CBSE 12 Accountancy (67/1/3) 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.

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

The necessary adjustment entry for the above is as follows:

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

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

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

Step 2: Calculate the change in ratios:

Gain or loss = Old Ratio - New Ratio.

Step 3: Adjust General Reserve: Dan's gain = $\frac{5}{10} - \frac{2}{10} = \frac{3}{10}$. Furhan's loss = $\frac{2}{10} - \frac{5}{10} = -\frac{3}{10}$. Adjustment amount = General Reserve × Change in Ratio = Rs.90,000 × $\frac{3}{10}$ = Rs.27,000.

Quick Tip

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

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

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

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

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

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

- Tom's share = $\frac{2}{6} \times Rs.60,000 = Rs.20,000.$

- Vidhi's share = $\frac{1}{6} \times Rs.60,000 = Rs.10,000.$

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

Quick Tip

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

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

(A) Debited to calls in advance account

(B) Credited to calls in advance account

(C) Debited to share capital account

(D) Credited to share capital account

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

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

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

Quick Tip

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

2(b) An offer of securities or invitation to subscribe securities to a select group of persons is termed as:

(A) Buy back of shares

(B) Employee stock option plan

(C) Private placement of shares

(D) Sweat Equity

Correct Answer: (C) Private placement of shares.

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

Quick Tip

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

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

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

All the shares offered were applied for and allotted. All the money due on allotment was received except on 1,500 shares. These shares were forfeited immediately after allotment.

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First and final call was not yet made. At the time of forfeiture, Share Capital Account will be debited by:

(A) Rs.15,000

(B) Rs.24,000

(C) Rs.13,500

(D) Rs.18,000

Correct Answer: (C) Rs.13,500

Solution:

Step 1: Understanding Share Forfeiture

When shares are forfeited, the Share Capital Account is debited by the amount already called-up on those shares.

The total face value of each share is Rs.10, with the following calls made before forfeiture:

- Application Money: Rs.4 per share
- Allotment Money: Rs.5 per share
- First and Final Call: Not yet called

Since the first and final call was not made, only the Application and Allotment money were called up, totaling:

$$\text{Called-up Amount per share} = 4 + 5 = 9$$

Step 2: Calculate the Amount to be Debited

Since 1,500 shares were forfeited, the amount debited to the Share Capital Account is:

$$\text{Total Amount} = 1,500 \times 9$$

$$= 13,500$$

Final Answer:

$$\boxed{Rs.13,500}$$

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Quick Tip

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

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

(B) 4 : 7 : 5 : 4

(C) 8 : 7 : 5 : 4

(D) 7 : 5 : 5 : 4

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

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

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

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

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

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

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

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

Step 4: Finalize the new profit-sharing ratio.

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

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

Quick Tip

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

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

(A) 4 : 3 : 3

(B) 2 : 1 : 3

(C) 2 : 2 : 3

(D) 4 : 3 : 1

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

Solution: Step 1: Determine new shares: Rushil's new share = $4 - \frac{2}{7} = \frac{28}{7} - \frac{2}{7} = \frac{26}{7}$. Abheer's new share = $3 - \frac{1}{7} = \frac{21}{7} - \frac{1}{7} = \frac{20}{7}$. Sunil's share = $\frac{3}{7}$.

Step 2: Combine shares and simplify:

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

Quick Tip

Ensure the shares transferred match the agreed new partner contribution.

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

(A) Rs.32,50,000

(B) Rs.15,60,000

(C) Rs.39,00,000

(D) Rs.26,00,000

Correct Answer: (D) Rs.26,00,000

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

The company invited applications for 50,000 equity shares, but applications were received

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for 2,50,000 shares. Hence, the pro-rata allotment ratio is:

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

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

Step 2: Calculate the total amount received on applications.

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

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

Step 3: Calculate the amount retained by the company.

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

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

Step 4: Calculate the amount refunded.

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

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

Substituting the values:

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

Step 5: Finalize the refund amount.

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

Quick Tip

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

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

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

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

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

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

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

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

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

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

> **Quick Tip**
>
> Irredeemable debentures are perpetual liabilities and are repayable only under specific circumstances like winding up.

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

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

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

(A) Rs.50,000

(B) Rs.1,00,000

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(C) Rs.60,000

(D) Rs.30,000

Correct Answer: (D) Rs.30,000.

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

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

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

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

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

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

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

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

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

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

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

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

Step 4: Finalize the interest on capital for Abha.

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

Quick Tip

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

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8. Babita's share in profit will be:

(A) Rs.60,000

(B) Rs.30,000

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(C) Nil

(D) Rs.1,00,000

Correct Answer: (C) Nil

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

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

Step 2: Calculate the total interest on capital.

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

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

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

The total interest on capital required is:

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

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

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

Step 4: Distribute the available profit.

