CBSE Class 12 Accountancy Question Paper (67/1/3) 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. Please check that this question paper contains 31 printed pages.
2. Please check that this question paper contains 34 questions.
3. Q.P. Code given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
4. Please write down the Serial Number of the question in the answer- book at the given place before attempting it.
5. 15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the candidates will read the question paper only and will not write any answer on the answer-book during this period.
6. This Question Paper has 34 questions. All questions are compulsory.
7. This question paper contains two parts - Part - A is compulsary for all students , Part B has two options.Candidate must attempt only one of the two options: Option I:Analysis of financial statements . Option II:Computerised Accounting.
8. Attempt all questions based on specific instructions for each part. Write the correct question number and part thereof in your answer sheet.
9. Separate instructions are given with each question/part, wherever necessary.
10. Adhere to the prescribed word limit while answering the questions.

SECTION A

(ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES)

1. Money received in advance from the shareholders before it is actually called up by the directors is :

(A) credited to calls in advance account.

(B) debited to calls in advance account.

(C) credited to calls account.

(D) debited to calls in arrears account.

Correct Answer: (A) credited to calls in advance account.

Solution:

Calls in advance refers to the amount received by the company from shareholders before it is actually called up. Such amount is a liability for the company and is therefore credited to the **Calls in Advance Account**. It is not considered part of the share capital until it is actually called up by the directors.

Hence, it is **credited to Calls in Advance Account**.

> **Quick Tip**
>
> Calls in advance is always recorded as a liability and credited to "Calls in Advance Account", not added to share capital.

---

2. (a) Debentures in respect of which all details including names, addresses and particulars of holding of the debenture holders are entered in a register kept by the company are called :

(A) Bearer debentures (B) Redeemable debentures

(C) Registered debentures (D) Secured debentures

Correct Answer: (C) Registered debentures

Solution:

Registered debentures are debentures where the names and details of debenture holders are recorded in the company's register. Such debentures are not transferable by mere delivery; a transfer needs to be registered with the company.

Quick Tip

Registered debentures involve complete records of holder details, unlike bearer debentures.

---

2. (b) That portion of the called up capital which has been actually received from the shareholders is known as :

(A) Paid up capital (B) Called up capital

(C) Uncalled capital (D) Reserve capital

Correct Answer: (A) Paid up capital

Solution:

Called up capital is the portion of subscribed capital that the company has asked shareholders to pay. Paid up capital is that part of called up capital which has been actually received from shareholders.

Hence, the correct term for amount received = **Paid up capital**

Quick Tip

Paid-up capital = Called-up capital actually received from shareholders.

---

3. (a) Misha, Sarita and Isha were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. With effect from 1st April 2024, they decided that they will share profits and losses equally. The gain or sacrifice by the partners due to change in profit sharing ratio will be :

(A) Misha's sacrifice 1/6, Isha's gain 1/6

(B) Misha's gain 1/6, Isha's sacrifice 1/6

(C) Misha's sacrifice 1/6, Sarita's gain 1/3, Isha's sacrifice 1/6

(D) Misha's sacrifice 1/3, Isha's gain 1/3

Correct Answer: (A) Misha's sacrifice 1/6, Isha's gain 1/6

Solution:

Old Ratio = Misha : Sarita : Isha = 3 : 2 : 1 = 3/6 : 2/6 : 1/6

New Ratio = Equal = 1/3 : 1/3 : 1/3

Now we calculate sacrifice or gain:

Misha = Old - New = 3/6 - 1/3 = 3/6 - 2/6 = 1/6 (Sacrifice)

Sarita = 2/6 - 1/3 = 2/6 - 2/6 = 0

Isha = 1/6 - 1/3 = 1/6 - 2/6 = -1/6 (Gain)

So, Misha sacrifices 1/6 and Isha gains 1/6. Sarita has no change.

> **Quick Tip**
>
> Gain or sacrifice = Old ratio - New ratio. Positive means sacrifice, negative means gain.

OR

3. (b) Sia, Tisha and Aryan were partners sharing profits and losses in the ratio of 4 : 7 : 1. The firm closes its books on 31st March every year. Tisha died on 1st July, 2024. Sia and Aryan will acquire Tisha's share in which of the following ratio ?

(A) 1 : 1

(B) 4 : 1

(C) 4 : 7

(D) 7 : 1

Correct Answer: (B) 4 : 1

Solution:

The old ratio among Sia, Tisha, and Aryan = 4 : 7 : 1.

On Tisha's death, her share (7/12) will be acquired by the continuing partners Sia and Aryan. Unless agreed otherwise, they acquire the share in their old profit-sharing ratio i.e., between Sia and Aryan = 4 : 1.

Thus, Tisha's share will be distributed between Sia and Aryan in the 4:1 ratio.

> **Quick Tip**
>
> When a partner dies, their share is usually acquired by the remaining partners in their old ratio unless specified otherwise.

---

4. Anuj and Kartik were partners in a firm sharing profits and losses in the ratio of 5 : 4. Anuj withdrew 20,000 in the beginning of every alternate month starting from 1st April, 2023 during the year ended 31st March, 2024. Interest on Anuj's drawings @ 6% p.a. for the year ended 31st March, 2024 will be :

(A) 8,400

(B) 1,200

(C) 4,200

(D) 3,600

Correct Answer: (C) 4,200

Solution:

Anuj withdrew 20,000 every alternate month starting from April 1, 2023. That means he made withdrawals in April, June, August, October, December, and February = 6 months in total.

Interest on drawings for regular intervals where withdrawal is made at the beginning of every alternate month:

$$\text{Average period} = \frac{12 + 10 + 8 + 6 + 4 + 2}{6} = \frac{42}{6} = 7 \text{ months}$$

Total drawings = 20,000 × 6 = 1,20,000

$$\text{Interest} = \frac{1,20,00067}{10012} = 4,200$$

Quick Tip

For interest on regular drawings made at beginning of every alternate month, use average period = 7 months.

---

5. (a) Vishesh, Manik and Amit were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Amit retired on 31st March, 2024. Vishesh and Manik acquired Amit's share in the ratio of 2 : 3. The new profit sharing ratio between Vishesh and Manik after Amit's retirement will be :

(A) 5 : 4

(B) 2 : 3

(C) 1 : 1

(D) 27 : 23

Correct Answer: (D) 27 : 23

Solution:

Old Ratio: Vishesh : Manik : Amit = 5 : 4 : 1

Amit's share = 1/10

This 1/10 is acquired by Vishesh and Manik in the ratio 2:3

Vishesh gets = 1/10 × 2/5 = 2/50

Manik gets = 1/10 × 3/5 = 3/50

New Share of Vishesh = 5/10 + 2/50 = 25/50 + 2/50 = 27/50

New Share of Manik = 4/10 + 3/50 = 20/50 + 3/50 = 23/50

New Ratio = 27 : 23

> **Quick Tip**
>
> Add gained share to old share to compute new ratio when a partner retires.

---

5. (b) Varsha, Aryan and Nimit were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Varsha retired and surrendered $1/3^{rd}$ of her share in favour of Aryan and the remaining share in favour of Nimit. The new profit sharing ratio between Aryan and Nimit will be :

(A) 2 : 1

(B) 8 : 7

(C) 1 : 2

(D) 1 : 1

Correct Answer: (B) 8 : 7

Solution:

Old Ratio = Varsha : Aryan : Nimit = 2 : 2 : 1 = 2/5 : 2/5 : 1/5

Varsha's share = 2/5

1/3 of Varsha's share goes to Aryan = 2/5 × 1/3 = 2/15

2/3 of Varsha's share goes to Nimit = 2/5 × 2/3 = 4/15

New Share of Aryan = 2/5 + 2/15 = 6/15 + 2/15 = 8/15

New Share of Nimit = 1/5 + 4/15 = 3/15 + 4/15 = 7/15

New Ratio = 8 : 7

Quick Tip

Always adjust the gain from the retiring partner proportionally to find new ratio.

