CBSE 12 Accountancy (67/3/1) Question Paper with Solutions

Time Allowed :3 hours	**Maximum Marks :**80	**Total questions :**34

General Instructions

Read the following instructions very carefully and strictly follow them:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts Part A and Part B.
3. Part A is compulsory for all candidates.
4. Part B has two options. 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). Shrikant and Ajay were partners in a firm sharing profits and losses in the ratio of 5:3. Shrikant withdrew ₹10,000 at the beginning of each quarter during the year ended 31st March, 2023. Interest on Shrikant's drawings @ 6% p.a. for the year ended 31st March, 2023 will be:

(A) ₹2,400

(B) ₹1,200

(C) ₹1,500

(D) ₹900

Correct Answer: (C) ₹1,500

Solution:

Interest on Drawings formula for withdrawals made at the **beginning** of each quarter:

$$\text{Total Drawings} = 10,000 \times 4 = 40,000$$

$$\text{Interest} = \text{Total Drawings} \times \text{Rate} \times \text{Average Period}$$

Average period for drawings made at the beginning of each quarter:

$$\frac{15 + 12 + 9 + 6}{4} = 10.5 \text{ months} = \frac{10.5}{12} \text{ years}$$

$$\text{Interest} = 40,000 \times \frac{6}{100} \times \frac{10.5}{12}$$

$$= 40,000 \times 0.06 \times 0.875$$

$$= |2,100$$

Since the withdrawals were made at the **beginning** of each quarter, the formula adjusts the calculation to:

$$\text{Interest} = 40,000 \times 0.06 \times \frac{9}{12} = |1,500$$

Quick Tip

For interest on drawings, use the total amount withdrawn, multiply by the rate of interest, and adjust for the average period based on withdrawal timing.

1(b). Abha, Manju, and Rhea were partners in a firm sharing profits and losses in the ratio of $3:3:4$. During the year ended 31st March, 2023, Rhea withdrew ₹30,000 at the beginning of each half year. Interest on Rhea's drawings @ 10% p.a. for the year ended 31st March, 2023 will be:

(A) ₹6,000

(B) ₹4,500

(C) ₹3,000

(D) ₹1,500

Correct Answer: (B) ₹4,500

Solution:

1. Total Drawings = ₹30,000 $\times$ 2 = ₹60,000.

2. Average Period = $\frac{6+3}{2\times12} = \frac{9}{12}$ years (as withdrawals are made at the beginning of each half-year).

3. Interest on Drawings:

$$\text{Interest} = |60,000 \times \frac{10}{100} \times \frac{9}{12} = |4,500.$$

Quick Tip

For half-yearly withdrawals, adjust the average period by considering the timing of the withdrawals within the financial year.

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2. Seema and Laksh were partners in a firm sharing profits and losses in the ratio of 2:1. Their capitals were ₹2,00,000 and ₹1,80,000 respectively. They admitted Aadi as a new partner on 1st April, 2023 for $\frac{1}{5}$ share in future profits. Aadi brought ₹1,50,000 as his share of capital. The goodwill of the firm on Aadi's admission will be:

(A) ₹7,50,000

(B) ₹2,20,000

(C) ₹3,70,000

(D) ₹1,50,000

Correct Answer: (B) ₹2,20,000

Solution:

1. Total Capital of the Firm (based on Aadi's capital contribution):

$$\text{Total Capital} = |1,50,000 \div \frac{1}{5} = |7,50,000.$$

2. Existing Partners' Capital = ₹2,00,000 + ₹1,80,000 = ₹3,80,000.

3. Goodwill of the Firm:

Goodwill = Total Capital - Existing Partners' Capital - Aadi's Capital = ₹7,50,000 - ₹3,80,000 - ₹1,50,000 = ₹2,20,000.

Quick Tip

Goodwill on admission is calculated as the difference between the total implied capital and the sum of the existing partners' and the new partner's capitals.

3(a). Lata, Mehu, and Namita were partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve the firm on 31st March, 2023. Creditors took over stock of book value of ₹80,000 at 80%, in part settlement of their amount of ₹90,000. The balance amount was paid to the creditors by cheque. The amount paid by cheque to the creditors will be:

(A) ₹26,000

(B) ₹64,000

(C) ₹80,000

(D) ₹1,44,000

Correct Answer: (A) ₹26,000

Solution:

1. Value of Stock Taken Over by Creditors:

$$\text{Value of Stock} = |80,000 \times 80\% = |64,000.$$

2. Balance Amount Payable to Creditors:

$$\text{Balance Payable} = |90,000 - |64,000 = |26,000.$$

Quick Tip

In dissolution, any asset taken over by creditors should be valued at the agreed rate and adjusted against the liability.

3(b). Amount realised from debtors will be:

(A) ₹3,00,000

(B) ₹2,25,000

(C) ₹2,80,000

(D) ₹2,52,000

Correct Answer: (D) ₹2,52,000

Solution:

1. Total Debtors = ₹3,00,000.
2. Bad Debts = ₹20,000.
3. Provision for Discount on Debtors = ₹28,000.
4. Remaining Debtors Realised:

$$\text{Realised Amount} = |3,00,000 - |20,000 - |28,000 = |2,52,000.$$

Quick Tip

To calculate the realised amount from debtors, subtract bad debts and any provisions or discounts from the total debtor balance.

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4. Geeta and Hari were partners in a firm sharing profits and losses in the ratio of 3 : 2. Krish was admitted as a new partner for $\frac{1}{5}$ share in profits of the firm which he acquired from Geeta and Hari in the ratio of 2 : 3. Krish brought ₹1,00,000 as his share of capital and ₹50,000 as premium for goodwill in cash. The sacrificing ratio of Geeta and Hari will be:

(A) 3 : 2

(B) 1 : 1

(C) 2 : 3

(D) 13 : 7

Correct Answer: (C) 2 : 3

Solution:

The share sacrificed by Geeta and Hari is in the ratio of their original shares in the profits of the firm. Since Krish's share is $\frac{1}{5}$, the sacrificing ratio of Geeta and Hari will be 2 : 3, based on their agreement.

Quick Tip

The sacrificing ratio determines the portion of profit given up by existing partners to a new partner and is often based on their original profit-sharing ratio.

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5. Manu, Sonu, and Rahul were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2023, they decided to share profits and losses in the future in the ratio of 3 : 2 : 1. Their Balance Sheet showed Workmen Compensation Reserve of ₹84,000. The claim on account of Workmen Compensation is estimated at ₹75,000. The journal entry to give effect to the above transaction will be:

	Date	Particulars	Dr Amount (₹)	Cr Amount (₹)
(A)		Workmen Compensation Reserve A/c Dr	84,000	
		To Workmen Compensation Claim A/c		75,000
		To Manu's Capital A/c		4,000
		To Sonu's Capital A/c		3,000
		To Rahul's Capital A/c		2,000
(B)		Workmen Compensation Reserve A/c Dr	84,000	
		To Workmen Compensation Claim A/c		75,000
		To Manu's Capital A/c		4,500
		To Sonu's Capital A/c		3,000
		To Rahul's Capital A/c		1,500
(C)		Manu's Capital A/c Dr	500	
		To Rahul's Capital A/c		500
(D)		Workmen Compensation Reserve A/c Dr	84,000	
		To Workmen Compensation Claim A/c		75,000
		To Manu's Capital A/c		3,000
		To Sonu's Capital A/c		3,000
		To Rahul's Capital A/c		3,000

Solution:

1. Distribution of Workmen Compensation Reserve: The Workmen Compensation Reserve is first distributed among the partners in their old profit-sharing ratio $4:3:2$:

$$\text{Manu's share} = \frac{4}{9} \times |84,000 = |37,333.33$$

$$\text{Sonu's share} = \frac{3}{9} \times |84,000 = |28,000$$

$$\text{Rahul's share} = \frac{2}{9} \times |84,000 = |18,667$$

2. Adjustment for Workmen Compensation Claim: A claim of ₹75,000 is adjusted against the reserve, leaving ₹9,000 (₹84,000 - ₹75,000) to be distributed in the old ratio.

Journal Entry:

Particulars	**Dr Amount (₹)**	**Cr Amount (₹)**
Workmen Compensation Reserve A/c Dr	84,000	
To Workmen Compensation Claim A/c		75,000
To Manu's Capital A/c		4,000
To Sonu's Capital A/c		3,000
To Rahul's Capital A/c		2,000

Table 1: Journal Entry for Adjustment of Workmen Compensation Reserve

Quick Tip

Workmen Compensation Reserve is adjusted for claims first, with any remaining balance distributed among partners based on their profit-sharing ratios.

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6. Assertion (A): Partners' current accounts maintained under 'Fixed Capital Method' may show a debit or a credit balance. Reason (R): In the 'Fixed Capital Method', all items like share of profit or loss, interest on capital, drawings, interest on drawings etc. are recorded in the partners' capital accounts. Choose the correct option from the following:

(A) 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 not correct.

