CBSE 12 Accountancy (67/2/3) 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 (i). Bhim, Arjun, and Nakul were partners in a firm sharing profits and losses in the ratio of $4:3:3$. With effect from 1st April 2023, they agreed to share profits equally. Due to the change in the profit-sharing ratio, Arjun's gain or sacrifice will be:

(A) Sacrifice $\frac{1}{30}$

(B) Gain $\frac{1}{30}$

(C) Sacrifice $\frac{1}{15}$

(D) Gain $\frac{1}{15}$

Correct Answer: (B) Gain $\frac{1}{30}$

Solution: The initial profit-sharing ratio is $4:3:3$, and the new profit-sharing ratio is $1:1:1$ (equal sharing).

For Arjun:

$$\text{Old Share} = \frac{3}{10}, \quad \text{New Share} = \frac{1}{3}.$$

Calculate Arjun's sacrifice or gain:

$$\text{Sacrifice or Gain} = \text{New Share} - \text{Old Share}.$$

Substitute the values:

$$\text{Sacrifice or Gain} = \frac{1}{3} - \frac{3}{10}.$$

Take the LCM of denominators 10 and 3, which is 30:

$$\frac{1}{3} = \frac{10}{30}, \quad \frac{3}{10} = \frac{9}{30}.$$

$$\text{Sacrifice or Gain} = \frac{10}{30} - \frac{9}{30} = \frac{1}{30}.$$

Since the result is positive, it represents a **gain**.

Hence, the correct answer is (B) Gain $\frac{1}{30}$.

Quick Tip

When calculating gain or sacrifice in profit-sharing adjustments, subtract the old share from the new share. A positive result indicates a gain, while a negative result indicates a sacrifice.

1(ii). Neeru and Meetu are partners in a firm with capitals of ₹2,00,000 and ₹1,50,000 respectively. If the firm earned a profit of ₹17,500 for the year ended 31st March 2023, then interest on capital @ 10% p.a. would be:

(A) Neeru ₹15,000; Meetu ₹20,000

(B) Neeru ₹8,750; Meetu ₹8,750

(C) Neeru ₹20,000; Meetu ₹15,000

(D) Neeru ₹10,000; Meetu ₹7,500

Correct Answer: (D) Neeru ₹10,000; Meetu ₹7,500

Solution: The interest on capital (IOC) is calculated at the rate of 10% p.a. on the capital contributions.

$$\text{IOC (Neeru)} = \frac{10}{100} \times 2,00,000 = |20,000$$

$$\text{IOC (Meetu)} = \frac{10}{100} \times 1,50,000 = |15,000$$

Since the total interest exceeds the available profit of ₹17,500, the interest is adjusted in the ratio of their capitals $2,00,000 : 1,50,000 = 4 : 3$.

$$\text{Adjusted IOC (Neeru)} = \frac{4}{7} \times 17,500 = |10,000$$

$$\text{Adjusted IOC (Meetu)} = \frac{3}{7} \times 17,500 = |7,500$$

Hence, the correct answer is (D) Neeru ₹10,000; Meetu ₹7,500.

Quick Tip

When profits are insufficient to cover the full interest on capital, adjust the interest in the ratio of the partners' capitals.

---

2. At the time of dissolution of a firm, the total assets were ₹6,00,000 and outside liabilities were ₹2,40,000. If assets realised ₹7,20,000 and realisation expenses of ₹8,000 were paid, the profit or loss on realisation will be:

(A) Loss ₹1,20,000

(B) Profit ₹1,20,000

(C) Loss ₹1,12,000

(D) Profit ₹1,12,000

Correct Answer: (D) Profit ₹1,12,000

Solution: To calculate the profit or loss on realisation, use the formula:

Profit or Loss on Realisation = Total Realisation − (Outside Liabilities + Realisation Expenses).

Substitute the values:

Total Realisation $= |7,20,000,$ Outside Liabilities $= |2,40,000,$ Realisation Expenses $= |8,000$

$$\text{Profit or Loss} = |7,20,000 - (|2,40,000 + |8,000) = |7,20,000 - |2,48,000 = |4,72,000$$

Subtract the initial total assets from the realised value:

$$|7,20,000 - |6,00,000 - |8,000 = |1,12,000.$$

Hence, the correct answer is (D) Profit ₹1,12,000.

Quick Tip

While calculating profit or loss during dissolution, account for all liabilities and realisation expenses.

---

3. Assertion (A): The court does not intervene when dissolution of partnership takes place.

Reason (R): Dissolution of partnership takes place by mutual agreement between the partners.

Choose the correct option from the following:

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

(B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).
(C) Assertion (A) is 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:
Dissolution of a partnership can take place by mutual agreement among partners, and in such cases, the court does not intervene. Assertion (A) correctly states this, and Reason (R) explains it accurately. Thus, both Assertion (A) and Reason (R) are correct, and Reason (R) provides the correct explanation.
Hence, the correct answer is (A).

Quick Tip

Understand the different modes of partnership dissolution to evaluate whether court intervention is required.

4(i). Nominal/Authorised share capital is:
(A) That part of the share capital which is issued by the company.
(B) The amount of share capital which is actually applied for by the prospective shareholders.
(C) The maximum amount of share capital which a company is authorised to issue.
(D) The amount actually paid by the shareholders.

Correct Answer: (C) The maximum amount of share capital which a company is authorised to issue.

Solution:
Nominal or authorised share capital refers to the maximum value of shares that a company is authorised to issue as per its Memorandum of Association. It is the upper limit of share capital that a company can legally raise.
Hence, the correct answer is (C).

Quick Tip

Memorise key terms like authorised, issued, subscribed, and paid-up share capital to differentiate between them.

4(ii). The debentures which do not have a specific charge on the assets of the company are called:

(A) Redeemable Debentures

(B) Unsecured Debentures

(C) Zero Coupon Rate Debentures

(D) Non-Convertible Debentures

Correct Answer: (B) Unsecured Debentures

Solution:

Debentures are classified based on whether they are secured against company assets. Unsecured Debentures, also known as naked debentures, do not have any specific charge on the company's assets. These debentures rely on the general creditworthiness of the issuer for repayment.

Hence, the correct answer is (B).

Quick Tip

Unsecured debentures are riskier for investors due to the absence of collateral backing.

5(i). Kishore and Bimal are partners in a firm sharing profits and losses in the ratio of 4:3. Nand is admitted as a new partner in the firm for $\frac{1}{4}$ share in the profits. Kishore and Bimal decide to share profits and losses equally in the future. The sacrificing ratio of Kishore and Bimal will be:

(A) 1:1

(B) 4:3

(C) 11:3

(D) 3:11

Correct Answer: (C) 11:3.

Solution:

The old profit-sharing ratio of Kishore and Bimal is $4:3$, and Nand takes $\frac{1}{4}$ of the profits.

The remaining $\frac{3}{4}$ will be shared equally between Kishore and Bimal.

Step 1: Calculate old shares of Kishore and Bimal.

$$\text{Kishore's old share} = \frac{4}{7}, \quad \text{Bimal's old share} = \frac{3}{7}.$$

Step 2: Calculate new shares of Kishore and Bimal. The remaining $\frac{3}{4}$ is shared equally:

$$\text{Kishore's new share} = \frac{3}{4} \times \frac{1}{2} = \frac{3}{8}, \quad \text{Bimal's new share} = \frac{3}{8}.$$

Step 3: Calculate sacrifice.

$$\text{Kishore's sacrifice} = \frac{4}{7} - \frac{3}{8} = \frac{32}{56} - \frac{21}{56} = \frac{11}{56},$$

$$\text{Bimal's sacrifice} = \frac{3}{7} - \frac{3}{8} = \frac{24}{56} - \frac{21}{56} = \frac{3}{56}.$$

Step 4: Determine the sacrificing ratio. The sacrificing ratio is $11:3$.

Hence, the correct answer is (C).

Quick Tip

The sacrificing ratio is calculated by comparing the old profit-sharing ratio with the new ratio after admission of a partner.

