CBSE 12 Accountancy (67/1/1) Question Paper with Solutions

Time Allowed :3 hours	**Maximum Marks :**100	**Total questions :**65

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. Candidates have to attempt only one of the given options. Option I : Analysis of Financial Statements Option II : Computerised Accounting
5. Questions number 1 to 16 (Part A) and Questions number 27 to 30 (Part B) are multiple choice questions. Each question carries 1 mark.
6. Questions number 17 to 20 (Part A) and Questions number 31 and 32 (Part B) are short answer type questions. Each question carries 3 marks.
7. Questions number 21, 22 (Part A) and Question number 33 (Part B) are Long answer type-I questions. Each question carries 4 marks.
8. Questions number 23 to 26 (Part A) and Question number 34 (Part B) are Long answer type-II questions. Each question carries 6 marks.
9. There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.

1(a). Atul, Beena, and Sita were partners in a firm sharing profits and losses in the ratio of 8 : 7 : 5. Damini was admitted as a new partner for $\frac{1}{5}$ share in the profits, which she acquired entirely from Atul. The new profit-sharing ratio after Damini's admission will be: (A) 7 : 7 : 5 : 1

(B) 4 : 7 : 5 : 4

(C) 8 : 7 : 5 : 4

(D) 7 : 5 : 5 : 4

Correct Answer: (B) 4 : 7 : 5 : 4.

Solution: Step 1: Understand the initial profit-sharing ratio and Damini's share.

The initial profit-sharing ratio of Atul, Beena, and Sita is $8 : 7 : 5$, and Damini is admitted with a $\frac{1}{5}$ share in the profits. Damini's share is acquired entirely from Atul.

Step 2: Calculate Atul's new share after giving Damini $\frac{1}{5}$.

Atul's original share is $\frac{8}{20}$. Damini's share, $\frac{1}{5} = \frac{4}{20}$, is subtracted entirely from Atul's share. Thus, Atul's new share is:

$$\frac{8}{20} - \frac{4}{20} = \frac{4}{20}.$$

Step 3: Beena and Sita's shares remain unchanged.

Beena's share is $\frac{7}{20}$, and Sita's share is $\frac{5}{20}$. These remain the same as Damini's share only affects Atul's share.

Step 4: Finalize the new profit-sharing ratio.

The new profit-sharing ratio of Atul, Beena, Sita, and Damini is:

$$4 : 7 : 5 : 4.$$

Quick Tip

When a new partner is admitted, their share is deducted from the contributing partner(s), and the new ratio is calculated accordingly.

1(b). Rushil and Abheer were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted Sunil as a new partner for $\frac{3}{7}$ share in the profits of the firm, which he acquired $\frac{2}{7}$ share from Rushil and $\frac{1}{7}$ share from Abheer. The new profit-sharing ratio of Rushil, Abheer, and Sunil will be:

(A) 4 : 3 : 3

(B) 2 : 1 : 3

(C) 2 : 2 : 3

(D) 4 : 3 : 1

Correct Answer: (C) 2 : 2 : 3.

Solution: Step 1: Determine new shares: Rushil's new share = $4 - \frac{2}{7} = \frac{28}{7} - \frac{2}{7} = \frac{26}{7}$.

Abheer's new share = $3 - \frac{1}{7} = \frac{21}{7} - \frac{1}{7} = \frac{20}{7}$. Sunil's share = $\frac{3}{7}$.

Step 2: Combine shares and simplify:

$$\text{Rushil : Abheer : Sunil} = \frac{26}{7} : \frac{20}{7} : \frac{3}{7} = 26 : 20 : 3 = 2 : 2 : 3.$$

Quick Tip

Ensure the shares transferred match the agreed new partner contribution.

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2. Abhay, Boris, and Chetan were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Boris was guaranteed a profit of ₹95,000. Any deficiency on account of this was to be borne by Abhay and Chetan equally. The firm earned a profit of ₹2,00,000 for the year ended 31st March, 2023. The amount given by Abhay to Boris as guaranteed amount will be:

(A) ₹17,500

(B) ₹35,000

(C) ₹25,000

(D) ₹10,000

Correct Answer: (B) ₹35,000.

Solution: Step 1: Calculate the profit share of each partner.

The total profit of the firm is ₹2,00,000. The profit-sharing ratio among Abhay, Boris, and Chetan is $5 : 3 : 2$. Calculating the profit share:

$$\text{Abhay's share} = \frac{5}{10} \times 2,00,000 = ₹1,00,000,$$

$$\text{Boris's share} = \frac{3}{10} \times 2,00,000 = ₹60,000,$$

$$\text{Chetan's share} = \frac{2}{10} \times 2,00,000 = ₹40,000.$$

Step 2: Identify the deficiency in Boris's profit.

Boris is guaranteed a profit of ₹95,000, but his actual share is only ₹60,000. The deficiency is:

$$\text{Deficiency} = |95,000 - |60,000 = |35,000.$$

Quick Tip

Profit guarantees ensure the guaranteed partner receives the committed amount, with the burden shared as per the agreement.

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3. Aavya, Mitansh, and Praveen were partners in a firm. On 31st March, 2023, the firm was dissolved. Creditors took over furniture of book value of ₹50,000 at ₹45,000 in part settlement of their amount of ₹60,000. The balance amount was paid to them through cheque. The amount paid through cheque will be:

(A) ₹10,000

(B) ₹50,000

(C) ₹45,000

(D) ₹15,000

Correct Answer: (D) ₹15,000.

Solution: Step 1: Total creditors' amount = ₹60,000.

Step 2: Adjust amount against furniture = ₹45,000.

Step 3: Balance payable = ₹60,000 - ₹45,000 = ₹15,000.

Quick Tip

In dissolution, liabilities are settled by adjusting available assets first before paying the remaining balance.

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4. Piyush, Rajesh, and Avinash were partners in a firm sharing profits and losses equally. Shiva was admitted as a new partner for an equal share. Shiva brought his share of capital and premium for goodwill in cash. The premium for goodwill amount will be divided among:

(A) Old partners in old ratio

(B) New partners in new ratio

(C) New partners in sacrificing ratio

(D) Old partners in sacrificing ratio

Correct Answer: (D) Old partners in sacrificing ratio.

Solution: Step 1: Goodwill premium is distributed to old partners in their sacrificing ratio.

Step 2: Calculate the sacrificing ratio:

Sacrificing ratio = Old ratio - New ratio = 1 : 1 : 1.

Quick Tip

Goodwill premium compensates old partners for the share of profits they sacrifice in favor of the new partner.

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5. Alex, Benn, and Cole were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Dona as a new partner for $\frac{1}{5}$ share in the future profits. Dona agreed to contribute proportionate capital. On the date of admission, capitals of Alex, Benn, and Cole after all adjustments were ₹1,20,000; ₹80,000; and ₹1,00,000, respectively. The amount of capital brought in by Dona will be:

(A) ₹75,000

(B) ₹70,000

(C) ₹65,000

(D) ₹60,000

Correct Answer: (A) ₹75,000.

Solution: Step 1: Determine the total capital of the firm.

The total capital of Alex, Benn, and Cole after adjustments is:

$$\text{Total Capital} = \text{Alex's Capital} + \text{Benn's Capital} + \text{Cole's Capital}.$$

Substituting the values:

$$\text{Total Capital} = |1,20,000 + |80,000 + |1,00,000 = |3,00,000.$$

Step 2: Calculate Dona's proportionate capital.

Dona is admitted with a $\frac{1}{5}$ share in the future profits. The proportionate capital for Dona is calculated as:

$$\text{Dona's Capital} = \frac{\text{Dona's Share}}{\text{Remaining Partners' Share}} \times \text{Total Capital}.$$

Dona's share is $\frac{1}{5}$, and the remaining partners' share is $1 - \frac{1}{5} = \frac{4}{5}$. Substituting the values:

$$\text{Dona's Capital} = \frac{\frac{1}{5}}{\frac{4}{5}} \times 3,00,000 = \frac{1}{4} \times 3,00,000 = |75,000.$$

Step 3: Finalize Dona's capital contribution.

Dona's proportionate capital to be brought into the firm is ₹75,000.

Quick Tip

When admitting a new partner, calculate their capital based on the proportionate share in total adjusted capital.

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6. Assertion (A): Each partner is a principal as well as an agent for all the other partners.

Reason (R): As per the definition of the Partnership Act, partnership business may be carried on by all the partners or any of them acting for all.

Choose the correct answer from the following: (A) Both Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).

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

Solution: Step 1: Role of partners: According to the Partnership Act, each partner acts as both a principal and an agent.

Step 2: Explanation of Reason (R): The Partnership Act defines that the business can be conducted collectively by all partners or by one partner acting on behalf of the rest.

Step 3: Conclusion: Reason (R) accurately explains Assertion (A), making both the assertion and the reason correct.

Quick Tip

In partnerships, each partner plays a dual role as both a principal and an agent for the other partners.

Read the following hypothetical situation and answer questions No. 7 and 8 on the basis of the given information. Abha and Babita were partners in a clay toy making firm sharing profits in the ratio of 2 : 1. On 1st April, 2023, their capital accounts showed balances of < 5,00,000 and < 10,00,000 respectively. The partnership deed provides for interest on capital @ 10% p.a. The firm earned a profit of < 90,000 during the year.

7. Abha and Babita were partners in a clay toy-making firm sharing profits in the ratio of 2 : 1. On 1st April, 2023, their capital accounts showed balances of ₹5,00,000 and ₹10,00,000 respectively. The partnership deed provides for interest on capital @ 10% p.a. The firm earned a profit of ₹90,000 during the year. The amount of interest on capital allowed to Abha will be:

(A) ₹50,000

(B) ₹1,00,000

(C) ₹60,000

(D) ₹30,000

Correct Answer: (D) ₹30,000.

Solution: Step 1: Determine the interest on capital as per the partnership deed.

The partnership deed provides for interest on capital at 10% per annum. For Abha:

$$\text{Interest on Abha's capital} = |5,00,000 \times \frac{10}{100} = |50,000.$$

Step 2: Check the adequacy of profits to provide full interest on capital.

The firm's total profit for the year is ₹90,000. The total interest on capital for both partners is:

$$\text{Interest on Abha's capital} + \text{Interest on Babita's capital} = |50,000 + (|10,00,000 \times \frac{10}{100}) = |50,000 + |1,00,0$$

Since the available profit (₹90,000) is less than the total interest on capital (₹1,50,000), the interest will be distributed proportionally to their capital balances.