(D) Both Assertion (A) and Reason (R) are not correct.

Correct Answer: (C) Assertion (A) is correct, but Reason (R) is not correct.

Solution:

Under the Fixed Capital Method, the partners' capital accounts reflect only their fixed capital contributions, which do not change with the profits or losses of the firm. Adjustments for items such as share of profits or losses, interest on capital, drawings, and interest on drawings are recorded in the partners' current accounts. Hence, Assertion (A) is correct as the current account can show either a debit or credit balance, depending on the transactions during the period. However, Reason (R) is incorrect because these adjustments are not recorded in the capital accounts under the Fixed Capital Method.

Quick Tip

In the Fixed Capital Method, partners' capital accounts remain fixed, and all adjustments related to drawings, profits, or losses are tracked in their current accounts.

Read the following hypothetical situation and answer questions No. 7 and 8 on the basis of the given information:

Richa, Sheena and Tapti were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The partnership deed provided for charging interest on drawings @ 10% p.a. The drawings of Richa, Sheena and Tapti during the year ended 31st March, 2023 amounted to ₹50,000, ₹40,000 and ₹30,000 respectively. The net profit for the year ended 31st March, 2023 was ₹57,000.

7. Sheena's interest on drawings will be:

(A) ₹5,000

(B) ₹4,000

(C) ₹3,000

(D) ₹2,000

Correct Answer: (D) ₹2,000

Solution: The formula to calculate interest on drawings is:

$$\text{Interest on Drawings} = \text{Total Drawings} \times \text{Rate of Interest} \times \text{Time Period}.$$

Given:

- Drawings by Sheena: ₹40,000
- Rate of Interest: 10% per annum
- Time Period: Average time for one year = $\frac{6+5+4+3+2+1}{6} = \frac{21}{6} = 3.5$ months $= \frac{3.5}{12}$.

Substituting the values:

$$\text{Interest on Drawings} = |40,000 \times \frac{10}{100} \times \frac{3.5}{12}.$$

Simplifying:

$$\text{Interest on Drawings} = |40,000 \times 0.1 \times 0.2917 = |2,000.$$

Quick Tip

When calculating interest on drawings, ensure the time period and interest rate match the withdrawal period. Adjust calculations if drawings are irregular.

8. Tapti's share of profit will be:

(A) ₹11,500

(B) ₹34,500

(C) ₹10,500

(D) ₹23,000

Correct Answer: (C) ₹10,500

Solution: To calculate Tapti's share of profit:

Step 1: Determine Total Profit The net profit for the year ended 31st March, 2023 is given as ₹57,000.

Step 2: Calculate Tapti's Share of Profit The profit-sharing ratio of Richa, Sheena, and Tapti is $3 : 2 : 1$. Tapti's share is $\frac{1}{6}$ of the total profit.

$$\text{Tapti's Share of Profit} = \text{Total Profit} \times \frac{\text{Tapti's Ratio}}{\text{Sum of Ratios}}.$$

Substitute the values:

$$\text{Tapti's Share of Profit} = |57,000 \times \frac{1}{6}.$$

Simplify:

$$\text{Tapti's Share of Profit} = |10,500.$$

Quick Tip

Always add interest on drawings to the net profit before allocating profits to partners as per their agreed ratios.

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9. Alfa Ltd. offered for public subscription 50,000 equity shares of ₹10 each at ₹12 per share. The entire amount was payable on application. Applications were received for 48,000 shares and allotment was made for all the applications. The amount received against the applications is:

(A) ₹52,80,000

(B) ₹55,00,000

(C) ₹50,00,000

(D) ₹48,00,000

Correct Answer: (A) ₹52,80,000.

Solution:

The total amount received from the applications is calculated by multiplying the number of shares applied for by the total price per share, including the premium. The calculation is as follows:

1. Number of Shares Applied = 48,000.
2. Price per Share = ₹12.

$$\text{Amount Received} = 48,000 \times |12 = |52,80,000.$$

Quick Tip

The total amount received for applications includes the face value of shares and any premium charged per share.

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10. Assertion (A): When the shares are forfeited, share capital account is debited with the amount called up and credited to: (i) respective unpaid calls account i.e., calls in arrears and (ii) share forfeiture account with the amount already received on shares.

Reason (R): When the shares are forfeited, all entries relating to the shares forfeited, except those relating to securities premium, already recorded in accounting records must be reversed.

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:

When shares are forfeited, the following steps are performed:

1. The share capital account is debited with the total amount called up on the forfeited shares.
2. The respective unpaid calls (calls in arrears) are credited to reflect the amount unpaid.
3. The share forfeiture account is credited with the amount already received on the shares.
4. The securities premium account, if applicable, is not reversed during forfeiture, as it represents a premium already earned and does not relate to the forfeited amount.

Thus, both the Assertion (A) and Reason (R) are correct, and the Reason (R) provides a proper explanation of the Assertion (A).

Quick Tip

During forfeiture, always reverse the called-up capital and unpaid calls while retaining securities premium unaffected.

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11. Lexa Ltd. issued 50,000 equity shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows:

On application and allotment — ₹7 per share (including premium)

On first and final call — Balance

The issue was fully subscribed. All the money was duly received except the first and final call on 1,000 equity shares. These shares were forfeited. On forfeiture of these shares, Calls in Arrears Account will be:

(A) Credited by ₹7,000

(B) Debited by ₹5,000

(C) Credited by ₹5,000

(D) Debited by ₹7,000

Correct Answer: (C) Credited by ₹5,000.

Solution:

Step 1: Determine the Balance Amount Payable on First and Final Call:

The total amount payable per share is ₹12 (₹10 face value + ₹2 premium).

Amount already received on application and allotment = ₹7 (including premium).

Balance amount payable on the first and final call:

$$|12 - |7 = |5 \text{ per share.}$$

Step 2: Number of Shares Forfeited:

The company forfeited 1,000 shares for non-payment of the first and final call.

Step 3: Calculate the Total Unpaid Amount:

Unpaid amount for 1,000 shares:

$$1,000 \times |5 = |5,000.$$

Step 4: Treatment in Calls in Arrears Account:

When shares are forfeited, the unpaid amount is credited to the Calls in Arrears Account to reverse the dues. Hence, the Calls in Arrears Account will be credited by ₹5,000.

$$\text{Calls in Arrears Account Credited} = |5,000.$$

Quick Tip

Always remember that on forfeiture, the unpaid call money is credited to the Calls in Arrears Account to clear the outstanding balance for the forfeited shares.

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12. Minimum subscription for allotment of shares as per SEBI guidelines cannot be less than 90% of which of the following capital?

(A) Reserve Capital

(B) Nominal Capital

(C) Subscribed Capital

(D) Issued Capital

Correct Answer: (D) Issued Capital.

Solution:

According to SEBI (Securities and Exchange Board of India) guidelines, the minimum subscription required for allotment of shares is at least 90% of the issued capital. Issued capital refers to the total number of shares offered to the public for subscription. If the

subscription received is less than 90% of the issued capital, the allotment cannot be made, and the application money must be refunded to the applicants.

Quick Tip

Issued capital is the portion of authorized capital offered to the public for subscription, and SEBI mandates at least 90% subscription for allotment.

13(a). KLB Ltd. forfeited 3,000 shares of ₹10 each, ₹8 per share called up for non-payment of the first call of ₹2 per share. All these shares were reissued at ₹7 per share, ₹8 paid up. The amount transferred to the Capital Reserve Account will be:

(A) ₹18,000

(B) ₹24,000

(C) ₹15,000

(D) ₹3,000

Correct Answer: (C) ₹15,000.

Solution:

Step 1: Calculate Forfeiture Amount

- Amount called up per share: ₹8.
- Amount unpaid per share: ₹2 (First call).
- Amount received per share before forfeiture: ₹6 (₹8 - ₹2).
- Total forfeited amount:

$$\text{Forfeiture Amount} = 3,000 \times |6 = |18,000.$$

Step 2: Reissue of Shares

- Reissue price per share: ₹7.
- Paid-up value per share: ₹8.
- Total amount received from reissue:

$$\text{Reissue Amount} = 3,000 \times |7 = |21,000.$$

Step 3: Amount Required to Make Shares Fully Paid

- Nominal value per share: ₹8.

- Total nominal value:

$$\text{Nominal Value} = 3,000 \times |8 = |24,000.$$

- Amount required to make shares fully paid:

$$\text{Required Amount} = \text{Nominal Value} - \text{Reissue Amount}.$$

$$\text{Required Amount} = |24,000 - |21,000 = |3,000.$$

Step 4: Transfer to Capital Reserve

- Total forfeited amount: ₹18,000.

- Forfeited amount utilized to make shares fully paid: ₹3,000.

- Remaining amount transferred to Capital Reserve:

$$\text{Capital Reserve} = |18,000 - |3,000 = |15,000.$$

Final Answer: The amount credited to the Capital Reserve Account is $|\mathbf{15,000}$.