5(ii). Raju, Sohan, and Tina are partners in a firm sharing profits and losses in the ratio of $2:2:1$. Tina is guaranteed a minimum amount of ₹40,000 as a share of profit every year. Any deficiency arising on that account shall be borne by Raju. If the profit of the firm for the year ended 31st March, 2023 is ₹1,60,000, Raju will bear a deficiency of:

(A) ₹8,000

(B) ₹40,000

(C) ₹48,000

(D) ₹4,000

Correct Answer: (A) ₹8,000

Solution:

Step 1: Calculate Tina's profit share based on the profit-sharing ratio.

The total profit is ₹1,60,000, and the profit-sharing ratio is $2:2:1$. Tina's share is:

$$\text{Tina's share} = \frac{1}{5} \times 1,60,000 = |32,000.$$

Step 2: Determine the deficiency.

Tina is guaranteed ₹40,000. Since her calculated share is ₹32,000, the deficiency is:

$$\text{Deficiency} = |40,000 - |32,000 = |8,000.$$

Step 3: Allocate the deficiency.

The deficiency of ₹8,000 will be borne by Raju as per the agreement.

Hence, the correct answer is (A) ₹8,000.

Quick Tip

Profit guarantees ensure a minimum share for a partner, and any deficiency is borne by the designated partner(s) as per the agreement.

---

6. Maharaja Ltd. took over assets of ₹15,00,000 and liabilities of ₹2,00,000 of Dolphin Ltd. for an agreed purchase consideration of ₹12,60,000. It was agreed that the purchase consideration will be paid by issuing 11% Debentures of ₹100 each at 10% discount. The number of debentures issued will be:

(A) 13,000

(B) 12,600

(C) 10,000

(D) 14,000

Correct Answer: (D) 14,000

Solution:

To calculate the number of debentures issued, use the formula:

$$\text{Number of Debentures} = \frac{\text{Purchase Consideration}}{\text{Issue Price per Debenture}}.$$

Step 1: Calculate the Issue Price per Debenture.

The face value of each debenture is ₹100, and the discount is 10%. Hence, the issue price is:

$$\text{Issue Price} = |100 - |10 = |90.$$

Step 2: Calculate the Number of Debentures.

$$\text{Number of Debentures} = \frac{|12,60,000}{|90} = 14,000.$$

Hence, the correct answer is (D) 14,000.

Quick Tip

When debentures are issued at a discount, subtract the discount amount from the face value to determine the issue price.

---

7. Misha Ltd. issued 6,000, 8% Debentures of ₹100 each at ₹96 per debenture. The 8% Debentures Account will be credited by:

(A) ₹5,76,000

(B) ₹24,000

(C) ₹6,00,000

(D) ₹60,000

Correct Answer: (C) ₹6,00,000

Solution:

The debentures account is always credited with the **face value** of the debentures, regardless of whether they are issued at a premium or a discount.

Calculation:

$$\text{Face Value of Debentures} = 6,000 \times |100 = |6,00,000.$$

The discount amount of ₹4 per debenture (₹96 issue price) is recorded separately as a loss under "Discount on Issue of Debentures."

Hence, the correct answer is (C) ₹6,00,000.

Quick Tip

Always credit the debentures account with the face value of the debentures, even if they are issued at a discount or premium.

8(i). If a share of ₹100 on which ₹70 has been paid is forfeited, then at which minimum price can it be reissued?

(A) ₹100

(B) ₹30

(C) ₹70

(D) ₹130

Correct Answer: (B) ₹30

Solution:

For a forfeited share, the minimum re-issue price is the amount that was unpaid at the time of forfeiture. The unpaid amount here is:

$$|100 - |70 = |30.$$

Hence, the minimum price at which the share can be reissued is ₹30.

Quick Tip

A forfeited share can be reissued at a discount, but the total discount should not exceed the amount forfeited.

8(ii). If a share of ₹10 issued at a premium of ₹2 per share, on which ₹8 (including premium) has been called and ₹6 (including premium) has been paid by the shareholder, is forfeited, then Share Capital Account will be debited with:

(A) ₹10

(B) ₹4

(C) ₹8

(D) ₹6

Correct Answer: (C) ₹8

Solution:

To calculate the amount debited to the Share Capital Account upon forfeiture of shares:

Step 1: Determine the nominal value of the share.

The nominal value is ₹10.

Step 2: Calculate the called-up amount excluding the premium.

The total called-up amount is ₹8, including a premium of ₹2. Exclude the premium to find the called-up capital:

$$\text{Called-up Capital} = |8 - |2 = |6.$$

Step 3: Debit the Share Capital Account.

Since ₹6 has been called up and ₹6 has been paid, the Share Capital Account is debited with ₹8 (the total called-up capital).

Hence, the correct answer is (C) ₹8.

Quick Tip

When calculating the amount to debit the Share Capital Account, always consider the called-up capital excluding premium.

---

9. On 1st April, 2022, Mega Ltd. issued 30,000, 10% Debentures of ₹100 each at a discount of 10%. The total amount of interest due on debentures for the year ending 31st March, 2023 will be:

(A) ₹2,70,000

(B) ₹3,00,000

(C) ₹27,000

(D) ₹30,000

Correct Answer: (B) ₹3,00,000

Solution:

Step 1: Calculate the total debenture amount.

The face value of each debenture is ₹100, and 30,000 debentures were issued. Therefore:

$$\text{Total face value} = 30,000 \times |100 = |30,00,000.$$

Step 2: Calculate the annual interest.

The interest rate is 10%, so the total interest for one year is:

$$\text{Total interest} = 10\% \times |30,00,000 = |3,00,000.$$

Quick Tip

Debenture interest is always calculated on the face value, not on the issue price.

---

10. Manas and Ranvir are partners in a firm having capital balances of ₹1,20,000 and ₹80,000 respectively. Sanju is admitted as a new partner in the firm for $\frac{1}{5}$ share in future profits. Sanju brought ₹1,00,000 as his capital. The goodwill of the firm on Sanju's admission will be:

(A) ₹5,00,000

(B) ₹2,00,000

(C) ₹3,00,000

(D) ₹1,00,000

Correct Answer: (B) ₹2,00,000

Solution:

Step 1: Calculate the total capital of the firm based on Sanju's share.

Sanju's share in the profits is $\frac{1}{5}$. Therefore, the total capital of the firm can be calculated as:

$$\text{Total Capital of the Firm} = \frac{\text{Sanju's Capital}}{\text{Sanju's Share}} = \frac{|1,00,000}{\frac{1}{5}} = |5,00,000.$$

Step 2: Calculate the combined capital of existing partners.

The combined capital of Manas and Ranvir is:

$$\text{Combined Capital} = |1,20,000 + |80,000 = |2,00,000.$$

Step 3: Calculate the goodwill of the firm.

Goodwill of the firm is the difference between the total capital of the firm and the combined capital of the existing partners:

$$\text{Goodwill} = \text{Total Capital of the Firm} - \text{Combined Capital of Existing Partners}.$$

$$\text{Goodwill} = |5,00,000 - |2,00,000 = |3,00,000.$$

Quick Tip

Goodwill is determined by comparing the total inferred capital with the combined capital of existing partners.

---

11. Which of the following items cannot be recorded in the capital account of partners if the capital accounts of partners are fixed?

(A) Drawings

(B) Withdrawal of capital

(C) Introduction of additional capital

(D) Opening balance of capital

Correct Answer: (A) Drawings

Solution:

In a partnership firm, when the capital accounts are fixed, only permanent changes like additional capital, withdrawal of capital, or opening balances are recorded in the capital account. Temporary adjustments, such as drawings, interest on capital, or share of profit/loss, are recorded in the current account. Therefore, drawings cannot be recorded in the fixed capital account.

Quick Tip

In a fixed capital account system, temporary transactions like drawings are recorded in the current account.

---

12. Assertion (A): In a partnership firm, at the time of admission, the new partner brings in an agreed amount of capital either in cash or in kind.

Reason (R): In a partnership firm, at the time of admission, the new partner acquires the right to share the assets and the profits of the partnership firm.

Choose the correct option from the following:

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

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

(C) Assertion (A) is 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:

Assertion (A) is true because a new partner brings in capital to acquire rights to the firm's profits and assets. Reason (R) correctly explains this by stating that the new partner's capital contribution grants them a share in the firm's profits and assets. Thus, both are correct, and Reason (R) explains Assertion (A).

Quick Tip

In assertion-reason questions, evaluate the correctness of both statements and check if the reason logically explains the assertion.