The ratio of capital balances is:

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

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

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

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

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

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

$$\text{Nil.}$$

Quick Tip

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

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

(A) Rs.17,500

(B) Rs.35,000

(C) Rs.25,000

(D) Rs.10,000

Correct Answer: (A) Rs.17,500

Solution: Step 1: Determine Boris's entitled profit: Boris's share as per the profit ratio = $\frac{3}{10} \times 2,00,000 = Rs.60,000$.

Step 2: Calculate the shortfall: Shortfall = Rs.95,000 - Rs.60,000 = Rs.35,000.

Step 3: Share the shortfall: Abhay and Chetan bear the shortfall equally:

$$\text{Abhay's contribution to Boris} = \frac{Rs.35,000}{2} = Rs.17,500.$$

Quick Tip

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

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

(A) Old partners in old ratio

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(B) New partners in new ratio

(C) New partners in sacrificing ratio

(D) Old partners in sacrificing ratio

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

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

Step 2: Calculate the sacrificing ratio:

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

Quick Tip

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

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

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

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

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

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

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

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

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

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

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

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Quick Tip

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

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

(A) Issued

(B) Called up

(C) Uncalled

(D) Nominal

Correct Answer: (C) Uncalled.

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

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

Quick Tip

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

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

(A) Rs.120

(B) Rs.100

(C) Rs.80

(D) Rs.20

Correct Answer: (D) Rs.20.

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

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

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

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

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

(A) Rs.3,000

(B) Rs.5,000

(C) Rs.4,500

(D) Rs.3,500

Correct Answer: (A) Rs.3,000

Solution: Step 1: Calculate the total amount forfeited.

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

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

Step 2: Calculate the total amount reissued.

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

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

Step 3: Determine the total nominal value and premium.

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

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

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For 500 shares, the total loss is:

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

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

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

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

Substituting the values:

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

Step 5: Finalize the answer.

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

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

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

(A) $3:2$

(B) $5:3$

(C) $3:1$

(D) $2:3$

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

Solution:

Step 1: Understand the initial profit-sharing ratio.

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

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

Step 2: Determine the new profit-sharing ratio.

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

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

Step 3: Calculate the gaining ratio.

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

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

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

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

Similarly, for Divya:

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

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

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

Step 4: Express the gaining ratio.

The gaining ratio between Anju and Divya is:

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

Quick Tip

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

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

(A) $3 : 2$

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(B) $8:7$

(C) $7:3$

(D) $2:3$

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

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

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

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

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

Step 3: Calculate new profit-sharing ratios:

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

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

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

Quick Tip

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

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

(A) Rs.10,000

(B) Rs.50,000

(C) Rs.45,000

(D) Rs.15,000

Correct Answer: (D) Rs.15,000.

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

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

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

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Quick Tip

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

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

(A) Rs.75,000

(B) Rs.70,000

(C) Rs.65,000

(D) Rs.60,000

Correct Answer: (A) Rs.75,000.

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

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

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

Substituting the values:

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

Step 2: Calculate Dona's proportionate capital.

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

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

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

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

Step 3: Finalize Dona's capital contribution.

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

Quick Tip

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

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17. Anmol, Badal and Cheenu were partners in a firm sharing profits and losses in the ratio 5 : 4 : 3. Badal retired. Anmol and Cheenu decided to share profits and losses in future in the ratio 1 : 2. On the day of Badal's retirement, goodwill of the firm was valued at Rs. 1,20,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill (without opening goodwill account), on Badal's retirement.

Solution:

Step 1: To calculate the gaining ratio, we first calculate the new profit-sharing ratio between Anmol and Cheenu after Badal's retirement.

The original profit-sharing ratio of Anmol, Badal, and Cheenu is 5:4:3. After Badal's retirement, Anmol and Cheenu decided to share the profits in the ratio 1:2.

Step 2: Calculate the gain for Anmol and Cheenu: - Anmol's gain = New Share – Old Share = $\frac{1}{3} - \frac{5}{12} = -\frac{1}{12}$ (sacrifice).

- Cheenu's gain = New Share – Old Share = $\frac{2}{3} - \frac{3}{12} = \frac{5}{12}$ (gain).

Step 3: To record the treatment of goodwill without opening a Goodwill account, we use the gaining ratio and the total goodwill amount (Rs. 1,20,000).

Step 4: Calculate the journal entry to record the treatment of goodwill:

In the books of Anmol, Badal and Cheenu

Journal

Date	Particulars	L.F	Dr. Amount (₹)	Cr. Amount (₹)
	Cheenu's Capital A/c Dr.		50,000	
	To Anmol's Capital A/c			10,000
	To Badal's Capital A/c			40,000
	(Goodwill treated on Badal's retirement without opening Goodwill account)			

Quick Tip

For calculating gaining ratio, the gain is the difference between the new share and the old share. Record the journal entry based on the gaining ratio, with no need to open a goodwill account.