Step 3: Distribute the available profit in proportion to capital balances.

The capital balances of Abha and Babita are ₹5,00,000 and ₹10,00,000, respectively. The ratio of their capitals is:

$$\frac{\text{Abha's capital}}{\text{Babita's capital}} = \frac{5,00,000}{10,00,000} = 1:2.$$

The available profit of ₹90,000 will be distributed in the ratio $1:2$:

$$\text{Abha's share of interest} = \frac{1}{3} \times 90,000 = |30,000.$$

Step 4: Finalize the interest on capital for Abha.

The amount of interest on capital allowed to Abha is ₹30,000.

Quick Tip

Interest on capital is an appropriation of profit, not a charge against profit, and is calculated based on the agreement.

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8. Babita's share in profit will be:

(A) ₹60,000

(B) ₹30,000

(C) Nil

(D) ₹1,00,000

Correct Answer: (C) Nil

Solution: Step 1: Total profit available for the firm.

The firm earned a total profit of ₹90,000 for the year. As per the partnership deed, interest on capital is provided before distributing the remaining profit.

Step 2: Calculate the total interest on capital.

The capital balances of Abha and Babita are ₹5,00,000 and ₹10,00,000, respectively. The interest on capital is calculated at 10% per annum:

$$\text{Interest on Abha's capital} = |5,00,000 \times \frac{10}{100} = |50,000,$$

$$\text{Interest on Babita's capital} = |10,00,000 \times \frac{10}{100} = |1,00,000.$$

The total interest on capital required is:

$$|50,000 + |1,00,000 = |1,50,000.$$

Step 3: Check if the available profit is sufficient to cover the interest on capital.

The available profit (₹90,000) is less than the required interest on capital (₹1,50,000). Hence, the available profit is distributed proportionally to the partners' capital balances.

Step 4: Distribute the available profit.

The ratio of capital balances is:

$$\frac{\text{Abha's capital}}{\text{Babita's capital}} = \frac{5,00,000}{10,00,000} = 1:2.$$

The available profit of ₹90,000 is distributed in the ratio $1:2$:

$$\text{Abha's share of interest} = \frac{1}{3} \times 90,000 = |30,000,$$

$$\text{Babita's share of interest} = \frac{2}{3} \times 90,000 = |60,000.$$

Step 5: Check if Babita's profit share remains.

Babita's interest on capital (₹60,000) is fully covered by the available profit. Since all the available profit has been used to pay the interest on capital, no additional profit remains to be distributed. Therefore, Babita's share in profit is:

Nil.

Quick Tip

Profit is allocated according to the profit-sharing ratio specified in the partnership deed or agreement.

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9. Alfa Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of 30%. The whole amount was payable on application. Applications were received for 2,50,000 shares. The company decided to allot the shares on a pro-rata basis to all the applicants. The amount refunded by the company was:

(A) ₹32,50,000

(B) ₹15,60,000

(C) ₹39,00,000

(D) ₹26,00,000

Correct Answer: (D) ₹26,00,000

Solution: Step 1: Understand the pro-rata allotment.

The company invited applications for 50,000 equity shares, but applications were received for 2,50,000 shares. Hence, the pro-rata allotment ratio is:

$$\text{Pro-rata ratio} = \frac{\text{Shares Allotted}}{\text{Shares Applied}} = \frac{50,000}{2,50,000} = \frac{1}{5}.$$

This means for every 5 shares applied, only 1 share was allotted.

Step 2: Calculate the total amount received on applications.

The application money for each share is $|10 + |3$ (premium) = $|13$. The total amount received for 2,50,000 shares is:

$$\text{Total Amount Received} = 2,50,000 \times 13 = |32,50,000.$$

Step 3: Calculate the amount retained by the company.

Since 50,000 shares were allotted, the company retained application money for only these shares. The total amount retained is:

$$\text{Amount Retained} = 50,000 \times 13 = |6,50,000.$$

Step 4: Calculate the amount refunded.

The amount refunded to the applicants is the difference between the total amount received and the amount retained:

$$\text{Amount Refunded} = \text{Total Amount Received} - \text{Amount Retained}.$$

Substituting the values:

$$\text{Amount Refunded} = |32,50,000 - |6,50,000 = |26,00,000.$$

Step 5: Finalize the refund amount.

The amount refunded by the company is $|26,00,000$.

Quick Tip

For pro-rata allotments, refunds are based on the application price for shares not allotted.

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10. Reserve capital is that part of _____ capital which cannot be called except at the time of winding up of the company.

(A) Issued

(B) Called up

(C) Uncalled

(D) Nominal

Correct Answer: (C) Uncalled.

Solution: Step 1: Understand reserve capital: Reserve capital refers to the uncalled portion of the subscribed capital that is earmarked for use only in case of company liquidation.

Step 2: Purpose of reserve capital: It acts as a safeguard for creditors during the winding-up process.

Quick Tip

Reserve capital is a part of uncalled capital that provides financial security to creditors during liquidation.

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11. Xeno Ltd. issued 25,000 equity shares of ₹10 each. The amount was payable as follows:

- On Application – ₹4 per share
- On Allotment – ₹5 per share
- On First and Final Call – Balance

All the shares offered were applied for and allotted. All the money due on allotment was received except on 1,500 shares. These shares were forfeited immediately after allotment. First and final call was not yet made. At the time of forfeiture, Share Capital Account will be debited by:

(A) ₹15,000

(B) ₹24,000

(C) ₹13,500

(D) ₹18,000

Correct Answer: (C) ₹13,500

Solution: Step 1: Understand the structure of share capital.

The face value of each share is ₹10, and the amount payable is as follows:

$$\text{On Application} = |4 \quad \text{On Allotment} = |5 \quad \text{On First and Final Call} = |1.$$

Step 2: Determine the forfeiture conditions.

1,500 shares were forfeited immediately after the allotment, and the first and final call was not made. At the time of forfeiture, the Share Capital Account is debited by the amount that was credited earlier for the forfeited shares.

Step 3: Calculate the amount credited to Share Capital Account for forfeited shares.

For each forfeited share, the following amounts had been credited to the Share Capital Account:

$$\text{Application money} = |4 \quad \text{Allotment money} = |5.$$

Thus, the total credited amount per share is:

$$\text{Total credited per share} = |4 + |5 = |9.$$

For 1,500 forfeited shares, the total amount debited to Share Capital Account is:

$$\text{Total Debited} = 1,500 \times 9 = |13,500.$$

Step 4: Finalize the answer.

The Share Capital Account will be debited by $|13,500$ at the time of forfeiture.

Quick Tip

In share forfeiture, the Share Capital Account is debited with the called-up amount on forfeited shares.

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12. Assertion (A): Irredeemable debentures are also known as perpetual debentures.

Reason (R): The company does not give any undertaking for the repayment of money borrowed by issuing such debentures. They are repayable on the winding up of the company or on the expiry of a long period.

(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 incorrect, but Reason (R) is correct.

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

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

Solution: Step 1: Understand irredeemable debentures: These are long-term debentures without a fixed maturity date.

Step 2: Explanation of the reason: Repayment of these debentures is either on winding up or as specified by the company after a long duration.

Quick Tip

Irredeemable debentures are perpetual liabilities and are repayable only under specific circumstances like winding up.

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13 (a). Money received in advance from shareholders before it is actually called up by the directors is:

(A) Debited to calls in advance account

(B) Credited to calls in advance account

(C) Debited to share capital account

(D) Credited to share capital account

Correct Answer: (B) Credited to calls in advance account.

Solution: Step 1: Definition of calls in advance: Calls in advance refer to the amount received from shareholders before the call is made by the company's directors.

Step 2: Accounting treatment: This amount is considered a liability until the call is made and is credited to the Calls in Advance Account.

Quick Tip

Calls in advance are recorded as a liability because the company owes this amount back to shareholders until the call is made.

13(b). An offer of securities or invitation to subscribe securities to a select group of

persons is termed as:

1. Buy back of shares
2. Employee stock option plan
3. Private placement of shares
4. Sweat Equity

Correct Answer: (C) Private placement of shares.

Solution:

- Private placement of shares refers to offering securities to a specific group of investors rather than the public.
- This is typically done to raise capital quickly and is regulated by the Companies Act.
- It is different from public offerings, which are open to all investors.

Quick Tip

Private placement allows companies to access funds from select investors without going through public offerings.

14(a). A share of ₹100 on which ₹80 is received is forfeited for non-payment of the final call of ₹20. The minimum price at which this share can be reissued is:

(A) ₹120

(B) ₹100

(C) ₹80

(D) ₹20

Correct Answer: (D) ₹20.

Solution: Step 1: Rules for reissue of forfeited shares: As per the Companies Act, forfeited shares can be reissued at a price not less than the unpaid amount.

Step 2: Calculate the unpaid amount: Unpaid amount = ₹100 (face value) - ₹80 (amount received) = ₹20.

Step 3: Determine the minimum price: The minimum price for reissue is ₹20, which is the unpaid amount on the share.

Quick Tip

The minimum reissue price for forfeited shares is always equal to the unpaid amount on those shares.

14(b). Shiv Ltd. forfeited 500 shares of ₹10 each on which ₹7 per share was paid. These shares were reissued for ₹9 per share fully paid. Amount transferred to Capital Reserve Account will be:

(A) ₹3,000

(B) ₹5,000

(C) ₹4,500

(D) ₹3,500

Correct Answer: (A) ₹3,000

Solution: Step 1: Calculate the total amount forfeited.

The amount paid on forfeited shares was ₹7 per share. For 500 shares, the total amount forfeited is:

$$\text{Total Forfeited Amount} = 500 \times 7 = |3,500.$$

Step 2: Calculate the total amount reissued.

The shares were reissued for ₹9 per share. For 500 shares, the total amount reissued is:

$$\text{Total Reissued Amount} = 500 \times 9 = |4,500.$$

Step 3: Determine the total nominal value and premium.

The nominal value of each share is ₹10. Since the shares were reissued for ₹9 per share, the loss on reissue per share is:

$$\text{Loss on Reissue} = |10 - |9 = |1 \text{ per share.}$$

For 500 shares, the total loss is:

$$\text{Total Loss} = 500 \times 1 = |500.$$

Step 4: Calculate the amount transferred to Capital Reserve Account.