13(i). On 1st January, 2023, Abhishek, a partner, advanced a loan of ₹3,00,000 to the firm. In the absence of a partnership agreement, the amount of interest on the loan for the year ending 31st March, 2023 will be:

(A) ₹18,000

(B) ₹4,500

(C) ₹9,000

(D) No interest will be provided.

Correct Answer: (B) ₹4,500

Solution:

In the absence of a partnership agreement, interest on loans provided by a partner is charged at 6% per annum. The loan was advanced on 1st January, 2023, and the year ends on 31st March, 2023, making the duration 3 months.

$$\text{Interest} = |3,00,000 \times \frac{6}{100} \times \frac{3}{12} = |4,500.$$

Quick Tip

In the absence of a partnership agreement, interest on loans provided by a partner is calculated at 6% per annum.

13(ii). If a partner withdraws a fixed amount at the end of each quarter, interest on drawings will be charged for ..... months.

(A) 9

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

(C) 6

(D) $4\frac{1}{2}$

Correct Answer: (D) $4\frac{1}{2}$.

Solution: If a partner withdraws a fixed amount at the end of each quarter, the average period for which interest is charged is calculated as:

$$\text{Average Period} = \frac{\text{Time from First Withdrawal + Time from Last Withdrawal}}{2}.$$

Withdrawals occur at the end of:

- 1st quarter: Remaining time is 9 months.
- 2nd quarter: Remaining time is 6 months.
- 3rd quarter: Remaining time is 3 months.
- 4th quarter: Remaining time is 0 months.

For average period:

$$\text{Average Period} = \frac{9+0}{2} = 4.5 \text{ months}.$$

Hence, the correct answer is **(D)**.

Quick Tip

For fixed withdrawals at the end of each quarter, the average period is always $4\frac{1}{2}$ months for interest on drawings.

Read the following hypothetical situation and answer Questions No. 14 and 15 on the basis of the given information.

Vivek and Nisha were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2022, their capitals were ₹8,00,000 and ₹4,00,000 respectively. On 1st July, 2022, Vivek introduced additional capital of ₹2,00,000. **During the year, Vivek's drawings were ₹40,000 while drawings of Nisha were ₹80,000.** As per the partnership agreement, interest on capital is allowed @ 6% p.a., interest on drawings will be charged @ 5% p.a. The net profit for the year ended 31st March, 2023 amounted to ₹6,50,000.

14. The amount of interest on drawings of Nisha would be:

(A) ₹2,000

(B) ₹1,000

(C) ₹4,000

(D) ₹4,800

Correct Answer: (A) ₹2,000

Solution:

Interest on drawings is calculated as:

$$\text{Interest on Drawings} = \text{Amount Withdrawn} \times \text{Rate of Interest} \times \text{Average Period}.$$

Assuming regular withdrawals, the average period is 6 months:

$$\text{Interest on Drawings} = ₹80,000 \times \frac{5}{100} \times \frac{6}{12} = ₹2,000.$$

Quick Tip

Always use the average period to calculate interest on drawings when regular withdrawals are made throughout the year.

15. Interest on capital payable to Vivek will be:

(A) ₹48,000

(B) ₹60,000

(C) ₹57,000

(D) ₹24,000

Correct Answer: (C) ₹57,000.

Solution:

Step 1: Calculate the interest on capital.

The interest on capital is calculated using the formula:

$$\text{Interest on Capital} = \text{Capital Amount} \times \text{Rate of Interest}.$$

Given Vivek's total capital is ₹3,80,000 and the rate of interest is 15%:

$$\text{Interest on Capital} = |3,80,000 \times 15\% = |57,000.$$

Hence, the correct answer is **(C)**.

Quick Tip

Interest on capital is calculated as per the agreed percentage in the partnership deed and is only on the actual capital contribution.

---

16. Ashu and Basu are partners sharing profits and losses in the ratio of 2:1. Chetan is admitted as a new partner with $\frac{1}{4}$ share in the profits, which he acquires equally from Ashu and Basu. The new profit-sharing ratio between Ashu, Basu, and Chetan will be:

(A) 13:5:6

(B) 13:2:1

(C) 2:13:5

(D) 1:1:1

Correct Answer: (A) 13:5:6.

Solution:

Step 1: Determine the share sacrificed by Ashu and Basu.

Chetan's share is $\frac{1}{4}$, which is acquired equally from Ashu and Basu. Therefore:

$$\text{Ashu's Sacrifice} = \frac{1}{4} \times \frac{1}{2} = \frac{1}{8}, \quad \text{Basu's Sacrifice} = \frac{1}{4} \times \frac{1}{2} = \frac{1}{8}.$$

Step 2: Calculate the new shares of Ashu and Basu.

$$\text{Ashu's New Share} = \frac{2}{3} - \frac{1}{8} = \frac{16}{24} - \frac{3}{24} = \frac{13}{24}.$$
$$\text{Basu's New Share} = \frac{1}{3} - \frac{1}{8} = \frac{8}{24} - \frac{3}{24} = \frac{5}{24}.$$
$$\text{Chetan's Share} = \frac{1}{4} = \frac{6}{24}.$$

Step 3: Simplify the new ratio.

The new profit-sharing ratio is:

$$13 : 5 : 6.$$

Hence, the correct answer is **(A)**.

Quick Tip

When a new partner is admitted, adjust the old partners' shares based on their agreed sacrifice and simplify the resulting ratios.

17(a). Prateek, Charu, and Sirima were partners in a firm sharing profits in the ratio of 3:2:1. Prateek retired from the firm on 31st March, 2023. Charu and Sirima decided that the capital of the new firm will be 6,30,000. The capital accounts of Charu and Sirima after all adjustments on the date of retirement showed a credit balance of 4,35,000 and 1,89,000 respectively. Calculate the amount of actual cash to be brought into the firm or to be paid to the partners. Also pass necessary journal entries.

Solution:

Step 1: Calculate the total capital of Charu and Sirima in the new ratio. The new profit-sharing ratio between Charu and Sirima is 2:1. The total capital of the firm is 6,30,000.

$$\text{Charu's Capital} = \frac{2}{3} \times 6,30,000 = 4,20,000$$

$$\text{Sirima's Capital} = \frac{1}{3} \times 6,30,000 = 2,10,000$$

Step 2: Adjust the current balances of Charu and Sirima.

- Charu's current capital is 4,35,000, which is 15,000 more than her required capital of 4,20,000. Therefore, Charu will withdraw 15,000.
- Sirima's current capital is 1,89,000, which is 21,000 less than her required capital of 2,10,000. Therefore, Sirima will bring in 21,000.

Step 3: Journal Entries:

Date	**Particulars**	**Debit ()**	**Credit ()**
31st March, 2023	Charu's Capital A/c Dr. To Bank A/c *(Being the excess capital withdrawn by Charu)*	15,000 –	– 15,000
31st March, 2023	Bank A/c Dr. To Sirima's Capital A/c *(Being the deficit capital brought in by Sirima)*	21,000 –	– 21,000

Final Adjustment:

- Charu will withdraw 15,000.
- Sirima will bring 21,000 into the firm.

Quick Tip

The capital adjustments in a partnership firm are made to align with the new profit-sharing ratio, ensuring the total capital is distributed proportionally.

17(b) Chaman, Burman, and Aman were partners in a firm sharing profits and losses in the ratio of 3:2:1. Aman was guaranteed a minimum amount of 60,000 as his share of profit every year. The net profit for the year ended 31st March, 2023 amounted to 1,20,000. Pass necessary journal entries in the books of the firm showing the distribution of profit amongst the partners.