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18. Pran and Ron were partners in a firm with a combined capital of Rs. 3,00,000. The normal rate of return was 15%. The profits of the last four years were as follows:

Year	Profit (Rs.)
2019 − 20	50,000
2020 − 21	90,000
2021 − 22	80,000
2022 − 23	70,000

The closing stock for the year 2022-23 was undervalued by Rs. 10,000. Calculate goodwill of the firm b

Solution:

Step 1: Calculation of Normal Adjusted Profit

Year	Profit (Rs.)	Adjustment (Rs.)	Adjusted Profit (Rs.)
2019 − 20	50,000	−	50,000
2020 − 21	90,000	−	90,000
2021 − 22	80,000	−	80,000
2022 − 23	70,000	10,000	80,000
TOTAL	3,00,000		3,00,000

Step 2: Calculate Average Profit:

$$\text{Average Profit} = \frac{\text{Total Adjusted Profit}}{\text{No. of years}} = \frac{3,00,000}{4} = Rs.75,000$$

Step 3: Calculate Normal Profit:

$$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100} = 3,00,000 \times \frac{15}{100} = Rs.45,000$$

Step 4: Calculate Super Profit:

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit} = 75,000 - 45,000 = Rs.30,000$$

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Step 5: Calculate Goodwill:

$$\text{Goodwill} = \frac{\text{Super Profit} \times 100}{\text{Normal Rate of Return}} = \frac{30,000 \times 100}{15} = Rs.2,00,000$$

Final Conclusion: The goodwill of the firm is Rs. 2,00,000.

Quick Tip

To calculate goodwill using the capitalization of super profit method, find the super profit by subtracting the normal profit from the average profit, and then multiply by $\frac{100}{\text{Normal Rate of Return}}$.

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

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

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

- Face value of each debenture = Rs.100.

- Discount = 4% of Rs.100 = Rs.4.

- Issue price = Rs.100 - Rs.4 = Rs.96 per debenture.

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

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

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

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

Quick Tip

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

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

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

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

- Face value of each debenture = Rs.100.

- Premium = 20% of Rs.100 = Rs.20.

- Issue price = Rs.100 + Rs.20 = Rs.120 per debenture.

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

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

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

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

Quick Tip

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

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

Solution:

Step 1: Calculate the difference in interest on capital.

The excess interest on capital credited to the partners' accounts is calculated as follows:

$$\text{Excess Rate of Interest} = 8\% - 5\% = 3\%.$$

- Mohan's Capital: $Rs.2,00,000 \times 3\% = Rs.6,000.$
- Suhaan's Capital: $Rs.1,00,000 \times 3\% = Rs.3,000.$
- Adit's Capital: $Rs.1,00,000 \times 3\% = Rs.3,000.$

Step 2: Pass the adjusting journal entry.

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Date	Particulars	Debit (Rs.)	Credit (Rs.)
—	$Mohan'sCapitalA/cDr.$	$6,000$	—
—	$Suhaan'sCapitalA/cDr.$	$3,000$	—
—	$Adit'sCapitalA/cDr.$	$3,000$	—
—	$ToProfitandLossAdjustmentA/c$	—	$12,000$

Explanation: The excess interest credited to the partners' accounts is debited, and the Profit and Loss Adjustment Account is credited to rectify the error.

Quick Tip

When calculating interest on capital, ensure the correct rate is applied. Any discrepancies are adjusted through the Profit and Loss Adjustment Account.

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

Solution:

Step 1: Calculate the interest on capital.

- Manoj's Interest on Capital: $Rs.90,000 \times 10\% = Rs.9,000$.
- Nitin's Interest on Capital: $Rs.80,000 \times 10\% = Rs.8,000$.

Step 2: Adjust for interest on drawings.

- Manoj's Interest on Drawings: Rs.3,000.
- Nitin's Interest on Drawings: Rs.2,000.

Step 3: Net adjustment to the partners' accounts.

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- Manoj: $Rs.9,000 - Rs.3,000 = Rs.6,000$ (net credit).
- Nitin: $Rs.8,000 - Rs.2,000 = Rs.6,000$ (net credit).

Step 4: Pass the adjusting journal entry.

Date	Particulars	Debit (Rs.)	Credit (Rs.)
—	$ProfitandLossAdjustmentA/cDr.$	$12,000$	—
—	$ToManoj'sCapitalA/c$	—	$6,000$
—	$ToNitin'sCapitalA/c$	—	$6,000$

Explanation: Interest on capital not credited earlier is now provided, net of interest on drawings.

Quick Tip

Ensure that all interest calculations, both on capital and drawings, are accurate and adjusted in the partners' accounts at the year-end.