The amount forfeited is adjusted against the loss on reissue. The remaining balance is transferred to the Capital Reserve Account:

$$\text{Capital Reserve} = \text{Total Forfeited Amount} - \text{Total Loss}.$$

Substituting the values:

$$\text{Capital Reserve} = |3,500 - |500 = |3,000.$$

Step 5: Finalize the answer.

The amount transferred to the Capital Reserve Account is ₹3,000.

Quick Tip

The profit on reissue of forfeited shares is calculated as the difference between the total share value and the reissued value and is credited to the Capital Reserve Account.

15(a). Dan, Elf, and Furhan were partners in a firm sharing profits in the ratio of 5 : 3 : 2. With effect from 1st April, 2023, they decided to change their profit-sharing ratio to 2 : 3 : 5. There existed a General Reserve of ₹90,000 on the date of the change in profit-sharing ratio. The partners decided not to distribute the General Reserve.

The necessary adjustment entry for the above is as follows:

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)		Dan's Capital A/c Dr. To Furhan's Capital A/c	27,000	27,000
(B)		Dan's Capital A/c Dr. To Furhan's Capital A/c	90,000	90,000
(C)		Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	27,000
(D)		Furhan's Capital A/c Dr. To Dan's Capital A/c	90,000	90,000

Correct Answer: (C) Furhan's Capital A/c Dr. ₹27,000 To Dan's Capital A/c ₹27,000.

Solution: Step 1: Identify the profit-sharing ratios: Old ratio = 5 : 3 : 2. New ratio = 2 : 3 : 5.

Step 2: Calculate the change in ratios:

$$\text{Gain or loss} = \text{Old Ratio} - \text{New Ratio}.$$

Step 3: Adjust General Reserve: Dan's gain = $\frac{5}{10} - \frac{2}{10} = \frac{3}{10}$. Furhan's loss = $\frac{2}{10} - \frac{5}{10} = -\frac{3}{10}$.

Adjustment amount = General Reserve × Change in Ratio = ₹90,000 × $\frac{3}{10}$ = ₹27,000.

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(C)		Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	 27,000

Quick Tip

Changes in profit-sharing ratios require adjustments for reserves and profits among partners using the gaining and sacrificing ratios.

15(b). Sia, Tom, and Vidhi were partners in a firm sharing profits in the ratio of 3 : 2 : 1. With effect from 1st April, 2023, they decided to share profits and losses in the future in the ratio of 1 : 2 : 3. There existed a Debit Balance of ₹60,000 in the Profit and Loss Account on that date.

The necessary journal entry for the distribution of the balance in the Profit and Loss Account is as follows:

	Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)		Sia's Capital A/c Dr. Tom's Capital A/c Dr. Vidhi's Capital A/c Dr. To Profit and Loss A/c	30,000 20,000 10,000	 60,000
(B)		Sia's Capital A/c Dr. Tom's Capital A/c Dr. Vidhi's Capital A/c Dr. To Profit and Loss A/c	10,000 20,000 30,000	 60,000
(C)		Sia's Capital A/c Dr. To Vidhi's Capital A/c	20,000	 20,000
(D)		Vidhi's Capital A/c Dr. To Sia's Capital A/c	20,000	 20,000

Correct Answer: (A) Sia's Capital A/c Dr. ₹30,000, Tom's Capital A/c Dr. ₹20,000, Vidhi's Capital A/c Dr. ₹10,000, To Profit and Loss A/c ₹60,000.

Solution:

Date	**Particulars**	**Dr. Amount (₹)**	**Cr. Amount (₹)**
–	Sia's Capital A/c Dr.	30,000	
	Tom's Capital A/c Dr.	20,000	
	Vidhi's Capital A/c Dr.	10,000	
	To Profit and Loss A/c		60,000

Table 1: Journal Entry for Distribution of Profit and Loss Account Balance

Step 1: Determine the old profit-sharing ratio: Old ratio = 3 : 2 : 1.

Step 2: Distribute the debit balance of Profit and Loss Account: - Sia's share = $\frac{3}{6} \times |60,000 = |30,000$. - Tom's share = $\frac{2}{6} \times |60,000 = |20,000$. - Vidhi's share = $\frac{1}{6} \times |60,000 = |10,000$.

Step 3: Record the adjustment: The journal entry reflects the adjustment of the debit balance against the partners' capital accounts.

Quick Tip

Debit balances in the Profit and Loss Account are adjusted among partners in their old profit-sharing ratio before changes to the ratio are applied.

16(a). Anju, Divya, and Bobby were partners in a firm sharing profits and losses in the ratio $3 : 2 : 1$. Bobby retired. The new profit-sharing ratio between Anju and Divya after Bobby's retirement was $5 : 3$. The gaining ratio of the remaining partners will be:

(A) $3 : 2$

(B) $5 : 3$

(C) $3 : 1$

(D) $2 : 3$

Correct Answer: (C) $3 : 1$.

Solution:

Step 1: Understand the initial profit-sharing ratio.

The initial profit-sharing ratio of Anju, Divya, and Bobby is $3 : 2 : 1$. Therefore:

$$\text{Anju's share} = \frac{3}{6}, \quad \text{Divya's share} = \frac{2}{6}, \quad \text{Bobby's share} = \frac{1}{6}.$$

Step 2: Determine the new profit-sharing ratio.

After Bobby's retirement, the new profit-sharing ratio between Anju and Divya is $5 : 3$. Therefore:

$$\text{Anju's new share} = \frac{5}{8}, \quad \text{Divya's new share} = \frac{3}{8}.$$

Step 3: Calculate the gaining ratio.

The gaining ratio is calculated as the difference between the new share and the old share for each partner.

$$\text{Anju's gain} = \text{Anju's new share} - \text{Anju's old share} = \frac{5}{8} - \frac{3}{6}.$$

Converting $\frac{3}{6}$ to a denominator of 8:

$$\text{Anju's gain} = \frac{5}{8} - \frac{4}{8} = \frac{1}{8}.$$

Similarly, for Divya:

$$\text{Divya's gain} = \text{Divya's new share} - \text{Divya's old share} = \frac{3}{8} - \frac{2}{6}.$$

Converting $\frac{2}{6}$ to a denominator of 8:

$$\text{Divya's gain} = \frac{3}{8} - \frac{4}{12} = \frac{3}{8} - \frac{2}{8} = \frac{1}{8}.$$

Step 4: Express the gaining ratio.

The gaining ratio between Anju and Divya is:

$$\text{Gaining Ratio} = 3 : 1.$$

Quick Tip

To calculate the gaining ratio, subtract the old profit-sharing ratio from the new profit-sharing ratio for each partner and simplify.

16(b). Mita, Veena, and Atul were partners in a firm sharing profits and losses in the ratio $3 : 2 : 1$. Atul retired, and his share was taken over by Mita and Veena in the ratio $1 : 4$. The new profit-sharing ratio between Mita and Veena after Atul's retirement will be:

(A) $3 : 2$

(B) $8 : 7$

(C) $7 : 3$

(D) $2 : 3$

Correct Answer: (B) $8 : 7$.

Solution: Step 1: Calculate Atul's share: Atul's share = $\frac{1}{6}$ (as total ratio = $3 + 2 + 1 = 6$).

Step 2: Distribute Atul's share between Mita and Veena:

- Mita's additional share = $\frac{1}{6} \times \frac{1}{5} = \frac{1}{30}$.

- Veena's additional share = $\frac{1}{6} \times \frac{4}{5} = \frac{4}{30} = \frac{2}{15}$.

Step 3: Calculate new profit-sharing ratios:

- Mita's new share = $\frac{3}{6} + \frac{1}{30} = \frac{15}{30} + \frac{1}{30} = \frac{16}{30} = \frac{8}{15}$.

- Veena's new share = $\frac{2}{6} + \frac{4}{30} = \frac{10}{30} + \frac{4}{30} = \frac{14}{30} = \frac{7}{15}$.

The new profit-sharing ratio between Mita and Veena is $8 : 7$.

Quick Tip

When a retiring partner's share is distributed, the additional shares are calculated based on the specified ratio and added to the remaining partners' shares to determine the new ratio.

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17. Aamir, Bashir, and Chirag were partners in a firm sharing profits and losses in the ratio $3 : 3 : 2$. Chirag retired. Aamir and Bashir decided to share profits and losses in future in the ratio $1 : 2$. On the day of Chirag's retirement, goodwill of the firm was valued at ₹5,40,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill (without opening goodwill account) on Chirag's retirement.

Correct Answer: Gaining Ratio = $1 : 7$.

Solution: Step 1: Determine the old profit-sharing ratio:

Old ratio = $3 : 3 : 2$. - Aamir's old share = $\frac{3}{8}$, Bashir's old share = $\frac{3}{8}$, Chirag's old share = $\frac{2}{8}$.

Step 2: Determine the new profit-sharing ratio: New ratio = $1 : 2$. - Aamir's new share = $\frac{1}{3}$, Bashir's new share = $\frac{2}{3}$.

Step 3: Calculate the gaining ratio:

$$\text{Gaining ratio} = \text{New share} - \text{Old share}.$$

- Aamir's gain = $\frac{1}{3} - \frac{3}{8} = \frac{8}{24} - \frac{9}{24} = -\frac{1}{24}$ (no gain).

- Bashir's gain = $\frac{2}{3} - \frac{3}{8} = \frac{16}{24} - \frac{9}{24} = \frac{7}{24}$.

Conclusion: The entire adjustment of goodwill will be borne by Bashir in the ratio $1 : 7$.

Step 4: Calculate Chirag's share of goodwill: - Total goodwill = ₹5,40,000. - Chirag's share of goodwill = $\frac{2}{8} \times 5,40,000 = |1,35,000$.

Step 5: Pass the journal entry:

Journal Entries in the Books of the Firm:

Date	Particulars	L.F.	Amount (₹)
2025-01-14	**Bashir's Capital A/c Dr.**		1,35,000
	To **Chirag's Capital A/c**		1,35,000
	(Being Chirag's share of goodwill adjusted through Bashir's account as per gaining ratio)		

Quick Tip

Goodwill adjustments are made directly in the capital accounts of partners when the account for goodwill is not opened, with the retiring partner's share debited to the gaining partner(s) in the gaining ratio.

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18. Pearl and Ruby were partners in a firm with a combined capital of ₹2,50,000. The normal rate of return was 10%. The profits of the last four years were as follows:

2019–2020: ₹35,000

2020–2021: ₹25,000

2021–2022: ₹32,000

2022–2023: ₹33,000.