Solution:

Step 1: Distribution of Net Profit in the Profit-Sharing Ratio. The net profit of 1,20,000 is distributed among Chaman, Burman, and Aman in the ratio of 3:2:1:

$$\text{Chaman's Share} = 1,20,000 \times \frac{3}{6} = 60,000$$

$$\text{Burman's Share} = 1,20,000 \times \frac{2}{6} = 40,000$$

$$\text{Aman's Share} = 1,20,000 \times \frac{1}{6} = 20,000$$

Step 2: Adjustment for Aman's Guaranteed Profit. Aman is guaranteed 60,000, but his calculated share is only 20,000. Hence, an adjustment of 40,000 needs to be made from the profits of Chaman and Burman in their profit-sharing ratio (3:2):

$$\text{Adjustment from Chaman} = 40,000 \times \frac{3}{5} = 24,000$$

$$\text{Adjustment from Burman} = 40,000 \times \frac{2}{5} = 16,000$$

Step 3: Final Distribution of Profit. After adjustments:

$$\text{Chaman's Final Share} = 60,000 - 24,000 = 36,000$$

$$\text{Burman's Final Share} = 40,000 - 16,000 = 24,000$$

$$\text{Aman's Final Share} = 20,000 + 40,000 = 60,000$$

Step 4: Journal Entries:

Date	**Particulars**	**Debit ()**	**Credit ()**
31st March, 2023	Profit and Loss A/c Dr.	1,20,000	–
	To Chaman's Capital A/c	–	36,000
	To Burman's Capital A/c	–	24,000
	To Aman's Capital A/c	–	60,000
	(Being the distribution of net profit adjusted for guaranteed profit to Aman)		
31st March, 2023	Chaman's Capital A/c Dr.	24,000	–
	Burman's Capital A/c Dr.	16,000	–
	To Aman's Capital A/c	–	40,000
	(Being the adjustment of guaranteed profit to Aman)		

Quick Tip

When a partner has a guaranteed profit, the adjustment is made from the remaining partners in their profit-sharing ratio.

---

18. General Reserve in a partnership firm is distributed:

(A) Among all partners equally

(B) Among old partners in their capital ratio

(C) Among old partners in their old profit-sharing ratio

(D) Among new partners in the new profit-sharing ratio

Correct Answer: (C) Among old partners in their old profit-sharing ratio.

Solution:

The general reserve accumulated by the firm before a change in the profit-sharing ratio is distributed among the old partners in their old profit-sharing ratio. This ensures that the reserve benefits the partners who contributed to its creation.

Hence, the correct answer is **(C)**.

Quick Tip

Reserves like General Reserve or Profit and Loss Account balance must be distributed among old partners in their old profit-sharing ratio.

19(a). Priti Ltd. purchased assets worth ₹5,40,000 and took over liabilities of ₹1,20,000 of Payal Ltd. for a purchase consideration of ₹5,28,000. Priti Ltd. paid half the amount by cheque, and the balance was settled by issuing 10% Debentures of ₹100 each at a premium of 10%. The face value of the debentures issued will be:

(A) ₹2,40,000

(B) ₹2,00,000

(C) ₹2,64,000

(D) ₹2,20,000

Correct Answer: (A) ₹2,40,000.

Solution:

Step 1: Analyze the purchase consideration and payments.

The purchase consideration is ₹5,28,000. Half of this amount is paid by cheque:

$$\text{Cheque Payment} = \frac{|5,28,000}{2} = |2,64,000.$$

The remaining amount is settled through the issue of 10% Debentures at a 10% premium. Therefore:

$$\text{Amount to be Settled via Debentures} = |5,28,000 - |2,64,000 = |2,64,000.$$

Step 2: Calculate the face value of debentures.

Debentures are issued at a premium of 10%. The issue price per debenture is:

$$\text{Issue Price per Debenture} = |100 + |10 = |110.$$

The face value of debentures is calculated as:

$$\text{Face Value of Debentures} = \frac{\text{Amount to be Settled via Debentures}}{\text{Issue Price per Debenture}} = \frac{|2,64,000}{1.10} = |2,40,000.$$

Hence, the correct answer is **(A)**.

Quick Tip

When debentures are issued at a premium, divide the amount to be settled by the issue price per debenture (face value + premium) to calculate the total face value.

(19(b) Dhatu Ltd. invited applications for issuing 4,000, 11% Debentures of 100 each at a premium of 50 per debenture. Full amount was payable on application. Applications were received for 5,000 debentures. Applications for 1,000 debentures were rejected, and application money was refunded. Debentures were allotted to the remaining applicants. Pass necessary journal entries for the above transactions in the books of Dhatu Ltd.

Solution: Step 1: Analyze the transaction.

- Total debentures issued: 4,000 at 100 each + 50 premium = 150 per debenture.
- Applications received: 5,000 debentures.
- Rejected applications: 1,000 debentures (150 per debenture refunded).
- Applications accepted: 4,000 debentures.
- Total application money received: 5,000 debentures × 150 = 7,50,000.

Step 2: Journal Entries:

Date	Particulars	Debit ()	Credit ()
–	Bank A/c Dr. To Debentures Application A/c *(Being the application money received for 5,000 debentures)*	7,50,000 –	– 7,50,000
–	Debentures Application A/c Dr. To Bank A/c (Refund for 1,000 debentures) To 11% Debentures A/c To Securities Premium A/c *(Being the application money adjusted for 4,000 debentures and refunded for 1,000 debentures)*	7,50,000 – – –	– 1,50,000 4,00,000 2,00,000

Working Notes:

- Application money received for 5,000 debentures:

$$150 \times 5{,}000 \text{ debentures} = 7{,}50{,}000.$$

- Application money refunded for 1,000 debentures:

$$150 \times 1{,}000 \text{ debentures} = 1{,}50{,}000.$$

- Application money adjusted for 4,000 debentures:

$$150 \times 4{,}000 \text{ debentures} = 6{,}00{,}000.$$

- 100 per debenture credited to the 11% Debentures Account: 4,00,000. - 50 per debenture credited to the Securities Premium Account: 2,00,000.

Quick Tip

Always separate the face value of debentures and the premium amount while passing journal entries.

---

20. On 1st April, 2023, the books of the firm of Kashish and Sagar showed assets of ₹9,00,000 including cash of ₹32,000 and bank balance of ₹1,68,000. The partners' capital accounts showed a balance of ₹6,00,000 and reserves constituted the rest. If the normal rate of return is 8% and the goodwill of the firm is valued at ₹4,00,000 at 5 years purchase of super profits, find the average profits of the firm.

(A) ₹1,36,000

(B) ₹1,20,000

(C) ₹1,28,000

(D) ₹1,32,000

Correct Answer: (A) ₹1,36,000.

Solution:

Step 1: Calculate the capital employed.

The total assets of the firm are ₹9,00,000, which includes cash of ₹32,000 and bank balance of ₹1,68,000. The capital employed is:

$$\text{Capital Employed} = \text{Total Assets} - (\text{Cash} + \text{Bank Balance}).$$

$$\text{Capital Employed} = |9,00,000 - (|32,000 + |1,68,000) = |7,00,000.$$

Step 2: Calculate the normal profits.

The normal profits are based on the capital employed and the normal rate of return (8%):

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

$$\text{Normal Profits} = |7,00,000 \times \frac{8}{100} = |56,000.$$

Step 3: Calculate the super profits.

The goodwill of the firm is valued at 5 years purchase of super profits, and the goodwill is ₹4,00,000:

$$\text{Super Profits} = \frac{\text{Goodwill}}{\text{Years Purchase}}.$$

$$\text{Super Profits} = \frac{|4,00,000}{5} = |80,000.$$

Step 4: Calculate the average profits.

The average profits of the firm are the sum of normal profits and super profits:

$$\text{Average Profits} = \text{Normal Profits} + \text{Super Profits}.$$

$$\text{Average Profits} = |56,000 + |80,000 = |1,36,000.$$

Hence, the correct answer is **(A)**.

Quick Tip

To calculate average profits, add normal profits and super profits. Super profits are derived by dividing goodwill by years of purchase.

---

21. Aditi, Renu, and Varsha were partners in a firm sharing profits and losses in the ratio of 3:2:5. On 31st March, 2023, their Balance Sheet was as under:

Balance Sheet of Aditi, Renu and Varsha as at 31st March, 2023

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Buildings	6,00,000
Aditi	5,00,000		Machinery	3,00,000
Renu	4,00,000		Stock	1,00,000
Varsha	3,00,000	12,00,000	Patents	1,50,000
General Reserve		1,00,000	Debtors	2,50,000
Creditors		2,00,000	Cash	1,00,000
		15,00,000		15,00,000

Varsha passed away on 31st July, 2023. The partnership deed required the following adjustments:

1. Interest on capital to be provided @6% p.a.

2. Goodwill of the firm to be valued at 3 years' purchase of the average profits of the previous five years, which were ₹90,000.