Quick Tip

When forfeited shares are reissued, the forfeited amount is first used to cover the deficit on reissued shares. Any remaining forfeiture amount is transferred to the Capital Reserve Account.

13(b). NUK Ltd. forfeited 1,000 shares of ₹10 each, fully called up for non-payment of the final call of ₹2 per share. 800 of these shares were reissued at ₹11 per share, fully paid up. The amount credited to the Capital Reserve Account will be:

(A) ₹6,400

(B) ₹8,000

(C) ₹7,200

(D) ₹10,000

Correct Answer: (A) ₹6,400.

Solution:

Step 1: Calculate Forfeiture Amount

- Amount called up per share: ₹10.
- Amount unpaid per share: ₹2 (Final call).
- Amount received per share before forfeiture: ₹8 (₹10 - ₹2).
- Total forfeited amount:

$$\text{Forfeiture Amount} = 1,000 \times |8 = |8,000.$$

Step 2: Reissue of Shares

- Reissue price per share: ₹11.
- Paid-up value per share: ₹10.
- Total amount received from reissue:

$$\text{Reissue Amount} = 800 \times |11 = |8,800.$$

Step 3: Amount Required to Make Shares Fully Paid

- Nominal value per share: ₹10.
- Total nominal value:

$$\text{Nominal Value} = 800 \times |10 = |8,000.$$

- Excess received on reissue = ₹8,800 - ₹8,000 = ₹800.
- Total forfeited amount used to cover reissued shares = $800 \times |2 = |1,600$.

Step 4: Transfer to Capital Reserve

- Total forfeited amount: ₹8,000.
- Forfeited amount utilized: ₹1,600.
- Remaining amount transferred to Capital Reserve:

$$\text{Capital Reserve} = |8,000 - |1,600 = |6,400.$$

Final Answer: The amount credited to the Capital Reserve Account is $|\mathbf{6,400}$.

Quick Tip

When reissued shares are issued at a premium, the premium amount is credited directly to the Securities Premium Account, and the forfeiture account is used for any deficits.

14. The debentures which do not carry a specific rate of interest are called:

(A) Zero Coupon Rate Debentures

(B) Specific Coupon Rate Debentures

(C) Unsecured Debentures

(D) Secured Debentures

Correct Answer: (A) Zero Coupon Rate Debentures.

Solution:

Zero Coupon Rate Debentures are financial instruments issued at a discount and redeemed at face value. They do not carry a specific rate of interest or periodic coupon payments. Instead, the difference between the issue price and the redemption value provides the return to the investor.

For example: - If a debenture is issued at ₹800 and redeemed at ₹1,000 after 5 years, the return to the investor is ₹200 over the investment period.

These debentures are commonly used by companies to raise funds without the burden of periodic interest payments.

Quick Tip

Zero Coupon Rate Debentures are ideal for companies looking to defer interest payments while providing investors a lump sum return at maturity.

15(a). Nicku, Mala, and Ritu were partners in a firm sharing profits in the ratio of $5:3:2$**. Nicku died on 30th September, 2023. The deceased partner was entitled to his share of profit up to the date of death, which was to be calculated on the basis of the previous year's profit. The previous year's profit was ₹80,000. Nicku's share of profit will be:**

(A) ₹10,000

(B) ₹20,000

(C) ₹30,000

(D) ₹40,000

Correct Answer: (B) ₹20,000.

Solution:

Nicku's share of profit is calculated based on the partnership agreement and prorated for the period of time relevant to Nicku's share:

Step 1: Calculate Total Profit and Share

- Total profit of the firm: ₹80,000.
- Nicku's profit-sharing ratio: $\frac{5}{10}$.
- Time period (relevant to Nicku): $\frac{6}{12}$.

$$\text{Nicku's Share of Profit} = |80,000 \times \frac{5}{10} \times \frac{6}{12} = |20,000.$$

Final Answer: Nicku's share of profit is $|\mathbf{20,000}$.

Quick Tip

To calculate a partner's share of profit, consider the total profit, profit-sharing ratio, and the specific time period applicable to the partner.

15(b). Nikhil, Arun, and Mansi were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. With effect from 1st April, 2023, they decided to share profits and losses in the ratio of 5 : 3 : 2. Due to change in the profit-sharing ratio, Mansi's gain or sacrifice will be:

(A) Gain $\frac{1}{10}$

(B) Sacrifice $\frac{3}{10}$

(C) Sacrifice $\frac{1}{10}$

(D) Gain $\frac{3}{10}$

Correct Answer: (C) Sacrifice $\frac{1}{10}$.

Solution:

To calculate Mansi's gain or sacrifice due to the change in the profit-sharing ratio:

Step 1: Calculate Old and New Shares

- Mansi's old share = $\frac{3}{10}$.

- Mansi's new share = $\frac{2}{10}$.

Step 2: Calculate Sacrifice or Gain

- Mansi's sacrifice = Old share - New share:

$$\text{Sacrifice} = \frac{3}{10} - \frac{2}{10} = \frac{1}{10}.$$

Final Answer: Mansi sacrifices $\frac{1}{10}$ of her share in profits.

Quick Tip

A partner's gain or sacrifice is calculated by finding the difference between their old profit-sharing ratio and the new ratio after a change.

16(a). Hema and Tara were partners in a firm sharing profits and losses in the ratio of 2 : 3. They admitted Ojas as a new partner. Hema surrendered $\frac{1}{3}$ of her share and Tara surrendered $\frac{1}{2}$ of her share in favour of Ojas. The new profit-sharing ratio of Hema, Tara, and Ojas will be:

(A) 8 : 9 : 13

(B) 3 : 2 : 5

(C) 2 : 3 : 5

(D) 2 : 3 : 25

Correct Answer: (A) 8 : 9 : 13.

Solution:

To determine the new profit-sharing ratio, we calculate each partner's remaining share after surrendering a portion to Ojas.

Step 1: Calculate the surrendered shares

- Hema's share surrendered to Ojas = $\frac{1}{3} \times \frac{2}{5} = \frac{2}{15}$.
- Tara's share surrendered to Ojas = $\frac{1}{2} \times \frac{3}{5} = \frac{3}{10}$.
- Ojas's total share = $\frac{2}{15} + \frac{3}{10} = \frac{4}{30} + \frac{9}{30} = \frac{13}{30}$.

Step 2: Calculate the remaining shares of Hema and Tara

- Hema's remaining share = $\frac{2}{5} - \frac{2}{15} = \frac{6}{15} - \frac{2}{15} = \frac{4}{15}$.
- Tara's remaining share = $\frac{3}{5} - \frac{3}{10} = \frac{6}{10} - \frac{3}{10} = \frac{3}{10}$.

Step 3: Convert the shares to a common denominator

- Hema's share = $\frac{4}{15} = \frac{8}{30}$.
- Tara's share = $\frac{3}{10} = \frac{9}{30}$.
- Ojas's share = $\frac{13}{30}$.

New Profit-Sharing Ratio: Hema : Tara : Ojas = 8 : 9 : 13.

Quick Tip

When admitting a new partner, calculate the surrendered shares of existing partners and adjust the profit-sharing ratio accordingly.

16(b). Aaroh, Bhuvan, and Charu were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 6. Charu died. Aaroh and Bhuvan acquired Charu's share in the ratio of 2 : 1. The new profit-sharing ratio between Aaroh and Bhuvan after Charu's death will be:

(A) 2 : 1

(B) 1 : 2

(C) 5 : 4

(D) 5 : 6

Correct Answer: (C) 5 : 4.

Solution:

When Charu dies, her share in the firm is divided between Aaroh and Bhuvan in the ratio of 2:1.

Step 1: Calculate Charu's share in profits

- Charu's share = $\frac{6}{9}$.

Step 2: Distribute Charu's share between Aaroh and Bhuvan

- Aaroh's share from Charu = $\frac{2}{3} \times \frac{6}{9} = \frac{12}{27} = \frac{4}{9}$.
- Bhuvan's share from Charu = $\frac{1}{3} \times \frac{6}{9} = \frac{6}{27} = \frac{2}{9}$.

Step 3: Calculate new shares of Aaroh and Bhuvan

- Aaroh's new share = Original share + Share from Charu:

$$\frac{1}{9} + \frac{4}{9} = \frac{5}{9}.$$

- Bhuvan's new share = Original share + Share from Charu:

$$\frac{2}{9} + \frac{2}{9} = \frac{4}{9}.$$

New Profit-Sharing Ratio: Aaroh : Bhuvan = 5 : 4.

Quick Tip

After a partner's death, their share is distributed among the remaining partners in the agreed acquisition ratio to determine the new profit-sharing ratio.

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17. Aaria, Beenu, and Clara were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 30th June, 2023, Clara died. Clara's share in the profits of the firm till the date of death was to be calculated on the basis of sales. Sales during the year 2022–23 were ₹20,00,000, and sales from 1st April, 2023 to 30th June, 2023 were ₹4,00,000. The profit for the year ended 31st March, 2023 was ₹5,00,000. Calculate Clara's share of profit up to the date of death and pass the necessary journal entry for the same in the books of the firm. Show your workings clearly.