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

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

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

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

Solution:

Step 1: Calculation of Share Capital

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

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

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

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

Step 2: Presentation in the Balance Sheet

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

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

Notes to Accounts:

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

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Quick Tip

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

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

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Capitals:		Investments	$80,000$
Archana	$80,000$	Plant	$1,00,000$
Vandana	$70,000$	Stock	$40,000$
Arti	$60,000$	Debtors	$50,000$
General Reserve	$30,000$	Cash at Bank	$30,000$
Creditors	$60,000$		
Total	**3,00,000**	**Total**	**3,00,000**

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

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

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

(iii) Expenses of realisation amounted to Rs.20,000 and were paid by Arti.

Required: Prepare the Realisation Account.

Solution: Step 1: Calculate Realisation from Assets and Investments - Debtors realised Rs.40,000.

- Stock realised Rs.50,000.
- Plant realised Rs.60,000.
- Vandana took 25% of investments = $\frac{25}{100} \times 80,000 = 20,000.$

She paid Rs.18,000. - Remaining 75% investments = Rs.60,000. Archana took these at 10% less = $60,000 - 6,000 = 54,000.$

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Step 2: Total Realisations:

Total = Debtors + Stock + Plant + Vandana + Archana = Rs.40,000 + Rs.50,000 + Rs.60,000 + Rs.18,00

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

Step 4: Calculate Realisation Profit:

Profit = Total Realisation - (Expenses + Liabilities).

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

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

Realisation Account:

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Sundry Assets:		By Creditors (Paid)	60,000
Investments	80,000	By Cash (Debtors Realised)	40,000
Plant	1,00,000	By Cash (Stock Realised)	50,000
Stock	40,000	By Cash (Plant Realised)	60,000
Debtors	50,000	By Vandana (Investments)	18,000
		By Archana (Investments)	54,000
To Cash (Realisation Expenses)	20,000	By Profit Transferred:	
To Capital Accounts:		Archana	21,000
Archana (Profit Share)	21,000	Vandana	12,600
Vandana (Profit Share)	12,600	Arti	8,400
Arti (Profit Share)	8,400		
Total	**3,50,000**	**Total**	**3,5,000**

Quick Tip

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

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23. Jatin, Kartik and Lakhan were partners in a firm sharing profits and losses in the ratio of 7 : 5 : 3. Their Balance Sheet as at 31st March, 2023, was as follows:

Balance Sheet of Jatin, Kartik and Lakhan as at 31st March, 2023

Liabilities		Amount ₹	Assets	Amount ₹
Bills Payable		80,000	Bank	40,000
General Reserve		60,000	Stock	80,000
Capitals :			Debtors	1,00,000
Jatin	1,00,000		Fixed Assets	1,20,000
Kartik	60,000			
Lakhan	40,000	2,00,000		
		3,40,000		3,40,000

Kartik died on 30th September, 2023. According to the partnership deed, Kartik's legal representatives were entitled to the following :

(i) Balance in his Capital Account.

(ii) Interest on capital @ 10% p.a.

(iii) His share of goodwill. Goodwill of the firm was valued on the basis of twice the average of the preceding four years profits.

(iv) His share in profits up to the date of death on the basis of total profits for the preceding two years. Profits for the previous four years were :

Profits for the previous four years were :

	₹
2019 – 20	1,41,000
2020 – 21	(30,000)
2021 – 22	60,000
2022 – 23	69,000

Prepare Kartik's Capital Account to be rendered to his legal representatives.

Solution:

Journal Entry for Kartik's Capital A/c:

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Dr.	Kartik's Capital A/c		Cr.
Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Kartik's Executor's A/c/ Legal Representatives A/c (½)	1,44,500	By Bal b/d By General Reserve A/c By Interest on Capital A/c By Jatin's Capital A/c By Lakhan's Capital A/c By Profit and Loss Suspense A/c	60,000 20,000 3,000 28,000 12,000 21,500
	1,44,500		1,44,500

Working Notes:

- (i) Goodwill = $2 \times 2,40,000 = 1,20,000$, $\frac{1}{4}$ Kartik's Share in firm's Goodwill = $\frac{1{,}20{,}000 \times 5}{15} = 40,000$
- Gaining ratio between Jatin and Lakhan = 7:3
- (ii) Kartik's Share in the Profit up to the date of death = $1,29,000 \times \frac{6}{12} \times \frac{5}{15} = 21,500$

Quick Tip

For calculating goodwill using the capitalization of super profit method, find the super profit by subtracting the normal profit from the average profit, and then multiply by $\frac{100}{\text{Normal Rate of Return}}$.

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24. On 1st April, 2022, Zoltas Ltd. issued 20,000 7% Debentures of Rs. 100 each at a discount of 5%, redeemable at par after five years. The company had a balance of Rs. 70,000 in Securities Premium Account.

