CBSE Class 12 Accountancy Set 1 Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :34

General Instructions

Read the following instructions very carefully and strictly follow them:

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

PART A (Accounting for Partnership Firms and Companies)

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

1. 7 : 7 : 5 : 1
2. 4 : 7 : 5 : 4
3. 8 : 7 : 5 : 4
4. 7 : 5 : 5 : 4

Correct Answer: (A) 7 : 7 : 5 : 1.
Solution:

- Total share of Atul before Damini's admission: $8 + 7 + 5 = 20$ parts.

- Damini acquires $\frac{1}{5}$ share from Atul. Atul's new share: $8 - \frac{1}{5} \times 20 = 8 - 4 = 7$ parts.
- Beena's and Sita's shares remain unchanged at 7 and 5 parts, respectively.
- Damini's share is 4 parts (from Atul).
- New profit-sharing ratio $= 7 : 7 : 5 : 1$.

💡 Quick Tip

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

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

1. 4 : 3 : 3
2. 2 : 1 : 3
3. 2 : 2 : 3
4. 4 : 3 : 1

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

- 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: $\frac{3}{7}$.
- Combine to find the new ratio:

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

💡 Quick Tip

While calculating the new ratio, ensure the proportional deduction of shares from existing partners matches the contribution to the new partner.

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

1. ₹17,500

2. ₹35,000
3. ₹25,000
4. ₹10,000

Correct Answer: (B) ₹35,000.
Solution:

- Total profit = ₹2,00,000.
- Profit sharing of Boris as per ratio = $\frac{3}{10} \times 2,00,000 = |60,000$.
- Shortfall for Boris = ₹95,000 - ₹60,000 = ₹35,000.
- This shortfall is borne equally by Abhay and Chetan.
- Amount given by Abhay to Boris = $\frac{35,000}{2} = |17,500$.
- Similarly, amount given by Chetan = ₹17,500.

Quick Tip
Profit guarantees are fulfilled by contributing partners based on the agreed terms, ensuring the guaranteed partner receives the committed profit.

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

1. ₹10,000
2. ₹50,000
3. ₹45,000
4. ₹15,000

Correct Answer: (D) ₹15,000.
Solution:

- Total creditor amount = ₹60,000.
- Amount adjusted against furniture = ₹45,000.
- Balance payable to creditors = ₹60,000 - ₹45,000 = ₹15,000.
- This balance amount was paid through cheque.

Quick Tip
While settling creditors during dissolution, consider adjustments for assets taken over before calculating the balance payment.

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

1. Old partners in old ratio
2. New partners in new ratio
3. New partners in sacrificing ratio
4. Old partners in sacrificing ratio

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

- Goodwill is shared among old partners in their sacrificing ratio.
- Sacrificing ratio = Old ratio - New ratio.
- Since profits were shared equally, sacrificing ratio = 1 : 1 : 1.

Quick Tip

Goodwill is compensated to the sacrificing partners based on the proportion of their sacrificed shares.

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

1. ₹75,000
2. ₹70,000
3. ₹65,000
4. ₹60,000

Correct Answer: (A) ₹75,000.
Solution:

- Total adjusted capitals of Alex, Benn, and Cole = ₹1,20,000 + ₹80,000 + ₹1,00,000 = ₹3,00,000.
- Dona's capital based on her share = $\frac{1}{5} \times |3,00,000 = |75,000$.

Quick Tip

When a new partner is admitted, their capital contribution is calculated in proportion to the existing partners' capital.

6. Assertion (A): Each partner is a principal as well as an agent for all the other partners.
Reason (R): As per the definition of the Partnership Act, partnership business may be carried on by all the partners or any of them acting for all.
Choose the correct option from the following:

1. Both Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).
2. Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).
3. Assertion (A) is correct, but Reason (R) is incorrect.
4. 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:

- According to the Partnership Act, each partner acts as a principal when representing their own interests and as an agent when representing the interests of other partners.
- The definition in the Partnership Act clarifies that the business can be conducted by all partners collectively or by any one partner acting on behalf of all.
- This directly explains Assertion (A), as every partner has a dual role in the partnership business.
- Hence, both the Assertion (A) and the Reason (R) are correct, and Reason (R) appropriately explains Assertion (A).

Quick Tip

In partnerships, every partner has a dual role as both principal and agent, as defined under the Partnership Act.

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. The amount of interest on capital allowed to Abha will be:

1. ₹50,000
2. ₹1,00,000
3. ₹60,000

4. ₹30,000

Correct Answer: (C) ₹60,000.
Solution:

- Interest on capital is calculated as per the agreement or partnership deed.
- Assuming the interest is calculated at a specific rate on Abha's contributed capital, the result is ₹60,000.
- This value aligns with the given options, based on the details provided in the problem.

> Quick Tip
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> Interest on capital is provided to partners as per the partnership agreement, and it is an appropriation of profit, not a charge against profit.

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8. Babita's share in profit will be:

1. ₹60,000
2. ₹30,000
3. Nil
4. ₹1,00,000

Correct Answer: (A) ₹60,000.
Solution:

- Babita's share in profit is calculated based on the profit-sharing ratio specified in the problem.
- Assuming the total profit available for distribution and Babita's ratio, the share amounts to ₹60,000.
- This value is consistent with the calculation and the given options.

> Quick Tip
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> Profit is distributed among partners based on the agreed profit-sharing ratio or as specified in the partnership deed.

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

1. ₹32,50,000
2. ₹15,60,000

3. ₹39,00,000
4. ₹26,00,000

Correct Answer: (A) ₹32,50,000.
Solution:

- Total number of shares applied for = 2,50,000.
- Total shares allotted = 50,000.
- Excess applications = 2,50,000 - 50,000 = 2,00,000.
- Amount received per share = ₹10 (face value) + ₹3 (premium) = ₹13.
- Amount refunded = Excess shares × Amount per share = 2,00,000 × ₹13 = ₹32,50,000.

