ii) **Unclaimed Dividend: Major Head:** Equity and Liabilities

Sub-Head: Other Current Liabilities

(iii) **Loose Tools: Major Head:** Current Assets

Sub-Head: Inventories

Quick Tip

Ensure compliance with the Companies Act for proper classification. Intangible assets like software fall under non-current assets, unclaimed dividends under current liabilities, and loose tools under inventories.

32. Calculate the current ratio from the following information:

Particulars	Amount ()
<i>EquityShareCapital</i>	8,00,000
<i>Inventories</i>	1,00,000
<i>TradeReceivables</i>	1,20,000
<i>AdvanceTax</i>	24,000
<i>CashandCashEquivalents</i>	56,000
<i>TradePayables</i>	60,000
<i>ShortTermBorrowings(BankOverdraft)</i>	40,000
<i>10%Investments</i>	80,000

Solutions:

Current Ratio Formula:

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

Step 1: Calculate Current Assets: Inventories: 1,00,000

Trade Receivables: 1,20,000

Advance Tax: 24,000

Cash and Cash Equivalents: 56,000

10% Investments: 80,000

Total Current Assets = 3,80,000

Step 2: Calculate Current Liabilities: Trade Payables: 60,000

Short-Term Borrowings (Bank Overdraft): 40,000

Total Current Liabilities = 1,00,000

Step 3: Compute the Current Ratio:

$$\text{Current Ratio} = \frac{3,80,000}{1,00,000} = 3.8 : 1$$

Final Answer: The Current Ratio is **3.8 : 1**.

Quick Tip

Current assets include items that can be converted into cash within one year, while current liabilities are obligations payable within the same period.

33. (a) From the following Statement of Profit and Loss of Shikha Ltd., prepare Comparative Statement of Profit and Loss for the year ended 31st March, 2023:

Particulars	2022-23 (₹)	2021-22 (₹)
Revenue from Operations	32,00,000	20,00,000
Employee Benefit Expenses	9,60,000	6,00,000
Other Expenses	6,40,000	4,00,000

Solutions:

Comparative Statement of Profit and Loss:

Particulars	2022-23 (₹)	2021-22 (₹)	% Change
Revenue from Operations	32,00,000	20,00,000	60%
Employee Benefit Expenses	9,60,000	6,00,000	60%
Other Expenses	6,40,000	4,00,000	60%

Explanation:

The percentage change is calculated using the formula:

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

1. Revenue from Operations:

$$\frac{32,00,000 - 20,00,000}{20,00,000} \times 100 = 60\%$$

2. Employee Benefit Expenses:

$$\frac{9,60,000 - 6,00,000}{6,00,000} \times 100 = 60\%$$

3. Other Expenses:

$$\frac{6,40,000 - 4,00,000}{4,00,000} \times 100 = 60\%$$

Conclusion:

All items show a consistent percentage increase of 60% from the previous year.

Quick Tip

To prepare a comparative statement, use the formula:

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

This provides a clear analysis of the performance trend over two periods.

33. (b) From the following information, prepare a Common Size Statement of Profit and Loss of A Ltd. and B Ltd. for the year ended 31st March, 2023:

Particulars	A Ltd. (₹)	B Ltd. (₹)
Revenue from Operations	20,00,000	10,00,000
Other Income	3,00,000	80,000
Expenses	10,40,000	4,80,000
Tax Rate	40%	40%

Solutions:

Common Size Statement of Profit and Loss:

Particulars	A Ltd. (%)	B Ltd. (%)
Revenue from Operations	100%	100%
Other Income	15%	8%
Expenses	52%	48%
Profit Before Tax	33%	44%
Tax Expense (40%)	13.2%	17.6%
Profit After Tax	19.8%	26.4%

Explanation:

In a Common Size Statement, each item is expressed as a percentage of Revenue from Operations. The calculations are as follows:

1. Other Income:

$$\frac{\text{Other Income}}{\text{Revenue from Operations}} \times 100$$

For A Ltd:

$$\frac{3,00,000}{20,00,000} \times 100 = 15\%$$

For B Ltd:

$$\frac{80,000}{10,00,000} \times 100 = 8\%$$

2. Expenses:

$$\frac{\text{Expenses}}{\text{Revenue from Operations}} \times 100$$

For A Ltd:

$$\frac{10,40,000}{20,00,000} \times 100 = 52\%$$

For B Ltd:

$$\frac{4,80,000}{10,00,000} \times 100 = 48\%$$

3. Profit Before Tax:

Revenue from Operations - Other Income - Expenses (as % of Revenue)

Conclusion:

The common size analysis highlights the percentage contribution of each item relative to revenue, facilitating meaningful comparison between A Ltd. and B Ltd.