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

Solution:

(a) Journal Entries:

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Date	Particulars	L.F	Dr Amount (₹)	Cr Amount (₹)
2022 Apr 1	(i) Bank A/c Dr.		19,00,000	
	To Debenture Application & Allotment A/c			19,00,000
	(Application money received for 20,000 7% Debentures)			
Apr 1	(ii) Debenture Application & Allotment A/c Dr.		19,00,000	
	Discount on issue of Issue of Debentures A/c Dr.		1,00,000	
	To 7% Debentures A/c			20,00,000
	(Debentures issued at 5% discount)			
2023 Mar 31	(iii) Securities Premium A/c Dr.		70,000	
	Statement of Profit and Loss Dr.		30,000	
	To Discount on Issue of Debentures A/c			1,00,000
	(Discount on issue of debentures written off)			

Quick Tip

When debentures are issued at a discount, the discount amount is transferred to a separate account called 'Discount on Issue of Debentures'. This is written off by utilizing the Securities Premium Account if available.

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

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Solution:

(b) Discount on Issue of Debentures Account:

Date **Particulars**	**Particulars** **Amount (Rs.)**	**Amount (Rs.)**	**Date**
2022 Apr 1 By Securities Premium A/c By Statement of Profit and Loss	To 7% Debentures A/c 70,000 30,000	1,00,000	2023 Mar 31

Quick Tip

When debentures are issued at a discount, the discount amount is transferred to a separate account called 'Discount on Issue of Debentures'. This is written off by utilizing the Securities Premium Account if available.

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

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

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

Solution:

Step 1: Calculation of Total Application Money Received

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

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

Step 2: Refund for Rejected Shares

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

Step 3: Pro-rata Allotment and Adjustments

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

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

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

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

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

Shares reissued at Rs.5 per share fully paid.

Journal Entries in the Books of Qumtan Ltd.:

Date	**Particulars**	**Amount (Rs.)**
2023	Bank A/c Dr.	12,80,000
	To Equity Share Application and Allotment A/c	12,80,000
	(Being application money received on 1,60,000 shares at Rs.8 per share)	
2023	Equity Share Application and Allotment A/c Dr.	12,80,000
	To Equity Share Capital A/c	5,00,000
	To Securities Premium A/c	3,00,000
	To Bank A/c (Refund)	4,80,000
	(Being application money transferred to capital and premium, excess refunded)	
2023	Bank A/c Dr.	4,00,000
	To Equity Share First and Final Call A/c	4,00,000

	(Being first and final call money received, except for 200 shares)	
2023	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being unpaid call money on 200 shares)	1,600 1,600
2023	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Forfeited Shares A/c To Equity Share First and Final Call A/c (Being 200 shares forfeited)	2,000 1,200 800 2,400
2023	Bank A/c Dr. Forfeited Shares A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued at Rs.5 per share)	1,000 1,000 2,000
2023	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being profit on reissue of shares transferred to capital reserve)	800 800

Quick Tip

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

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

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

Additional Information:

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Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected, and pro-rata allotment was made to the remaining applicants as follows:

- **Category A:** Applicants for 80,000 shares were allotted 40,000 shares.
- **Category B:** Applicants for 60,000 shares were allotted 40,000 shares.

Excess money received on application was adjusted toward the amount due on allotment and first and final call. All the amounts due on allotment and first and final call were duly received.

Solution:

Step 1: Calculation of Application Money Received

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

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

Step 2: Refund for Rejected Applications

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

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

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

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

Step 4: Allotment Money Due and Received

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

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

$$\text{Excess Money Adjusted = Rs.1,80,000 ¿ Allotment Due (Rs.1,60,000).}$$

$$\text{Excess Remaining After Allotment = Rs.1,80,000 - Rs.1,60,000 = Rs.20,000.}$$

Step 5: First and Final Call Money Due and Received

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

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

Journal Entries in the Books of Printkit Limited:

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

Quick Tip

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

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

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

Adjustments:

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

Solution:

Step 1: Revaluation of Assets and Liabilities

$$\text{Depreciation on Fixed Assets} = 30\% \text{ of Rs.}90{,}000 = \text{Rs.}27{,}000.$$

$$\text{Increase in Stock Value} = \text{Rs.}45{,}000 - \text{Rs.}38{,}000 = \text{Rs.}7{,}000.$$

$$\text{Net Loss on Revaluation} = \text{Rs.}27{,}000 - \text{Rs.}7{,}000 = \text{Rs.}20{,}000.$$

$$\text{Revaluation Loss Shared in Ratio } 3:2: \quad \text{Shubhi} = \text{Rs.}12{,}000, \quad \text{Revanshi} = \text{Rs.}8{,}000.$$

Step 2: Goodwill Adjustment

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

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$$\text{Total Goodwill} = \text{Rs.}50{,}000 \text{ (Pari's Contribution)} \times 4 = Rs.2,00,000.$$

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

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

$$\text{Premium for Goodwill Shared: Shubhi} = \text{Rs.30,000}, \quad \text{Revanshi} = \text{Rs.20,000.}$$

Step 3: Capital Adjustment Based on Pari's Capital

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

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

Dr. **REVALUATION A/c** Cr.