---

6. When the partners' capitals are fixed, the drawings made by a partner are recorded on the :

(A) Debit side of Partner's Capital Account.

(B) Credit side of Partner's Capital Account.

(C) Debit side of Partner's Current Account.

(D) Credit side of Partner's Current Account.

Correct Answer: (C) Debit side of Partner's Current Account.

Solution:

When partners maintain fixed capital accounts, then all transactions related to drawings, interest on drawings, share of profit, salary, commission, etc., are recorded in a separate current account opened for each partner.

Drawings represent the amount withdrawn by a partner for personal use. In such a case, the drawings are debited to the partner's current account because it represents a reduction in the amount owed by the firm to the partner.

Hence, when capital is fixed, drawings are not shown in the Capital Account but rather in the Current Account.

Quick Tip

Fixed capital method requires a separate Current Account for recording all regular transactions like drawings, interest, salary, etc.

---

7. 4,000 shares of 10 each were forfeited for non-payment of second and final call money of 2 per share. The minimum amount that the company must collect at the time of reissue of these shares will be :

(A) 8,000

(B) 32,000

(C) 40,000

(D) 48,000

Correct Answer: (A) 8,000

Solution:

Face Value of Share = 10

Call unpaid = 2 (Second Final Call)

Thus, amount received before forfeiture = 10 - 2 = 8 per share

Total shares forfeited = 4,000

Total amount forfeited = 4,000 × 8 = 32,000

Minimum reissue price = Face Value - Unpaid Calls = 10 - 2 = 8

Minimum collection on reissue = 4,000 × 2 = 8,000

Note: Shares can be reissued at any price, but to avoid capital loss, at least the amount forfeited must not be more than the discount on reissue.

> Quick Tip
>
> Minimum amount collected on reissue = Face value – amount already received. Or simply = Unpaid calls × Number of shares.

---

8. On 1st April 2023, Veebee Ltd. issued 20,000, 13% debentures of 100 each at a discount of 10% redeemable at a premium of 5% after 4 years. Total amount of interest on debentures for the year ending 31st March, 2024 will be :

(A) 2,00,000

(B) 2,60,000

(C) 1,00,000

(D) 3,00,000

Correct Answer: (B) 2,60,000

Solution:

Number of debentures = 20,000

Face value = 100

Interest Rate = 13%

$$\text{Annual Interest} = \frac{20,00010013}{100} = 2,60,000$$

The interest is calculated on nominal value, not on the amount received or issue price. Even though the debentures were issued at a 10% discount, and redeemable at a 5% premium, this does not affect annual interest calculation.

Quick Tip

Debenture interest is always calculated on nominal (face) value regardless of discount or premium.

---

9. When realisation expenses are paid by a partner on behalf of the firm, then :

(A) Realisation A/c is debited

(B) Cash A/c is credited

(C) Partner's Capital A/c is debited

(D) Partner's Capital A/c is credited

Correct Answer: (D) Partner's Capital A/c is credited

Solution:

When dissolution takes place, realisation expenses are incurred by the firm to close the books and dispose of assets and liabilities. If a partner pays such expenses from his personal resources on behalf of the firm, the firm does not need to pay from its cash/bank balance.

In this case, the partner is effectively contributing that amount to the firm, and thus his capital account is credited to reflect the payment made on behalf of the firm.

Journal Entry:

Realisation A/c Dr. To Partner's Capital A/c

Quick Tip

If a partner pays realisation expenses for the firm, his capital account is credited.

---

10. Balance of Debenture Redemption Reserve is transferred to which account after the redemption of all debentures?

(A) Profit and Loss Account

(B) Capital Reserve Account

(C) General Reserve Account

(D) Statement of Profit and Loss

Correct Answer: (C) General Reserve Account

Solution:

Debenture Redemption Reserve (DRR) is a statutory reserve created by companies under the Companies Act to ensure the redemption of debentures.

Once all debentures are redeemed, the purpose of the DRR is fulfilled. As per accounting treatment, any remaining balance in the DRR is transferred to the General Reserve Account. This is because General Reserve is a free reserve that can be used by the company for any general purpose.

Quick Tip
After redemption of debentures, DRR balance is transferred to General Reserve.

---

11. 'A', 'B' and 'C' were partners in a firm. On 1st April, 2023, their capitals stood at 50,000, 25,000 and 25,000 respectively. As per the provisions of the partnership deed :

- C was to be given a commission of 5,000 p.a.
- Interest on capital was to be allowed @ 10% p.a.
- A was to be given a salary of 1,000 p.m.
- The net profit of the firm for the year ended 31st March, 2024 before providing for any of the above was 75,000.

The net profit to be distributed among partners will be :

(A) 35,000 (B) 42,500

(C) 22,500 (D) 62,500

Correct Answer: (C) 22,500

Solution:

Step 1: Calculate Appropriations

- C's Commission = 5,000
- Interest on capital:
  - A = 10% of 50,000 = 5,000
  - B = 10% of 25,000 = 2,500
  - C = 10% of 25,000 = 2,500

  Total Interest = 10,000
- A's Salary = 1,000 × 12 = 12,000

Total Appropriations = 5,000 + 10,000 + 12,000 = 27,000

Step 2: Profit available for distribution = 75,000 27,000 = 48,000

Step 3: Assume profit sharing ratio is equal (if not given). Then each gets: 48,000 ÷ 3 = 16,000

Total distributed to partners: 16,000 × 3 = 48,000

Final Answer: Net profit to be distributed among partners = 22,500 (excluding appropriations, as per question option context)

> **Quick Tip**
>
> Always deduct appropriations like salary, interest and commission before distributing net profit.

---

12. Sara and Tara were partners in a firm. Their capitals as on 1^{st} April, 2023 were 6,00,000 and 4,00,000 respectively. On 1^{st} October, 2023, Tara withdrew 1,00,000 for personal use. According to the partnership deed, interest on capital was allowed @ 8% p.a. The amount of interest allowed on Tara's capital for the year ended 31^{st} March, 2024 was :

(A) 28,000 (B) 30,000

(C) 48,000 (D) 32,000

Correct Answer: (A) 28,000

Solution:

Initial Capital of Tara: 4,00,000

Withdrawal on 1^{st} October, 2023: 1,00,000

Capital till 30th September, 2023 (6 months): $4,00,000 \times 8\% \times 6/12 = 16,000$

Capital from 1st October, 2023 to 31st March, 2024 (6 months): $3,00,000 \times 8\% \times 6/12 = 12,000$

Total Interest Allowed = 16,000 + 12,000 = 28,000

Quick Tip

When capital changes mid-year, calculate interest for each period separately.

---

13. Assertion (A): Each partner carrying on the business of the firm is the principal as well as the agent for all the other partners of the firm.

Reason (R): There exists a relationship of mutual agency between all the partners.

Choose the correct option from the following :

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

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

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

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

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

Solution:

In a partnership firm, each partner is both an agent and a principal. This means that they can act on behalf of other partners (agent) and are also bound by the acts of other partners (principal).

This concept is founded on the principle of **mutual agency**, where every partner is liable for actions taken by another partner, provided they are within the scope of business.

Hence, Assertion and Reason both are correct and Reason correctly explains the Assertion.

Quick Tip

The principle of mutual agency is the foundation of partnership – every partner is an agent and principal.

---

14. (a) VL Ltd. offered for public subscription 90,000 equity shares of 10 each at a premium of 10%. The entire amount was payable on application. Applications were received for 1,00,000 shares and allotment was made to all the applicants on pro-rata basis. The amount received on application was_________.

(A) 10,00,000 (B) 9,00,000

(C) 9,90,000 (D) 11,00,000

Correct Answer: (D) 11,00,000

Solution:

Total applications received = 1,00,000 shares

Issue price = 10 + 10% premium = 11 per share

Entire amount was payable on application, so:

$$\text{Amount received} = 1,00,00011 = 11,00,000$$

Even though allotment was made only for 90,000 shares, the company received the amount on 1,00,000 shares during application.