Quick Tip

A Common Size Statement converts all figures into percentages of Revenue from Operations, enabling a clear comparison of financial performance across companies.

34. From the following Balance Sheet of Yogita Ltd., calculate ‘Cash flows from Investing Activities’ and ‘Cash flows from Financing Activities’. Show your working properly.

Yogita Ltd.
Balance Sheet as at 31st March, 2023

Particulars	Note No.	31-3-2023 (₹)	31-3-2022 (₹)
I. Equity and Liabilities :			
(1) Shareholders' Funds			
(a) Share Capital		4,00,000	2,00,000
(b) Reserves and Surplus	1	2,00,000	1,00,000
(2) Non-Current Liabilities			
(a) Long term borrowings	2	1,50,000	2,20,000
(3) Current Liabilities			
(a) Short term borrowings	3	1,00,000	—
(b) Trade payables		70,000	50,000
(c) Short term provisions	4	50,000	30,000
Total		9,70,000	6,00,000

II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets (Property, plant and equipment and intangible assets)			
(i) Tangible Assets (Property, plant and equipment)	5	7,00,000	4,00,000
(2) Current Assets			
(a) Inventories		1,70,000	1,00,000
(b) Trade Receivables		1,00,000	50,000
(c) Cash & Cash equivalents		–	50,000
Total		9,70,000	6,00,000

Notes to Accounts :

Note No.	Particulars	31-3-2023 ₹	31-3-2022 ₹
1.	Reserves and Surplus		
	Balance in statement of Profit & Loss	1,50,000	80,000
	General Reserve	50,000	20,000
		2,00,000	1,00,000
2.	Long term borrowings		
	10% Bank Loan	1,50,000	2,20,000
		1,50,000	2,20,000
3.	Short term borrowings		
	Bank Overdraft	1,00,000	–
		1,00,000	–
4.	Short term provisions		
	Provision for tax	50,000	30,000
		50,000	30,000
5.	Tangible Assets (Property, plant & equipment)		
	Plant and Machinery	7,90,000	4,70,000
	Less : Accumulated depreciation	(90,000)	(70,000)
		7,00,000	4,00,000

Additional Information:

(i) 50,000 was charged as depreciation on Plant and Machinery. A machinery costing 60,000 (Book Value 45,000) was sold for 42,000.

(ii) Bank loan was repaid on 1st April, 2022.

Solutions:

Calculation of Cash Flows from Investing Activities for the year ended 31st March 2023

Particulars	0	0
Purchase of Machinery		(3,80,000)
Sale of Machinery	42,000	
Net Cash used in Investing Activities		(3,38,000)

Plant and Machinery A/c

Particulars	Amount ()	Particulars	Amount ()
To Balance b/d	470,000	By Bank/Cash A/c	42,000
To Bank/ Cash A/c (Balancing figure)	380,000	By Accumulated Depreciation A/c	15,000
		By Statement of Profit & Loss	3,000
		By balance c/d	790,000
Total: 850,000		Total: 850,000	

Accumulated Depreciation A/c

Particulars	Amount ()	Particulars	Amount ()
To Plant and Machinery A/c	15,000	By Balance b/d	70,000
To Statement of Profit & Loss	15,000	By Depreciation A/c	50,000
To balance c/d	90,000		
Total: 1,20,000		Total: 1,20,000	

**Calculation of Cash Flows from Financing Activities
for the year ended 31st March 2023**

Particulars	()
Issue of Share Capital	2,00,000
Bank Overdraft raised	1,00,000
Bank loan repaid	(70,000)
Interest on bank loan paid	(15,000)
Net Cash Inflows from Financing Activities	2,15,000

Quick Tip

Classify all transactions affecting cash flows under their correct activity: Operating, Investing, or Financing. Ensure journal entries are accurate for asset sales, purchases, or liability settlements.

PART B

OPTION II

(Computerised Accounting)

27. (a) Depreciation is generated from which of the following Accounting information system?

- (A) Tax accounting sub-system
- (B) Expense accounting sub-system
- (C) Final accounts sub-system
- (D) Fixed assets accounting sub-system

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

Solutions: Depreciation is associated with fixed assets and is derived from the Fixed Assets Accounting Sub-System, which monitors the acquisition, depreciation, and disposal of assets.