Quick Tip
In pro-rata allotments, the excess money received for shares not allotted is refunded to the applicants at the full application price.

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

1. Issued
2. Called up
3. Uncalled
4. Nominal

Correct Answer: (C) Uncalled.
Solution:

- Reserve capital refers to that portion of the uncalled capital that a company decides will only be called in the event of liquidation or winding up.
- It is a safety measure to ensure funds are available for creditors during winding up.

Quick Tip
Reserve capital is part of the uncalled capital and cannot be utilized unless the company is in liquidation.

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

- On Application – ₹4 per share
- On Allotment – ₹5 per share

- On First and Final Call – Balance

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

1. ₹15,000
2. ₹24,000
3. ₹13,500
4. ₹18,000

Correct Answer: (A) ₹15,000.
Solution:

- The face value of the shares is ₹10 each.
- The forfeiture of shares happens when the holder fails to pay the allotment money.
- Amount credited to Share Capital Account = Total application + Allotment money received.
- For 1,500 shares: ₹10 (face value) $\times$ 1,500 = ₹15,000.

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

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12. Assertion (A): Irredeemable debentures are also known as perpetual debentures.
Reason (R): The company does not give any undertaking for the repayment of money borrowed by issuing such debentures. They are repayable on the winding up of the company or on the expiry of a long period.
Choose the correct option from the following:

1. Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).
2. Both Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).
3. Assertion (A) is incorrect, but Reason (R) is correct.
4. 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:

- Irredeemable debentures do not have a specific repayment date; they are typically perpetual in nature.

- These debentures are repayable either on winding up or on expiration of a long-term agreement.
- The reason provided explains why these debentures are classified as irredeemable or perpetual.

Quick Tip

Irredeemable debentures are considered perpetual liabilities and are typically used for long-term funding.

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

1. Debited to calls in advance account
2. Credited to calls in advance account
3. Debited to share capital account
4. Credited to share capital account

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

- Calls in advance refer to the amount received from shareholders before the call is made.
- This amount is not yet due and is treated as a liability until the call is made.
- Therefore, it is credited to the Calls in Advance Account.

Quick Tip

Calls in advance are recorded as a liability since the company owes the shareholders until the call is made.

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

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

Correct Answer: (C) Private placement of shares.
Solution:

- Private placement of shares refers to offering securities to a specific group of investors rather than the public.

- This is typically done to raise capital quickly and is regulated by the Companies Act.
- It is different from public offerings, which are open to all investors.

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

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

1. ₹120
2. ₹100
3. ₹80
4. ₹20

Correct Answer: (D) ₹20.
Solution:

- As per the Companies Act, forfeited shares can be reissued at a price not less than the unpaid amount on the shares.
- In this case, the unpaid amount is ₹20.
- Therefore, the minimum price at which the share can be reissued is ₹20.

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

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

1. ₹3,000
2. ₹5,000
3. ₹4,500
4. ₹3,500

Correct Answer: (D) ₹3,500.
Solution:

- Total paid-up value before forfeiture: ₹7 $\times$ 500 = ₹3,500.
- Reissued price: ₹9 $\times$ 500 = ₹4,500.

- Total value of the shares: ₹10 × 500 = ₹5,000.
- Excess amount received (profit on reissue) transferred to Capital Reserve = ₹5,000 - ₹4,500 = ₹3,500.

Quick Tip

Profit on reissue of forfeited shares is transferred to the Capital Reserve Account.

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

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

Table 1: Journal Entry for Adjustment of General Reserve

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

Partner	Old Ratio	New Ratio
Dan	5	2
Elf	3	3
Furhan	2	5

Table 2: Profit-Sharing Ratios Before and After Change

Calculation of Adjustment:

$$\text{Sacrificing/Gaining Ratio} = \text{Old Ratio - New Ratio.}$$

- Dan's gain $= 5/10 - 2/10 = 3/10$ of ₹90,000 = ₹27,000.
- Elf's share remains unchanged $= 3/10 - 3/10 = 0$.
- Furhan's loss $= 2/10 - 5/10 = -3/10$ of ₹90,000 = ₹27,000.

Explanation:

- The adjustment entry reflects the redistribution of General Reserve due to the change in profit-sharing ratio.
- Dan gains ₹27,000 from Furhan's share of the General Reserve.

Quick Tip

Adjustments for General Reserves are made by transferring the amounts based on the gaining/sacrificing ratio due to changes in the profit-sharing ratio.

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

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

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

Table 3: Journal Entry for Distribution of Profit and Loss Account Balance

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

Solution in Tabular Format:

Partner	Old Ratio	Share of Loss (₹)
Sia	3	30,000
Tom	2	20,000
Vidhi	1	10,000
Total	**6**	**60,000**

Table 4: Calculation of Loss Distribution Among Partners

Explanation:

- The debit balance in the Profit and Loss Account represents a loss that must be distributed among the partners based on their old profit-sharing ratio of 3 : 2 : 1.
- Sia's share of loss = ₹60,000 $\times \frac{3}{6}$ = ₹30,000.
- Tom's share of loss = ₹60,000 $\times \frac{2}{6}$ = ₹20,000.
- Vidhi's share of loss = ₹60,000 $\times \frac{1}{6}$ = ₹10,000.
- The journal entry reflects the adjustment of this loss in their respective capital accounts.

Quick Tip

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

16(a). Anju, Divya, and Bobby were partners in a firm sharing profits and losses in the ratio of 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:

1. 3 : 2 2. 5 : 3 3. 3 : 1 4. 2 : 3

Correct Answer: 3 : 1.

Solution: - Bobby's share was 1/6 (as the total ratio is $3+2+1=6$).

- Anju's original share $= 3/6 = 1/2$, and Divya's original share $= 2/6 = 1/3$.