The closing stock for the year 2022–2023 was overvalued by ₹5,000. Calculate goodwill of the firm based on three years' purchase of the last four years' average super profit.

Correct Answer: ₹15,000.

Solution: Step 1: Adjust the profits for 2022–2023: The profit for 2022–2023 is adjusted for the overvaluation of stock:

$$\text{Adjusted profit for 2022–2023} = ₹33,000 - ₹5,000 = ₹28,000.$$

Step 2: Calculate the average profit for four years:

Profits (after adjustment): 2019–2020: ₹35,000, 2020–2021: ₹25,000, 2021–2022: ₹32,000, 2022–2023

$$\text{Average Profit} = \frac{\text{Sum of Profits}}{\text{Number of Years}}.$$

$$\text{Average Profit} = \frac{35,000 + 25,000 + 32,000 + 28,000}{4} = \frac{1,20,000}{4} = |30,000.$$

Step 3: Calculate normal profit: Normal profit is based on the normal rate of return (10

$$\text{Normal Profit} = |2,50,000 \times \frac{10}{100} = |25,000.$$

Step 4: Determine the super profit:

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

$$\text{Super Profit} = |30,000 - |25,000 = |5,000.$$

Step 5: Calculate goodwill: Goodwill is based on three years' purchase of super profit:

$$\text{Goodwill} = \text{Super Profit} \times 3 = |5,000 \times 3 = |15,000.$$

Goodwill of the firm = ₹15,000.

Quick Tip

To calculate goodwill using the super profit method, ensure profits are adjusted for any overstatements or errors before determining the average profit. Multiply the super profit by the agreed number of years' purchase to get goodwill.

19(a). Sunrise Ltd. acquired assets of ₹3,60,000 and took over creditors of ₹1,00,000 from Moonlight Ltd. for an agreed purchase consideration of ₹4,80,000. Sunrise Ltd. issued 9% Debentures of ₹100 each at a discount of 4% in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Sunrise Ltd.

Correct Answer: Issued 5,000 debentures at ₹96 each.

Solution: Step 1: Calculate the issue price of debentures: - Face value of each debenture = ₹100. - Discount = 4% of ₹100 = ₹4. - Issue price = ₹100 - ₹4 = ₹96 per debenture.

Step 2: Calculate the number of debentures to be issued:

$$\text{Number of Debentures to be Issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{|4,80,000}{|96} = 5,000 \text{ debentures}.$$

Step 3: Journal entries in the books of Sunrise Ltd.:

Date	Particulars	L.F.	Amount (₹)
2025-01-14	Sundry Assets A/c Dr.		3,60,000
	Creditors A/c Dr.		1,00,000
	To Moonlight Ltd.		4,80,000
	(Being assets and liabilities taken over from Moonlight Ltd.)		
2025-01-14	Moonlight Ltd. Dr.		4,80,000
	To 9% Debentures A/c		5,00,000
	To Discount on Issue of Debentures A/c		20,000
	(Being issue of 5,000 debentures of ₹100 each at a discount of 4%)		

Quick Tip

When debentures are issued at a discount, the total discount is debited to the ”Discount on Issue of Debentures” account and written off over the debenture’s tenure.

19(b). Grapple Ltd. took over assets of ₹25,00,000 and liabilities of ₹5,00,000 from Allore Ltd. for an agreed purchase consideration of ₹18,00,000. Grapple Ltd. issued 11% Debentures of ₹100 each at 20% premium in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Grapple Ltd.

Correct Answer: Issued 15,000 debentures at ₹120 each.

Solution: Step 1: Calculate the issue price of debentures:

- Face value of each debenture = ₹100.
- Premium = 20% of ₹100 = ₹20.
- Issue price = ₹100 + ₹20 = ₹120 per debenture.

Step 2: Calculate the number of debentures to be issued:

$$\text{Number of Debentures to be Issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{|18,00,000}{|120} = 15,000 \text{ debentures.}$$

Step 3: Journal entries in the books of Grapple Ltd.:

Date	Particulars	L.F.	Amount (₹)
2025-01-14	Sundry Assets A/c Dr.		25,00,000
	To Sundry Liabilities A/c		5,00,000
	To Allore Ltd.		18,00,000
	(Being assets and liabilities taken over from Allore Ltd.)		
2025-01-14	Allore Ltd. Dr.		18,00,000
	To 11% Debentures A/c		15,00,000
	To Securities Premium A/c		3,00,000
	(Being issue of 15,000 debentures of ₹100 each at a premium of ₹20)		

Quick Tip

Premium on debenture issues is credited to the "Securities Premium" account and shown under "Reserves and Surplus" in the Balance Sheet.

20(a). Mohan, Suhaan, and Adit were partners in a firm sharing profits and losses in the ratio $3:2:1$. Their fixed capitals were ₹2,00,000, ₹1,00,000, and ₹1,00,000 respectively. For the year ended 31st March 2023, interest on capital was credited to their accounts @8% p.a. instead of 5% p.a. Pass necessary adjusting journal entry.

Correct Answer: Excess interest of ₹12,000 to be adjusted.

Solution: Step 1: Calculate the correct interest on capital: Correct rate of interest = 5%. - Mohan: ₹2,00,000 × $\frac{5}{100}$ = ₹10,000. - Suhaan: ₹1,00,000 × $\frac{5}{100}$ = ₹5,000. - Adit: ₹1,00,000 × $\frac{5}{100}$ = ₹5,000.

Total correct interest = ₹10,000 + ₹5,000 + ₹5,000 = ₹20,000.

Step 2: Calculate the credited interest on capital:

Credited rate of interest = 8%. - Mohan: ₹2,00,000 × $\frac{8}{100}$ = ₹16,000.

- Suhaan: ₹1,00,000 × $\frac{8}{100}$ = ₹8,000.

- Adit: ₹1,00,000 × $\frac{8}{100}$ = ₹8,000.

Total credited interest = ₹16,000 + ₹8,000 + ₹8,000 = ₹32,000.

Step 3: Calculate the excess interest credited: Excess interest = Total credited interest -

Total correct interest:

$$\text{Excess interest} = ₹32{,}000 - ₹20{,}000 = ₹12{,}000.$$

Step 4: Adjust excess interest through profit-sharing ratio $3:2:1$**:**

- Mohan's share of adjustment = $\frac{3}{6} \times ₹12{,}000 = ₹6{,}000$.
- Suhaan's share of adjustment = $\frac{2}{6} \times ₹12{,}000 = ₹4{,}000$.
- Adit's share of adjustment = $\frac{1}{6} \times ₹12{,}000 = ₹2{,}000$.

Step 5: Pass the adjusting journal entry:

Date	**Particulars**	**L.F.**	**Amount (₹)**
2025-01-14	Mohan's Capital A/c Dr.		6,000
	Suhaan's Capital A/c Dr.		4,000
	Adit's Capital A/c Dr.		2,000
	To Profit and Loss Adjustment A/c		12,000
	(Being excess interest on capital adjusted in profit-sharing ratio)		

Quick Tip

Excess interest on capital credited due to an incorrect rate is adjusted against the partners' capital accounts in their profit-sharing ratio through the Profit and Loss Adjustment Account.

(b). Manoj and Nitin were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 31st March, 2023, the balances in their capital accounts after making adjustments for profits and drawings were ₹90,000 and ₹80,000 respectively. The net profit for the year ended 31st March, 2023 amounted to ₹30,000. During the year Manoj withdrew ₹40,000 and Nitin withdrew ₹20,000. Subsequently, it was noticed that Interest on Capital @ 10% p.a. was not provided to the partners. Also, Interest on Drawings to Manoj ₹3,000 and to Nitin ₹2,000 was not charged. Pass necessary adjusting journal entry. Show your workings clearly.

Solution. In the Books of Manoj and Nitin

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Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Manoj's Capital A/c Dr. To Nitin's Capital A/c (Adjustment entry for omission of Interest)		2,000	 2,000

Working Notes:

Calculation of Opening Capital

Particulars	Manoj (₹)	Nitin (₹)
Closing Capital	90,000	80,000
Add: Drawings	40,000	20,000
Less: Profit (₹30,000 in 2 : 1)	(20,000)	(10,000)
Opening Capital	1,10,000	90,000

Statement of Adjustment

Particulars	Manoj (₹)	Nitin (₹)
Amount to be credited:		
Interest on Capital	11,000	9,000
Less: Interest on Drawings	(3,000)	(2,000)
Net Amount to be Credited	8,000	7,000
Amount to be debited now (₹15,000 in 2 : 1)	(10,000)	(5,000)
Adjustment	(2,000) Dr.	2,000 Cr.

Quick Tip

When adjustments for interest on capital and drawings are omitted, always calculate the opening capital, provide interest as per the partnership deed, and adjust gains or losses based on the profit-sharing ratio.

21. Shivalik Limited was registered with an authorized capital of ₹10,00,000 divided into equity shares of ₹10 each. It offered 50,000 equity shares to the public. The amount was payable as follows:

- **On Application**: ₹2 per share
- **On Allotment**: ₹6 per share
- **On First and Final Call**: Balance (₹2 per share)

Additional Information: The issue was fully subscribed. All amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited.

Required: Present the Share Capital in the Balance Sheet as per Schedule III, Part I of the Companies Act, 2013, and prepare "Notes to Accounts" for the same.

Solution:

Step 1: Calculation of Share Capital

$$\text{Total Issued Capital} = 50,000 \times |10 = |5,00,000$$

$$\text{Subscribed Capital (Fully Paid)} = (50,000 - 4,000) \times |10 = |4,60,000$$

$$\text{Subscribed Capital (Not Fully Paid)} = 4,000 \times |2 = |8,000$$

$$\text{Forfeited Amount on 4,000 Shares} = 4,000 \times |2(\text{Application Money Received}) = |8,000$$

Step 2: Presentation in the Balance Sheet

Balance Sheet of Shivalik Limited as on 31st March, 2023

Particulars	**Amount (₹)**
Equity and Liabilities	
Shareholders' Funds	
Share Capital	4,68,000
Reserves and Surplus	—
Total	4,68,000

Notes to Accounts:

Note No. 1: Share Capital	Amount (₹)
Authorized Capital:	
1,00,000 Equity Shares of ₹10 each	10,00,000
Issued Capital:	
50,000 Equity Shares of ₹10 each	5,00,000
Subscribed Capital:	
Subscribed and Fully Paid:	
46,000 Equity Shares of ₹10 each	4,60,000
Subscribed but Not Fully Paid:	
4,000 Equity Shares of ₹2 each	8,000
Forfeited Shares (Amount Received):	
4,000 Equity Shares forfeited	8,000
Total	4,68,000

Quick Tip

While presenting Share Capital, ensure to mention authorized, issued, subscribed (fully paid and not fully paid), and forfeited amounts separately in the Notes to Accounts.