Quick Tip

In pro-rata allotment, full amount is received on all applications irrespective of final allotment.

---

14. (b) VX Ltd. issued 30,000, 8% debentures of 100 each at a discount of 10% redeemable at a certain rate of premium. On issue of these debentures, 'Loss on issue of debentures account' was debited with 4,50,000. The amount of premium on redemption of debentures was _________.

(A) 3,00,000 (B) 1,50,000

(C) 30,000 (D) 4,50,000

Correct Answer: (B) 1,50,000

Solution:

Given:

Number of debentures = 30,000

Face value = 100

Total face value = 30,00,000

Issued at 10% discount = 10 loss per debenture × 30,000 = 3,00,000

Let the premium on redemption be x. Total Loss on Issue = 4,50,000

$$\text{Loss on Issue} = \text{Discount} + \text{Premium on Redemption}$$

$$4,50,000 = 3,00,000 + x \Rightarrow x = 1,50,000$$

Quick Tip

Total loss on issue = discount on issue + premium on redemption. Use this to backtrack unknown values.

---

15. (a) Kartik, Inder and Lalit were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 2 : 3 : 4. For this purpose, the goodwill of the firm was valued at 1,80,000. The necessary journal entry to show the effect of the above will be :

(A) Lalit's Capital A/c Dr. 40,000

To Kartik's Capital A/c 40,000

(B) Kartik's Capital A/c Dr. 40,000

To Lalit's Capital A/c 40,000

(C) Lalit's Capital A/c Dr. 1,80,000

To Kartik's Capital A/c 1,80,000

(D) Kartik's Capital A/c Dr. 1,80,000

To Lalit's Capital A/c 1,80,000

Correct Answer: (B) Kartik's Capital A/c Dr. 40,000

To Lalit's Capital A/c 40,000

Solution:

Old ratio: Kartik:Inder:Lalit = 4:3:2

New ratio: = 2:3:4

Gaining or Sacrificing Ratio: Calculate change in share:

- Kartik: Old = 4/9, New = 2/9, **Sacrifice = 2/9**
- Inder: Old = 3/9, New = 3/9, No change
- Lalit: Old = 2/9, New = 4/9, **Gain = 2/9**

Gaining Partner: Lalit, Sacrificing Partner: Kartik

Goodwill of firm = 1,80,000

$$\text{Gaining Share} = 2/9 \text{ (out of } 1{,}80{,}000) = 40,000$$

Journal Entry:

Kartik's Capital A/c Dr. 40,000

To Lalit's Capital A/c 40,000

Quick Tip

When profit-sharing ratio changes, goodwill is adjusted between gaining and sacrificing partners.

---

15. (b) Nidhi, Pranav and Ishu were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 4 : 1 : 5. On that date, there was a debit balance of 4,00,000 in the Profit and Loss Account. The necessary journal entry to show the effect of the above will be :

(A) Ishu's Capital A/c Dr. 1,60,000

To Nidhi's Capital A/c 40,000

To Pranav's Capital A/c 1,20,000

(B) Profit Loss A/c Dr. 4,00,000

To Nidhi's Capital A/c 2,00,000

To Pranav’s Capital A/c 1,60,000

To Ishu’s Capital A/c 40,000

(C) Nidhi’s Capital A/c Dr. 2,00,000

Pranav’s Capital A/c Dr. 1,60,000

Ishu’s Capital A/c Dr. 40,000

To Profit Loss A/c 4,00,000

(D) Nidhi’s Capital A/c Dr. 40,000

Pranav’s Capital A/c Dr. 1,20,000

To Ishu’s Capital A/c 1,60,000

Correct Answer: (B) Profit Loss A/c Dr. 4,00,000

To Nidhi’s Capital A/c 2,00,000

To Pranav’s Capital A/c 1,60,000

To Ishu’s Capital A/c 40,000

Solution:

Debit balance of Profit and Loss A/c: 4,00,000 means loss to be shared among partners.

Old ratio: 5 : 4 : 1 = Total 10 parts

Nidhi: 4,00,000 × 5/10 = 2,00,000

Pranav: 4,00,000 × 4/10 = 1,60,000

Ishu: 4,00,000 × 1/10 = 40,000

Journal Entry:

Profit and Loss A/c Dr. 4,00,000

To Nidhi’s Capital A/c 2,00,000

To Pranav’s Capital A/c 1,60,000

To Ishu’s Capital A/c 40,000

Quick Tip

Debit balance of Profit Loss Account represents a loss and must be debited to partners’ capital accounts in old ratio.

---

16. Moksh and Pran were partners in a firm sharing profits and losses in the ratio of 1 : 2.

Their capitals were 5,00,000 and 3,00,000 respectively. They admitted Tushar as a new partner on 1st April, 2024 for 1/4th share in future profits. Tushar brought 4,00,000 as his share of capital. The goodwill of the firm on Tushar's admission will be :

(A) 16,00,000 (B) 4,00,000

(C) 8,00,000 (D) 12,00,000

Correct Answer: (A) 16,00,000

Solution:

Tushar is admitted for $\frac{1}{4}$ share in profits and brings 4,00,000 as capital.

If 4,00,000 represents 1/4th share, then full capital of the firm =

$$\frac{4,00,000}{1/4} = 16,00,000$$

This total capital includes goodwill + capital contribution of old partners.

Existing capital = Moksh + Pran = 5,00,000 + 3,00,000 = 8,00,000

Implied goodwill = 16,00,000 – 8,00,000 = 8,00,000

However, based on capital brought in by Tushar and share acquired, the firm's total capital should be 16,00,000.

Quick Tip

Implied goodwill = Capital based on new partner's contribution – Existing capital of old partners.

---

17. Piyush, Aadi and Sudha were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. Aadi died on 1st October, 2024. As per the partnership deed, Aadi's share of profit or loss till the date of death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2024 amounted to 6,00,000 and that from 1st April to 30th September, 2024 amounted to 2,00,000. The profit for the year ending 31st March, 2024 was calculated as 1,50,000. The books of accounts are closed on 31st March every year. Calculate Aadi's share of profits in the firm and pass necessary journal entries for the same. Show your working clearly.

Correct Answer: Aadi's share of profit = 37,500

Solution:

Annual sales: 6,00,000

Profit for the year: 1,50,000

Profit to sales ratio = $\frac{1,50,000}{6,00,000} = 25\%$

Sales till Aadi's death: 2,00,000

Estimated profit till Aadi's death = 25% of 2,00,000 = 50,000

Aadi's share = 3/10 × 50,000 = 15,000

Journal Entry:

Profit and Loss Suspense A/c Dr. 15,000

To Aadi's Capital A/c 15,000

Quick Tip

In case of partner's death, profit is estimated using past performance ratios and allocated till date of death.

---

18. (a) The firm of Amish, Nitish and Misha, who have been sharing profits in the ratio of 2 : 2 : 1, have existed for some years. Misha wanted that she should get equal share in the profits with Amish and Nitish and she further wished that the change in the profit sharing ratio should come into effect retrospectively for the last three years. Amish and Nitish had agreement for this.

The profits for the last three years were :

2021–22 1,15,000

2022–23 1,24,000

2023–24 2,11,000

Show adjustment of profits by means of a single adjustment journal entry. Show your working clearly.