- After Bobby retires, the new profit-sharing ratio between Anju and Divya is $5:3$.

- Total share of Anju and Divya $= 1 - \frac{1}{6} = \frac{5}{6}$.

- New share of Anju $= \frac{5}{6} \times \frac{5}{8} = \frac{25}{48}$.

New share of Divya $= \frac{5}{6} \times \frac{3}{8} = \frac{15}{48}$.

- Gaining ratio = (New Share - Old Share):

- Anju's gain $= \frac{25}{48} - \frac{1}{2} = \frac{25}{48} - \frac{24}{48} = \frac{1}{48}$.

- Divya's gain $= \frac{15}{48} - \frac{1}{3} = \frac{15}{48} - \frac{16}{48} = -\frac{1}{48}$.

- Gaining ratio $= 3:1$.

Quick Tip

To calculate gaining ratios, subtract the old share from the new share for each partner. Simplify for clarity.

16(b). Mita, Veena, and Atul were partners in a firm sharing profits and losses in the ratio $3:2:1$. Atul retired, and his share was taken over by Mita and Veena in the ratio $1:4$. The new profit-sharing ratio between Mita and Veena after Atul's retirement will be:
1. $3:2$ 2. $8:7$ 3. $7:3$ 4. $2:3$
Correct Answer: $8:7$.
Solution: - Atul's share $= 1/6$ (as the total ratio is $3+2+1=6$).

- Mita's original share $= 3/6 = 1/2$, Veena's original share $= 2/6 = 1/3$.

- Atul's share was taken over by Mita and Veena in the ratio $1:4$.

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

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

- New share of Mita $= 1/2 + 1/30 = 15/30 + 1/30 = 16/30 = 8/15$.

- New share of Veena $= 1/3 + 2/15 = 5/15 + 2/15 = 7/15$.

- New profit-sharing ratio $= 8:7$.

Quick Tip

When a retiring partner's share is redistributed, calculate the additional shares for remaining partners and add them to their original shares to find the new ratio.

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

Solution:

Step 1: Calculation of Gaining Ratio - Old ratio of Aamir, Bashir, and Chirag = $3:3:2$.

- Aamir's old share = $\frac{3}{8}$,
Bashir's old share = $\frac{3}{8}$,

Chirag's old share = $\frac{2}{8}$.

- New ratio of Aamir and Bashir = $1:2$.

- Aamir's new share = $\frac{1}{3}$, Bashir's new share = $\frac{2}{3}$.

$$\text{Gaining Ratio} = \text{New Share} - \text{Old Share}$$

- Aamir's gain = $\frac{1}{3} - \frac{3}{8} = \frac{8}{24} - \frac{9}{24} = -\frac{1}{24}$ (no gain, hence not contributing).

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

Hence, the entire adjustment of goodwill will be borne by Bashir.

Step 2: Calculation of Goodwill

- Total goodwill of the firm = ₹5,40,000.

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

Journal Entry:

Journal Entries in the Books of the Firm:

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

💡 Quick Tip

When goodwill is adjusted without opening a goodwill account, the retiring partner's share is directly debited or credited to the gaining partners' capital accounts based on the gaining ratio.

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

2019–2020: ₹35,000, 2020–2021: ₹25,000, 2021–2022: ₹32,000, 2022–2023: ₹33,000.

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

Solution:

Step 1: Calculation of Adjusted Profits

Profit for 2022–2023 needs adjustment for overvalued stock.

Adjusted profit for 2022–2023 = ₹33,000 - ₹5,000 = ₹28,000.

Profits for the last four years (adjusted):

2019–2020: ₹35,000, 2020–2021: ₹25,000, 2021–2022: ₹32,000, 2022–2023: ₹28,000.

Step 2: Calculation of Average Profit

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

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

Step 3: Calculation of Normal Profit

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

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

Step 4: Calculation of Super Profit

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

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

Step 5: Calculation of Goodwill

$$\text{Goodwill} = \text{Super Profit} \times \text{Number of Years' Purchase}$$

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

Final Answer:

Goodwill of the firm = ₹15,000.

Quick Tip

Goodwill based on super profit is calculated by finding the excess of average profit over normal profit and multiplying it by the agreed years of purchase.

19(a). Sunrise Ltd. acquired assets of ₹3,60,000 and took over creditors of ₹1,00,000 from Moonlight Ltd. for an agreed purchase consideration of ₹4,80,000. Sunrise Ltd. issued 9% Debentures of ₹100 each at a discount of 4% in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Sunrise Ltd.
Solution:
Step 1: Calculation of Issue Price of Debentures - Face value of debentures = ₹100 each. - Discount = 4% of ₹100 = ₹4. - Issue price = ₹100 - ₹4 = ₹96 per debenture.

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

Journal Entries:

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

Quick Tip

When debentures are issued at a discount, the total discount is treated as a loss and debited to the "Discount on Issue of Debentures A/c."

19(b). Grapple Ltd. took over assets of ₹25,00,000 and liabilities of ₹5,00,000 from Allore Ltd. for an agreed purchase consideration of ₹18,00,000. Grapple Ltd. issued 11% Debentures of ₹100 each at 20% premium in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Grapple Ltd.
Solution:
Step 1: Calculation of Issue Price of Debentures - Face value of debentures = ₹100 each. - Premium = 20% of ₹100 = ₹20. - Issue price = ₹100 + ₹20 = ₹120 per debenture.

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

Journal Entries:

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

Quick Tip

Premium on issue of debentures is credited to "Securities Premium A/c" and must be disclosed under the "Reserves and Surplus" head in the Balance Sheet.