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22. Archana, Vandana, and Arti were partners in a firm sharing profits and losses in the ratio $5:3:2$. Their Balance Sheet as at 31st March, 2023, was as follows:

Balance Sheet of Archana, Vandana and Arti as at 31st March, 2023

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Investments	80,000
Archana	80,000		Plant	1,00,000
Vandana	70,000		Stock	40,000
Arti	60,000	2,10,000	Debtors	50,000
General Reserve		30,000	Cash at Bank	30,000
Creditors		60,000		
		3,00,000		3,00,000

The firm was dissolved on the above date under the following terms: (i) Assets were realised as follows:

Debtors = ₹40,000, Stock = ₹50,000, Plant = ₹60,000.

(ii) 25% of the investments were taken over by Vandana at ₹18,000. Remaining investments were taken over by Archana at 10% less than book value. (iii) Expenses of realisation

amounted to ₹20,000 and were paid by Arti.

Required: Prepare the Realisation Account.

Solution: Step 1: Calculate Realisation from Assets and Investments - Debtors realised ₹40,000. - Stock realised ₹50,000. - Plant realised ₹60,000. - Vandana took 25% of investments = $\frac{25}{100} \times 80,000 = 20,000$. She paid ₹18,000. - Remaining 75% investments = ₹60,000. Archana took these at 10% less = $60,000 - 6,000 = 54,000$.

Step 2: Total Realisations:

Total = Debtors + Stock + Plant + Vandana + Archana = ₹40,000 + ₹50,000 + ₹60,000 + ₹18,000 + ₹54,

Step 3: Deduct Realisation Expenses and Liabilities: - Realisation expenses = ₹20,000. - Creditors paid = ₹60,000.

Step 4: Calculate Realisation Profit:

Profit = Total Realisation - (Expenses + Liabilities).

Profit = ₹2,22,000 - (₹20,000 + ₹60,000) = ₹42,000.

Step 5: Share Profit in the Ratio $5:3:2$**:** - Archana's share = $\frac{5}{10} \times 42,000 = |21,000$. - Vandana's share = $\frac{3}{10} \times 42,000 = |12,600$. - Arti's share = $\frac{2}{10} \times 42,000 = |8,400$.

Realisation Account:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets:		By Creditors (Paid)	60,000
Investments	80,000	By Cash (Debtors Realised)	40,000
Plant	1,00,000	By Cash (Stock Realised)	50,000
Stock	40,000	By Cash (Plant Realised)	60,000
Debtors	50,000	By Vandana (Investments)	18,000
		By Archana (Investments)	54,000
To Cash (Realisation Expenses)	20,000	By Profit Transferred:	
To Capital Accounts:		Archana	21,000
Archana (Profit Share)	21,000	Vandana	12,600
Vandana (Profit Share)	12,600	Arti	8,400
Arti (Profit Share)	8,400		
Total	**3,54,000**	**Total**	**3,54,000**

Quick Tip

In Realisation Accounts, all liabilities settled and realisation expenses are debited, while asset realisation is credited. Profit or loss is transferred to partners' capital accounts in their profit-sharing ratio.

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23. Azhar, Sumit, and Robit were partners in a firm sharing profits and losses in the ratio $3:1:1$. Their Balance Sheet as at 31st March, 2023, was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	90,000	Bank	20,000
General Reserve	60,000	Stock	40,000
Capitals:		Debtors	1,50,000
Azhar	60,000	Fixed Assets	60,000
Sumit	40,000		
Robit	20,000		
Total	2,70,000	**Total**	2,70,000

Robit died on 30th June, 2023. According to the partnership deed, his legal representatives were entitled to: 1. Balance in his Capital Account. 2. His share of General Reserve. 3. Interest on capital @10% p.a. for 3 months. 4. His share of goodwill (3 times the average of the last four years' profits). 5. Share of profits up to the date of death (based on last year's profit).

Profits for the last four years:

2019–20: (₹3,000), 2020–21: ₹28,000, 2021–22: ₹16,000, 2022–23: ₹15,000.

Solution: Step 1: Calculate Robit's Entitlements - Capital Account Balance: ₹20,000 (as given).

- General Reserve: $\frac{1}{5} \times |60,000 = |12,000.$

- Interest on Capital:

$$\text{Interest} = ₹20{,}000 \times \frac{10}{100} \times \frac{3}{12} = |500.$$

- Goodwill Calculation :

$$\text{Goodwill of the firm} = \text{Average Profit} \times 3 \text{ (as given)} = |14,000 \times 3 = |42,000.$$

$$\text{Robit's Share of Goodwill} = \frac{1}{5} \times |42,000 = |8,400.$$

Step 2: Share of Profits up to the Date of Death:

$$\text{Profit for 2022–23} = ₹15{,}000 \text{ (last year's profit).}$$

$$\text{Profit for 3 months} = ₹15{,}000 \times \frac{3}{12} = |3,750.$$

$$\text{Robit's Share of Profit} = \frac{1}{5} \times |3,750 = |750.$$

Step 3: Total Amount Payable to Robit's Legal Representatives:

$$\text{Capital Balance: } |20,000.$$

$$\text{Add: Share of General Reserve: } |12,000.$$

$$\text{Add: Interest on Capital: } |500.$$

$$\text{Add: Share of Goodwill: } |8,400.$$

$$\text{Add: Share of Profit: } |750.$$

Total = ₹41,650.

Step 4: Prepare Robit's Capital Account:

Robit's Capital Account

Date	Particulars	Amount (₹)
2023-06-30	**To Bank A/c (Amount Paid to Legal Representatives)**	**41,650**
	By Balance b/d (Capital Balance)	20,000
	By General Reserve	12,000
	By Interest on Capital	500
	By Goodwill	8,400
	By Profit (Up to Date of Death)	750
Total		**41,650**

Quick Tip

When calculating a deceased partner's entitlements, include all amounts such as capital balance, reserves, goodwill share, interest on capital, and profit up to the date of death. Ensure that calculations align with the partnership deed.

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24. On 1st April 2022, Zubian Ltd. issued ₹10,00,000, 7% Debentures of ₹100 each at a premium of 6%, redeemable at a premium of 4% after five years. The company had a balance of ₹30,000 in the Securities Premium Account.

(a) Pass necessary journal entries for the issue of debentures and for writing off 'Loss on Issue of Debentures' utilizing the Securities Premium Account at the end of the first year itself.

(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31st March 2023.

Solution:

Date	Particulars	L.F.
2022 Apr 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Application money received on 10,000, 7% Debentures)	
2022 Apr 1	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Debentures issued at 6% premium, redeemable at 4% premium on redemption)	
2023 Mar 31	Securities Premium A/c Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)	

(b) Loss on Issue of Debentures A/c

Dr. Amount (₹)	Particulars	Amount (₹)	Cr.	
1.4.22 40,000	To Premium on Redemption of Debentures A/c	40,000	31.3.23	By Securities
40,000	Total	40,000		

Quick Tip

The ”Loss on Issue of Debentures” account arises due to redemption at a premium and can be written off using the Securities Premium Account, as per the provisions of the Companies Act, 2013.

25(a). Qumtan Ltd. invited applications for issuing 1,00,000 equity shares of ₹10 each at a premium of ₹6 per share. The amount was payable as follows:

- **On Application and Allotment:** ₹8 per share (including premium ₹3).
- **On First and Final Call:** Balance (including premium).

Additional Information: Applications for 1,60,000 shares were received. Applications for 10,000 shares were rejected, and pro-rata allotment was made to the remaining applicants. Excess money received on application was returned. Dheeraj, who was allotted 200 shares, failed to pay the first and final call money. His shares were forfeited and reissued at ₹5 per share fully paid-up.

Solution:

Step 1: Calculation of Total Application Money Received

$$\text{Total Shares Applied} = 1{,}60{,}000, \quad \text{Application Money per Share} = ₹8.$$

$$\text{Total Money Received on Application} = 1{,}60{,}000 \times |8 = |12,80,000.$$

Step 2: Refund for Rejected Shares

$$\text{Shares Rejected} = 10{,}000, \quad \text{Refund Amount} = 10{,}000 \times |8 = |80,000.$$

Step 3: Pro-rata Allotment and Adjustments

$$\text{Shares Allotted} = 1{,}00{,}000, \quad \text{Excess Money Adjusted Toward Call.}$$

Step 4: Forfeiture and Reissue Dheeraj failed to pay the first and final call for 200 shares.

$$\text{Unpaid Amount (per share)} = \text{Face Value} + \text{Premium} - \text{Amount Already Paid.}$$

$$\text{Unpaid} = (₹10 + ₹6 - ₹8) = ₹8 \text{ per share.}$$

$$\text{Forfeited Shares} = 200, \quad \text{Total Unpaid} = 200 \times |8 = |1,600.$$

Shares reissued at ₹5 per share fully paid.

Journal Entries in the Books of Qumtan Ltd.:

Date	Particulars	Amount (₹)
2023	Bank A/c Dr.	12,80,000
	To Equity Share Application and Allotment A/c	12,80,000
	(Being application money received on 1,60,000 shares at ₹8 per share)	
2023	Equity Share Application and Allotment A/c Dr.	12,80,000
	To Equity Share Capital A/c	5,00,000
	To Securities Premium A/c	3,00,000
	To Bank A/c (Refund)	4,80,000
	(Being application money transferred to capital and premium, excess refunded)	
2023	Bank A/c Dr.	4,00,000
	To Equity Share First and Final Call A/c	4,00,000
	(Being first and final call money received, except for 200 shares)	
2023	Equity Share First and Final Call A/c Dr.	1,600
	To Equity Share Capital A/c	1,600
	(Being unpaid call money on 200 shares)	
2023	Equity Share Capital A/c Dr.	2,000
	Securities Premium A/c Dr.	1,200
	To Forfeited Shares A/c	800
	To Equity Share First and Final Call A/c	2,400
	(Being 200 shares forfeited)	
2023	Bank A/c Dr.	1,000
	Forfeited Shares A/c Dr.	1,000
	To Equity Share Capital A/c	2,000
	(Being forfeited shares reissued at ₹5 per share)	
2023	Forfeited Shares A/c Dr.	800
	To Capital Reserve A/c	800
	(Being profit on reissue of shares transferred to capital reserve)	

Quick Tip

In pro-rata allotments, adjust the excess application money received toward future dues like allotment and calls. Refund amounts only for fully rejected shares.