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Fixed Assets A/c ½	27,000	By Stock A/c ½	7,000
		By Loss transferred to Partners' Capital A/c: ½ Shubhi- 12,000 Revanshi- 8,000	20,000
	27,000		27,000

Dr. **PARTNERS' CAPITAL A/c** Cr.

Particulars	Shubhi ₹	Revanshi ₹	Pari ₹	Particulars	Shubhi ₹	Revanshi ₹	Pari ₹
To Revaluation A/c ½	12,000	8,000		By Bal b/d ½	60,000	32,000	
To Cash A/c ½	6,000			By General Reserve A/c ½	18,000	12,000	
To Bal c/d 1	90,000	60,000	50,000	By Cash A/c ½			50,000
				By Premium for Goodwill A/c ½	30,000	20,000	
				By Cash A/c ½		4,000	
	1,08,000	68,000	50,000		1,08,000	68,000	50,000

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

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

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

Quick Tip

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

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

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

Shashi retired from the firm on 1st April, 2023, on the following terms:

(i) Fixed Assets were valued at Rs.56,000.

(ii) Stock was taken over by Shashi at Rs.26,000.

(iii) Goodwill of the firm was valued at Rs.18,000 on Shashi's retirement.

(iv) Balance in Shashi's Capital Account was transferred to her loan account.

Prepare Revaluation Account and Partners' Capital Accounts.

Solution:

Revaluation Account:

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Particulars	Dr. (Rs.)	Cr. (Rs.)
Fixed Assets (Decrease in value)	24,000	—
—	Stock (Increase in value)	6,000
Loss transferred to:		
Rishi's Capital A/c ($\frac{1}{2}$)	—	9,000
Shashi's Capital A/c ($\frac{1}{6}$)	—	3,000
Trishi's Capital A/c ($\frac{1}{3}$)	—	6,000
Total	24,000	24,000

Partners' Capital Accounts:

Dr. **PARTNERS' CAPITAL A/c** Cr.

Particulars	**Rishi** ₹	**Shashi** ₹	**Trishi** ₹	**Particulars**	**Rishi** ₹	**Shashi** ₹	**Trishi** ₹
To Revaluation A/c ½	9,000	3,000	6,000	By Bal b/d ½	36,000	30,000	20,000
To Stock A/c ½		26,000		By General Reserve A/c ½	15,000	5,000	10,000
To Shashi's Capital A/c ½	1,800		1,200	By Rishi's Capital A/c ½		1,800	
To Shashi's Loan A/c ½		9,000		By Trishi's Capital A/c ½		1,200	
To Bal c/d ½	40,200		22,800				
	51,000	38,000	30,000		51,000	38,000	30,000

Final Answer: The Revaluation Account and Partners' Capital Accounts are prepared as shown above.

Quick Tip

In retirement of a partner: 1. Adjust revaluation of assets and liabilities through the Revaluation Account.

2. Distribute goodwill among continuing partners in their gaining ratio.

3. Transfer retiring partner's capital to a loan account, if not paid off immediately.

Part B

Option I

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

(A) Labour Unions

(B) Trade Payables

(C) Top Management

(D) Finance Manager

Correct Answer: (B) Trade Payables

Solution:

Trade payables are suppliers who provide goods and services on credit. They are interested in the company's liquidity, as it determines the firm's ability to repay its short-term liabilities promptly.

> Quick Tip
>
> Key liquidity ratios like Current Ratio and Quick Ratio are used to assess the firm's ability to meet short-term obligations.

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

(A) Liquidity

(B) Turnover

(C) Solvency

(D) Profitability

Correct Answer: (C) Solvency

Solution:

Solvency ratios like Debt-to-Equity Ratio and Interest Coverage Ratio measure the ability of a business to meet its long-term debt obligations. They provide insights into the firm's financial stability over the long term.

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Quick Tip

Solvency ratios are crucial for creditors and investors to evaluate the risk of long-term investments in the company.

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

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

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

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

(D) No flow of cash

Correct Answer: (D) No flow of cash

Solution:

This transaction represents a non-cash item. The company acquires machinery in exchange for equity shares. Since there is no movement of cash in the transaction, it does not appear in the cash flow statement.

Quick Tip

Non-cash transactions such as issuing equity shares for assets are disclosed separately in the notes to financial statements.

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

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Correct Answer: (B) Investing Activities

Solution:

Capital gains tax is directly related to the sale of fixed assets, which is categorized under investing activities. The payment of such tax reduces the cash inflow generated from the

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investing activity.

Quick Tip

All cash flows associated with the purchase or sale of fixed assets, including related taxes, are classified under investing activities in the cash flow statement.

---

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

(A) Cash received from debtors

(B) Sold goods on credit

(C) Purchased goods on credit

(D) Purchased goods on cash

Correct Answer: (B) Sold goods on credit

Solution:

The Quick Ratio is calculated as:

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

Selling goods on credit increases quick assets (accounts receivable) without impacting current liabilities, thereby increasing the ratio.