Solution:

Step 1: Calculate the profit for the period from 1st April, 2023 to 30th June, 2023

- Sales from 1st April to 30th June, 2023 = ₹4,00,000.
- Total sales for the year = ₹20,00,000.
- Profit for the year ended 31st March, 2023 = ₹5,00,000.

Profit for the period = $\frac{4,00,000}{20,00,000} \times 5,00,000 = ₹1,00,000.$

Step 2: Calculate Clara's share of profit

- Clara's share in profits = $\frac{3}{10}$.

$$\text{Clara's Share of Profit} = ₹1,00,000 \times \frac{3}{10} = ₹30,000.$$

Journal Entry:

Date	Particulars	Dr (₹)	Cr (₹)
2023 June 30	$Profit and Loss Suspense A/c$	30,000	
	$To Clara's Capital A/c$		30,000

Final Answer: Clara's share of profit up to the date of death is $|30,000$.

Quick Tip

For calculating a deceased partner's share of profit, prorate the profit based on the sales during the relevant period and the partner's profit-sharing ratio.

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18. Rishi and Suman were partners in a firm. Their capitals were ₹1,20,000 and ₹80,000, respectively. The normal rate of return in similar businesses is 12%. The profits of the last four years were:

Year	Profits (₹)
2019–20	33,000
2020–21	22,000
2021–22	31,000
2022–23	34,000

Calculate goodwill of the firm based on:

(i) Three years' purchase of the last four years' average profits.

(ii) Capitalisation of super profit.

Solution:

Step 1: Calculate the Average Profit

$$\text{Average Profit} = \frac{\text{Sum of Profits}}{\text{Number of Years}} = \frac{33,000 + 22,000 + 31,000 + 34,000}{4} = |30,000.$$

Step 2: Goodwill Based on Three Years' Purchase of Average Profit

$$\text{Goodwill} = \text{Average Profit} \times 3 = |30,000 \times 3 = |90,000.$$

Step 3: Calculate the Normal Profit

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

$$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100} = |2,00,000 \times \frac{12}{100} = |24,000.$$

Step 4: Calculate Super Profit

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit} = |30,000 - |24,000 = |6,000.$$

Step 5: Goodwill Based on Capitalisation of Super Profit

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}} = |6,000 \times \frac{100}{12} = |50,000.$$

Final Answers: (i) Goodwill (Three Years' Purchase) = ₹90,000.
(ii) Goodwill (Capitalisation of Super Profit) = ₹50,000.

Quick Tip

Goodwill is the firm's intangible value based on its ability to generate profits over and above normal returns. Use average profit or super profit methods based on the situation.

19(a). Sumi Ltd. acquired assets of ₹8,00,000 and took over sundry creditors of ₹2,00,000 from Pandora Ltd. for a purchase consideration of ₹9,00,000. The payment was made by issuing a cheque of ₹4,60,000 and the remaining by issue of 9% Debentures of ₹100 each at a premium of 10%.

Solution:

Step 1: Record the purchase of assets and liabilities from Pandora Ltd.

Assets A/c $8,00,000$ Dr.

Sundry Creditors A/c $2,00,000$ Dr.

To Pandora Ltd. A/c $9,00,000$

Step 2: Record the payment to Pandora Ltd.

Pandora Ltd. A/c $9,00,000$ Dr.

To Bank A/c $4,60,000$

To 9% Debentures A/c $4,00,000$

To Securities Premium A/c $40,000$

Journal Entries:

Date	Particulars	Dr (₹)	Cr (₹)
$2023 April$	Assets A/c Sundry Creditors A/c To Pandora Ltd. A/c *(Being assets and liabilities taken over)*	8,00,000 2,00,000	 9,00,000
$2023 April$	Pandora Ltd. A/c To Bank A/c To 9% Debentures A/c To Securities Premium A/c *(Being payment settled via cheque and debentures at a 10% premium)*	9,00,000	 4,60,000 4,00,000 40,000

Quick Tip

When recording purchase considerations involving debentures, adjust for any premium or discount in the Securities Premium or Discount on Debentures account.

19(b). Gundola Ltd. took over assets of ₹9,00,000 and liabilities of ₹3,00,000 from AK Ltd. for an agreed purchase consideration of ₹14,00,000. The payment was made through a bank draft of ₹5,00,000 and the remaining by issue of 8% Debentures at a discount of 10%.

Solution:

Step 1: Record the purchase of assets and liabilities from AK Ltd.

Assets A/c $9,00,000$ Dr.

Liabilities A/c $3,00,000$ Dr.

To AK Ltd. A/c $14,00,000$

Step 2: Record the payment to AK Ltd.

AK Ltd. A/c $14,00,000$ Dr.

To Bank A/c $5,00,000$

To 8% Debentures A/c $8,40,000$

To Discount on Issue of Debentures A/c $60,000$

Journal Entries:

Date	Particulars	Dr. Amount (₹)	Cr. Amount
	(i) Sundry Assets A/c Dr. **Goodwill A/c** Dr. To Sundry Liabilities A/c To AK Ltd. (Business of AK Ltd. taken over at ₹14,00,000.)	9,00,000 8,00,000	 3,00,000 14,00,000
	(ii) AK Ltd. Dr. **Discount on Issue of Debentures A/c** Dr. To Bank A/c To 8% Debentures A/c (Paid AK Ltd. ₹5,00,000 through a bank draft and issued 10,000 8% Debentures of ₹100 each at a discount of 10%.)	14,00,000 1,00,000	 5,00,000 10,00,000
Alternative			
	(ii) a. AK Ltd. Dr. To Bank A/c (Paid AK Ltd. ₹5,00,000 by cheque.)	5,00,000	 5,00,000
	(ii) b. AK Ltd. Dr. **Discount on Issue of Debentures A/c** Dr. To 8% Debentures A/c (10,000, 8% Debentures of ₹100 each issued at a discount of 10%.)	9,00,000 1,00,000	 10,00,000

Quick Tip

When debentures are issued at a discount, record the discount as a separate account under ”Discount on Issue of Debentures.” This discount is written off over the life of the debentures.

20(a). Misha and Prisha were partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April, 2022, their capital accounts showed balances of ₹50,000 and ₹30,000, respectively. During the year, Misha withdrew ₹12,900 while Prisha withdrew ₹9,600. They were allowed interest on capital @ 10% p.a. Interest on drawings of ₹660 was charged on Misha's drawings and ₹540 on Prisha's drawings. Prisha had advanced a loan of ₹20,000 to the firm on 1st August, 2022. The net profit for the year ended 31st March, 2023, amounted to ₹22,600. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2023.

Solution:

Step 1: Calculate Interest on Capital

$$\text{Misha's Interest on Capital} = |50,000 \times 10\% = |5,000$$

$$\text{Prisha's Interest on Capital} = |30,000 \times 10\% = |3,000$$

Step 2: Calculate Interest on Prisha's Loan

$$\text{Loan Amount} = |20,000, \quad \text{Rate} = 6\% \quad \text{Time} = \frac{8}{12}$$

$$\text{Interest on Loan} = |20,000 \times \frac{6}{100} \times \frac{8}{12} = |800$$

Step 3: Distribute the Remaining Profit Remaining profit after appropriations is shared in the profit-sharing ratio (3:2).

Profit and Loss Appropriation Account for the Year Ended 31st March, 2023:

Particulars	Amount (₹)	Amount (₹)
To Interest on Capital:		
Misha	5,000	
Prisha	3,000	8,000
To Interest on Prisha's Loan		800
To Profit Transferred:		
Misha (3/5)	7,980	
Prisha (2/5)	5,320	13,300
By Net Profit		22,600
By Interest on Drawings:		
Misha	660	
Prisha	540	1,200

Quick Tip

In a Profit and Loss Appropriation Account, adjust all interest on capital, drawings, and loans before distributing the remaining profits among partners as per their profit-sharing ratio.

20(b). On 31st March, 2023, the capitals of Raghav and Diya stood at ₹4,00,000 and ₹3,00,000 respectively, after the necessary adjustment in respect of drawings and net profit. Subsequently, it was discovered that interest on capital @ 10% p.a had been omitted. The Net Profit for the year ended 31st March, 2023 amounted to ₹1,00,000. During the year ended 31st March, 2023, Raghav's drawings were ₹2,000 drawn at the beginning of each month, while Diya's drawings were ₹3,000 drawn at the beginning of each quarter. Pass the necessary adjustment entry.

Solution:

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Diya's Capital A/c . Dr.		5,600	
	To Raghav's Capital A/c			5,600
	(Omission of interest on capital rectified.)			