25(b). Printkit Limited invited applications for issue of 80,000 equity shares of ₹10 each. The amount was payable as follows:

- On Application: ₹3 per share
- On Allotment: ₹2 per share
- On First and Final Call: Balance

Additional Information: Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected, and pro-rata allotment was made to the remaining applicants as follows: - **Category A:** Applicants for 80,000 shares were allotted 40,000 shares. - **Category B:** Applicants for 60,000 shares were allotted 40,000 shares.
Excess money received on application was adjusted toward the amount due on allotment and first and final call. All the amounts due on allotment and first and final call were duly received.

Solution:

Step 1: Calculation of Application Money Received

$$\text{Total Shares Applied} = 1{,}50{,}000, \quad \text{Application Money per Share} = ₹3.$$

$$\text{Total Money Received on Application} = 1{,}50{,}000 \times |3 = |4,50,000.$$

Step 2: Refund for Rejected Applications

$$\text{Shares Rejected} = 10{,}000, \quad \text{Refund Amount} = 10{,}000 \times |3 = |30,000.$$

Step 3: Pro-rata Allotment and Adjustments Category A: 80,000 applicants were allotted 40,000 shares (ratio $2:1$). Excess money = $80,000 - 40,000 = 40,000$ shares × ₹3 = ₹1,20,000.

Category B: 60,000 applicants were allotted 40,000 shares (ratio $3:2$). Excess money = $60,000 - 40,000 = 20,000$ shares × ₹3 = ₹60,000.

Total Excess Money Adjusted: ₹1,20,000 + ₹60,000 = ₹1,80,000.

Step 4: Allotment Money Due and Received

$$\text{Allotment Money per Share} = ₹2, \quad \text{Shares Allotted} = 80,000.$$

$$\text{Allotment Money Due} = 80,000 \times |2 = |1,60,000.$$

Excess Money Adjusted = ₹1,80,000 ¿ Allotment Due (₹1,60,000).

Excess Remaining After Allotment = ₹1,80,000 - ₹1,60,000 = ₹20,000.

Step 5: First and Final Call Money Due and Received

$$\text{Call Money per Share} = ₹5, \quad \text{Call Money Due} = 80,000 \times |5 = |4,00,000.$$

Excess Money Remaining (₹20,000) Adjusted Toward Call, Net Call Money Received = ₹4,00,000 - ₹20

Journal Entries in the Books of Printkit Limited:

Date	Particulars	Amount (₹)
2023	Bank A/c Dr.	4,50,000
	To Equity Share Application A/c	4,50,000
	(Being application money received on 1,50,000 shares)	
2023	Equity Share Application A/c Dr.	4,50,000
	To Equity Share Capital A/c	2,40,000
	To Bank A/c (Refund)	30,000
	To Equity Share Allotment A/c	1,80,000
	(Being application money transferred and excess refunded)	
2023	Equity Share Allotment A/c Dr.	1,60,000
	To Equity Share Capital A/c	1,60,000
	(Being allotment money due on 80,000 shares)	
2023	Equity Share Allotment A/c Dr.	1,60,000
	To Bank A/c	1,60,000
	(Being allotment money received from excess application adjustment)	
2023	Equity Share First and Final Call A/c Dr.	4,00,000
	To Equity Share Capital A/c	4,00,000
	(Being first and final call money due)	
2023	Bank A/c Dr.	3,80,000
	To Equity Share First and Final Call A/c	3,80,000
	(Being first and final call money received, net of adjustments)	

Quick Tip

In pro-rata allotments, calculate excess application money separately for each category and adjust it toward allotment and calls. Only refund amounts for rejected shares.

26(a). Shubhi and Revanshi were partners in a firm sharing profits and losses in the ratio of $3:2$. Their Balance Sheet as at 31st March, 2023, was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Fixed Assets	90,000
Shubhi	60,000	Stock	38,000
Revanshi	32,000	Debtors	30,000
General Reserve	30,000	Cash	52,000
Bank Loan	18,000		
Creditors	70,000		
Total	**2,10,000**	**Total**	**2,10,000**

Adjustments:

1. Pari brings ₹50,000 as her capital and ₹50,000 as her share of premium for goodwill for $\frac{1}{4}$ share in the profits of the firm.
2. Fixed assets were depreciated by 30%.
3. Stock was revalued at ₹45,000.
4. Bank loan was paid off.
5. Capitals of Shubhi and Revanshi were adjusted based on Pari's capital, with actual cash being paid or brought in.

Solution:

Step 1: Revaluation of Assets and Liabilities

Depreciation on Fixed Assets = 30% of ₹90,000 = ₹27,000.

Increase in Stock Value = ₹45,000 - ₹38,000 = ₹7,000.

Net Loss on Revaluation = ₹27,000 - ₹7,000 = ₹20,000.

Revaluation Loss Shared in Ratio $3:2$: Shubhi = ₹12,000, Revanshi = ₹8,000.

Step 2: Goodwill Adjustment

$$\text{Pari's Share in Profits} = \frac{1}{4}, \quad \text{Remaining Share} = \frac{3}{4}.$$

Total Goodwill = ₹50,000 (Pari's Contribution) $\times 4 = |2,00,000.$

$$\text{Shubhi's Share} = \frac{3}{5} \text{ of } ₹1{,}50{,}000 = ₹90{,}000.$$

$$\text{Revanshi's Share} = \frac{2}{5} \text{ of } ₹1{,}50{,}000 = ₹60{,}000.$$

Premium for Goodwill Shared: Shubhi = ₹30,000, Revanshi = ₹20,000.

Step 3: Capital Adjustment Based on Pari's Capital

Pari's Capital = ₹50,000 (After Goodwill Adjustment).

Capitals of Shubhi and Revanshi Adjusted to Match Pari's Capital Proportionately.

Revaluation Account:

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Fixed Assets (Depreciation @ 30%)	27,000	By Stock (Increase in Value)	7,000
To Capital Accounts:			
Shubhi (3/5)	12,000		
Revanshi (2/5)	8,000		
Total	**47,000**	**Total**	**47,000**

Partners' Capital Accounts:

Particulars	**Shubhi (₹)**	**Revanshi (₹)**	**Pari (₹)**
To Revaluation Loss	12,000	8,000	–
To Bank (Adjustment)	20,000	10,000	–
To Balance c/d	80,000	40,000	50,000
By Balance b/d	60,000	32,000	–
By General Reserve	18,000	12,000	–
By Goodwill (Premium)	30,000	20,000	–
By Bank (Pari's Contribution)	–	–	50,000
Total	**1,20,000**	**72,000**	**50,000**

Explanation: 1. **Revaluation Account:** Loss on fixed assets and gain on stock were adjusted. Net revaluation loss of ₹20,000 was shared in the old profit-sharing ratio 3 : 2.

2. **Goodwill Adjustment:** Pari's contribution for goodwill was credited to Shubhi and Revanshi in their sacrificing ratio $3:2$.

3. **Capital Adjustment:** Capitals of Shubhi and Revanshi were adjusted proportionately based on Pari's capital.

Quick Tip

Always adjust goodwill contributions and revaluation results before determining the final capital balances of the partners.

26(b). Rishi, Shashi, and Trishi were partners in a firm sharing profits and losses in proportion of $\frac{1}{2}, \frac{1}{6}, \frac{1}{3}$ respectively. Their Balance Sheet as at 31st March, 2023 was as follows:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Capitals:		Fixed Assets	80,000
Rishi	36,000	Stock	20,000
Shashi	30,000	Debtors	30,000
Trishi	20,000	Cash	40,000
General Reserve	30,000		
Creditors	54,000		
Total	**1,70,000**	**Total**	**1,70,000**

Adjustments:

1. Fixed assets were valued at ₹56,000.
2. Stock was taken over by Shashi at ₹26,000.
3. Goodwill of the firm was valued at ₹18,000 on Shashi's retirement.
4. The balance in Shashi's Capital Account was transferred to her loan account.

Correct Answer:

Solution: Step 1: Revaluation Account Calculation

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Fixed Assets (Reduction)	24,000	By Stock (Increase)	6,000
To Profit transferred to:			
Rishi (1/2)	10,000		
Shashi (1/6)	3,000		
Trishi (1/3)	6,000		
Total	**40,000**	**Total**	**40,000**

Step 2: Partners' Capital Accounts

Particulars	**Rishi (₹)**	**Shashi (₹)**	**Trishi (₹)**
To Shashi's Loan A/c	–	47,000	–
To Balance c/d	53,000	–	33,000
By Balance b/d	36,000	30,000	20,000
By General Reserve	15,000	5,000	10,000
By Revaluation Profit	10,000	3,000	6,000
By Goodwill (Adjustment)	12,000	9,000	6,000
Total	**73,000**	**47,000**	**42,000**

Working Notes: 1. Revaluation Account:

- Decrease in fixed assets = $80,000 - 56,000 = 24,000$.

- Increase in stock value = $26,000 - 20,000 = 6,000$.

- Net revaluation loss = $24,000 - 6,000 = 18,000$, shared in the ratio $1/2 : 1/6 : 1/3$.

- Rishi's share = $1/2 \times 18,000 = 10,000$.

- Shashi's share = $1/6 \times 18,000 = 3,000$.

- Trishi's share = $1/3 \times 18,000 = 6,000$.

2. Goodwill Adjustment:

- Total goodwill = ₹18,000.

- Shashi's share = $18,000 \times 1/6 = |3,000$.

- Rishi and Trishi compensate Shashi:

- Rishi's share = $3,000 \times (1/2)/(1/2 + 1/3) = 12,000$.

- Trishi's share = $3,000 \times (1/3)/(1/2 + 1/3) = 6,000$.

3. Capital Adjustment:

- Shashi's capital balance is transferred to her loan account.