Quick Tip

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

---

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

(A) Payment to creditors

(B) Interest received by a non-finance company

(C) Dividend received by a non-finance company

(D) Amount received from debtors

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Correct Answer: (D) Amount received from debtors

Solution:

Cash inflows from operating activities arise from the principal revenue-generating activities of a business. Receiving cash from debtors represents the collection of amounts from customers, which is a core operating activity.

Quick Tip

The classification of cash flows depends on the nature of the business. For non-financial companies, interest and dividend income are investing activities.

---

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 : 3

(a) Cheques in hand

(b) Marketable Securities

(c) Trademarks

Solution:

Items	**Major Heads**	**Sub Heads**
(a) Cheques in hand	Current Assets	Cash and Cash Equivalents
(b) Marketable Securities	Current Assets	Current Investments
(c) Trademarks	Non-Current Assets	Fixed Assets/Property- Intangible Assets

Quick Tip

- ”Cheques in hand” are classified under ”Current Assets” as part of ”Cash and Cash Equivalents”.
- ”Marketable Securities” are classified under ”Current Assets” as part of ”Current Investments”.
- ”Trademarks” are classified under ”Non-Current Assets” as part of ”Intangible Assets”.

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32.

From the given information, calculate:

(a) Trade Receivables Turnover Ratio

(b) Current Ratio

Particulars	**Amount (Rs.)**
Credit Revenue from Operations	$80,00,000$
Debtors	$25,00,000$
Bills Receivables	$15,00,000$
Total Assets	$50,00,000$
10% Debentures	$12,00,000$
Creditors	$13,00,000$
Bills Payable	$7,00,000$

Solution:

(a) Trade Receivables Turnover Ratio:

$$\text{Average Trade Receivables} = \text{Debtors}+\text{Bills Receivables} = 25,00,000+15,00,000 = 40,00,000$$

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}} = \frac{80,00,000}{40,00,000} = 2\,\text{times}$$

(b) Current Ratio:

$$\text{Current Assets} = \text{Debtors} + \text{Bills Receivables} = 25,00,000 + 15,00,000 = 40,00,000$$

$$\text{Current Liabilities} = \text{Creditors} + \text{Bills Payable} = 13,00,000 + 7,00,000 = 20,00,000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{40,00,000}{20,00,000} = 2:1$$

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Quick Tip

- For Trade Receivables Turnover Ratio, the formula is: $\frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$.
- For Current Ratio, the formula is: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$.

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

Balance Sheet of Geox Ltd. as at 31st March, 2023

Particulars	Note No.	31.3.2023 ₹	31.3.2022 ₹
I – Equity and Liabilities :			
1. Shareholders' Funds			
(a) Share Capital		4,00,000	2,50,000
2. Non-Current Liabilities			
(a) Long-term Borrowings		2,00,000	1,50,000
3. Current Liabilities			
(a) Trade Payables		2,00,000	1,00,000
Total		8,00,000	5,00,000
II – Assets :			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		4,00,000	3,50,000
2. Current Assets			
(a) Inventories		2,00,000	70,000
(b) Trade Receivables		2,00,000	80,000
Total		8,00,000	5,00,000

Solution:

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

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

Explanation:

1. Purpose of Common Size Statement:

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

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2. Key Observations:

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

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

Quick Tip

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

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

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Fixed Assets	80,000
Rishi	36,000		Stock	20,000
Shashi	30,000		Debtors	30,000
Trishi	20,000	86,000	Cash	40,000
General Reserve		30,000		
Creditors		54,000		
		1,70,000		1,70,000

Solution:

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

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

Explanation:

1. Purpose of Comparative Statement:

- Comparative financial statements show changes in absolute values and percentage changes between two periods.

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

2. Key Observations:

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

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

Quick Tip

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

---

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

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

Solution:

Calculation of Net Profit Before Tax and Extraordinary Items:

Net Profit Before Tax and Extraordinary Items = Surplus+Provision for Tax+Proposed Dividend

$$= 6,28,000 + 1,50,000 + 72,000 = 8,50,000$$

Cash Flows from Operating Activities:

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

Quick Tip

1. Always start with Net Profit Before Tax for Cash Flows from Operating Activities.
2. Adjust for non-cash items (e.g., depreciation) and non-operating items (e.g., gains/losses, dividends).
3. Account for changes in working capital (current assets and liabilities).
4. Deduct taxes paid to arrive at the final cash flow.

Part B

Option II

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

(A) 4

(B) 12

(C) 20

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(D) 7

Correct Answer: (D) 7

Solution: Excel pie charts effectively display data for up to 7 categories.

–More than 7 categories make the chart cluttered and unreadable.

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

Quick Tip

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

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

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

(A) Block code

(B) Sequential code

(C) Mnemonic code

(D) Secret code

Correct Answer: (A) Block code

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

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

This makes data classification efficient and systematic.