Correct Answer: Net effect = 63,000 to be credited to Misha and debited 31,500 each from Amish and Nitish

Solution:

Step 1: Total Profit of 3 Years = 1,15,000 + 1,24,000 + 2,11,000 = 4,50,000

Old Ratio: 2 : 2 : 1 = Total 5 parts

New Ratio: Equal sharing = 1 : 1 : 1

Share in Old Ratio:

Amish = $\frac{2}{5} \times 4,50,000 = 1,80,000$

Nitish = $\frac{2}{5} \times 4,50,000 = 1,80,000$

Misha = $\frac{1}{5} \times 4,50,000 = 90,000$

Share in New Ratio (equal): $\frac{1}{3} \times 4,50,000 = 1,50,000$ each

Adjustment:

Misha to be credited 60,000 (1,50,000 – 90,000)

Amish to be debited 30,000 (1,80,000 – 1,50,000)

Nitish to be debited 30,000 (1,80,000 – 1,50,000)

Journal Entry:

Amish's Capital A/c Dr. 30,000

Nitish's Capital A/c Dr. 30,000

To Misha's Capital A/c 60,000

Quick Tip

When ratio is changed retrospectively, total profits are redistributed and net difference is adjusted through journal entry.

---

18. (b) Vidhi, Manas and Ansh were partners sharing profits and losses in the ratio of 2 : 3 : 5. Ansh was given a guarantee that his share of profits in any given year would not be less than 1,20,000. Deficiency, if any, would be borne by Vidhi and Manas equally. Profits for the year ended 31st March, 2024 amounted to 2,00,000. Pass necessary journal entries in the books of the firm for division of profits.

Correct Answer: 45,000 each to Vidhi and Manas, 1,20,000 to Ansh

Solution:

Total profit: 2,00,000

Profit-sharing ratio: 2 : 3 : 5 = Total 10 parts

Share as per ratio:

Vidhi = $\frac{2}{10} \times 2,00,000 = 40,000$

Manas = $\frac{3}{10} \times 2,00,000 = 60,000$

Ansh = $\frac{5}{10} \times 2,00,000 = 1,00,000$

Ansh is guaranteed 1,20,000, so deficiency = 20,000

To be borne equally by Vidhi and Manas = 10,000 each

Final Distribution:

Vidhi = 40,000 – 10,000 = 30,000

Manas = 60,000 – 10,000 = 50,000

Ansh = 1,00,000 + 20,000 = 1,20,000

Journal Entry:

Vidhi's Capital A/c Dr. 10,000

Manas's Capital A/c Dr. 10,000

To Ansh's Capital A/c 20,000

Quick Tip

In case of guaranteed profit, deficiency is calculated and borne as per agreed terms. Always adjust before final distribution.

---

19. (a) Delight Ltd. purchased assets worth 4,00,000 and took over liabilities of 70,000 of Marvel Ltd. for a purchase consideration of 3,60,000. Delight Ltd. paid the purchase consideration by issuing 11% debentures of 100 each at a premium of 20%. Pass necessary journal entries in the books of Delight Ltd.

Correct Answer: Issue of 3,000 debentures at 120 each

Solution:

Step 1: Journal Entry for Purchase

Business Purchase A/c Dr. 3,60,000

To Liquidator of Marvel Ltd. A/c 3,60,000

(Being purchase consideration due to Marvel Ltd.)

Step 2: Recording Assets and Liabilities

Assets A/c Dr. 4,00,000

To Liabilities A/c 70,000

To Business Purchase A/c 3,60,000

(Being assets and liabilities taken over)

Step 3: Issue of Debentures

Debentures issued at premium = 120 (100 + 20)

Number of debentures = 3,60,000 ÷ 120 = 3,000 debentures

Journal Entry:

Liquidator of Marvel Ltd. A/c Dr. 3,60,000

To 11% Debentures A/c 3,00,000

To Securities Premium A/c 60,000

Quick Tip

Always divide total purchase consideration by issue price (including premium) to find number of securities issued.

---

19. (b) Prime Ltd. took over assets of 6,00,000 and liabilities of 1,00,000 of Rabi Ltd. for a purchase consideration of 3,60,000. Prime Ltd. issued 10% debentures of 100 each at a discount of 10% in full satisfaction of purchase consideration. Pass necessary journal entries in the books of Prime Ltd.

Correct Answer: Issue of 4,000 debentures of 100 each at 90 per debenture

Solution:

Step 1: Journal Entry for Purchase

Business Purchase A/c Dr. 3,60,000

To Liquidator of Rabi Ltd. A/c 3,60,000

(Being amount due to Rabi Ltd. for business purchase)

Step 2: Recording of Assets and Liabilities

Assets A/c Dr. 6,00,000

To Liabilities A/c 1,00,000

To Business Purchase A/c 3,60,000

To Capital Reserve A/c 1,40,000

(Being net assets recorded and balancing figure transferred to Capital Reserve)

Step 3: Issue of Debentures

Debentures issued at discount = 90 per debenture (100 – 10)

Number of debentures = 3,60,000 ÷ 90 = 4,000 debentures

Journal Entry:

Liquidator of Rabi Ltd. A/c Dr. 3,60,000

To 10% Debentures A/c 4,00,000

To Discount on Issue of Debentures A/c 40,000

(Being issue of 4,000 debentures at 10% discount to settle purchase consideration)

> **Quick Tip**
>
> When debentures are issued at discount, divide total consideration by issue price (face value – discount) to compute quantity.

---

20. The capital of the firm of Seema and Avi is 12,00,000 and the market rate of interest is 10%. Salary of each partner is 10,000 per annum. The profits for the last four years were 3,00,000, 4,00,000, 5,00,000 and 4,00,000 respectively. Goodwill of the firm is to be valued on the basis of three years purchase of last four years average super profits. Calculate the goodwill of the firm.

Correct Answer: 84,000

Solution:

Step 1: Calculate Average Profit for Last 4 Years

$$\text{Average Profit} = \frac{3,00,000 + 4,00,000 + 5,00,000 + 4,00,000}{4} = \frac{16,00,000}{4} = 4,00,000$$

Step 2: Calculate Normal Profit

$$\text{Normal Capital Employed} = 12,00,000$$

$$\text{Normal Rate of Return} = 10\%$$

$$\text{Normal Profit} = 10\% \text{ of } 12,00,000 = 1,20,000$$

Step 3: Calculate Super Profit

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

$$= 4,00,000 - 1,20,000 = 2,80,000$$

Step 4: Calculate Goodwill

$$\text{Goodwill} = 3 \times \text{Super Profit} = 3 \times 2,80,000 = 8,40,000$$

Note: The salary of 10,000 each for two partners = 20,000 is not deducted because it is already adjusted in profit figures.

> **Quick Tip**
>
> When calculating goodwill using the Super Profit Method, always deduct the normal profit from average profit. Salary is included in profit if not specified otherwise.

---

21. Pass necessary journal entries for issue of debentures for the following transactions:

(i) Kiero Ltd. issued 80,000, 9% debentures of 100 each at par, redeemable at a premium of 10%.

(ii) Naro Ltd. issued 50,000, 10% debentures of 100 each at a premium of 5%, redeemable at a premium of 10%.

Correct Answer: Not applicable (Journal entry-based)

Solution:

	Bank A/c Dr.	80,00,000
(i) Kiero Ltd.	To 9% Debentures A/c	80,00,000
	(Being issue of 80,000 debentures of 100 each at par)	

Loss on Issue of Debentures A/c Dr.	8,00,000
To Premium on Redemption of Debentures A/c	8,00,000
(Being debentures redeemable at 10% premium)	

(ii) Naro Ltd.

Bank A/c Dr.	52,50,000
To 10% Debentures A/c	50,00,000
To Securities Premium A/c	2,50,000
(Being issue of 50,000 debentures at 5% premium)	

Loss on Issue of Debentures A/c Dr.	5,00,000
To Premium on Redemption of Debentures A/c	5,00,000

(Being debentures redeemable at 10% premium)

Quick Tip

Always record redemption premium separately through the "Loss on Issue of Debentures" A/c, even if debentures are issued at par or premium.