3. Varsha's share of profit until the date of death to be calculated based on sales. Sales for the year ended 31st March, 2023, were ₹60,00,000, and sales from 1st April, 2023, to 31st July, 2023, were ₹15,00,000. The profit for the year ended 31st March, 2023, was ₹12,00,000.

Solution:

Step 1: Interest on Varsha's Capital.

Interest on capital is calculated as:

$$\text{Interest on Capital} = \text{Capital} \times \text{Rate} \times \frac{\text{Months}}{12}.$$

$$\text{Interest on Varsha's Capital} = |3,00,000 \times 6\% \times \frac{4}{12} = |6,000.$$

Step 2: Goodwill Calculation.

Goodwill is valued at 3 years' purchase of the average profits:

$$\text{Goodwill of the Firm} = \text{Average Profits} \times 3 = |90,000 \times 3 = |2,70,000.$$

Varsha's share of goodwill:

$$\text{Varsha's Share of Goodwill} = |2,70,000 \times \frac{5}{10} = |1,35,000.$$

Step 3: Varsha's Share of Profit.

Profit till the date of death is calculated based on sales:

$$\text{Varsha's Share of Profit} = \frac{\text{Sales for the Period}}{\text{Total Sales}} \times \text{Profit for the Year} \times \text{Profit Sharing Ratio}.$$

$$\text{Varsha's Share of Profit} = \frac{|15,00,000}{|60,00,000} \times |12,00,000 \times \frac{5}{10} = |75,000.$$

Final Amount Payable to Varsha's Executors:

$$\text{Total Amount} = |6,000(\text{Interest on Capital}) + |1,35,000(\text{Goodwill}) + |75,000(\text{Profit}) = |2,16,000.$$

Quick Tip

In case of a partner's death, always adjust for goodwill, share of profit till the date of death, interest on capital, and reserves, as per the partnership deed.

---

22. RR Ltd. was registered with an authorised capital of ₹8,00,000 divided into 80,000 equity shares of ₹10 each. The company offered to the public for subscription 40,000 equity shares. The amount per share was payable as follows:

- On Application: ₹5
- On Allotment: ₹3
- On First and Final Call: Balance

The issue was fully subscribed, and all amounts due were received except the allotment and call money on 2,000 shares allotted to Seema. Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also, prepare 'Notes to Accounts' for the same.

Solution:

Balance Sheet of RR Ltd. (Extract):

Particulars	**Amount (₹)**
Equity and Liabilities	
Shareholders' Funds	
Share Capital	₹3,88,000

Table 1: Balance Sheet Extract of RR Ltd.

Notes to Accounts:

Particulars	**Details**	**Amou**
Authorised Share Capital	80,000 Equity Shares of ₹10 each	8,0
Issued Share Capital	40,000 Equity Shares of ₹10 each	4,0
Subscribed Capital	40,000 Equity Shares of ₹10 each	4,0
Less: Calls in arrears (2,000 × ₹6)		(12
Paid-up Capital		3,8

Table 2: Notes to Accounts for Share Capital

Working Notes:

- Total amount per share:

$$\text{Application (₹5)} + \text{Allotment (₹3)} + \text{Call (₹2)} = ₹10.$$

- Calls in arrears for 2,000 shares:

$$|3(\text{Allotment}) + |2(\text{Call}) = |6 \text{ per share.}$$

Total calls in arrears:

$$2,000 \times |6 = |12,000.$$

Quick Tip

Always account for calls in arrears separately while calculating subscribed and paid-up share capital. Mention these clearly in the Notes to Accounts.

---

23. Pass necessary journal entries for the issue of debentures in the following cases:

(i) Suhavo Ltd. issued 10,000, 11% Debentures of ₹100 each at a discount of 10%, redeemable at a premium of 5%.

(ii) Mudit Ltd. issued 20,000, 9% Debentures of ₹100 each at a premium of 5%, redeemable at a premium of 10%.

(iii) Sudip Ltd. issued 30,000, 8% Debentures of ₹100 each at par, redeemable at a premium of 5%.

Solution:

1. Journal Entries for Suhavo Ltd.:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c Dr.	9,00,000	–
	Discount on Issue of Debentures A/c Dr.	1,00,000	–
	To 11% Debentures A/c	–	10,00,000
	To Premium on Redemption of Debentures A/c	–	50,000
	(Being 10,000 debentures issued at a 10% discount and redeemable at a 5% premium)		

2. Journal Entries for Mudit Ltd.:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c Dr.	21,00,000	–
	To 9% Debentures A/c	–	20,00,000
	To Securities Premium A/c	–	1,00,000
	To Premium on Redemption of Debentures A/c	–	2,00,000
	(Being 20,000 debentures issued at 5% premium and redeemable at 10% premium)		

3. Journal Entries for Sudip Ltd.:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c Dr.	30,00,000	–
	To 8% Debentures A/c	–	30,00,000
	To Premium on Redemption of Debentures A/c	–	1,50,000
	(Being 30,000 debentures issued at par and redeemable at a 5% premium)		

Quick Tip

For debentures issued at a discount or premium, always account for redemption premiums separately. Adjust liabilities and premiums carefully in journal entries.

---

24. Pass necessary journal entries for the following transactions on the dissolution of the partnership firm of Sharma and Verma:

(i) Sharma paid creditors ₹34,000 in full settlement of their claim of ₹40,000.

(ii) Verma agreed to pay his wife's loan of ₹8,000.

(iii) There was an old typewriter, written off from the books, estimated to realize ₹3,000. It was taken over by Verma at the estimated price less 20%.

(iv) Neelu, an old customer whose account of ₹1,500 was written off as bad debt, paid 80% of the amount.

(v) Dissolution expenses amounting to ₹8,000 were paid by Sharma.

(vi) Loss on realization ₹40,000 was to be shared in the profit-sharing ratio of 3:2.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Realisation A/c Dr. To Bank A/c *(Payment to creditors in full settlement)*	40,000 –	– 34,000
–	Verma's Capital A/c Dr. To Realisation A/c *(Verma agreed to pay his wife's loan)*	8,000 –	– 8,000
–	Verma's Capital A/c Dr. To Realisation A/c *(Typewriter taken over by Verma at ₹3,000 less 20%)*	2,400 –	– 2,400
–	Bank A/c Dr. To Realisation A/c *(Recovery from Neelu at 80% of ₹1,500)*	1,200 –	– 1,200
–	Realisation A/c Dr. To Bank A/c *(Dissolution expenses paid by Sharma)*	8,000 –	– 8,000
–	Sharma's Capital A/c Dr. Verma's Capital A/c Dr. To Realisation A/c *(Loss on realization shared in the ratio of 3:2)*	24,000 16,000 –	– – 40,000

Quick Tip

During dissolution, ensure that all liabilities, assets taken over, and expenses are adjusted as per the agreement. The profit-sharing ratio is crucial for distributing losses.

25 (a). Sanju and Manju were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31st March, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital:		Plant	80,000
Sanju	1,40,000	Furniture	1,32,000
Manju	1,20,000	Investments	60,000
General Reserve	40,000	Cash	1,08,000
Creditors	1,80,000	Debtors	60,000
Total	4,80,000	Total	4,80,000

Solution:

Step 1: Revaluation Adjustments.

Furniture is depreciated by ₹6,000, investments appreciated by ₹12,000. The profit is shared in the ratio of 3:2.

Step 2: Capital Adjustment.

Goodwill and reserve adjustments are distributed in the profit-sharing ratio.

Quick Tip

During admission or revaluation, adjust all assets, goodwill, and reserves proportionally. Revaluation profits are shared as per the old ratio.

25(b) Ravi, Tanu, and Sara were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Ravi retired from the firm due to his illness on 31st March, 2023. The Balance Sheet of the firm on that date was as follows:

Balance Sheet of Ravi, Tanu and Sara as at 31st March, 2023

Liabilities	Amount ()	Assets
Capitals:		Fixed Assets
1,20,000		
Ravi	80,000	Stock
1,60,000		
Tanu	1,24,000	Debtors
2,00,000		
Sara	66,000	Cash in hand
80,000		
Total Capitals	2,70,000	Total Assets
5,60,000		
Profit and Loss	1,70,000	
Employees' Provident Fund	20,000	
Creditors	1,00,000	
Total	5,60,000	Total
5,60,000		

Additional Information:

1. Creditors included a sum of 4,000 which was not likely to be claimed.
2. A provision of 5% for doubtful debts to be created on debtors.
3. Goodwill of the firm was valued at 1,60,000.
4. Fixed Assets were found overvalued by 5,000.
5. New profit sharing ratio of Tanu and Sara was agreed at 2 : 3.
6. The amount due to Ravi was transferred to his loan account.