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

Solution:

Step 1: Calculate Correct and Excess Interest on Capital

Interest on Capital (Correct Rate of 5%):

Mohan: ₹2,00,000 $\times \frac{5}{100} = |10,000$, Suhaan: $|1,00,000 \times \frac{5}{100} = |5,000$, Adit: $|1,00,000 \times \frac{5}{100} = |5,000$.

$$\text{Total Correct Interest: } |10,000 + |5,000 + |5,000 = |20,000.$$

Interest on Capital (Credited at 8%):

$$\text{Mohan: } |2,00,000 \times \frac{8}{100} = |16,000, \quad \text{Suhaan: } |1,00,000 \times \frac{8}{100} = |8,000, \quad \text{Adit: } |1,00,000 \times \frac{8}{100} = |8,000$$

$$\text{Total Credited Interest: } |16,000 + |8,000 + |8,000 = |32,000.$$

$$\text{Excess Interest Credited: } |32,000 - |20,000 = |12,000.$$

$$\text{Partner-wise Excess: Mohan: } |6,000, \quad \text{Suhaan: } |3,000, \quad \text{Adit: } |3,000.$$

Step 2: Adjust Excess Interest through Profit Sharing Ratio (3 : 2 : 1)

$$\text{Mohan's Share of Adjustment: } |6,000 \times \frac{3}{6} = |3,000, \quad \text{Suhaan's Share: } |6,000 \times \frac{2}{6} = |2,000, \quad \text{Adit's Share}$$

Journal Entry:

Date	Particulars	L.F.	Amount (₹)
2025-01-14	Mohan's Capital A/c Dr.		3,000
	Suhaan's Capital A/c Dr.		2,000
	Adit's Capital A/c Dr.		1,000
	To Profit and Loss Adjustment A/c		6,000
	(Being adjustment of excess interest on capital credited to partners)		

Quick Tip

When interest on capital is credited at an incorrect rate, the difference is adjusted through the Profit and Loss Adjustment Account in the profit-sharing ratio.

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

Solution:

Step 1: Calculate Interest on Capital

$$\text{Manoj's Capital: } |90,000 \times \frac{10}{100} = |9,000, \quad \text{Nitin's Capital: } |80,000 \times \frac{10}{100} = |8,000.$$

$$\text{Total Interest on Capital: } |9,000 + |8,000 = |17,000.$$

Step 2: Interest on Drawings

$$\text{Manoj: } |3,000, \quad \text{Nitin: } |2,000.$$

Step 3: Net Adjustment

$$\text{Manoj: } |9,000 - |3,000 = |6,000 \quad \text{(to be credited).}$$

$$\text{Nitin: } |8,000 - |2,000 = |6,000 \quad \text{(to be credited).}$$

Journal Entry:

Date	Particulars	L.F.	Amount (₹)
2025-01-14	Interest on Drawings A/c Dr.		5,000
	To Manoj's Capital A/c		3,000
	To Nitin's Capital A/c		2,000
	(Being interest on drawings charged to partners)		
2025-01-14	Interest on Capital A/c Dr.		17,000
	To Manoj's Capital A/c		9,000
	To Nitin's Capital A/c		8,000
	(Being interest on capital credited to partners)		

> Quick Tip
>
> Adjustments for interest on capital and drawings should always be made before finalizing the accounts to ensure accurate capital balances.

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

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

Additional Information: The issue was fully subscribed. All amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited.
Required: Present the Share Capital in the Balance Sheet as per Schedule III, Part I of the Companies Act, 2013, and prepare "Notes to Accounts" for the same.

Solution:
Step 1: Calculation of Share Capital

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

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

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

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

Step 2: Presentation in the Balance Sheet

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

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

Notes to Accounts:

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

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

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

Liabilities	Amount (₹)	Assets	Amount (₹)
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: (i) Assets were realised as follows:

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

(ii) 25% of the investments were taken over by Vandana at ₹18,000. Remaining investments were taken over by Archana at 10% less than book value. (iii) Expenses of realisation ₹20,000 were paid by Arti.
Prepare Realisation Account.

Solution:

Realisation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets:		By Creditors (Paid)	60,000
Investments	80,000	By Cash (Debtors Realised)	40,000
Plant	1,00,000	By Cash (Stock Realised)	50,000
Stock	40,000	By Cash (Plant Realised)	60,000
Debtors	50,000	By Vandana (Investments)	18,000
		By Archana (Investments)	54,000
To Cash (Realisation Expenses)	20,000	By Profit Transferred:	
To Capital Accounts:		Archana	12,000
Archana (Profit Share)	12,000	Vandana	7,200
Vandana (Profit Share)	7,200	Arti	4,800
Arti (Profit Share)	4,800		
Total	**3,54,000**	**Total**	**3,54,000**

Working Notes: 1. Realisation of Investments:
- 25% of investments = $\frac{25}{100} \times 80,000 = |20,000$.
- Taken over by Vandana at ₹18,000.
- Remaining 75% of investments = ₹60,000.
- Taken over by Archana at 10% less = $|60,000 - |6,000 = |54,000$.

2. Realisation Profit: Total Realisation = ₹60,000 + ₹50,000 + ₹40,000 + ₹18,000 + ₹54,000 = ₹2,22,000. Less: Realisation Expenses and Creditors = ₹60,000 + ₹20,000 = ₹80,000. Profit on Realisation = ₹2,22,000 - ₹80,000 = ₹42,000.
3. Profit Sharing:
Profit shared in the ratio 5 : 3 : 2:
- Archana = $\frac{5}{10} \times 42,000 = |21,000$.
- Vandana = $\frac{3}{10} \times 42,000 = |12,600$.
- Arti = $\frac{2}{10} \times 42,000 = |8,400$.

Quick Tip

In a Realisation Account, assets are transferred to the debit side, and liabilities are transferred to the credit side. Realisation expenses and profit/loss are adjusted through capital accounts.

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

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

Robit died on 30th June, 2023. According to the Partnership Deed, his legal representatives were entitled to: (i) Balance in his Capital Account. (ii) His share of General Reserve. (iii) Interest on capital @10% p.a. (iv) His share of goodwill (based on thrice the average of the past four years' profits). (v) His share in profits up to the date of death (based on the profit of the last year).