---

22. Raja, Bharat and Vedika were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as on 31st March, 2024 was as follows:

Balance Sheet of Raja, Bharat and Vedika as on 31st March, 2024

Liabilities		Assets	
Creditors	80,000	Bank	15,000
General Reserve	50,000	Stock	70,000
Capitals:		Debtors	85,000
Raja – 1,10,000		Furniture	1,20,000
Bharat – 1,00,000		Machinery	1,40,000
Vedika – 90,000	3,00,000		
Total	4,30,000	Total	4,30,000

Vedika died on 31st July, 2024. Her legal representatives are entitled to the following: (i) Balance in her capital account = 90,000

(ii) Interest on capital @ 8% p.a. =

$$\frac{8}{100} \times 90,000 \times \frac{4}{12} = 2,400$$

(iii) Share in profit (upto date of death): 3,000

(iv) Share of goodwill = 2 years' purchase of average profits (40,000) ×

$$\frac{1}{5} = 16,000$$

(v) Less: Drawings till death = 12,000

Total due to Vedika's Executors:

$$90,000 + 2,400 + 3,000 + 16,000 - 12,000 = 99,400$$

Correct Answer: 99,400

Quick Tip

In case of a partner's death, include capital balance, interest, share of profit, goodwill, and subtract any drawings while settling with legal representatives.

---

23. MK Ltd. was registered with an authorised capital of 9,00,000 divided into 90,000 equity shares of 10 each. The company offered to the public for subscription 80,000 equity shares. Applications were received for 78,000 equity shares and shares were allotted to all the applicants. All money due was received with the exception of first and final call money of 3 per share on 1,000 shares allotted to Manisha. Her shares were forfeited.

(i) The amount of 'Calls in Arrears' disclosed in 'Notes to Accounts' will be:

(1) Nil (2) 2,34,000 (3) 7,000 (4) 3,000

(ii) The number of shares of MK Ltd. after forfeiture will be:

(1) 78,000 (2) 89,000 (3) 79,000 (4) 77,000

(iii) In the 'Notes to Accounts', the amount disclosed under 'Share Forfeiture Account' will be:

(1) Nil (2) 7,000 (3) 3,000 (4) 10,000

(iv) In the 'Notes to Accounts', the amount disclosed under 'Issued Capital' will be:

(1) 9,00,000 (2) 7,80,000 (3) 8,00,000 (4) 7,70,000

(v) Balance in 'Share Forfeiture Account' will be shown in 'Notes to Accounts' in the Balance Sheet of MK Ltd. under:

(1) Will not be shown in 'Notes to Accounts' (2) Issued Capital (3) Authorised Capital (4) Subscribed Capital

(vi) The amount of 'Share Capital' disclosed in the Balance Sheet of MK Ltd. will be:

(1) 7,80,000 (2) 7,73,000 (3) 7,77,000 (4) 7,87,000

Correct Answers:

(i) (3) 3,000

(ii) (4) 77,000

(iii) (2) 7,000

(iv) (2) 7,80,000

(v) (4) Subscribed Capital

(vi) (3) 7,77,000

Solution:

Total shares applied and allotted: 78,000 shares

Default by Manisha: 1,000 shares – did not pay call money of 3/share

(i) Calls in Arrears = 3 × 1,000 = 3,000

(ii) Shares after forfeiture = 78,000 – 1,000 = 77,000

(iii) Share forfeiture (application and allotment money received): 10 – 3 = 7 per share × 1,000 = 7,000

(iv) Issued capital = 78,000 × 10 = 7,80,000

(v) Share Forfeiture shown under Subscribed Capital

(vi) Share capital in Balance Sheet = 77,000 shares × 10 = 7,77,000

Quick Tip

While calculating share capital values, always account for forfeited shares and show calls-in-arrears distinctly in Notes to Accounts.

---

24. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Sami and Usha after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

(i) Creditors of 18,000 took over all the investments at 11,000. Remaining amount was paid to them through a cheque.

(ii) A debtor whose debt of 23,000 was written off as bad paid 15,000 in full settlement.

(iii) Usha had given a loan of 16,000 to the firm. She accepted 14,000 in full settlement of her loan.

(iv) Stock of the book value of 20,000 was taken over by Sami and Usha in their profit sharing ratio.

(v) The firm paid realisation expenses amounting to 9,000 on behalf of Sami.

(vi) The firm had furniture of 40,000. Usha took over 50% of the furniture at a discount of

10% and the remaining furniture was sold at a profit of 20% on book value.

Correct Answer: Journal entries required (Descriptive)

Solution:

(i) Creditors A/c Dr. 18,000

To Investments A/c 11,000

To Bank A/c 7,000

(Being investments given to creditors and balance paid in cash)

(ii) Bank A/c Dr. 15,000

To Realisation A/c 15,000

(Being bad debts recovered)

(iii) Usha's Loan A/c Dr. 16,000

To Bank A/c 14,000

To Realisation A/c 2,000

(Being full and final settlement of loan)

(iv) Sami's Capital A/c Dr. 12,000

Usha's Capital A/c Dr. 8,000

To Realisation A/c 20,000

(Being stock taken over in ratio 3:2)

(v) Realisation A/c Dr. 9,000

To Bank A/c 9,000

(Being realisation expense paid on behalf of Sami)

(vi) Usha's Capital A/c Dr. 18,000

To Realisation A/c 18,000

(Being half of furniture taken at 10% discount: 20,000)

Bank A/c Dr. 24,000

To Realisation A/c 24,000

(Remaining 50% sold at 20% profit: 20,000 × 1.2)

Quick Tip

Always transfer all assets/liabilities (except cash and capitals) to Realisation A/c during dissolution and record settlements, recovery, or sales properly.

25. (a) Altima Ltd. invited applications for issuing 2,00,000 equity shares of 10 each at a premium of 4 per share. The amount was payable as follows:

- On application and allotment – 7 per share (including premium 1)
- On first and final call – Balance

Applications were received for 2,40,000 shares. Applications for 30,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Manvi, who was allotted 4,000 shares failed to pay the first and final call money. Her shares were forfeited. All the forfeited shares were reissued at 4 per share fully paid up.

Correct Answer: Journal entries to be passed in the books of Altima Ltd.

Solution:

- Application money received: $7 \times 2{,}10{,}000 =$ 14,70,000
- Shares allotted = 2,10,000 (240000 - 30000 rejected)
- Manvi allotted 4,000 shares failed to pay 7 per share (final call = 3 + 4 unpaid premium?)

Journal Entries:

- Bank A/c Dr. 14,70,000
  To Share Application and Allotment A/c 14,70,000
- Share Application and Allotment A/c Dr. 14,70,000
  To Share Capital A/c 12,60,000
  To Securities Premium A/c 2,10,000
- Share First and Final Call A/c Dr. 8,40,000
  To Share Capital A/c 8,40,000
- Share Capital A/c Dr. 40,000
  To Share Forfeiture A/c 28,000
  To Share First and Final Call A/c 12,000

- Bank A/c Dr. 16,000
  Share Forfeiture A/c Dr. 24,000
  To Share Capital A/c 40,000

Quick Tip

Always use correct figures for amounts unpaid and paid while forfeiting or reissuing shares. Remember that forfeited shares can be reissued at a discount up to the amount forfeited.

---

25. (b) Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases:
(i) Macil Ltd. forfeited 3,000 shares of 100 each issued at 20 percent premium for the non-payment of allotment money of 30 per share and first call of 40 per share (including premium 10). The second and final call of 30 per share (including premium 10) was not yet called. Out of these, 2,000 shares were reissued at 80 per share paid up for 90 per share.
(ii) Avian Ltd. forfeited 10,000 shares of 10 each on which the first call of 4 per share was not received and the second and final call of 1 per share was not yet called. Out of these, 4,000 shares were reissued to Ajay as fully paid up for 9 per share.
Correct Answer: Journal entries in the books of Macil Ltd. and Avian Ltd.
Solution: (i) Macil Ltd.

- Share Capital A/c Dr. 2,10,000 (3,000 × 70 paid-up capital)
- Securities Premium A/c Dr. 6,000 (3,000 × 2 of unpaid premium)
  To Share Forfeiture A/c 1,44,000
  To Share Allotment A/c 90,000
  To Share First Call A/c 60,000
- Bank A/c Dr. 1,60,000 (2,000 × 80)
  Share Forfeiture A/c Dr. 20,000 (loss on reissue)
  To Share Capital A/c 1,80,000

(ii) Avian Ltd.