Solution:

Revaluation Account

—|—r—|—r—

Particulars	Amount ()	Particulars	Amount ()
To Provision for doubtful debts A/c	10,000	By Creditors A/c	4,000
To Fixed Assets A/c	5,000	By Loss transferred to Partners' Capital Accounts:	
		Ravi	5,500
		Tanu	3,300
		Sara	2,200
Total	15,000	Total	15,000

Partners' Capital Account

—|—r—r—r—

Particulars	Ravi ()	Tanu ()	Sara ()
To Revaluation A/c	5,500	3,300	2,200
To Ravi's Capital A/c	-	16,000	64,000
To Ravi's Loan A/c	2,39,500	-	-
To Balance c/d	-	1,55,700	33,800
Total	2,45,000	1,75,000	1,00,000
By Balance b/d	80,000	1,24,000	66,000
By Tanu's Capital A/c	16,000	-	-
By Sara's Capital A/c	64,000	-	-
By Profit & Loss A/c	85,000	51,000	34,000
Total	2,45,000	1,75,000	1,00,000

Working Notes

Gaining Share= New share - Old share

Tanu = 2/5 - 3/10 = 1/10 (Gain)

Sara = 3/5 - 2/10 = 4/10 (Gain)

Gaining ratio of Tanu & Sara = 1: 4

Quick Tip

Tanu = $\frac{2}{5} - \frac{3}{10} = \frac{1}{10}$ (Gain)

Sara = $\frac{3}{5} - \frac{2}{10} = \frac{4}{10}$ (Gain)

Gaining ratio of Tanu & Sara = 1 : 4

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

(i) Star Ltd. forfeited 8,000 shares of 100 each issued at 10% premium for non-payment of allotment money of 40 per share (including premium) and first call of 30 per share. The

second and final call of 20 per share was not yet called. Out of these, 6,000 shares were reissued at 80 paid up for 70 per share.

(ii) Premier Ltd. forfeited 3,000 shares of 10 each on which the first call of 3 per share was not received and the second and final call of 2 per share was not yet called. Out of these, 2,000 shares were reissued to Gita at 8 paid up for 12 per share.

Solution: (i) Books of Star Ltd.

Date	Particulars	Dr. Amount ()	Cr. Amount ()
	Share Capital A/c	Dr. 6,40,000	
	Securities Premium A/c	Dr. 80,000	
	To Share Forfeiture A/c		1,60,000
	To Calls in arrears A/c		5,60,000
	(8,000 shares forfeited for non-payment of allotment and 1st call money)		
	Alternatively,		
	Share Capital A/c	Dr. 6,40,000	
	Securities Premium A/c	Dr. 80,000	
	To Share Forfeiture A/c		1,60,000
	To Share Allotment A/c		3,20,000
	To Share First Call A/c		2,40,000
	Bank A/c	Dr. 4,20,000	
	Share Forfeiture A/c	Dr. 60,000	
	To Share Capital A/c		4,80,000
	(6,000 shares reissued @ 70, 80 paid up)		
	Share Forfeiture A/c	Dr. 60,000	
	To Capital Reserve A/c		60,000
	(Gain on reissue of 6,000 shares transferred to capital reserve)		

Solution:(ii) Books of Premier Ltd.

Date	Particulars	Dr. Amount ()	Cr. Amount ()
	Share Capital A/c	Dr. 24,000	
	To Share Forfeiture A/c		15,000
	To Calls in arrears A/c		9,000
	(3,000 shares forfeited for non-payment of 1st call money)		
	Alternatively,		
	Share Capital A/c	Dr. 24,000	

To Share Forfeiture A/c 15,000

To Share First Call A/c 9,000

Bank A/c Dr. 24,000

To Share Capital A/c 16,000

To Securities Premium A/c 8,000

(2,000 shares reissued for 12 per share, 8 paid up)

Share Forfeiture A/c Dr. 10,000

To Capital Reserve A/c 10,000

(Gain on reissue of 2,000 shares transferred to capital reserve)

Quick Tip

1. Share forfeiture amount is credited to Share Forfeiture Account.
2. The reissue amount is credited to Bank Account.
3. Gain on reissue is transferred to Capital Reserve Account.

26(b). Zee Ltd. invited applications for issuing 40,000 shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows:

- On Application – ₹4 per share
- On Allotment – ₹5 per share (including premium)
- On First Call – ₹2 per share
- On Second and Final Call – Balance

Applications were received for 60,000 shares. Applications for 12,000 shares were rejected, and money returned to the applicants. The shares were allotted on a pro-rata basis to the applicants of 48,000 shares. The excess money received on application was adjusted towards sums due on allotment.

All shareholders paid the allotment money except one shareholder who had applied for 1,200 shares. His shares were forfeited immediately after allotment. The first call was made thereafter, and all the money due was received. The second and final call was not yet made.

Solution:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
–	Bank A/c Dr. To Share Application A/c *(Application money received for 60,000 shares at ₹4 per share)*	2,40,000 –	– 2,40,000
–	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c *(Application money adjusted for 40,000 shares and excess refunded)*	2,40,000 – – –	– 1,60,000 64,000 16,000
–	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c *(Allotment money due at ₹5 per share, including ₹2 premium)*	2,00,000 – –	– 1,20,000 80,000
–	Bank A/c Dr. To Share Allotment A/c *(Allotment money received, except for 1,200 shares)*	1,94,000 –	– 1,94,000
–	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c *(1,200 shares forfeited for non-payment of allotment money)*	6,000 2,400 –	– – 8,400
–	Share First Call A/c Dr. To Share Capital A/c *(First call money due at ₹2 per share)*	80,000 –	– 80,000
–	Bank A/c Dr. To Share First Call A/c *(First call money fully received)*	80,000 –	– 80,000

Working Notes:

1. **Application Money Received:**

$$60,000 \times |4 = |2,40,000$$

2. **Application Money Adjusted:**

$$40,000 \times |4 = |1,60,000$$

Excess application money for pro-rata allotment (8,000 shares):

$$8,000 \times |4 = |32,000$$

This is adjusted toward allotment.

3. **Allotment Money Due:**

$$40,000 \times |5 = |2,00,000$$

4. **Forfeiture of 1,200 Shares:**

- Called-up capital:

$$|10 - |2 = |8 \quad \Rightarrow \quad 1,200 \times |8 = |9,600$$

- Premium not received:

$$|2 \times 1,200 = |2,400$$

- Forfeited amount (application money):

$$|4 \times 1,200 = |4,800$$

Quick Tip

In pro-rata allotments, excess application money is adjusted toward allotment first. Shares forfeited for non-payment should adjust both share capital and premium (if applicable).

---

27. 'Paid ₹5,00,000 to acquire shares in Neligare Industries and received a dividend of ₹30,000 after acquisition.' This transaction will result in:

1. Cash outflow from financing activities ₹4,70,000
2. Cash inflow from investing activities ₹4,70,000
3. Cash inflow from financing activities ₹4,70,000
4. Cash outflow from investing activities ₹4,70,000

Correct Answer: (4) Cash outflow from investing activities ₹4,70,000.

Solution: The payment for acquiring shares is considered an outflow under investing activities. Dividend income is also classified under investing activities and reduces the net outflow. Therefore:

$$\text{Net Cash Flow} = |5,00,000 - |30,000 = |4,70,000$$

This results in a cash outflow under investing activities.

Quick Tip

Transactions related to long-term investments, such as purchasing shares, are recorded as investing activities in the cash flow statement.

---

28. (i) Statement I: Issue of Debentures will result in inflow of cash.
Statement II: Issue of Debentures to the vendors for purchase of machinery will result in outflow of cash.
Choose the correct option from the following:
(A) Both statements are correct. (B) Both statements are incorrect. (C) Statement I is correct and Statement II is incorrect. (D) Statement I is incorrect and Statement II is correct.