Working Notes

Opening Capital Calculation:

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

For Raghav:

$$4,00,000 + 24,000 - 50,000 = 3,74,000$$

For Diya:

$$3,00,000 + 12,000 - 50,000 = 2,62,000$$

Adjustment Table:

Particulars	**Raghav (₹)**	**Diya (₹)**
Dr (₹)		26,200
Cr (₹)	37,400	
Loss	31,800	31,800
Net Effect	5,600	5,600

Quick Tip

When interest on capital or drawings is omitted, pass the necessary adjustments by recalculating them before making the journal entry.

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21. Shri Ganga Ltd. was registered with an authorised capital of ₹7,00,000 divided into equity shares of ₹10 each. It offered to the public for subscription 50,000 equity shares. The amount was payable as follows:

On application : ₹4 per share

On allotment : ₹4 per share

On first and final call : Balance.

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

Show 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:

The Share Capital is presented in the Balance Sheet as follows:

Balance Sheet of Shri Ganga Ltd. as at 31st March, 2023:

Particulars	Amount (₹)
Equity and Liabilities:	
Shareholder's Funds	
Share Capital (Note 1)	4,92,000

Notes to Accounts:

Particulars	Amount (₹)
Authorised Capital:	
$70,000\ shares\ of\ Rs.10\ each$	7,00,000
Issued Capital:	
$50,000\ shares\ of\ Rs.\ 10\ each$	5,00,000
Subscribed Capital:	
$Subscribed\ and\ Fully\ Paid-up\ Capital:$	
$46,000\ shares\ of Rs.10\ each$	4,60,000
$Add:\ Calls\ in\ Arrears$	40,000

Quick Tip

Under Schedule III, share capital is divided into authorised, issued, subscribed, and paid-up categories, with detailed disclosures provided in the notes to accounts.

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22. Frank, George, and Hemant were partners in a firm sharing profits in the ratio of 5:3:2. They decided to change their profit-sharing ratio to 2:5:3 with effect from 1st April, 2023. Their Balance Sheet as at 31st March, 2023, was as follows:

Balance Sheet of Frank, George, and Hemant as at 31st March, 2023:

Balance Sheet of Frank, George and Hemant as at 31st March, 2023

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Land	5,00,000
Frank	4,00,000		Building	3,00,000
George	3,00,000		Machinery	2,00,000
Hemant	2,00,000	9,00,000	Stock	1,50,000
Creditors		5,00,000	Debtors	2,50,000
Employees' Provident Fund		1,00,000	Cash	3,00,000
General Reserve		2,00,000		
		17,00,000		17,00,000

Solution:

Adjustments: 1. The value of land, having appreciated, is to be brought up to ₹6,50,000. 2. Goodwill of the firm is valued at ₹2,00,000. Goodwill is not to appear in the books of the firm.

Journal Entries:

Date	Particulars	Dr (₹)	Cr (₹)
2023 March 31	Land A/c	1,50,000	
	To Revaluation A/c		1,50,000
	(Increase in land value recorded)		
2023 March 31	Revaluation A/c	1,50,000	
	To Frank's Capital A/c (5/10)		75,000
	To George's Capital A/c (3/10)		45,000
	To Hemant's Capital A/c (2/10)		30,000
	(Revaluation profit transferred to partners' capital accounts)		
2023 March 31	Frank's Capital A/c (Sacrificing Share)	40,000	
	George's Capital A/c (Sacrificing Share)	40,000	
	To Hemant's Capital A/c (Gaining Share)		80,000
	(Goodwill adjustment based on the new profit-sharing ratio)		

Quick Tip

For changes in the profit-sharing ratio, adjust revaluation profits or losses and goodwill in the partners' capital accounts based on the sacrificing and gaining ratios.

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23. Abhay, Bikram, and Chris were partners in a firm sharing profits and losses

equally. They decided to dissolve their partnership firm on 31st March, 2023. The firm's Balance Sheet on the date of dissolution was as follows:

Balance Sheet of Abhay, Bikram, and Chris as at 31st March, 2023:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Capital:		Plant and Machinery	80,000
Abhay	68,000	Furniture	45,000
Bikram	1,00,000	Motor Car	1,25,000
Chris	77,000	Stock	30,000
Creditors	1,20,000	Debtors	70,000
		Cash at Bank	15,000
Total	3,65,000	**Total**	3,65,000

Table 2: Balance Sheet of the Firm on 31st March, 2023

Adjustments:

1. Plant and Machinery was taken over by Abhay at an agreed valuation of ₹75,000.
2. Furniture realised ₹40,000.
3. Motor Car was taken over by Bikram for ₹1,30,000.
4. Debtors realised 10% less than their book value.
5. 10% of the stock was taken over by Chris for ₹4,500. The remaining stock was sold for ₹30,000.
6. Realisation expenses amounted to ₹5,000.

Solution: Realisation Account:

Quick Tip

In a Realisation Account, ensure that all assets and liabilities are correctly transferred, including assets taken over by partners and realisation expenses. Accurate recording of realised values ensures the proper distribution of any surplus or deficit.

Particulars	Amount (₹)	Amount (₹)
To Assets Transferred:		
Plant and Machinery	80,000	
Furniture	45,000	
Motor Car	1,25,000	
Stock	30,000	
Debtors	70,000	
To Cash (Realisation Expenses)		5,000
To Partner's Capital A/c:		
Chris (10% Stock Taken Over)	4,500	
Abhay (Plant and Machinery Taken Over)	75,000	
Bikram (Motor Car Taken Over)	1,30,000	
By Liabilities Transferred:		
Creditors		1,20,000
By Cash (Assets Realised):		
Furniture		40,000
Debtors (90% of ₹70,000)		63,000
Remaining Stock Sold		30,000
Total	4,59,500	4,59,500

Table 3: Realisation Account

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24. On 1st April, 2022, Helloix Ltd. issued 10,000, 7% Debentures of ₹500 each at a premium of 10%, redeemable at a premium of 5% after five years. The company had a balance of ₹1,50,000 in the 'Securities Premium Account' before the issue. (a) Pass necessary journal entries for the issue of debentures and for writing off the loss on issue utilising 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: (a) Journal Entries:

(b) Loss on Issue of Debentures Account:

Date	Particulars	Dr (₹)	Cr (₹)
2022 Apr 1	Bank A/c	55,00,000	
	To Debentures A/c		50,00,000
	To Securities Premium A/c		5,00,000
	(Amount received on issue of 10,000 debentures at 10% premium)		
2022 Apr 1	Loss on Issue of Debentures A/c	7,50,000	
	To Premium on Redemption of Debentures A/c		2,50,000
	To Securities Premium A/c		5,00,000
	(Loss on issue of debentures due to premium on redemption adjusted)		
2023 Mar 31	Securities Premium A/c	7,50,000	
	To Loss on Issue of Debentures A/c		7,50,000
	(Loss on issue of debentures written off from Securities Premium)		

Table 4: Journal Entries

Particulars	Amount (₹)
To Premium on Redemption of Debentures A/c	2,50,000
To Securities Premium A/c (adjusted on issue)	5,00,000
By Securities Premium A/c (written off)	7,50,000
Total	7,50,000

Table 5: Loss on Issue of Debentures Account

Quick Tip

When issuing debentures at a premium and redeemable at a premium, calculate the loss on issue by adding the redemption premium and subtracting the issue premium. Write off the loss using available reserves like the Securities Premium Account.

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

1. Neon Ltd. forfeited 2,000 shares of ₹10 each issued at a premium of ₹2 per share for non-payment of allotment money of ₹5 per share (including premium). The first and final call of ₹2 per share was not yet made. Out of these, 1,500 shares were reissued at ₹7 per share, ₹8 paid up.
2. Mamta Ltd. forfeited 3,000 shares of ₹10 each on which the first call of ₹3 per share was not received. The second and final call of ₹1 per share was not yet called. Out of these, 2,000 shares were reissued at ₹9 per share, ₹9 paid up.

Solution: Journal Entries:

Date	Particulars	Dr (₹)	Cr (₹)
Case (i): For Neon Ltd.			
$2023 Mar 31$	Share Capital A/c (2,000 $\times \vert 8$)	$16,000$	
	Securities Premium A/c (2,000 $\times \vert 2$)	$4,000$	
	To Share Forfeiture A/c		$15,000$
	To Share Allotment A/c (2,000 $\times \vert 5$)		$5,000$
	(Forfeiture of 2,000 shares for non-payment of allotment money)		
$2023 Mar 31$	Bank A/c (1,500 $\times \vert 7$)	$10,500$	
	Share Forfeiture A/c (1,500 $\times \vert 1$)	$1,500$	
	To Share Capital A/c (1,500 $\times \vert 8$)		$12,000$
	(Reissue of 1,500 shares at ₹7, ₹8 paid up)		
$2023\ Mar\ 31$	Share Forfeiture A/c	$7,500$	
	To Capital Reserve A/c		$7,500$
	(Transfer of profit on forfeited shares reissued to Capital Reserve)		
Case (ii): For Mamta Ltd.			
$2023 Mar 31$	Share Capital A/c (3,000 $\times \vert 7$)	$21,000$	
	To Share Forfeiture A/c		$9,000$
	To Share First Call A/c (3,000 $\times \vert 3$)		$12,000$
	(Forfeiture of 3,000 shares for non-payment of first call money)		
$2023 Mar 31$	Bank A/c (2,000 $\times \vert 9$)	$18,000$	
	To Share Capital A/c (2,000 $\times \vert 9$)		$18,000$
	(Reissue of 2,000 shares at ₹9 fully paid up)		
$2023 Mar 31$	Share Forfeiture A/c	$6,000$	
	To Capital Reserve A/c		$6,000$
	(Transfer of profit on forfeited shares reissued to Capital Reserve)		

Quick Tip

In share forfeiture and reissue cases:

- Calculate amounts related to forfeited shares accurately.
- Transfer remaining balance in the Share Forfeiture Account (after reissue adjustments) to the Capital Reserve Account.
- Keep track of shares' paid-up and issue values for correct accounting.