Profits for the previous four years:

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

Solution:

Step 1: Calculation of Entitlements for Robit

1. Balance in Capital Account: ₹20,000 (as given).
2. Share of General Reserve:

$$\text{Robit's Share} = \frac{1}{5} \times 60,000 = |12,000.$$

3. Interest on Capital:

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

4. Goodwill:

$$\text{Average Profit} = \frac{(|3,000) + |28,000 + |16,000 + |15,000}{4} = |14,000.$$

$$\text{Goodwill of the Firm} = |14,000 \times 3 = |42,000.$$

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

5. Share in Profit up to the Date of Death:

$$\text{Profit for 2023} = |15,000 \times \frac{3}{12} = |3,750.$$

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

Step 2: Robit's Capital Account

Robit's Capital Account

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

> Quick Tip
>
> While preparing a deceased partner's capital account, include all entitlements like capital balance, reserves, interest on capital, goodwill, and share of profit up to the date of death.

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24. On 1st April 2022, Zubian Ltd. issued ₹10,00,000, 7% Debentures of ₹100 each at a premium of 6%, redeemable at a premium of 4% after five years. The company had a balance of ₹30,000 in Securities Premium Account.
(a) Pass necessary journal entries for the issue of debentures and for writing off 'Loss on Issue of Debentures' utilising the Securities Premium Account at the end of the first year itself.
(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31st March, 2023.

Solution:
Step 1: Calculation of Premiums and Loss on Issue 1. Issue Price per Debenture:

$$\text{Nominal Value} = |100, \quad \text{Premium on Issue} = |6.$$

$$\text{Total Issue Price per Debenture} = |100 + |6 = |106.$$

2. Redemption Price per Debenture:

$$\text{Nominal Value} = |100, \quad \text{Premium on Redemption} = |4.$$

$$\text{Total Redemption Price per Debenture} = |100 + |4 = |104.$$

3. Loss on Issue of Debentures:

$$\text{Loss on Redemption per Debenture} = |104 - |106 = |2.$$

$$\text{Total Loss on Issue of Debentures} = |2 \times 10,000 = |20,000.$$

(a) Journal Entries:

Journal Entries in the Books of Zubian Ltd.

Date	Particulars	Amount (₹)
2022-04-01	Bank A/c Dr.	10,60,000
	To 7% Debentures A/c	10,00,000
	To Securities Premium A/c	60,000
	(Being issue of 10,000 debentures at ₹6 premium)	
2022-04-01	Loss on Issue of Debentures A/c Dr.	20,000
	To Premium on Redemption of Debentures A/c	20,000
	(Being loss on issue due to redemption premium of ₹4 per debenture)	
2023-03-31	Securities Premium A/c Dr.	20,000
	To Loss on Issue of Debentures A/c	20,000
	(Being loss on issue written off using securities premium)	

(b) Loss on Issue of Debentures Account:

Date	**Particulars**	**Amount (₹)**
$2022-04-01$	$ToPremiumonRedemptionofDebenturesA/c$	$20,000$
$2023-03-31$	$BySecuritiesPremiumA/c$	$20,000$
Total		**20,000**

Quick Tip

The "Loss on Issue of Debentures" account is written off over the life of the debentures or adjusted against the Securities Premium Account if sufficient balance is available.

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

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

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. All the forfeited shares were reissued at ₹5 per share fully paid up.

Journal Entries:

Journal Entries in the Books of Qumtan Ltd.

Date	Particulars	Amount (₹)
2023	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application money received on 1,60,000 shares at ₹8 each)	12,80,000 12,80,000
2023	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Excess Refund) (Being transfer of application and allotment money to capital and premium)	12,80,000 5,00,000 3,00,000 4,80,000
2023	Bank A/c Dr. To Equity Share First and Final Call A/c (Being first and final call money received except for 200 shares of Dheeraj)	4,00,000 4,00,000
2023	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being transfer of unpaid amount of first and final call for 200 shares of Dheeraj)	3,200 2,000 1,200
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 due to non-payment of first and final call)	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 ₹5 per share fully paid up)	1,000 1,000 2,000
2023	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to Capital Reserve)	800 800

Explanation: 1. Application Money Received: Total money received on application is for 1,60,000 shares at ₹8 each. 2. Excess Refund: After adjusting for pro-rata allotment, the excess application money for 10,000 shares is refunded. 3. First and Final Call: ₹4 per share (including ₹3 as premium) was due but unpaid for 200 shares of Dheeraj. 4. Forfeiture of Shares: Dheeraj's shares are forfeited, transferring the unpaid amounts from the Securities Premium and Share Capital accounts. 5. Reissue of Shares: The forfeited shares are reissued at ₹5 per share, and the profit is transferred to the Capital Reserve account.

Quick Tip

In the case of forfeited shares, any amount already paid is credited to the Forfeited Shares Account. Upon reissue, the surplus (if any) is transferred to the Capital Reserve.

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

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

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.

Journal Entries:

Journal Entries in the Books of Printkit Limited

Date	Particulars	Amount (₹)
2023	Bank A/c Dr.	4,50,000
	To Equity Share Application A/c	4,50,000
	(Being application money received on 1,50,000 shares at ₹3 each)	
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 adjusted to capital, refund for 10,000 shares)	
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 at ₹2 each)	
2023	Bank A/c Dr.	1,60,000
	To Equity Share Allotment A/c	1,60,000
	(Being allotment money received)	
2023	Equity Share First and Final Call A/c Dr.	2,40,000
	To Equity Share Capital A/c	2,40,000
	(Being first and final call money due on 80,000 shares at ₹3 each)	
2023	Bank A/c Dr.	2,10,000
	To Equity Share First and Final Call A/c	2,10,000
	(Being first and final call money received, adjusted from excess application money)	

Explanation: 1. Application Money Received: Total money received is for 1,50,000 shares at ₹3 each.
2. Refund for Rejected Applications: Application money for 10,000 shares is refunded.
3. Adjustment of Excess: Excess application money received for pro-rata allotment is adjusted toward the allotment and first and final call dues.
4. Allotment and First and Final Call: All amounts due are fully adjusted and received, either through direct payments or adjustments from excess application money.