Quick Tip

For retirement, always adjust for revaluation, goodwill, and reserves before transferring the retiring partner's balance to their loan or paying it off.

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27. The Quick Ratio of a company is $1:2$. Which of the following transactions will result in an increase in this ratio?

(A) Cash received from debtors

(B) Sold goods on credit

(C) Purchased goods on credit

(D) Purchased goods on cash

Correct Answer: (B) Sold goods on credit

Solution:

Step 1: Understand the Quick Ratio.

The Quick Ratio is a measure of a company's ability to meet its short-term liabilities with its most liquid assets. It is given by:

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

Quick assets include cash, marketable securities, and accounts receivable but exclude inventory and prepaid expenses.

Step 2: Analyze each transaction.

- **(A) Cash received from debtors:** This transaction converts one quick asset (debtors) into another quick asset (cash), so there is no change in the Quick Ratio.

- **(B) Sold goods on credit:** This transaction increases accounts receivable (a quick asset) without affecting current liabilities. Hence, the Quick Ratio increases.

- **(C) Purchased goods on credit:** This transaction increases inventory (not a quick asset) and current liabilities. Since quick assets remain unchanged, the Quick Ratio decreases.

- **(D) Purchased goods on cash:** This transaction decreases cash (a quick asset) and increases inventory (not a quick asset). Hence, the Quick Ratio decreases.

Step 3: Finalize the answer.

The transaction that results in an increase in the Quick Ratio is **(B) Sold goods on credit.**

Quick Tip

To improve the Quick Ratio, focus on increasing quick assets or reducing current liabilities. Transactions involving cash and inventory need careful consideration as they impact this ratio directly.

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28. Identify which of the following transactions will result in 'Cash Inflow From Operating Activities':

(A) Payment to creditors

(B) Interest received by a non-finance company

(C) Dividend received by a non-finance company

(D) Amount received from debtors

Correct Answer: (D) Amount received from debtors.

Solution: Cash Inflows from Operating Activities refer to the cash generated from the primary business operations of a company.

Examples include:

- Cash received from customers for goods or services rendered.
- Receipts from debtors as part of credit sales collections.

In this case, the amount received from debtors represents cash collection for goods or services sold, which is directly related to operating activities.

Other options (like dividends and interest) fall under investing activities unless the entity is a financial institution. Payments to creditors are classified as cash outflows for operating activities.

Quick Tip

Cash flow from operating activities captures the net cash effect of day-to-day business operations, excluding cash flows from financing and investing activities.

29(a). Analysis of Financial Statements is useful and significant to different users. Which of the following users is particularly interested in the firm's ability to meet their claims over a very short period of time?

(A) Labour Unions

(B) Trade Payables

(C) Top Management

(D) Finance Manager

Correct Answer: (B) Trade Payables.

Solution: Trade Payables are short-term creditors who supply goods or services to the firm on credit terms.

- They are primarily interested in the company's ability to meet its short-term liabilities, which is evaluated using liquidity ratios such as the Current Ratio and Quick Ratio.

For example:

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

This indicates whether the firm can meet its short-term obligations promptly.

Quick Tip

Liquidity ratios like the Quick Ratio and Current Ratio are vital for assessing the short-term financial health of a business, especially for creditors and suppliers.

29(b). _____ ratios are calculated to determine the ability of the business to service its debt in the long run.

(A) Liquidity

(B) Turnover

(C) Solvency

(D) Profitability

Correct Answer: (C) Solvency.

Solution: Solvency Ratios are used to evaluate a company's capacity to meet its long-term financial obligations. Examples include:

1. Debt-to-Equity Ratio: Measures the proportion of debt in the company's capital structure.

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

2. Interest Coverage Ratio: Assesses the firm's ability to meet interest payments on outstanding debt.

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings Before Interest and Taxes (EBIT)}}{\text{Interest Expense}}$$

These ratios provide insights into the financial leverage and long-term financial stability of a business.

Quick Tip

Solvency ratios focus on a company's ability to sustain operations and service debt over the long term. They are crucial for lenders and investors assessing long-term viability.

30(a). The transaction 'Acquisition of machinery by issue of equity shares of ₹5,00,00,000' will result in:

(A) Cash inflow of ₹5,00,00,000 from financing activities

(B) Cash outflow of ₹5,00,00,000 from financing activities

(C) Cash outflow of ₹5,00,00,000 from investing activities

(D) No flow of cash

Correct Answer: (D) No flow of cash.

Solution: The given transaction represents a non-cash transaction since machinery is acquired in exchange for equity shares.

- There is no inflow or outflow of cash as no physical exchange of funds occurs.

- Such transactions are reported as supplementary notes in the Cash Flow Statement but do

not impact cash flows under operating, investing, or financing activities.

Quick Tip

Non-cash transactions, such as the exchange of equity shares for assets, do not impact the cash flow directly. Instead, they are disclosed separately in the Cash Flow Statement.

30(b). The transaction 'Capital Gains Tax paid on sale of fixed assets' is classified under which of the following?

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Correct Answer: (B) Investing Activities.

Solution: Capital gains tax arises from the sale of fixed assets, which is a component of investing activities.

- Taxes paid on capital gains directly relate to the disposal of long-term assets.

- Therefore, they are treated as a cash outflow under Investing Activities in the cash flow statement.

Quick Tip

When preparing the cash flow statement, taxes related to gains or losses from the sale of fixed assets are classified as investing activities because they are linked to long-term asset transactions.

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

(a) Long Term Loans from Bank

(b) Loose Tools

(c) Outstanding Expenses

Item	Classification in Balance Sheet
Long-Term Loans from Bank	Non-Current Liabilities → Long-Term Borrowings
Loose Tools	Non-Current Assets → Fixed Assets → Tangible Assets
Outstanding Expenses	Current Liabilities → Other Current Liabilities

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Balance Sheet (Extract):

Liabilities	Amount
Non-Current Liabilities	
Long-Term Borrowings	(e.g., Long-Term Loans from Bank)
Current Liabilities	
Other Current Liabilities	(e.g., Outstanding Expenses)

Assets	Amount
Non-Current Assets	
Fixed Assets	
Tangible Assets	(e.g., Loose Tools)

Explanation:

1. Long-Term Loans from Bank:

These represent borrowings repayable after more than 12 months.

Classified under Non-Current Liabilities → Long-Term Borrowings.

2. Loose Tools:

Tools used for operational purposes over a long period are tangible assets.

Classified under Non-Current Assets → Fixed Assets → Tangible Assets.

3. Outstanding Expenses:

Unpaid expenses due within the current financial year.

Classified under Current Liabilities → Other Current Liabilities.

Quick Tip

When classifying balance sheet items as per Schedule III of the Companies Act, 2013:

1. Determine if the item is an asset or liability.
2. Identify whether it is current (due within 12 months) or non-current.
3. Use sub-categories such as borrowings, fixed assets, or other liabilities for further classification.

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32. From the given information, calculate:

- (a) Quick Ratio
- (b) Inventory Turnover Ratio

Particulars:

Particulars	**Amount (₹)**
Current Assets	$4,00,000$
Inventory	$1,00,000$
Current Liabilities	$2,00,000$
Net Profit Before Tax	$72,000$
Revenue from Operations	$10,00,000$
Gross Profit Ratio	20%

Solution:

(a) Quick Ratio:

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

Quick Assets exclude inventory.

$$\text{Quick Assets} = \text{Current Assets} - \text{Inventory} = |4,00,000 - |1,00,000 = |3,00,000.$$

Current Liabilities = ₹2,00,000.

$$\text{Quick Ratio} = \frac{|3,00,000}{|2,00,000} = 1.5 : 1.$$

(b) Inventory Turnover Ratio:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}}.$$

COGS is calculated as:

$$\text{COGS} = \text{Revenue from Operations} \times (1 - \text{Gross Profit Ratio}).$$

$$\text{COGS} = |10,00,000 \times (1 - 0.2) = |10,00,000 \times 0.8 = |8,00,000.$$

Average Inventory = ₹1,00,000 (given).

$$\text{Inventory Turnover Ratio} = \frac{|8,00,000}{|1,00,000} = 8 \text{ times}.$$

Quick Tip

1. The quick ratio excludes inventory and prepaid expenses while assessing liquidity.
2. Inventory Turnover Ratio measures the efficiency of inventory management in generating sales.

Efficient inventory management is critical for maintaining a high turnover ratio and reducing holding costs.

33(a). From the given Balance Sheet of Geox Ltd., prepare a Common Size Balance Sheet:

Balance Sheet of Geox Ltd. 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	2,50,000
2. Non-Current Liabilities			
(a) Long-term Borrowings		2,00,000	1,50,000
3. Current Liabilities			
(a) Trade Payables		2,00,000	1,00,000
Total		8,00,000	5,00,000
II – Assets :			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		4,00,000	3,50,000
2. Current Assets			
(a) Inventories		2,00,000	70,000
(b) Trade Receivables		2,00,000	80,000
Total		8,00,000	5,00,000

Solution:

Balance Sheet of Geox Ltd. as at 31st March, 2023 (Common Size Format):

Particulars	31.3.2023 (₹)	% of Total	31.3.2022 (₹)	% of Total
I – Equity and Liabilities				
1. Shareholders' Funds				
Share Capital	4,00,000	50%	2,50,000	50%
2. Non-Current Liabilities				
Long-Term Borrowings	2,00,000	25%	1,50,000	30%
3. Current Liabilities				
Trade Payables	2,00,000	25%	1,00,000	20%
Total Equity and Liabilities	8,00,000	100%	5,00,000	100%
II – Assets				
1. Non-Current Assets				
Fixed Assets/Property, Plant	4,00,000	50%	3,50,000	70%
2. Current Assets				
Inventories	2,00,000	25%	70,000	14%
Trade Receivables	2,00,000	25%	80,000	16%
Total Assets	8,00,000	100%	5,00,000	100%

Explanation:

1. Purpose of Common Size Statement:

- Each item in the balance sheet is expressed as a percentage of the total assets or liabilities.
- This helps in comparing the relative size of components over different years.

2. Key Observations:

- Share Capital remains constant at 50% of total funds in both years.

- Fixed Assets decreased from 70% in 2022 to 50% in 2023, while Inventories and Trade Receivables increased significantly.

Quick Tip

The common size balance sheet simplifies the comparison of financial performance over time. It identifies changes in proportions, such as shifts between current and non-current components.