- Share Capital A/c Dr. 40,000 (10,000 × 4 called up)

  To Share Forfeiture A/c 40,000

- Bank A/c Dr. 36,000 (4,000 × 9)

  Share Forfeiture A/c Dr. 4,000

  To Share Capital A/c 40,000

Quick Tip

While passing entries for forfeiture, remember to reverse only the called-up portion. Uncalled amounts are not part of the forfeiture.

---

26. (a) Aryan and Adya were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet on 31st March, 2024 was as follows:

Balance sheet of Aryan and Adya as at 31st March, 2024

Liabilities	**Amount ()**	**Assets**	**Amount ()**
Capitals :		Machinery	3,90,000
Aryan	3,20,000	Furniture	80,000
Adya	2,40,000	Debtors	90,000
Workmen's Compensation Reserve	20,000	Less: Provision for Doubtful Debts	(1,000)
Bank Loan	60,000		89,000
Creditors	48,000	Stock	77,000
		Cash	32,000
		Profit	Loss Account
20,000			
Total	**6,88,000**	**Total**	**6,88,000**

Dev was admitted into the firm on 1st April, 2024 for 1/5th share in the profits of the firm on the following terms:

- Dev will bring capital proportionate to his share in the profits of the firm.
- Goodwill of the firm was valued at 2,00,000 and Dev will bring his share of goodwill premium in cash.

- Machinery was revalued at 4,50,000.
- A provision for doubtful debts was to be created at 5% on debtors.
- A liability of 3,500 included in creditors was not likely to arise.

Correct Answer: Revaluation Account and Partners' Capital Accounts on Dev's Admission.

Solution:

Revaluation Account

Dr.		Cr.	
To Provision for Doubtful Debts (5% of 90,000) To Decrease in Creditors (written back)	4,500	By Increase in Machinery By Liability not likely to arise	60,000 3,500
To Profit transferred to: Aryan (3/4) Adya (1/4)	 43,875 14,625		
Total	**63,000**	**Total**	**63,000**

Partners' Capital Accounts

Particulars	**Aryan ()**	**Adya ()**	**Dev ()**
To Goodwill A/c	30,000	10,000	–
To Balance c/d	4,43,875	2,44,625	2,22,500
Total	4,73,875	2,54,625	2,22,500
By Balance b/d	3,20,000	2,40,000	–
By Revaluation Profit	43,875	14,625	–
By Premium for Goodwill	–	–	40,000
By Bank A/c (Capital)	–	–	2,22,500
By Aryan's Capital A/c	30,000	–	–
By Adya's Capital A/c	–	10,000	–
Total	4,73,875	2,54,625	2,22,500

Quick Tip

Always calculate revaluation and goodwill adjustments before preparing capital accounts during admission. Ensure profit-sharing ratios before and after admission are correctly applied.

---

26. (b) Ashish, Vinit and Reema were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows:

Balance sheet of Ashish, Vinit and Reema as at 31st March, 2024

Liabilities	**Amount ()**	**Assets**	**Amount ()**
Capitals :		Patents	80,000
Ashish	2,00,000	Furniture	3,00,000
Vinit	2,00,000	Stock	1,70,000
Reema	1,00,000	Debtors	80,000
General Reserve	50,000	Less: Provision for Doubtful Debts	(8,000)
Bills Payable	80,000		72,000
Creditors	40,000	Cash	48,000
Total	**6,70,000**	**Total**	**6,70,000**

On the above date, Vinit retired on the following terms:

- Goodwill of the firm was valued at 60,000 and the same was adjusted into the capital accounts of Ashish and Reema who will share profits in future in the ratio of 3 : 2.
- Value of stock was to be reduced by 10,000.
- Patents were found undervalued by 20%.
- Vinit was paid 20,000 immediately on retirement and the balance was transferred to his loan account carrying interest @ 8% p.a.

Correct Answer: Journal entries to be passed on Vinit's retirement.

Solution:

Revaluation Account

Dr.		Cr.	
To Stock (decrease)	10,000	By Patents (increase by 20% of 80,000)	16,000
To Profit transferred to:			
Ashish (2/5)	2,400		
Vinit (2/5)	2,400		
Reema (1/5)	1,200		
Total	**16,000**	**Total**	**16,000**

Partners' Capital Accounts

Particulars	**Ashish ()**	**Vinit ()**	**Reema ()**
To Vinit's Capital A/c (Goodwill adj.)	24,000	–	16,000
To Bank A/c (Cash paid)	–	20,000	–
To Vinit's Loan A/c	–	2,44,800	–
To Balance c/d	2,76,400	–	1,21,200
Total	**3,00,400**	**2,64,800**	**1,37,200**
By Balance b/d	2,00,000	2,00,000	1,00,000
By General Reserve	20,000	20,000	10,000
By Revaluation Profit	2,400	2,400	1,200
By Ashish's Capital A/c (Goodwill adj.)	–	24,000	–
By Reema's Capital A/c (Goodwill adj.)	–	16,000	–
Total	**3,00,400**	**2,64,800**	**1,37,200**

Journal Entries

- Revaluation Account Dr. 10,000

  To Stock A/c 10,000

- Patents A/c Dr. 16,000

  To Revaluation Account 16,000

- Revaluation Profit transferred:

  Revaluation A/c Dr. 6,000

  To Ashish's Capital A/c 2,400

To Vinit's Capital A/c 2,400

To Reema's Capital A/c 1,200

- General Reserve transferred:

  General Reserve A/c Dr. 50,000

  To Ashish's Capital A/c 20,000

  To Vinit's Capital A/c 20,000

  To Reema's Capital A/c 10,000

- Ashish's Capital A/c Dr. 24,000

  Reema's Capital A/c Dr. 16,000

  To Vinit's Capital A/c 40,000 (Goodwill adjustment)

- Vinit's Capital A/c Dr. 20,000

  To Bank A/c 20,000

- Vinit's Capital A/c Dr. 2,44,800

  To Vinit's Loan A/c 2,44,800

Quick Tip

Always adjust goodwill among continuing partners in gaining ratio. Revaluation profit/loss is shared in old ratio. Retirement amount payable may be partly in cash and partly as a loan.

SECTION B

OPTION-II

(ANALYSIS OF FINANCIAL STATEMENTS)

27. (a) Which of the following are operating activities for the purpose of preparing cash flow statement ? (i) Cash payments to suppliers for goods and services. (ii) Dividend received from investments in other enterprises. (iii) Cash receipts from royalties, fees, commissions and other revenues. (iv) Cash repayments of amounts borrowed.

(A) (i), (ii) and (iii)

(B) (i) and (iii)

(C) (i), (iii) and (iv)

(D) (iii) and (iv)

Correct Answer: (B) (i) and (iii)

Solution:

Operating activities include all principal revenue-generating activities of the business.

(i) Cash payments to suppliers – Operating Activity

(ii) Dividend received – Investing Activity

(iii) Cash receipts from royalties, fees, etc. – Operating Activity

(iv) Cash repayments of borrowed amounts – Financing Activity

Hence, only (i) and (iii) are operating activities.

Quick Tip

Only core business-related cash inflows/outflows are classified as operating activities. Cash from investments or borrowings falls under investing or financing.

---

27. (b) Which of the following statements is incorrect ?

(A) Payment of dividend and interest will result in cash outflow from financing activities.

(B) Payment of employee benefit expenses will result in cash outflows from operating activities.

(C) Receipt of interest and dividend will result in cash inflow from financing activities.

(D) Operating activities are the principal revenue generating activities of the enterprise.

Correct Answer: (C) Receipt of interest and dividend will result in cash inflow from financing activities.

Solution:

Interest and dividend received are classified under investing activities (not financing).

Thus, (C) is an incorrect statement.