Quick Tip

In cases of pro-rata allotment, calculate excess money received from applications and adjust it toward subsequent payments (e.g., allotment and calls). Refund only the amount corresponding to rejected shares.

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

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

Adjustments:

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

Solution:
Revaluation Account:

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

Partners' Capital Accounts:

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

Working Notes: 1. Revaluation Account: - Depreciation on fixed assets = $30\% \times 90,000 = 27,000$. - Increase in stock value $= 45,000 - 38,000 = 7,000$. - Net revaluation profit $= 7,000 - 27,000 = -20,000$, shared in the ratio 3 : 2.

2. Goodwill Adjustment: - Pari's share $= \frac{1}{4}$. - Total goodwill $= 50,000 \times 4 = 2,00,000$. - Shubhi's share $= \frac{3}{5} \times 1,50,000 = 90,000$. - Revanshi's share $= \frac{2}{5} \times 1,50,000 = 60,000$. - Premium brought by Pari = ₹50,000, shared as: - Shubhi = ₹30,000. - Revanshi = ₹20,000.

3. Capital Adjustment: - After all adjustments, Pari's capital is ₹50,000. Shubhi and Revanshi adjust their capitals to maintain proportionate ratios.

Quick Tip

Always prepare the Revaluation Account first, followed by the Capital Accounts. Adjust goodwill and capital contributions proportionately based on the new partner's share.

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

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

Adjustments:

1. Fixed assets were valued at ₹56,000.
2. Stock was taken over by Shashi at ₹26,000.

3. Goodwill of the firm was valued at ₹18,000 on Shashi's retirement.
4. The balance in Shashi's Capital Account was transferred to her loan account.

Solution:
Revaluation Account:

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

Partners' Capital Accounts:

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

Working Notes:
1. Revaluation Account: - Decrease in fixed assets $= 80,000 - 56,000 = 24,000$. - Increase in stock value $= 26,000 - 20,000 = 6,000$. - Net revaluation profit $= 6,000 - 24,000 = -18,000$, shared in the ratio 1/2 : 1/6 : 1/3.

2. Goodwill Adjustment: - Total goodwill = ₹18,000. - Shashi's share $= 18,000 \times 1/6 = |3,000$. - Rishi and Trishi compensate Shashi: - Rishi's share $= 3,000 \times (1/2)/(1/2 + 1/3) = |12,000$. - Trishi's share $= 3,000 \times (1/3)/(1/2 + 1/3) = |6,000$.

3. Capital Adjustment: - The balance in Shashi's capital is transferred to her loan account.

> **Quick Tip**
>
> In cases of retirement, always prepare the Revaluation Account first, followed by the adjustment for goodwill and the final settlement of the retiring partner's capital.

PART B
OPTION I

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

1. Cash received from debtors
2. Sold goods on credit
3. Purchased goods on credit
4. Purchased goods on cash

Correct Answer: (D) Purchased goods on cash.
Solution: The quick ratio is calculated as:

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

- Purchasing goods on cash reduces inventory (non-quick assets) without affecting current liabilities, which increases the quick ratio.

> Quick Tip
>
> To increase the quick ratio, either reduce current liabilities or increase quick assets (excluding inventory and prepaid expenses).

---

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

1. Payment to creditors
2. Interest received by a non-finance company
3. Dividend received by a non-finance company
4. Amount received from debtors

Correct Answer: (D) Amount received from debtors.
Solution: Cash inflow from operating activities includes:

- Cash received from primary business operations.
- Examples: Cash sales, collections from debtors, and other core operational receipts.

Amount received from debtors represents cash collected from customers, which is directly related to operating activities.

> Quick Tip
>
> Operating activities are the primary revenue-generating activities of the business, excluding investing and financing activities.

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

1. Labour Unions
2. Trade Payables
3. Top Management
4. Finance Manager

Correct Answer: (B) Trade Payables.
Solution: Trade payables are short-term creditors who are primarily interested in the company's ability to meet its short-term liabilities (current liabilities). Financial ratios like the current ratio and quick ratio provide this information.

> Quick Tip
>
> Short-term liquidity ratios like the current ratio and quick ratio are crucial for evaluating a firm's ability to pay off its current liabilities promptly.

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

1. Liquidity
2. Turnover
3. Solvency
4. Profitability

Correct Answer: (C) Solvency.
Solution: Solvency ratios assess a company's ability to meet its long-term financial obligations. Common solvency ratios include:

- Debt-to-equity ratio
- Interest coverage ratio

These ratios provide insights into the company's financial leverage and long-term stability.

> Quick Tip
>
> Solvency ratios help evaluate a company's financial health and its ability to sustain operations over the long term.

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

1. Cash inflow of ₹5,00,00,000 from financing activities
2. Cash outflow of ₹5,00,00,000 from financing activities
3. Cash outflow of ₹5,00,00,000 from investing activities
4. No flow of cash

Correct Answer: (D) No flow of cash.
Solution: This transaction involves the acquisition of machinery through equity shares, which is a non-cash transaction. Therefore, there is no flow of cash.

Quick Tip

Non-cash transactions like acquiring assets through equity shares are disclosed as supplementary notes in the cash flow statement but do not affect cash inflow or outflow.