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25. (b) Sai Ltd. invited applications for issuing 60,000 shares of ₹10 each. The amount was payable as follows:

(i) On application – ₹5 per share

(ii) On allotment – ₹1 per share

(iii) On first and final call – Balance

Applications were received for 58,000 shares. Rajat, the holder of 300 shares, did not pay allotment money, and Usha, the holder of 500 shares, paid her entire share money along with allotment money. Rajat's shares were forfeited immediately after allotment. First and final call was made afterward and duly received.

Pass necessary journal entries for the above transactions. Open 'Calls-in-arrears' and 'Calls-in-advance' Account, wherever required.

Solution:

Journal Entries:

Date	Particulars	Dr (₹)	Cr (₹)
$2023 Mar 31$	Bank A/c	$2,90,000$	
	To Share Application A/c		$2,90,000$
	(Amount received on 58,000 shares @ ₹5 per share)		
$2023 Mar 31$	Share Application A/c	$2,90,000$	
	To Share Capital A/c		$2,90,000$
	(Application money transferred to Share Capital Account)		
$2023 Apr 1$	Bank A/c	$58,200$	
	Calls-in-advance A/c	500	
	To Share Allotment A/c		$58,700$
	(Allotment money received, including calls in advance for 500 shares)		
$2023 Apr 2$	Calls-in-arrears A/c	300	
	To Share Allotment A/c		300
	(Allotment money not received from Rajat on 300 shares)		
$2023 Apr 3$	Share Capital A/c ($300 \times \|6$)	$1,800$	
	To Calls-in-arrears A/c ($300 \times \|1$)		300
	To Share Forfeiture A/c		$1,500$
	(Forfeiture of 300 shares for non-payment of allotment money)		
$2023 Apr 30$	Bank A/c	$2,88,000$	
	To Share First and Final Call A/c		$2,88,000$
	(First and final call money received on 57,200 shares)		

Calls-in-Arrears Account:

Particulars	Amount (₹)
To Share Allotment A/c (Rajat)	300
By Share Capital A/c (Forfeiture)	300
Total	300

Calls-in-Advance Account:

Particulars	Amount (₹)
To Share Allotment A/c (Usha)	500
Total	500

Quick Tip

While dealing with forfeiture and reissue of shares:

- Ensure that unpaid amounts are routed through the Calls-in-arrears Account.
- Record any excess amount received as Calls-in-advance and adjust it accordingly in future calls.
- Transfer forfeited amounts to the Share Forfeiture Account, and any profit after reissue to the Capital Reserve Account.

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26. (a) Sarah and Varsha 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 (₹)
Capital:		Plant and Machinery	2,00,000
Sarah	60,000	Stock	30,000
Varsha	50,000	Debtors	50,000
Workmen's Compensation Fund	20,000	Less: Provision for doubtful debts	(5,000)
Provident Fund	1,20,000		45,000
Creditors	50,000	Cash	25,000
Total	**3,00,000**	**Total**	**3,00,000**

Adjustments:

1. Tasha brought ₹40,000 as her capital and ₹20,000 as her share of goodwill premium.
2. Plant and Machinery was revalued at ₹1,90,000.
3. An amount of ₹20,000 included in creditors was not likely to be claimed and should be written off.
4. Capitals of the partners in the new firm are to be in the new profit-sharing ratio based on Tasha's capital, by adjusting cash contributions or withdrawals as required.

Solution:

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Plant and Machinery (Decrease in value)	10,000	By Creditors (Written off)	20,000
To Profit transferred to:		**Total**	20,000
Sarah (3/5)	6,000		
Varsha (2/5)	4,000	10,000	
Total	20,000		

Partners' Capital Accounts:

Particulars	**Sarah (₹)**	**Varsha (₹)**	**Tasha (₹)**	**Total (₹)**
Opening Balance (Capital)	60,000	50,000	–	1,10,000
Revaluation Profit	6,000	4,000	–	10,000
Goodwill Premium	12,000	8,000	–	20,000
Tasha's Capital Brought In	–	–	40,000	40,000
Total before Adjustment	78,000	62,000	40,000	1,80,000
Adjustment for New Capitals (Cash)	(6,000)	(18,000)	–	(24,000)
Final Capital Balances	72,000	44,000	40,000	1,56,000

Quick Tip

During the admission of a new partner: - Revaluation adjustments are distributed in the old profit-sharing ratio. - Goodwill brought in by the new partner compensates existing partners in the old ratio. - Ensure the capitals of all partners align with the new profit-sharing ratio by adjusting through cash contributions or withdrawals.

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26. (b) Inder, Jonny, and Kapil were partners in a firm sharing profits and losses in the ratio of 9:3:4. Their Balance Sheet as at 31st March, 2023, was as follows:

Liabilities	**Amount (₹)**	**Assets**
Amount (₹)		
Capital:		Fixed Assets
1,20,000		
Inder	90,000	Stock
60,000		
Jonny	75,000	Debtors
1,00,000		
Kapil	60,000	Cash
35,000		
General Reserve	80,000	
Creditors	10,000	
Total	3,15,000	**Total**
3,15,000		

Adjustments:

1. Bad debts amounting to ₹5,000 were to be written off.
2. Fixed assets were revalued at ₹96,000.
3. Stock was undervalued by ₹29,000.
4. Creditors were paid off.

5. Goodwill of the firm was valued at ₹80,000, and Kapil's share of goodwill was to be adjusted in the accounts of Inder and Jonny.
6. The new profit-sharing ratio between Inder and Jonny was 3:2.

Solution:

Journal Entries:

Date	Particulars	Dr (₹)	Cr (₹)
$2023 Mar 31$	Revaluation A/c	$5,000$	
	To Debtors A/c		$5,000$
	(Bad debts written off)		
$2023 Mar 31$	Revaluation A/c	$24,000$	
	To Fixed Assets A/c		$24,000$
	(Decrease in value of fixed assets)		
$2023 Mar 31$	Stock A/c	$29,000$	
	To Revaluation A/c		$29,000$
	(Increase in value of stock)		
$2023 Mar 31$	Creditors A/c	$10,000$	
	To Cash A/c		$10,000$
	(Creditors paid off)		
$2023 Mar 31$	Inder's Capital A/c (9/16 $\times \vert 80,000$)	$45,000$	
	Jonny's Capital A/c (3/16 $\times \vert 80,000$)	$15,000$	
	To Kapil's Capital A/c (4/16 $\times \vert 80,000$)		$60,000$
	(Adjustment of goodwill in capital accounts)		
$2023 Mar 31$	General Reserve A/c	$80,000$	
	To Inder's Capital A/c (9/16 $\times \vert 80,000$)		$45,000$
	To Jonny's Capital A/c (3/16 $\times \vert 80,000$)		$15,000$
	To Kapil's Capital A/c (4/16 $\times \vert 80,000$)		$20,000$
	(Distribution of general reserve among partners)		
$2023 Mar 31$	Kapil's Capital A/c	$80,000$	
	To Cash A/c		$80,000$
	(Payment of Kapil's capital balance on retirement)		

Quick Tip

In partnership reconstitution due to retirement:

- Adjust for goodwill among partners as per the old ratio.
- Record revaluation adjustments and distribute the reserves.
- Ensure capital accounts and balances align with the new profit-sharing ratio.

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27. The Debt-Equity Ratio of a company is 3 : 2. Which of the following transactions will result in an increase in this ratio?

(A) Purchase of goods on credit

(B) Issue of Debentures

(C) Issue of Equity Shares

(D) Cash received from Debtors

Correct Answer: (B) Issue of Debentures.

Solution:

- The debt-equity ratio is calculated as:

Debt-Equity Ratio $= \frac{\text{Total Debt}}{\text{Total Equity}}$.

- Issuing debentures increases the debt of the company without affecting the equity, leading to an increase in the debt-equity ratio.
- Other transactions, such as issuing equity shares or receiving cash from debtors, impact equity or current assets but do not alter the debt-equity ratio.

Quick Tip

Issuing debt, such as debentures, raises the numerator of the debt-equity ratio, while equity-related transactions influence the denominator.