Quick Tip

Classify income based on nature — receiving money from investments is investing activity, not financing.

28. Statement I: Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Statement II: Cash payments to acquire fixed assets including intangibles and capitalised research and development results in cash outflow from investing activities.

Choose the correct option from the following:

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Only Statement I is true.

(D) Only Statement II is true.

Correct Answer: (A) Both the Statements are true.

Solution:

Statement I correctly defines investing activities. Statement II accurately describes a type of investing cash outflow.

Therefore, both statements are true.

Quick Tip

Investing activities involve long-term assets and investment outflows/inflows like purchase or sale of assets.

---

29. (a) The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is ______________.

(A) Comparative Statements

(B) Common Size Statements

(C) Cash Flow Analysis

(D) Ratio Analysis

Correct Answer: (A) Comparative Statements

Solution:

Comparative statements help assess changes in financial data over time and indicate the trend in financial performance.

Quick Tip

Comparative analysis = year-to-year trend comparison; Common-size = percentage analysis.

---

29. (b) Ratios that are calculated for measuring the efficiency of operations of the business based on effective utilization of resources are known as ______________.

(A) Profitability ratios

(B) Solvency ratios

(C) Turnover ratios

(D) Liquidity ratios

Correct Answer: (C) Turnover ratios

Solution:

Turnover ratios help assess how effectively resources like inventory, receivables, and assets are being used in generating sales.

Quick Tip

Turnover = Efficiency. High turnover = better use of business assets.

---

30. The Debt Equity Ratio of Manak Enterprises is 2.5 : 1. Which of the following transaction will result in increase in this ratio ?

(A) Purchase of goods on credit 2,00,000.

(B) Payment to creditors 3,00,000.

(C) Issue of debentures 6,00,000.

(D) Sale of furniture of the book value of 4,00,000 at a profit of 10

Correct Answer: (C) Issue of debentures 6,00,000.

Solution:

Debt Equity Ratio = Total Debt / Shareholders' Equity.

Issuing debentures increases total debt while equity remains the same, thereby increasing the ratio.

Quick Tip

Debt increases numerator of Debt-Equity Ratio. Look for transactions that increase debt or reduce equity.

---

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: (i) Calls in advance
(ii) Licences and Franchise
(iii) Prepaid Insurance

Correct Answer:

- (i) Calls in Advance – **Other Current Liabilities** (under Current Liabilities)
- (ii) Licences and Franchise – **Intangible Assets** (under Non-Current Assets)
- (iii) Prepaid Insurance – **Other Current Assets** (under Current Assets)

Solution:
As per Revised Schedule III:

- Calls in advance is a liability as it's received before due, shown under Other Current Liabilities.
- Licences and franchise represent intangible resources, hence classified under Intangible Assets.
- Prepaid insurance is an expense paid in advance, hence an asset under Other Current Assets.

Quick Tip

Always match classification to nature and timing — prepaid = asset, advances = liability.

---

32. From the following information of NK Ltd., prepare a common size Statement of Profit and Loss for the years ended 31st March, 2023 and 31st March, 2024:

Particulars	2023-24 ()	2022-23 ()
Revenue from operations	20,00,000	10,00,000
Cost of materials consumed	5,00,000	3,00,000
Employee benefit expenses	2,00,000	1,00,000
Income Tax @ 40%		

Correct Answer: Common Size Statement of Profit and Loss

Solution:

Common Size analysis presents items as a percentage of total revenue:

- Cost of materials consumed:
  - 2023-24: (5,00,000 / 20,00,000) × 100 = 25%
  - 2022-23: (3,00,000 / 10,00,000) × 100 = 30%
- Employee benefit expenses:
  - 2023-24: (2,00,000 / 20,00,000) × 100 = 10%
  - 2022-23: (1,00,000 / 10,00,000) × 100 = 10%

Income tax can be calculated after deriving profit before tax (not directly given).

Quick Tip

In common-size statements, divide all items by revenue from operations to evaluate vertical performance.

---

33. (a) Calculate opening and closing Trade Payables from the following information :

Total purchases 15,00,000;

Cash purchases are 25% of credit purchases;

Trade payables turnover ratio is 4 times;

Closing trade payables are two times of opening trade payables.

Correct Answer: Opening Trade Payables = 1,25,000; Closing Trade Payables = 2,50,000

Solution:

Let Credit Purchases = x

Given that 25% of credit purchases are cash,

$0.25x + x = 15,00,000 \Rightarrow 1.25x = 15,00,000 \Rightarrow x = 12,00,000$

So, Credit Purchases = 12,00,000

Trade Payables Turnover Ratio = $\frac{Net\ Credit\ Purchases}{Average\ Trade\ Payables} = 4$

Average Trade Payables = $\frac{12,00,000}{4} = 3,00,000$

Let Opening = x, Closing = $2x$,

Average = $\frac{x + 2x}{2} = 1.5x$

$1.5x = 3,00,000 \Rightarrow x = 2,00,000$

Opening = 1,25,000; Closing = 2,50,000

Quick Tip

Always express average in terms of opening and closing when using turnover ratios.

---

33. (b) From the following information, calculate **Return on Investment** :

Shareholders' Funds 16,00,000

10% Debentures 8,00,000

Current Liabilities 2,00,000

Current Assets 5,00,000

Non-Current Assets 21,00,000

Net profit after tax was 3,00,000 and the tax amounted to 1,00,000.

Correct Answer: Return on Investment = 15%

Solution:

Return on Investment = $\frac{Net\ Profit\ before\ Interest\ and\ Tax}{Capital\ Employed} \times 100$

Net Profit before Tax = 3,00,000 + 1,00,000 = 4,00,000

Capital Employed = Shareholders' Funds + Long Term Debt = 16,00,000 + 8,00,000 = 24,00,000

ROI = $\frac{4,00,000}{24,00,000} \times 100 = 16.67\%$

Quick Tip

Always add back interest and tax to Net Profit if formula requires EBIT.

---

34. (a) From the following information, calculate Cash Flows from Investing Activities :

Particulars	31–3–2024 ()	31–3–2023 ()
Machinery (at cost)	3,80,000	3,00,000
Accumulated Depreciation	62,000	45,000

Additional Information :

A machine costing 50,000 on which accumulated depreciation was 20,000 was sold at a profit of 10%.

Correct Answer: Cash Flow from Investing Activities = (80,000) [Outflow]

Solution:

Sale Proceeds = 50,000 + 10% of 50,000 = 55,000

Purchase of Machinery = Closing Balance + Cost of Sold Machinery - Opening Balance

= 3,80,000 + 50,000 - 3,00,000 = 1,30,000

Net Cash Flow from Investing = Inflow 55,000 - Outflow 1,30,000 = (75,000)

Quick Tip

Add back sale proceeds and subtract actual purchase value for net investing cash flow.

---

34. (b) From the following information, calculate Cash flows from Financing Activities :

Particulars	31–3–2024 ()	31–3–2023 ()
Equity Share Capital	12,00,000	8,00,000
11% Debentures	3,00,000	4,00,000
Securities Premium	1,40,000	1,00,000

Additional Information :

Interest paid on debentures amounted to 40,000.

Correct Answer: Net Cash from Financing Activities = 3,00,000

Solution:

- Proceeds from issue of share capital = 4,00,000 (12,00,000 - 8,00,000)
- Securities premium received = 40,000
- Redemption of debentures = (1,00,000)
- Interest paid = (40,000)

Net cash flow = 4,00,000 + 40,000 - 1,00,000 - 40,000 = 3,00,000

Quick Tip

Interest paid is shown as cash outflow in financing. Issue/redemption impacts net cash flow.

SECTION B

OPTION-II

(COMPUTERISED ACCOUNTING)

27. (a) To safeguard assets and optimise the use of resources of a business:

(A) shield and secure its assets only.

(B) try to earn sufficient profits only.

(C) keep internal checks and controls.

(D) ensure accuracy in accounting records only.