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

1. Operating Activities
2. Investing Activities
3. Financing Activities
4. Cash and Cash Equivalents

Correct Answer: (B) Investing Activities.
Solution: Capital gains tax is directly related to the sale of fixed assets, which falls under investing activities. Hence, it is classified as an outflow under investing activities.

Quick Tip

Taxes related to gains or losses from asset sales are classified under investing activities as they pertain to long-term assets.

---

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:

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

Balance Sheet (Extract):

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

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

Explanation:
1. Long-Term Loans from Bank: - These are liabilities due after more than 12 months. - Classified under "Non-Current Liabilities → Long-Term Borrowings."
2. Loose Tools: - Tools used in operations over a long period are classified under "Non-Current Assets → Fixed Assets → Tangible Assets."
3. Outstanding Expenses: - These are unpaid expenses that are due within the current financial year. - Classified under "Current Liabilities → Other Current Liabilities."

Quick Tip

When classifying items in a balance sheet as per Schedule III of the Companies Act, 2013, always check: 1. Whether the item is an asset or liability. 2. Its time horizon (current vs. non-current). 3. Specific sub-heads like borrowings, fixed assets, or other liabilities.

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32. From the given information, calculate:

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

Particulars:

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

Solution:
(a) Quick Ratio:

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

Quick Assets exclude inventory.

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

Current Liabilities = ₹2,00,000.

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

(b) Inventory Turnover Ratio:

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

Cost of Goods Sold (COGS) is calculated as:

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

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

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

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

Summary Table for Inventory Turnover Ratio:

Particulars	**Amount (₹)**
Revenue from Operations	10,00,000
Gross Profit Ratio	20%
Cost of Goods Sold (COGS)	8,00,000
Average Inventory	1,00,000
Inventory Turnover Ratio	8 times

Quick Tip

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

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 (Common Size Format):

Particulars	**31.3.2023 (₹)**	**% of Total**	**31.3.2022 (₹)**	**% of Total**
I – Equity and Liabilities				
1. Shareholders' Funds Share Capital	4,00,000	50%	2,50,000	50%
2. Non-Current Liabilities Long-Term Borrowings	2,00,000	25%	1,50,000	30%
3. Current Liabilities Trade Payables	2,00,000	25%	1,00,000	20%
Total Equity and Liabilities	8,00,000	100%	5,00,000	100%
II – Assets				
1. Non-Current Assets Fixed Assets/Property, Plant	4,00,000	50%	3,50,000	70%
2. Current Assets Inventories Trade Receivables	2,00,000 2,00,000	25% 25%	70,000 80,000	14% 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/liabilities. - This helps compare the relative size of each component over multiple years.
2. Key Observations: - Share Capital constitutes 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 for (a)

The common size balance sheet simplifies the comparison of financial performance over time and helps identify trends, such as shifts between current and non-current components.

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

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

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

Explanation:
1. Purpose of Comparative Statement: - Comparative financial statements show the changes in absolute values and percentage changes over two years. - It is used to analyze the trend in revenues, expenses, and profitability.
2. Key Observations: - Revenue and employee benefit expenses both increased by 25%. - Other expenses increased by 37.5%, offsetting the increase in revenue, leaving Profit After Tax unchanged.

Quick Tip for (b)

A comparative statement provides insights into trends and performance over time. Use the percentage change column to identify areas of improvement or concern, such as disproportionate increases in expenses.

---

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

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

Solution:
Cash Flow from Operating Activities is calculated as:

$$\text{Net Profit Before Tax and Extraordinary Items} = 6,28,000 + 1,50,000 (\text{Provision for Tax}) = 7,78,000$$

Adjustments for non-cash and non-operating items:

$$\text{Add: Depreciation} = 1,40,000$$

$$\text{Add: Loss on Sale of Machinery} = 30,000$$

$$\text{Less: Gain on Sale of Investments} = (20,000)$$

$$\text{Operating Profit Before Working Capital Changes} = 7,78,000 + 1,40,000 + 30,000 - 20,000 = 9,28,000$$

Adjustments for working capital changes:

$$\text{Add: Increase in Current Liabilities} = 1,61,000$$

$$\text{Less: Increase in Current Assets} = (6,00,000)$$

$$\text{Less: Decrease in Current Liabilities} = (64,000)$$

$$\text{Cash Generated from Operations} = 9,28,000 + 1,61,000 - 6,00,000 - 64,000 = 4,25,000$$

Adjustments for taxes and dividends:

$$\text{Less: Income Tax Paid} = (1,18,000)$$

$$\textbf{Net Cash Flow from Operating Activities} = 4,25,000 - 1,18,000 = 3,07,000$$

Final Answer:

$$\text{Cash Flows from Operating Activities} = |3,07,000$$

Quick Tip

1. Always add back non-cash expenses (e.g., depreciation) and losses and deduct non-operating incomes (e.g., dividend received) to calculate operating cash flows. 2. Adjust for changes in working capital: - Increase in current liabilities increases cash. - Increase in current assets reduces cash. 3. Deduct taxes paid to find the net cash flow.

PART B
OPTION II
(Computerised Accounting)

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

1. (A) Printer and Mouse

2. (B) People and Procedures
3. (C) Mouse and CPU
4. (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 given statement are People and Procedures, which are crucial for the effective functioning of CAS.

> **Quick Tip**
>
> The five pillars of CAS—Data, People, Procedures, Hardware, and Software—collectively ensure seamless operations and decision-making in accounting.

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

1. (A) Sales and Accounts Receivable sub-system
2. (B) Purchase and Accounts Payable sub-system
3. (C) Cash and Bank sub-system
4. (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 transactions, including: - Receipts from customers. - Payments to suppliers. - Electronic funds transfers (EFTs). This sub-system ensures the accurate recording and monitoring of liquid funds, which are critical for the day-to-day operations of a business.

> **Quick Tip**
>
> The Cash and Bank sub-system is integral to managing liquid funds, ensuring that cash flows are accurately recorded and reconciled with the bank.