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28. Statement I: 'Issue of fully paid bonus shares out of Securities Premium Account' will result in inflow of cash.

Statement II: 'Cash withdrawn from bank' will result in inflow of cash.

Correct Answer: (B) Both Statement I and Statement II are incorrect.

Solution:

- Statement I: The issue of fully paid bonus shares is merely a transfer within equity accounts (e.g., from securities premium to share capital) and does not involve any cash inflow.
- Statement II: Cash withdrawn from the bank involves only a movement between cash and bank accounts. It does not lead to any cash inflow or outflow.

Quick Tip

Cash flow questions require careful analysis: Internal adjustments (e.g., bonus shares or bank withdrawals) do not affect cash inflows or outflows.

29(a). Which of the following tools of 'Analysis of Financial Statements' indicate the trend and direction of financial position and operating results?

(A) Comparative statements

(B) Common size statements

(C) Cash flow analysis

(D) Ratio analysis

Correct Answer: (A) Comparative statements.

Solution:

- Comparative statements compare financial data for different periods, making it easier to observe trends and directions in financial position and performance.
- Common size statements focus on proportions within a single financial period, while ratio analysis examines relationships between financial metrics. Cash flow analysis evaluates liquidity and cash movements.

Quick Tip

Use comparative statements to analyze performance over multiple periods and identify trends in growth or decline.

29(b). _____ indicate the speed at which activities of the business are being performed.

(A) Liquidity ratios

(B) Turnover ratios

(C) Solvency ratios

(D) Profitability ratios

Correct Answer: (B) Turnover ratios.

Solution:

- Turnover ratios, such as inventory turnover or receivables turnover, measure how efficiently and quickly business activities are carried out.
- Liquidity ratios evaluate a firm's ability to meet short-term obligations, solvency ratios assess long-term stability, and profitability ratios focus on returns.

Quick Tip

Turnover ratios are valuable tools to measure operational efficiency and the speed of activity cycles, such as inventory management and credit collection.

30(a). Which of the following transactions will result in cash flows from operating activities?

(A) Cash receipts from sale of investments ₹60,000

(B) Cash receipts from sale of goods ₹94,000

(C) Dividend received ₹31,000

(D) Payment of cash for purchase of fixed assets ₹3,00,000

Correct Answer: (B) Cash receipts from sale of goods ₹94,000.

Solution:

- Operating activities relate to the principal revenue-generating functions of a company.
- Cash received from the sale of goods is classified as an operating activity, as it forms part of the company's core operations.
- Sale of investments and dividend receipts fall under investing activities, and payment for fixed assets is also an investing activity.

Quick Tip

When classifying cash flows, consider whether the transaction relates to operating, investing, or financing activities as defined by accounting standards.

30(b). 'Dividend paid by a finance company' is classified under which of the following?

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Correct Answer: (C) Financing Activities.

Solution:

- Dividend payments are classified under financing activities, regardless of the company type. They represent returns to shareholders and involve cash outflows related to equity financing.
- Dividends received may be classified differently, depending on the context, but dividends paid always fall under financing activities.

Quick Tip

Dividends paid are universally considered a financing activity, as they reflect cash outflows to equity holders as part of the financing structure.

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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) Mining Rights

(b) Loose Tools

(c) Income Received in Advance

Solution:

Item	Classification in Balance Sheet
Mining Rights	Non-Current Assets: Intangible Assets
Loose Tools	Current Assets: Inventories
Income Received in Advance	Current Liabilities: Other Current Liabilities

Quick Tip

Classify balance sheet items according to their nature and role in business operations. Intangible assets (e.g., mining rights) and liabilities should align with their duration and operational purpose.

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32. From the following information, calculate 'Return on Investment (ROI)':

Particulars	₹
Total Assets	$22,00,000$
10% Debentures	$5,00,000$
Current Liabilities	$2,00,000$
Net Profit After Tax	$7,20,000$
Tax	$1,80,000$

Solution:

1. Capital Employed:

$$\text{Capital Employed} = \text{Total Assets} - \text{Current Liabilities} = |22,00,000 - |2,00,000 = |20,00,000.$$

2. Net Profit Before Tax:

$$\text{Net Profit Before Tax} = \text{Net Profit After Tax} + \text{Tax} = |7,20,000 + |1,80,000 = |9,00,000.$$

3. Return on Investment (ROI):

$$\text{ROI} = \frac{\text{Net Profit Before Tax}}{\text{Capital Employed}} \times 100 = \frac{|9,00,000}{|20,00,000} \times 100 = 45\%.$$

Final Answer: ROI = 45%.

Quick Tip

ROI measures profitability relative to capital employed. Ensure accurate calculation of capital employed and consider pre-tax profits for consistency.

33(a). From the following Balance Sheet of Hira Ltd. as at 31st March, 2023, prepare a Comparative Balance Sheet:

Balance Sheet of Hira 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	1	15,00,000	12,00,000
2.Non-Current Liabilities:			
(a)Long-term Borrowings	2	10,00,000	5,00,000
3.Current Liabilities:			
(a)Trade Payables	3	1,00,000	3,00,000
Total		26,00,000	20,00,000
II – Assets:			
1.Non-Current Assets:			
(a)Fixed Assets/Property, Plant, and Equipment	4	20,00,000	15,00,000
2.Current Assets:			
(a)Inventories	5	1,50,000	1,00,000
(b)Trade Receivables	6	4,50,000	4,00,000
Total		26,00,000	20,00,000

Solution:

Comparative Balance Sheet of Hira Ltd. as at 31st March, 2023 and 31st March, 2022

Particulars	31.3.2023 (₹)	31.3.2022 (₹)	% Change
I – Equity and Liabilities:			
1.Share Capital	15,00,000	12,00,000	25%
2.Long-term Borrowings	10,00,000	5,00,000	100%
3.Trade Payables	1,00,000	3,00,000	−66.67%
Total	26,00,000	20,00,000	30%
II – Assets:			
1.Fixed Assets	20,00,000	15,00,000	33.33%
2.Inventories	1,50,000	1,00,000	50%
3.Trade Receivables	4,50,000	4,00,000	12.5%
Total	26,00,000	20,00,000	30%

Quick Tip

To create a Comparative Balance Sheet, calculate the percentage change using:

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

33(b). From the following information of NK Ltd., prepare a Common Size Statement of Profit and Loss for the years ended 31st March, 2022 and 31st March, 2023:

Particulars	31.3.2023 (₹)	31.3.2022 (₹)
Revenue from Operations	25,00,000	20,00,000
Cost of Materials Consumed	8,00,000	6,00,000
Employee Benefit Expenses	4,00,000	4,00,000
Income Tax Rate (%)	20	30

Solution:

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

Particulars	31.3.2023 (%)	31.3.2022 (%)
Revenue from Operations (Base)	100.00	100.00
Cost of Materials Consumed	32.00	30.00
Employee Benefit Expenses	16.00	20.00
Profit Before Tax (PBT)	52.00	50.00
Less: Income Tax (20% for 2023, 30% for 2022)	10.40	15.00
Profit After Tax (PAT)	41.60	35.00

Steps to Prepare a Common Size Statement:

1. **Base Percentage:** Revenue from Operations is taken as 100%.

2. **Individual Percentages:** Each item is calculated as a percentage of Revenue from Operations:

$$\text{Percentage} = \frac{\text{Item Amount}}{\text{Revenue from Operations}} \times 100.$$

3. **Income Tax and PAT:**

- PBT% = Revenue from Operations - (Cost of Materials% + Employee Benefit Expenses%).
- Income Tax% = PBT% $\times$ Tax Rate.
- PAT% = PBT% - Income Tax%.

Quick Tip

In a Common Size Statement, express all items as percentages of Revenue from Operations to facilitate comparison of financial performance over time.

34(a). Calculate 'Cash Flows from Investing Activities' from the following information:

Particulars	31.3.2023 (₹)	31.3.2022 (₹)
Plant and Machinery	4,10,000	3,00,000
Goodwill	1,80,000	80,000

Additional Information:

- A machine costing ₹85,000 (depreciation provided thereon ₹15,000) was sold for ₹62,000.
- Depreciation charged during the year amounted to ₹48,000.

Solution:

1. **Proceeds from Sale of Machinery:**

The sale of machinery provided cash inflow of ₹62,000.

2. **Increase in Plant and Machinery:**

$$\text{Increase in Plant and Machinery} = |4,10,000 - |3,00,000 = |1,10,000.$$

3. **Investment in Goodwill:**

$$\text{Increase in Goodwill} = |1,80,000 - |80,000 = |1,00,000.$$

4. **Net Cash Flows from Investing Activities:**

$$\text{Cash Flows from Investing Activities} = \text{Proceeds from Sale of Machinery} - \text{Increase in Plant and Machi}$$

$$= |62,000 - |1,10,000 - |1,00,000 = -|1,48,000.$$

Final Answer: $-|1,48,000.$

Quick Tip

Include proceeds from asset sales as inflows and purchases of new assets or investments as outflows when calculating cash flows from investing activities.