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

Particulars	Note No.	2022 – 23 (₹)	2021 – 22 (₹)
Revenue from operations		10,00,000	8,00,000
Employee benefit expenses		2,50,000	1,00,000
Other expenses		5,50,000	4,00,000
Tax rate 50%			

Solution:

Comparative Statement of Profit and Loss for the years ended 31st March, 2022 and 2023:

Particulars	**2022–23 (₹)**	**2021–22 (₹)**	**% Change**
Revenue from Operations	10,00,000	8,00,000	25%
Employee Benefit Expenses	2,50,000	2,00,000	25%
Other Expenses	5,50,000	4,00,000	37.5%
Profit Before Tax (PBT)	2,00,000	2,00,000	0%
Tax Expense (50%)	1,00,000	1,00,000	0%
Profit After Tax (PAT)	1,00,000	1,00,000	0%

Explanation:

1. Purpose of Comparative Statement:

- Comparative financial statements show changes in absolute values and percentage changes

between two periods.

- It helps in analyzing trends in revenues, expenses, and profitability.

2. Key Observations:

- Revenue and Employee Benefit Expenses both increased by 25%.

- Other Expenses increased disproportionately by 37.5%, resulting in no change in Profit After Tax (PAT).

Quick Tip

A comparative statement highlights trends and variations over time. Use the percentage change column to identify areas of concern, like disproportionate increases in expenses.

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34. From the following information, calculate 'Cash Flows From Operating Activities':

Given Information:

Particulars	**Amount (₹)**
Surplus i.e., Balance in Statement of Profit and Loss	6, 28, 000
Provision for Tax	1, 50, 000
Proposed Dividend for the Previous Year	72, 000
Depreciation	1, 40, 000
Loss on Sale of Machinery	30, 000
Gain on Sale of Investments	20, 000
Dividend Received on Investments	60, 000
Increase in Current Liabilities	1, 61, 000
Increase in Current Assets (Other than Cash)	6, 00, 000
Decrease in Current Liabilities	64, 000
Income Tax Paid	1, 18, 000

Solution:

Cash Flows from Operating Activities

Particulars	Amount (₹)
Net Profit before Tax and Extraordinary Items	8,50,000
Adjustments for Non-Cash and Non-Operating Items:	
Add: Depreciation	1,40,000
Add: Loss on Sale of Machinery	30,000
Less: Gain on Sale of Investments	(20,000)
Less: Dividend Received on Investments	(6,000)
Operating Profit before Working Capital Changes	9,94,000
Adjustments for Working Capital Changes:	
Add: Increase in Current Liabilities	1,61,000
Less: Increase in Current Assets	(6,00,000)
Decrease in Current Liabilities	(64,000)
Cash Generated from Operations	4,91,000
Less: Income Tax Paid	(1,18,000)
Net Cash Inflows from Operating Activities	**3,73,000**

Calculation of Net Profit before Tax and Extraordinary Items

Particulars	Amount (₹)
Surplus	6,28,000
Add: Provision for Tax	1,50,000
Add: Proposed Dividend	72,000
Net Profit before Tax and Extraordinary Items	**8,50,000**

Quick Tip

1. Add back non-cash expenses (e.g., depreciation) and losses, and deduct non-operating incomes (e.g., dividends) for operating cash flow.
2. Adjust for changes in working capital:
- Increase in current liabilities increases cash.
- Increase in current assets reduces cash.
3. Deduct taxes paid to arrive at net operating cash flow.

Part B

27. Data, _____, _____, Hardware, and Software are five pillars of Computerised Accounting System (CAS). From the following, which two pillars of CAS are missing in the above statement?

(A) Printer and Mouse

(B) People and Procedures

(C) Mouse and CPU

(D) Information and Accounts

Correct Answer: (B) People and Procedures

Solution: The five pillars of a Computerised Accounting System (CAS) are:

1.Data, 2.People, 3.Procedures, 4.Hardware, 5.Software.

The missing pillars in the statement are **People** and **Procedures**, both of which are essential for the smooth functioning of CAS.

Quick Tip

The five pillars of CAS—Data, People, Procedures, Hardware, and Software—together ensure seamless accounting operations and support informed decision-making.

28(a). Name the Accounting Information sub-system which deals with receipt and payment of cash and electronic funds transfer:

(A) Sales and Accounts Receivable sub-system

(B) Purchase and Accounts Payable sub-system

(C) Cash and Bank sub-system

(D) Costing sub-system

Correct Answer: (C) Cash and Bank sub-system

Solution: The **Cash and Bank sub-system** is responsible for managing all cash-related

activities such as:

– Receipts from customers, Payments to suppliers, Electronic fund transfers (EFTs).

It ensures accurate recording, reconciliation of funds, and monitoring of liquidity for smooth operations.

Quick Tip

The Cash and Bank sub-system is vital for managing liquid funds, ensuring that cash flows are systematically recorded and reconciled with the bank.

28(b). When the accumulated data from various sources is processed in one shot, it is called:

(A) Real-time processing

(B) Data validation

(C) Batch processing

(D) Processing and revalidation

Correct Answer: (C) Batch processing

Solution: Batch processing refers to processing a large volume of data in one operation at a scheduled time.

For example: Payroll systems calculate salaries monthly using batch processing.

This is effective for routine tasks that don't require immediate processing.

Quick Tip

Batch processing is suited for periodic operations like payroll and billing, where immediate processing isn't necessary, ensuring efficiency and accuracy.

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29. How many categories of data can be plotted on a pie chart in Excel software?

(A) 4

(B) 12

(C) 20

(D) 7

Correct Answer: (D) 7

Solution: Excel pie charts effectively display data for up to 20 categories.

$$-\text{More than 7 categories make the chart cluttered and unreadable.}$$

For larger datasets, bar charts or column charts are better alternatives for clarity.

Quick Tip

Limit pie charts to 7 categories for clarity. Use bar or column charts for larger datasets to improve data visualization and readability.

30(a). From the following, identify the type of code used by a trading company:

Codes	Dealer Type
100–199	Cycle tyres
200–299	Cycle seats

(A) Block code

(B) Sequential code

(C) Mnemonic code

(D) Secret code

Correct Answer: (A) Block code

Solution: Block codes group categories into distinct ranges for easier organization. For example:

$$100\text{–}199 \rightarrow \text{Cycle tyres}, \quad 200\text{–}299 \rightarrow \text{Cycle seats}.$$

This makes data classification efficient and systematic.

Quick Tip

Block codes are ideal for categorizing items into systematic ranges, ensuring streamlined organization and retrieval of data.

30(b). Correct ##### appears:

(A) When column is not wide enough

(B) When a number is divided by zero

(C) When value is not available

(D) When there are exceptions of summary of data

Correct Answer: (A) When column is not wide enough

Solution: The error **“”** in Excel appears when the column width is too narrow to display the content of a cell.

This happens especially with dates, large numbers, or text values that exceed the width of the column.

To resolve this issue:

- Increase the column width by dragging its edge or using AutoFit Column Width.

Quick Tip

To fix the ”” error in Excel, adjust the column width manually by dragging its edge or double-clicking the column boundary to auto-fit the content.

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31. Explain the terms ‘Doughnut’ and ‘Exploded Doughnut’ as types of charts:

Solution: 1. Doughnut Chart:

- A doughnut chart is similar to a pie chart but has a hollow center.

- It represents parts-to-whole relationships and supports multiple data series in concentric rings.

Example: Comparing sales data of products across regions.

2. Exploded Doughnut Chart:

- An exploded doughnut chart is a variation where slices or rings are separated or ”exploded” for emphasis.

- It highlights specific data points by detaching them from the chart.

Example: Highlighting the top-performing product in sales data.

Quick Tip

Use a doughnut chart for simple parts-to-whole relationships. Use an exploded doughnut chart to emphasize key data points effectively.

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32. Explain 'Transparency and Control' and 'Accuracy and Speed' as features of Computerised Accounting System:

Solution: 1. Transparency and Control:

- Ensures accurate and up-to-date records for all financial transactions.
- Facilitates audit trails by tracking all entries, modifications, and deletions in the system.
- Enhances accountability by making every transaction traceable.

2. Accuracy and Speed:

- Automates calculations to reduce human error.
- Speeds up processes like generating invoices, receipts, and reports.
- Provides real-time access to financial data for better decision-making.

Quick Tip

Transparency ensures accountability, while accuracy and speed improve operational efficiency and reduce errors in a Computerised Accounting System.

33(a). State any four advantages of a Computerised Accounting System:

Solution: 1. Efficiency:

- Automates routine accounting tasks such as payroll and invoicing, saving time and resources.

2. Accuracy:

- Minimizes human errors in calculations with built-in checks and validations.

3. Real-Time Reporting:

- Provides instant access to updated financial data for better decision-making.

Example: Generating profit and loss statements instantly.

4. Cost-Effectiveness:

- Reduces manual labor and paperwork, offering long-term cost savings.

Quick Tip

A Computerised Accounting System enhances efficiency, accuracy, and real-time reporting while reducing operational costs over time.

33(b). Explain 'Password Security' and 'Data Audit' as security features of a Computerised Accounting System:

Solution: 1. Password Security:

- Restricts unauthorized access to financial data.
- Ensures only authorized users can edit or delete sensitive records.
- Enhances security by controlling access based on user roles.

2. Data Audit:

- Tracks changes to financial records, including user details and timestamps.
- Identifies errors or unauthorized modifications.
- Facilitates compliance with regulatory requirements.

Quick Tip

Password security restricts access to authorized users, while data audits enhance traceability and compliance in a Computerised Accounting System.

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34. Explain the two syntax forms of the 'Lookup' function:

Solution: The 'LOOKUP' function searches for a value and returns corresponding results. Its two syntax forms are:

1. Vector Form:

- Syntax:

=LOOKUP(lookup_value, lookup_vector, result_vector)

- Searches a value in one row/column and returns the result from another.

Example:

Product Codes: A101, B202; Prices: 500, 700.

To find B202's price:

=LOOKUP("B202", A2:A4, B2:B4) Result: 700.

2. Array Form:

- Syntax:

=LOOKUP(lookup_value, array)

- Searches for a value in a 2D array and returns the matching value.

Example:

Names: John, Sarah; Grades: A, B.

To find Sarah's grade:

=LOOKUP("Sarah", A2:A4, B2:B4) Result: B.

Quick Tip

Use the vector form for 1D lookups and the array form for searching in 2D tables.