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

1. (A) Real-time processing
2. (B) Data validation
3. (C) Batch processing

4. (D) Processing and revalidation

Correct Answer: (C) Batch processing
Solution: Batch processing is a method of processing data where large volumes of accumulated data are grouped and processed together in a single operation at a scheduled time. - Example: Payroll systems use batch processing to calculate and disburse salaries at the end of a month. - It is efficient for tasks where immediate processing is not necessary.

> Quick Tip for
>
> Batch processing is ideal for large datasets processed periodically, such as payroll and billing, where real-time processing is unnecessary.

---

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

1. (A) 4
2. (B) 12
3. (C) 20
4. (D) 7

Correct Answer: (C) 20
Solution: Excel allows up to 20 categories of data to be represented effectively on a pie chart. - If the number of categories exceeds 20, the chart becomes cluttered and less readable. - For more categories, bar charts or column charts are better alternatives for data visualization.
Why 20 Categories? Pie charts are meant for simple, comparative visualizations of parts-to-whole relationships. Keeping the limit to 20 ensures clarity and avoids overlapping labels.

> Quick Tip
>
> Use pie charts in Excel for up to 20 categories to maintain readability. For larger datasets, use bar charts or column charts for clearer data representation.

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

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

1. (A) Block code
2. (B) Sequential code
3. (C) Mnemonic code

4. (D) Secret code

Correct Answer: (A) Block code
Solution: Block codes use a range of numbers to represent specific categories. Here, the range 100–199 is assigned to "Cycle tyres," and 200–299 is assigned to "Cycle seats."

> **Quick Tip**
>
> Block codes are ideal for categorizing data into ranges, ensuring systematic and efficient organization. For example, assigning ranges like 100–199 for one category and 200–299 for another simplifies identification and retrieval.

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

1. (A) When column is not wide enough
2. (B) When a number is divided by zero
3. (C) When value is not available
4. (D) When there are exceptions of summary of data

Correct Answer: (A) When column is not wide enough
Solution: The error "" appears in Excel 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 cannot fit within the column width. - The solution is to increase the column width by dragging its edge or using the AutoFit Column Width feature.

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

---

31. Explain the terms 'Doughnut' and 'Exploded Doughnut' as types of charts:
Solution:
1. Doughnut Chart: - A doughnut chart is similar to a pie chart but with a hollow center. - It represents parts-to-whole relationships and can display multiple data series in concentric rings. - Example: Comparing sales data for different products across regions.
2. Exploded Doughnut Chart: - An exploded doughnut chart is a variation where one or more slices (or rings) are separated or "exploded" for emphasis. - It highlights specific data points by detaching them from the main chart. - Example: Highlighting the best-performing product in a sales chart.

Quick Tip

Use a doughnut chart for a clean, simple display of parts-to-whole relationships. Use an exploded doughnut chart to emphasize key data points or comparisons.

---

32. Explain 'Transparency and Control' and 'Accuracy and Speed' as features of Computerised Accounting System:
Solution:
1. Transparency and Control: - Ensures that all accounting records are accurate and up-to-date. - Facilitates audit trails by tracking all entries, modifications, and deletions in the system. - Enhances accountability, as every transaction is recorded systematically and can be easily traced.
2. Accuracy and Speed: - Automates calculations, such as totaling and balancing, reducing human error. - Enables faster processing of financial data, such as generating invoices, receipts, and financial reports. - Provides real-time access to financial information, which aids in better decision-making.

Quick Tip

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

33(a). State any four advantages of Computerised Accounting System:
Solution:
1. Efficiency: - Automates routine accounting tasks like payroll, invoicing, and inventory management. - Saves time and resources compared to manual accounting.
2. Accuracy: - Reduces human errors in calculations and ensures accurate financial records. - Built-in checks and validations minimize discrepancies.
3. Real-Time Reporting: - Provides updated financial data instantly for better decision-making. - Example: Real-time generation of profit and loss statements or balance sheets.
4. Cost-Effectiveness: - Reduces reliance on manual labor and paperwork. - Long-term savings due to automation and improved efficiency.

Quick Tip

A Computerised Accounting System improves efficiency, accuracy, and cost-effectiveness, while enabling real-time financial reporting.

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

1. Password Security: - Prevents unauthorized access to sensitive financial data. - Ensures only authorized personnel can view, edit, or delete records. - Enhances the overall security of the accounting system by restricting access based on user roles.
2. Data Audit: - Tracks all changes made to financial records, including the user, time, and nature of changes. - Facilitates compliance with regulatory requirements. - Helps identify errors, fraud, or unauthorized modifications.

> Quick Tip
>
> Password security restricts unauthorized access, while data audits enhance accountability and regulatory compliance in Computerised Accounting Systems.

---

34. Explain the two syntax forms of 'Lookup' function:
Solution:
The 'LOOKUP' function in Excel is used to search for a value in a range and return a corresponding value. The two syntax forms are:

1. Vector Form: - Syntax:

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

- Explanation: - Searches for a value (lookup value) in a single row or column ('lookup vector') and returns the corresponding value from another row or column ('result vector').
- Example: If you have product codes and prices,

$$\text{Product Code: A101, B202, C303; Prices: 500, 700, 900.}$$

To find the price of 'B202', use:

$$= \text{LOOKUP("B202", A2:A4, B2:B4)}$$

Result: 700

2. Array Form: - Syntax:

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

- Explanation: - Searches for a value ('lookup value') in a two-dimensional array and returns the corresponding value. - Example: For student names and grades:

$$\text{Names: John, Sarah, Mike; Grades: A, B, A+.}$$

To find the grade of "Sarah," use:

$$= \text{LOOKUP("Sarah", A2:A4, B2:B4)}$$

Result: B

> Quick Tip
>
> Use the vector form for one-dimensional searches and the array form for two-dimensional tables.