Correct Answer: (3) Statement I is correct and Statement II is incorrect.

Solution: Statement I: The issue of debentures results in cash inflow as it involves borrowing money from investors, leading to an increase in the firm's cash resources. Hence, this statement is correct.

Statement II: When debentures are issued to vendors for the purchase of machinery, no cash flow is involved in the transaction. It is a non-cash financing activity. Therefore, this statement is incorrect.

Quick Tip

Issuing debentures for cash results in inflows under financing activities, while issuing them in exchange for assets (like machinery) does not impact cash flow directly.

---

28. (ii) What will be the effect of 'Purchase of Marketable Securities for Cash' on the Cash Flow Statement?

(A) No effect

(B)Inflow from financing activities

(C) Outflow from investing activities

(D) Outflow from financing activities

Correct Answer: (A) No effect

Solution: The purchase of marketable securities for cash is classified as an investing activity because it involves acquiring a short-term asset. Such purchases lead to a reduction in cash resources, hence no effect will be there in the cash flow statement.

Quick Tip

Purchase of Marketable Securities for Cash will give no effect on the Cash Flow Statement

---

29. Current Ratio of Super Ltd. is 2:1. Which of the following transactions will result in a decrease in this ratio?

(A) Payment of ₹40,000 to creditors

(B) Sale of furniture (book value ₹38,000) for ₹16,000 only

(C) Repayment of long-term loan of ₹7,00,000

(D) Cash collected from debtors ₹1,18,000

Correct Answer: (C) Repayment of long-term loan of ₹7,00,000.

Solution: The current ratio is calculated as the ratio of current assets to current liabilities. Let's evaluate each transaction: 1. **Payment of ₹40,000 to creditors:** This reduces both current assets (cash) and current liabilities (creditors) equally, leaving the ratio unchanged. 2. **Sale of furniture for ₹16,000:** Furniture is a non-current asset, so this transaction does not impact the current ratio. 3. **Repayment of long-term loan:** This reduces current assets (cash) but does not affect current liabilities, leading to a decrease in the current ratio. 4. **Cash collected from debtors:** This is a movement within current assets (from debtors to cash), keeping the ratio unchanged.

Quick Tip

Repayment of long-term liabilities decreases current assets without changing current liabilities, negatively impacting the current ratio.

30(i). Which of the following is not an objective of 'Analysis of Financial Statements'?

(A) To assess the current profitability and operational efficiency of the firm.

(B) To ascertain the relative importance of different components of the financial position of the firm.

(C) To consider the impact of price level changes.

(D) To identify the reasons for change in the profitability/financial position of the firm.

Correct Answer: (C) To consider the impact of price level changes.

Solution: The primary objective of financial statement analysis is to evaluate the profitability, financial health, and efficiency of the firm. It also helps understand the contribution of various financial components to the company's overall position. However, the analysis does not take into account price level changes; these are typically handled by inflation accounting or price level adjustment techniques.

Quick Tip

The analysis of financial statements focuses on profitability, liquidity, and efficiency but excludes the impact of price level changes.

30(ii). _____ is also known as Acid-Test Ratio.

(A) Current Ratio

(B) Quick Ratio

(C) Gross Profit Ratio

(D) Operating Ratio

Correct Answer: (B) Quick Ratio.

Solution: The Quick Ratio, often referred to as the Acid-Test Ratio, measures a company's ability to meet its short-term obligations using its most liquid assets (cash, marketable securities, and receivables). It excludes inventory and prepaid expenses as they are less liquid compared to other current assets.

Quick Tip

The Quick Ratio offers a stricter measure of liquidity compared to the Current Ratio by excluding inventory and prepaid expenses.

---

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:

1. Livestock
2. Accrued incomes
3. Unpaid dividend

Solution:

1. **Livestock:**

- Major Head: Non-Current Assets
- Sub-Head: Property, Plant, and Equipment

2. **Accrued incomes:**
   - Major Head: Current Assets
   - Sub-Head: Other Current Assets
3. **Unpaid dividend:**
   - Major Head: Current Liabilities
   - Sub-Head: Other Current Liabilities

Quick Tip

Items in the Balance Sheet must be classified following the prescribed structure of Schedule III, Part I of the Companies Act, 2013.

---

32. From the following information calculate 'Gross Profit Ratio':

Revenue from operations	₹10,00,000
Purchases	₹3,00,000
Carriage inwards	₹60,000
Salaries	₹1,18,000
Decrease in inventory	₹40,000
Returns outwards	₹20,000
Wages	₹50,000

Solution: Step 1: Calculate Cost of Goods Sold (COGS):

$$\text{COGS} = \text{Purchases} + \text{Carriage inwards} + \text{Decrease in inventory} - \text{Returns outwards}$$

$$\text{COGS} = 2,80,000 + 40,000 + (50,000 + 60,000) = 4,30,000$$

Step 2: Calculate Gross Profit:

$$\text{Gross Profit} = \text{Revenue from Operations} - \text{COGS}$$

$$\text{Gross Profit} = 10,00,000 - 4,30,000 = 5,70,000$$

Step 3: Calculate Gross Profit Ratio:

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

$$\text{Gross Profit Ratio} = \frac{5,70,000}{10,00,000} \times 100 = 57\%$$

Hence, the Gross Profit Ratio is 57%.

Quick Tip

The Gross Profit Ratio highlights the efficiency of a company in generating profits from its core operations. Always ensure to accurately calculate COGS before determining the ratio.

---

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

Particulars	2022 – 23 (₹)	2021 – 22 (₹)
Revenue from operations	4,00,000	2,00,000
Other income	80,000	40,000
Employee benefit expenses – 50% of Revenue from operations		
Tax rate 50%		

Solution:

Particulars	**2022–23 (₹)**	**2021–22 (₹)**	**% Change**
Revenue from operations	4,00,000	2,00,000	100%
Other income	80,000	40,000	100%
Total Income	4,80,000	2,40,000	100%
Employee benefit expenses	2,00,000	1,00,000	100%
Profit before tax	2,80,000	1,40,000	100%
Tax (50%)	1,40,000	70,000	100%
Profit after tax	1,40,000	70,000	100%

Quick Tip

A Comparative Statement highlights changes in financial performance over two periods in both absolute and percentage terms, helping to identify trends and growth areas.

---

33. (b) Prepare a 'Common Size Statement of Profit and Loss' of Neurosci Ltd. for the year ended 31st March, 2023 from the following information:

Particulars	**2022–23 (₹)**	**2021–22 (₹)**
Revenue from operations	40,00,000	20,00,000
Purchase of stock in trade	4,00,000	2,00,000
Other expenses	40,000	20,000
Tax rate	50%	50%

Solution:

Particulars	**% of Revenue (2022–23)**	**% of Revenue (2021–22)**
Revenue from operations	100.00%	100.00%
Purchase of stock in trade	10.00%	10.00%
Other expenses	1.00%	1.00%
Profit before tax	89.00%	89.00%
Tax (50%)	44.50%	44.50%
Profit after tax	44.50%	44.50%

Table 3: Common Size Statement of Profit and Loss for Neurosci Ltd.

Quick Tip

A Common Size Statement standardizes financial data by expressing all items as a percentage of a base value, like revenue from operations, enabling easy comparison across periods.

---

34. From the following Balance Sheet of Nishant Ltd. as at 31st March, 2023, calculate 'Cash Flows From Operating Activities'.

Solution:

Particulars	**Amount (₹)**
Net Profit before Tax & Extraordinary Items	75,000
Adjustment for Non-Cash and Non-Operating Items:	
Add: Depreciation on Machinery	33,000
Add: Loss on Sale of Machinery	1,000
Add: Interest on Debentures	8,500
Add: Goodwill Written Off	36,000
Operating Profit before Working Capital Changes	1,53,500
Adjustments for Working Capital Changes:	
Less: Decrease in Trade Payables	(12,500)
Less: Increase in Inventories	(4,000)
Less: Increase in Trade Receivables	(13,500)
Cash Generated from Operations	1,23,500
Less: Tax Paid	(38,500)
Net Cash Inflows from Operating Activities	**85,000**

Calculation of Net Profit before Tax and Extraordinary Items

Particulars	**Amount (₹)**
Net Profit for the Year	50,000
Add: Provision for Tax	25,000
Net Profit before Tax & Extraordinary Items	**75,000**

Working Notes: Accumulated Depreciation A/c

Dr.	**Amount (₹)**	**Cr.**	**Amount (₹)**
To Machinery A/c	8,000	By Balance b/d	75,000
To Balance c/d	1,00,000	By Depreciation A/c (Balancing Figure)	33,000
Total	1,08,000	**Total**	1,08,000

Quick Tip

When calculating cash flows from operating activities, adjust for non-cash items, non-operating items, and changes in working capital to derive the cash impact.