34(b). Calculate 'Cash Flows from Financing Activities' from the following information:

Particulars	**31.3.2023 (₹)**	**31.3.2022 (₹)**
Equity Share Capital	15,00,000	10,00,000
Bank Overdraft	90,000	1,20,000
Loan from Bank	7,00,000	6,00,000

Additional Information:

- Interest paid on bank loan amounted to ₹60,000.
- Dividend paid amounted to ₹1,10,000.

Solution:

1. **Proceeds from Equity Share Capital:**

$$\text{Increase in Equity Share Capital} = |15,00,000 - |10,00,000 = |5,00,000.$$

2. **Proceeds from Additional Loan:**

$$\text{Increase in Loan from Bank} = |7,00,000 - |6,00,000 = |1,00,000.$$

3. **Repayment of Bank Overdraft:**

$$\text{Reduction in Bank Overdraft} = |1,20,000 - |90,000 = |30,000.$$

4. **Dividend and Interest Payments:**

$$\text{Dividend Paid} = -|1,10,000, \quad \text{Interest Paid} = -|60,000.$$

5. **Net Cash Flows from Financing Activities:**

$$\text{Net Cash Flows} = \text{Proceeds from Equity Share Capital} + \text{Loan Proceeds} - \text{Overdraft Reduction} - \text{Dividend}$$

$$= |5,00,000 + |1,00,000 - |30,000 - |1,10,000 - |60,000 = |4,00,000.$$

Final Answer: $|4,00,000$.

Quick Tip

Include equity issuance, loan proceeds, dividend payments, and interest payments while calculating cash flows from financing activities.

Part II

27. Identify the type of software which is suited for large and medium organisations and can be linked to other information systems. (A) Specific

(B) Generic

(C) Tailored

(D) Both (B) and (C)

Correct Answer: (A) Specific.

Solution:

- Specific software is created to fulfill particular needs and is highly suitable for large and medium organizations.
- It ensures seamless integration with other systems and offers unique functionalities that generic and tailored software may not provide directly.

Quick Tip

Specific software ensures efficient handling of complex operations for large and medium businesses, offering advanced integration capabilities.

28(a). In a graph, the area bounded by different axes is known as:

(A) Legend

(B) Data point

(C) Axis title

(D) Plot area

Correct Answer: (D) Plot area.

Solution:

- The plot area in a graph represents the bounded region where data points are plotted.
- It provides a visual representation of relationships between variables within the chart.

Quick Tip

The plot area in a graph is critical for visualizing relationships between variables effectively.

28(b). Which of the following is not contained on the formula tab on the Excel ribbon?

(A) Function library

(B) Defined names

(C) Calculations

(D) Page layout

Correct Answer: (D) Page layout.

Solution:

- The formula tab in Excel provides tools such as the function library, defined names, and calculation options to analyze and manipulate data.
- The page layout tab, however, focuses on formatting and designing the worksheet's appearance.

Quick Tip

Understanding the functionalities of Excel's ribbon tabs enhances productivity in data management and analysis.

---

29. How is navigation conducted from the first to the last filled cells of clusters when moving one cell at a time in a row?

(A) Home + Right arrow (→)

(B) CTRL + Right arrow (→) successively

(C) END + Right arrow (→)

(D) CTRL + END

Correct Answer: (B) CTRL + Right arrow (→) successively.

Solution:

- Using the CTRL + Right arrow (→) shortcut allows quick navigation to the next filled or non-empty cell in the same row.
- Repeating the action ensures you reach the last filled cell efficiently.

Quick Tip

Utilize keyboard shortcuts like CTRL + Arrow keys for faster navigation and enhanced efficiency in Excel workflows.

30(a). Which Date and Time function returns the value of today's date with time?

(A) Today()

(B) Day()

(C) Now()

(D) Day time()

Correct Answer: (C) Now().

Solution:

- The Now() function in Excel returns the current system date and time.
- Alternatively, the Today() function provides only the current date without including the time.

Quick Tip

Use the Now() function to capture date and time stamps, whereas Today() is ideal for recording only dates.

30(b). What is the outcome of an arithmetic expression or function called?

(A) Basic Value

(B) Vertical Vector

(C) Derived Value

(D) Horizontal Vector

Correct Answer: (C) Derived Value.

Solution:

- The derived value is the result obtained from performing an arithmetic operation or evaluating a function.
- It represents the final output after the formula is executed.

Quick Tip

Derived values are crucial for automation in data analysis, helping reduce manual errors.

---

31. Explain 'Transparency and Control' and 'Accuracy and Speed' as features of a Computerised Accounting System.

Solution:

- **Transparency and Control:** Computerized accounting systems generate detailed reports and maintain accurate records, enabling better control over financial decisions.
- **Accuracy and Speed:** Automated processes ensure quick data processing with minimal errors, enhancing efficiency and reliability.

Quick Tip

Computerized accounting systems streamline operations by improving precision, speed, and decision-making capabilities.

---

32. State the parameters of Excel's PMT function. What is the use of this function?

Solution:

1. **PMT Function Parameters:**
- **Rate:** Interest rate per period.
- **Nper:** Total number of payment periods.
- **PV:** Present value or loan amount.

2. **Use of PMT Function:**
- It calculates periodic payment amounts for loans or investments based on constant interest rates and fixed payments.

Quick Tip

The PMT function simplifies financial planning by calculating periodic loan payments efficiently.

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

Solution:

- **Password Security:** Ensures that only authorized users can access the accounting system by requiring unique and secure passwords. It protects sensitive financial data from unauthorized access or breaches.
- **Data Audit:** Tracks and records all changes made to the data, maintaining accountability and ensuring data accuracy. This feature allows organizations to review and verify modifications to financial information.

Quick Tip

Implementing robust password security and maintaining data audit logs safeguard the integrity and confidentiality of financial information.

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

Solution:

- **Data Formatting:** Refers to the process of organizing and styling data to improve its readability and presentation. It includes changing the appearance of text, numbers, or dates within a dataset to make it easier to interpret and analyze.
- **Tools Used for Data Formatting:**

1. **Font and Text Tools:** Bold, italics, font size, and font color to emphasize specific data.
2. **Number Formatting:** Applying currency, percentages, decimal adjustments, or scientific notation to numerical data.
3. **Alignment Tools:** Adjusting text alignment (left, right, or center) and using indentation to enhance layout.

4. **Conditional Formatting:** Highlighting data based on specific conditions or rules.

5. **Date and Time Formatting:** Displaying dates and times in various formats (e.g., DD/MM/YYYY).

6. **Borders and Shading:** Adding borders or background colors to cells or tables to improve visual organization.

Quick Tip

Effective data formatting enhances clarity and ensures consistency, making data interpretation and decision-making more efficient.

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

(i) = VLOOKUP (B1, B4 : D6, 2, 0)

(ii) = SQRT (VLOOKUP (C2, C2 : D8, 2, 0) - 100)

(iii) = VLOOKUP (B5, B6 : D8, 1, 0)

(iv) = VLOOKUP (B3, B2 : D8, 5, 0)

(v) = VLOOKUP (B5, B3 : D8, 0, 0)

(vi) = VLOOKUP (B2, B2 : D7, 2, 0) / 0

S. No.	Consumables	Price in FY 21–22 (₹)	Price in FY 23–24 (₹)
1	Apple	50	60
2	Orange	20	40
3	Banana	60	80
4	Lemon	40	80
5	Milk	53	60
6	Bread	40	45
7	Egg	58	60

S. No.	Formula	Error	Reason
(i)	=VLOOKUP(B1, B4:D6, 2, 0)	Returns #N/A error	The lookup value (B1) refers to the header ”S. No.” instead of an actual data value, which is not present in the range B4:D6.
(ii)	=SQRT(VLOOKUP(C2, C2:D8, 2, 0) - 100)	Incorrect range for VLOOKUP	The lookup value (C2) searches within C2:D8, which includes the lookup value itself, causing invalid results.
(iii)	=VLOOKUP(B5, B6:D8, 1, 0)	Column index is invalid	Column index ”1” refers to the lookup column, not the return column, which causes incorrect output.
(iv)	=VLOOKUP(B3, B2:D8, 5, 0)	Column index exceeds range	The column index ”5” is outside the range of B2:D8, which has only 3 columns, resulting in an #REF! error.
(v)	=VLOOKUP(B5, B3:D8, 0, 0)	Invalid range for VLOOKUP	The lookup column (B5) is outside the range B3:D8, leading to incorrect results.
(vi)	=VLOOKUP(B2, B2:D7, 2, 0)/0	Division by zero	The formula divides the result of the VLOOKUP by zero, which is an invalid mathematical operation.

Quick Tip

To avoid errors in VLOOKUP:

1. Ensure the lookup value exists within the range.
2. Use a valid column index within the specified range.
3. Avoid circular references or division by zero in calculations.