Quick Tip

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

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

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(A) When column is not wide enough

(B) When a number is divided by zero

(C) When value is not available

(D) When there are exceptions of summary of data

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

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

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

To resolve this issue:

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

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

---

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

(A) Printer and Mouse

(B) People and Procedures

(C) Mouse and CPU

(D) Information and Accounts

Correct Answer: (B) People and Procedures

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

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

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

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Quick Tip

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

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

(A) Sales and Accounts Receivable sub-system

(B) Purchase and Accounts Payable sub-system

(C) Cash and Bank sub-system

(D) Costing sub-system

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

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

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

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

Quick Tip

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

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

(A) Real-time processing

(B) Data validation

(C) Batch processing

(D) Processing and revalidation

Correct Answer: (C) Batch processing

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

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scheduled time.

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

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

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

---

31. How can text format of a chart be changed? Explain.

Solution:

To change the text format of a chart, the following steps should be taken to format the text in chart element , one can use regular text formatting option or choose Word Art Format.

(i) Click the Chart element that contains the text to format. (ii) Right- Click the text or select the text to format , and then do one of the following:

Click the formatting option that you want on the mini tool bar

On the Home tab in the font group, click the formatting buttons that you want to use.

To use Word Art Style to format text

(i) Click the chart element which contains text.

(ii) Click anywhere on chart which will display chart tools.

(iii) On the format tab the word Art styles group can do any

-Text Fill- Shadow- Text Box

-Text Outline- 3D Format- 3D Rotation

> **Quick Tip**
>
> For axis label formatting, you can use the ‘xlabel‘ and ‘ylabel‘ options along with size or style commands like ‘‘, ‘‘, *etc.*

---

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

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Solution:

The 'PMT' function in Excel is used to calculate the payment for a loan based on constant payments and a constant interest rate.

Parameters of the PMT function:

1. Rate: The interest rate for each period.
2. Nper: The number of periods (or payments) for the loan.
3. Pv: The present value, or the total amount of the loan.
4. Fv (Optional): The future value or the cash balance you want to attain after the last payment is made. If omitted, it is assumed to be 0.
5. Type (Optional): A number indicating when the payments are due:

- '0' = end of the period (default)
- '1' = beginning of the period.

Example:

$$\text{PMT}(5\%/12, 12, 10000)$$

This formula calculates the monthly payment for a loan of Rs.10,000 with an interest rate of 5

Use of PMT Function: The PMT function is mainly used to calculate fixed monthly payments on a loan, mortgage, or investment with regular, fixed payments.

Quick Tip

Remember, the PMT function returns a negative value because it represents an outgoing payment. You can use the '-PMT()' to make it positive if needed.

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

Solution:

Advantages of Computerised Accounting System: 1. Accuracy: A computerised accounting system reduces human errors, as calculations are automated and handled by software.

2. Speed: Transactions are processed faster, allowing businesses to handle large volumes of data in less time.

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3. Security: Sensitive financial data is protected with user authentication, passwords, and encryption, reducing the risk of data theft or manipulation.
4. Real-time Information: Computerised systems provide real-time data, helping businesses make timely and informed decisions based on the latest financial information.

Quick Tip

Computerised systems ensure accuracy and speed while enhancing the overall efficiency of accounting functions.

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33. (b) Explain 'Password security' and 'Data audit' as security features of Computerised Accounting System.

Solution:

Password Security:
- Password security in a Computerised Accounting System ensures that only authorized users can access the system. Each user must log in using a unique username and password.
- It protects financial data from unauthorized access and misuse by limiting access based on roles and permissions.

Data Audit:
- Data audit refers to the tracking and monitoring of all data activities within the accounting system. This includes recording changes to transactions, updates, and the users involved.
- It ensures accountability, provides a traceable record of all actions, and helps prevent fraudulent activities by maintaining an audit trail.

Quick Tip

Both password security and data audit ensure the integrity and security of the system and its data.

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

Solution:

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The ‘LOOKUP‘ function in Excel is used to search for a value in a row or column and return a corresponding value from another row or column.

There are two main forms of the ‘LOOKUP‘ function:

1. Vector Form:

The ‘LOOKUP‘ function searches for the lookup value in a single row or column and returns a value from another row or column.

$$\text{LOOKUP}(lookup\_value, lookup\_vector, result\_vector)$$

- ‘lookup_value‘: The value to search for.
- ‘lookup_vector‘: A range of cells containing the values to search.
- ‘result_vector‘: A range of cells containing the values to return.

2. Array Form:

In this form, ‘LOOKUP‘ searches for the value in the first column of an array and returns the corresponding value from the last column.

$$\text{LOOKUP}(lookup\_value, array)$$

- ‘lookup_value‘: The value to search for.
- ‘array‘: A range containing the data to search and return.

Quick Tip

Use the vector form when you have separate lookup and result ranges, and the array form when the lookup and result data are in a single array.