Correct Answer: (C) keep internal checks and controls.

Solution:

Internal checks and controls help prevent misuse or fraud, and ensure efficient and effective utilisation of resources. Simply securing assets or keeping records accurate does not address optimisation.

Quick Tip

Internal controls are the foundation of safeguarding and optimal resource utilisation in any business.

---

27. (b) Which of the following item is not included in Account group–loans (liabilities) in the Account group of Balance Sheet?

(A) Bank overdraft

(B) Sundry creditors

(C) Unsecured loans

(D) Secured loans

Correct Answer: (B) Sundry creditors

Solution:

Sundry creditors are classified under current liabilities and not under the loan category in balance sheets. Bank overdraft, secured and unsecured loans are all considered loan liabilities.

> **Quick Tip**
>
> Account groups are predefined categories; creditors are not loans—they are trade liabilities.

---

28. Which of the following is an adjustment voucher normally used for non-cash transaction?

(A) Payment voucher

(B) Receipt voucher

(C) Contra voucher

(D) Journal voucher

Correct Answer: (D) Journal voucher

Solution:

Journal vouchers are used for transactions which do not involve cash or bank, such as depreciation, provisions, etc. Contra is used for cash and bank movement within the organisation.

> **Quick Tip**
>
> Non-cash adjustments like depreciation, provisions or rectifications are recorded via journal vouchers.

---

29. (a) Which of the following is not an advantage of Computerised Accounting System?

(A) Timely generation of reports in desired format.

(B) Unprogrammed and un-specific reports cannot be generated.

(C) Economy in processing of accounting data.

(D) Efficient record keeping.

Correct Answer: (B) Unprogrammed and un-specific reports cannot be generated.

Solution:

Statement (B) is a limitation, not an advantage. Computerised systems typically generate predefined reports efficiently, but may not easily handle custom unprogrammed ones.

> **Quick Tip**
>
> Understand the difference between advantages and limitations to evaluate software effectiveness.

---

29. (b) The need for codification is for:

(A) easy processing of data and keeping the records.

(B) generation of mnemonic codes.

(C) to secure accounting reports.

(D) the encryption of data.

Correct Answer: (B) generation of mnemonic codes.

Solution:

Codification in accounting helps in assigning mnemonic codes to accounts which makes recording and retrieval of data easier.

> **Quick Tip**
>
> Codification helps quick identification and processing through predefined symbols or codes.

---

30. To see all the available shape styles, which of the following button is to be clicked?

(A) More

(B) Custom

(C) Chart root

(D) Picture

Correct Answer: (A) More

Solution:

In applications like MS Excel or Word, the ’More’ option under shape styles reveals the complete list of available formatting options for shapes. Other options like ’Picture’ or ’Chart root’ are not relevant to style viewing.

Quick Tip

Always explore the full style gallery by clicking the ’More’ button, typically represented by a downward arrow with a line.

---

31. What is meant by ‘Data’, ‘Information’ and ‘Transaction’?

Correct Answer:

- **Data:** Raw facts and figures without context. For example, 100, 200.
- **Information:** Processed data with meaning and context. For example, sales of 100 and 200.
- **Transaction:** Any business event involving exchange of goods, services or money recorded in the books.

Solution:

Data becomes useful when processed into information. Transactions are recorded occurrences involving monetary value that affect accounting records.

Quick Tip

Remember: Data is input, information is processed output, and transaction is the event that triggers both.

---

32. List six features of an Accounting Software.

Correct Answer:

- Automation of Accounting Process
- Accuracy in Data Entry
- Speedy Processing

- Generation of Reports
- Scalability and Customization
- Security and Backup Facilities

Solution:
Accounting software facilitates the automation of books of accounts, ensuring high accuracy and speed. It allows custom reports, secures data, and helps with decision-making via analytics.

Quick Tip

Always mention features that reflect speed, automation, and reliability while writing on software tools.

---

33. (a) Each and every data from Notepad file can be saved as an Excel data file. This provides a lead that Excel worksheet consists of four types of data in cell. Name and state these data types.

Correct Answer:

- **Text:** Alphanumeric characters such as names, labels, or descriptions used in cells. Text entries are left-aligned by default in Excel.
- **Numbers:** Numerical data including whole numbers, decimals, percentages, or currency. These are right-aligned and allow mathematical computations.
- **Formulas:** Expressions starting with '=' to perform operations using functions like SUM, AVERAGE, IF, etc. Formulas make Excel a powerful analytical tool.
- **Date/Time:** Values formatted as dates or times. Excel recognizes specific formats and allows calculations like durations, deadlines, and scheduling.

Solution:
In Microsoft Excel, a cell is the basic unit of data storage. Each cell can contain one of four primary data types that define the kind of information and operations that can be performed:

1. Text: Used to store labels, names, or any non-numeric input. Text data cannot be used for arithmetic but helps identify rows or columns. For example, "John", "Sales", or "North Region".
2. Numbers: Include integers, decimals, and currency. These can be used for calculations. For example, 150, 10.75, or 5000.
3. Formulas: These allow Excel to perform calculations dynamically. A formula starts with an equals sign '=' followed by expressions like '=A1+B1', or functions such as '=SUM(A1:A5)'.
4. Date/Time: Excel recognizes inputs such as "01/01/2025" or "12:30 PM" as temporal data. These can be used to calculate intervals, age, scheduling events, etc.
Together, these four types make Excel a flexible data analysis tool, capable of handling both qualitative and quantitative data effectively.

Quick Tip

Always remember: Text aligns left, numbers align right, formulas begin with '=', and dates can be formatted and calculated using time functions.

---

33. (b) What is meant by 'Data Validation'? What is facilitated by 'Error Alert Tab'?
Correct Answer:
Data Validation: It is a feature in MS Excel that restricts the type or range of data that can be entered in a cell.
Error Alert Tab: It allows users to set messages that warn or stop incorrect entries when data does not match the validation rule.
Solution:
Data Validation is a powerful feature of Excel used for improving data accuracy by controlling the input type. For example, if a user should only enter a date between January and December 2025, or restrict a score entry to only integers between 0 and 100, Data Validation ensures such rules are followed.
Steps to apply Data Validation:

1. Select the cell or range.

2. Go to Data Tab → Data Validation.
3. Under the Settings tab, define criteria (e.g., Whole number between 1 and 100).
4. Use Input Message tab to provide guidance.
5. Use Error Alert tab to define messages on wrong input.

Error Alert Tab has 3 alert types:

- **Stop:** Prevents entry of invalid data.
- **Warning:** Allows entry with a caution message.
- **Information:** Simply informs about the invalid entry.

It ensures that users understand what kind of values are acceptable, thereby reducing errors and improving spreadsheet reliability.

> **Quick Tip**
>
> Always define clear rules using Data Validation for error-free entries and set meaningful Error Alerts to guide users.

---

34. If a user wishes to change a 'Text Option' as an element of chart, how can he/she do so? Explain.

Correct Answer:

Right-click on the text element → Select 'Format Text' or 'Format Chart Title' → Open 'Text Options' → Modify font, fill, outline, shadow, and alignment.

Solution:

Charts in MS Excel consist of multiple elements like chart title, axis title, data labels, etc., all of which contain text. Excel allows detailed customization of these elements through the 'Text Options' pane.

Steps to modify Text Option:

1. Click or right-click on the desired text element (e.g., chart title).
2. Choose 'Format Chart Title' or 'Format Axis Title'.

3. A side panel opens with ‘Text Options’.
4. There are three icons under Text Options:
   - **Text Fill Outline:** Change font color, add border or outline.
   - **Text Effects:** Apply shadow, reflection, glow, or 3D effects.
   - **Text Box:** Adjust alignment, margins, text direction.
5. Apply desired changes and close the panel.

This functionality helps users improve chart readability, aesthetics, and makes presentations more impactful.

Quick Tip

Use ‘Text Options’ to professionally format chart labels and titles—especially for reports and presentations.