Quick Tip

Depreciation is calculated based on the cost and estimated useful life of fixed assets, managed within the Fixed Assets Accounting Sub-System.

27. (b) Which type of software package is suitable for an organization where the volume of accounting transactions is very low and adaptability is very high?

- (A) Specific
- (B) Tailored
- (C) ERP Software
- (D) Generic

Correct Answer: (D) Generic

Solutions:

Generic software packages are most suitable for organizations with low transaction volumes and a high need for flexibility. These packages are cost-effective, user-friendly, and require minimal customization, making them ideal for small-scale businesses.

Conclusion: Generic software offers standard functionality for basic accounting tasks, catering to the needs of organizations with lower transaction volumes.

Quick Tip

Generic accounting software is ideal for small businesses with straightforward accounting needs and low transaction volumes.

28. “A value or function or an arithmetic expression is recorded in”

- (A) Row
- (B) Column
- (C) Range
- (D) Cell

Correct Answer: (D) Cell

Solutions: In a spreadsheet, a cell, formed at the intersection of a row and a column, is used to store values, formulas, or functions.

Quick Tip

A cell is the basic element of a spreadsheet, holding values, formulas, or functions for calculations and data organization.

29. (a) Which of the following is not a limitation of the computerized accounting system?

- (A) Data may be lost or corrupted due to power interruptions
- (B) Data are prone to hacking
- (C) Data is made available to everybody
- (D) Unprogrammed and unspecific reports cannot be generated

Correct Answer: (C) Data is made available to everybody

Solutions: Computerised accounting systems face challenges such as data corruption, hacking, and restricted report customization. However, the notion that data is accessible to everyone is not a limitation.

Quick Tip

Computerised systems improve data security, but without proper safeguards, they may be vulnerable to hacking or data loss from system failures.

29. (b) To safeguard assets and optimize the use of resources a business

- (A) Only tries to earn sufficient revenue
- (B) Only ensures accuracy in accounting records
- (C) Keeps internal controls
- (D) Only protects its assets

Correct Answer: (C) Keeps internal controls

Solutions: Internal controls are crucial for protecting assets, ensuring efficient resource utilization, and preventing fraud or errors. These controls are vital for the smooth functioning of a business.

Quick Tip

Internal controls are key to safeguarding assets and promoting operational efficiency within a business.

30. Which chart has depth axis?

- (A) 2D chart
- (B) 3D chart
- (C) Radar chart
- (D) Doughnut chart

Correct Answer: (B) 3D chart

Solutions: A 3D chart includes a depth axis, providing a three-dimensional representation. The depth axis enables the visualization of additional data on the z-axis.

Quick Tip

3D charts are useful for visualizing data across multiple dimensions, making it easier to understand complex relationships.

31. Explain various 'Data tables' used in Pivot Table.

Solutions: Data tables in Pivot Tables enable dynamic analysis by varying input values and observing their effect on outputs. The two primary types of data tables are:

1. **Single-variable data tables:** - Evaluate the impact of changing a single input on a formula's outcome. - Example: Analyzing how varying interest rates affect loan repayments while keeping other factors constant.

2. **Two-variable data tables:** - Assess the combined effect of two inputs on a formula's result. - Example: Exploring the impact of changing both interest rates and loan amounts on monthly installments.

Key Features of Data Tables: - Automatically update results when input values or linked formulas change. - Provide a structured way to visualize multiple scenarios. - Simplify sensi-

tivity analysis for informed decision-making.

Advantages of Data Tables: - Facilitate efficient "What-If" analysis to evaluate different scenarios. - Help users compare outcomes under varying assumptions. - Save time by eliminating the need for multiple manual calculations or formulas.

Quick Tip

Data tables are powerful tools for financial modeling, enabling sensitivity analysis and scenario comparison with ease.

32. How can #DIV/0! error be corrected?

Solutions:

1. **Change the Cell Reference:** Ensure that the cell referenced in the divisor position of your formula is correct. Sometimes, incorrect cell references lead to division by zero.
2. **Enter a Non-Zero Value:** If the cell referenced as a divisor contains zero or is empty, enter a value other than zero to avoid the #DIV/0! error.
3. **Use #N/A for Unavailable Divisors:** Enter the value #N/A in the divisor cell to indicate that the divisor is not available. This change affects the formula result to show #N/A instead of #DIV/0!, clarifying that the divisor value is intentionally missing.
4. **Prevent the Error Value from Displaying:** Use the IF function to check for zero before performing division:

```
=IF(divisor = 0, "Error: Divisor is zero", dividend / divisor)
```

This formula checks if the divisor is zero. If true, it returns a custom error message; otherwise, it performs the division.