PART B

OPTION II
(Computerised Accounting)

27. The process of comparing input data with some unknown data is called: (A) Data storage

(B) Data entry

(C) Data validation

(D) Data filter

Correct Answer: (C) Data validation.

Solution: Data validation is the process of verifying whether input data meets specific criteria or matches known values. It ensures the accuracy and reliability of data by comparing it with a reference set or predefined rules. - Data storage involves saving data. - Data entry refers to the act of inputting data into a system. - Data filtering is used to display or retrieve specific data based on certain conditions.

Quick Tip

Data validation helps maintain data integrity by ensuring that all inputs are accurate and acceptable before being processed.

---

28. (i) From the following, identify a 'Data label' as a chart element:

(A) Details and positions a legend on the chart.

(B) Indicates the individual value plotted on the chart.

(C) Details the data value and categories below the chart.

(D) Is a descriptive text for the chart.

Correct Answer: (C) Details the data value and categories below the chart.

Solution: Step 1: Understanding a Data Label.

A data label is a chart element that displays the value of each data point directly on the chart, making it easier to interpret the information visually. It is typically placed near the corresponding data point for better clarity.

Step 2: Analyze the options.

- **Option (A):** This refers to the legend, which explains the symbols or colors used in the chart, not the individual data points.
- **Option (B):** This is correct because a data label directly indicates the value of each individual data point plotted on the chart.
- **Option (C):** This describes the axis or gridlines, which are unrelated to data labels.
- **Option (D):** This refers to the chart title or description, not a data label.

Step 3: Finalize the answer.

The correct answer is **(B) Indicates the individual value plotted on the chart.**

Quick Tip

A data label is a powerful tool for directly displaying data values on charts, making them more readable and interpretable at a glance.

---

28. (ii) How many logical values can be entered into a logical function?

(A) 525

(B) 552

(C) 255

(D) 15

Correct Answer: (C) 255.

Solution: Logical functions in spreadsheet software, such as ‘IF‘, ‘AND‘, or ‘OR‘, typically allow up to 255 logical arguments. This ensures manageable complexity and efficient processing of the function.

Quick Tip

Logical functions often have specific limits for arguments, so optimize formulas to stay within these constraints for efficient computation.

---

29. 'Data, people _____, _____ and software' are five pillars of a Computerised Accounting System (CAS). Which of the pillars of CAS are missing from the statement?

(A) Procedures and Hardware

(B) Printer and CPU

(C) Mouse and Desktop

(D) Information and Accounts

Correct Answer: (A) Procedures and Hardware.

Solution: The five pillars of a Computerised Accounting System (CAS) are: 1. Data 2. People 3. Procedures 4. Hardware 5. Software Procedures define the methods and processes, while hardware refers to the physical infrastructure used in the system.

Quick Tip

Understanding the five pillars of CAS is essential for establishing an effective accounting system with proper integration of all components.

---

30. (i) 'Sales and Accounts Receivable Sub-system' of Accounting Information System deals with which of the following? 1. Receipt and payment of cash sub-system

2. Recording and maintaining the sales ledger and receivables

3. Ascertaining cost of goods produced

4. Purchase and payment to creditors

Correct Answer: (2) Recording and maintaining the sales ledger and receivables.

Solution: The Sales and Accounts Receivable Sub-system of an Accounting Information System (AIS) is responsible for managing sales records and tracking outstanding receivables.

It ensures that all sales transactions are accurately recorded and customer balances are properly maintained.

Quick Tip

The sales and accounts receivable sub-system is key to monitoring revenue and managing customer payments effectively.

---

30. (ii) A Null value is a special value which represents: 1. Single value data item

2. Item with many values

3. Absence of data items

4. Stored value

Correct Answer: (3) Absence of data items.

Solution: A Null value is used in databases to indicate the absence of any data for a specific field or item. It signifies that no value has been entered or that the value is unknown, making it distinct from zero or an empty string.

Quick Tip

Null values in databases represent missing or undefined data and should be handled carefully in queries to avoid errors.

---

31. What is meant by 'resizing of chart'? How can it be done? Explain.

Solution:

Resizing a chart refers to modifying its dimensions, such as height and width, to better fit within a document or to highlight specific aspects of the data visualization. It ensures the chart is proportionate and aligns with the overall layout.

To resize a chart:

1. Click on the chart to select it.

2. Drag the resizing handles (located at the edges or corners) to adjust the chart's size proportionally.

3. Alternatively, use the chart's formatting menu to specify exact height and width dimensions.

Quick Tip

When resizing charts, maintain proper proportions to avoid distorting the data or labels. Ensure readability and clarity in visualization.

---

32. State any three limitations of Computerised Accounting System.

Solution:

1. High Initial Cost: The implementation of a computerized accounting system requires significant investment in hardware, software, and training.
2. Technical Challenges: Susceptibility to system failures, software bugs, or data corruption can disrupt operations.
3. Security Risks: Cyberattacks or unauthorized access to sensitive financial data pose significant risks if robust security measures are not implemented.

Quick Tip

While computerized accounting systems enhance efficiency, their limitations include costs, dependency on technology, and the need for security safeguards.

---

33. (a) What is meant by Accounting Cycle? List its basic phases.

Solution:

The accounting cycle is a systematic series of steps followed to record, process, and summarize financial transactions over a specific period, culminating in the preparation of financial statements.

The basic phases of the accounting cycle are:

1. Identifying Transactions: Recognizing financial events and transactions.
2. Recording Transactions: Entering transactions in the journal.
3. Posting to Ledger: Classifying transactions in ledger accounts.
4. Trial Balance: Preparing a trial balance to ensure the books are balanced.

5. Adjusting Entries: Making corrections for accrued and deferred items.

6. Financial Statements: Preparing the income statement, balance sheet, and cash flow statement.

7. Closing Entries: Closing temporary accounts and transferring balances to permanent accounts.

Quick Tip

The accounting cycle ensures systematic and error-free financial reporting, facilitating informed decision-making.

---

33. (b) What is 'data formatting'? What tools are used to format a given data?

Solution:

Data formatting involves modifying the appearance or arrangement of data to improve its clarity, presentation, and readability.

It includes setting number formats, text alignment, font styles, and applying conditional formatting.

Tools used for data formatting include:

1. Spreadsheet Software (e.g., Excel, Google Sheets): For formatting tables, charts, and data cells.

2. Data Visualization Tools (e.g., Tableau, Power BI): To create and format visual representations like graphs and dashboards.

3. Word Processing Tools (e.g., Microsoft Word): For formatting reports and tables for professional presentation.

Quick Tip

Data formatting enhances the presentation of information, making it easier to interpret and analyze.

34.

Write the steps to create 'If' function using formula tab and dialogue box on a given

spreadsheet where the total income less expenses if greater than ₹10,000 then 10% savings and if income is less than ₹10,000 then 5% savings. Also write the syntax of the result.

Solution:

To create the 'If' function in a spreadsheet:

1. Select the cell where you want the result to appear.
2. Open the formula tab and click on the "Insert Function" option.
3. From the function list, choose "IF".
4. In the logical test field, input the condition: $(income - expenses) > 10000$.
5. In the value if true field, input: $(income - expenses) \times 10\%$.
6. In the value if false field, input: $(income - expenses) \times 5\%$.
7. Click "OK" to finalize and apply the formula.

The syntax of the function is:

=IF((income - expenses) > 10000, (income - expenses) $\times 10\%, (income - expenses) \times 5\%)$

Quick Tip

The 'If' function in spreadsheets enables logical comparisons to return different results based on specified conditions. It is ideal for conditional calculations.