Conclusion Implementing these steps will enhance the robustness of your spreadsheet models by preventing common errors and improving data integrity and user experience.

Quick Tip

Use the `IFERROR` function for a streamlined way to manage errors in Excel formulas. It ensures cleaner and more user-friendly outputs by replacing errors with custom messages.

33. (a) List the points of nomenclature used in Excel for charts/graphs.

Solutions: The key components of charts and graphs in Excel are as follows:

1. **Chart Title:** Represents the primary purpose or topic of the chart.
2. **Axis Titles:** Provide descriptions for the horizontal (X-axis) and vertical (Y-axis).
3. **Legend:** Identifies the data series shown in the chart.
4. **Data Points:** Represent individual values plotted on the chart.
5. **Gridlines:** Assist in interpreting values along the axes.
6. **Data Labels:** Display exact values for each data point.
7. **Plot Area:** The section where the data is visually represented.

These elements collectively enhance the clarity and interpretability of charts.

Quick Tip

Use a descriptive chart title and well-defined axis labels to make your charts more informative and visually effective.

33. (b) Explain the steps to define 'Print area' using Dialog box.

Solutions: By default, Excel prints all data on the current worksheet but for specific formatted print, we have to define print area from page set up dialog box or print area command from page layout option of ribbon following are the steps to define Print Area using Dialog box option:

1. Select the page layout command tab on the ribbon
2. In the page set up group click page set up. The page set up dialog box appears

3. Select the sheet tab
4. In the print area text box type the range of cells you want to print or (to select the area
 - Click to collapse Dialog
 - Select the desired range of cells
 - Click restore the Dialog.
5. Click Ok and the print area is defined

Quick Tip

Always use the Print Preview option to verify that the selected print area is displayed correctly before printing.

34. From the given 'VLOOKUP' syntax, find out the error and its reason using the worksheet:

S. No.	Name	Maths	English	Science	Total
1	<i>Ramandeep</i>	57	50	66	173
2	<i>Sahil</i>	88	85	65	238
3	<i>Tarannum</i>	38	64	88	190
4	<i>Joseph</i>	55	48	56	159
5	<i>Joanna</i>	82	55	45	182
6	<i>Vikram</i>	75	51	49	175
7	<i>Iqbal</i>	60	75	59	194
8	<i>Heena</i>	70	45	79	194

- (i) = **VLOOKUP(B5, C3:F10, 2, 0)**
 (ii) = **SQRT(VLOOKUP(B3, B3:F10, 2, 0) - 100)**
 (iii) = **VLOOKUP(B2, B3:F10, 5, 0)**
 (iv) = **VLOOKUP(B3, B3:B10, 2, 0)**
 (v) = **VLOOKUP(B6, B3:F10, 0, 0)**
 (vi) = **VLOOKUP(B6, B3:F10, 2, 0)/0**

Solutions:

Analysis of VLOOKUP Formula Errors in Excel

Overview of VLOOKUP Errors

This document analyzes various 'VLOOKUP' formulas used in an Excel spreadsheet and describes the cause of errors that arise from their execution.

1. **Formula:** =VLOOKUP (B5, C3:F10, 2, 0)

- **Error:** #N/A
- **Reason:** The lookup value in cell B5 is not found within the first column of the range C3 to F10.

2. **Formula:** =SQRT (VLOOKUP (B3, B3:F10, 2, 0) - 100)

- **Error:** #NUM!
- **Reason:** Resulting negative value for square root operation, which is mathematically invalid.

3. **Formula:** =VLOOKUP (B2, B3:F10, 5, 0)

- **Error:** #REF!
- **Reason:** Attempting to retrieve a value from a column index that exceeds the range provided.

4. **Formula:** =VLOOKUP (B3, B3:B10, 2, 0)

- **Error:** #REF!
- **Reason:** Specified column index is beyond the range, which contains only one column.

5. **Formula:** =VLOOKUP (B6, B3:F10, 0, 0)

- **Error:** #VALUE!

- **Reason:** Column index provided as zero, which is not valid as indices start from 1.

6. **Formula:** =VLOOKUP (B6, B3:F10, 2, 0) / 0

- **Error:** #DIV/0!

- **Reason:** Division by zero is attempted, which is undefined.

Quick Tip

Quick Tip:

- Ensure the lookup value is located in the first column of the table array.
- Use a valid column index corresponding to the structure of the table array.
- Avoid dividing by zero or referencing invalid ranges in formulas.