CBSE Class 12 Accountancy Set 1 2024 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). Shrikant and Ajay were partners in a firm sharing profits and losses in the ratio of 5:3. Shrikant withdrew 10,000 at the beginning of each quarter during the year ended 31st March, 2023. Interest on Shrikant's drawings @ 6% p.a. for the year ended 31st March, 2023 will be:

(A) 2,400
(B) 1,200
(C) 1,500
(D) 900

Correct Answer: (C) 1,500.

Solution: Interest on drawings is calculated as:

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

1. Total Drawings = 10,000 ×4 = $40,000.2.Average Period = \frac{15}{12}$ years (as withdrawals are made at the beginning of each quarter). 3. Interest on Drawings:

$$\text{Interest} = 40,000 \times \frac{6}{100} \times \frac{15}{12} = 1,500.$$

1(b). Interest on Rhea's drawings @ 10% p.a. for the year ended 31st March, 2023 will be:
(A) 6,000
(B) 4,500
(C) 3,000
(D) 1,500

Correct Answer: (B) 4,500.

Solution: 1. Total Drawings = 30,000 × 2 = 60,000. 2. Average Period = $\frac{6+3}{2\times12} = \frac{9}{12}$ years (as withdrawals are made at the beginning of each half-year). 3. Interest on Drawings:

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

Quick Tip
To calculate interest on drawings, always multiply the total drawings by the rate of interest and the average period based on the timing of withdrawals.

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2. Seema and Laksh were partners in a firm sharing profits and losses in the ratio of 2:1. Their capitals were 2,00,000 and 1,80,000 respectively. They admitted Aadi as a new partner on 1st April, 2023 for $\frac{1}{5}$ share in future profits. Aadi brought 1,50,000 as his share of capital. The goodwill of the firm on Aadi's admission will be:
(A) 7,50,000
(B) 2,20,000
(C) 3,70,000
(D) 1,50,000

Correct Answer: (B) 2,20,000.

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

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

2. Existing Partners' Capital = 2,00,000 + 1,80,000 = 3,80,000. 3. Goodwill of the Firm:

$$\text{Goodwill} = \text{Total Capital} - \text{Existing Partners' Capital} - \text{Aadi's Capital} = 7,50,000 - 3,80,000 - 1,50,000 =$$

Quick Tip

Goodwill on admission is calculated as the difference between the implied total capital (based on the new partner's contribution) and the total combined capital of the existing partners and the new partner.

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

(A) 26,000
(B) 64,000
(C) 80,000
(D) 1,44,000

Correct Answer: (A) 26,000.

Solution: 1. Value of Stock Taken Over by Creditors:

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

2. Balance Amount Payable to Creditors:

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

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

(A) 3,00,000
(B) 2,25,000
(C) 2,80,000
(D) 2,52,000

Correct Answer: (D) 2,52,000.

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

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

Quick Tip

To determine the realised amount from debtors, deduct both bad debts and any provisions or discounts from the total debtors amount.

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

(A) 3 : 2
(B) 1 : 1
(C) 2 : 3
(D) 13 : 7

Correct Answer: (C) 2 : 3.

Solution: To calculate the sacrificing ratio, we first need to determine the amount of profit each partner sacrificed for Krish. The total share acquired by Krish is $\frac{1}{5}$, which is taken from the existing partners Geeta and Hari. Hence, the sacrificing ratio of Geeta and Hari will be in the ratio of their original shares, i.e., 2 : 3.

Quick Tip

The sacrificing ratio indicates the portion of their share in profits that each partner gives up to accommodate the new partner.

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

Date Cr Amount ()	Particulars	Dr Amount ()
(A)	Workmen Compensation Reserve A/c	84,000
	To Workmen Compensation Claim A/c	
75,000	To Manu's Capital A/c	
4,000	To Sonu's Capital A/c	
3,000	To Rahul's Capital A/c	
2,000		
(B)	Workmen Compensation Reserve A/c	84,000
	To Workmen Compensation Claim A/c	
75,000	To Manu's Capital A/c	
45,000	To Sonu's Capital A/c	
30,000	To Rahul's Capital A/c	
9,000		
(C)	Manu's Capital A/c	500
	To Rahul's Capital A/c	
500		
(D)	Workmen Compensation Reserve A/c	75,000
	To Manu's Capital A/c	
45,000	To Sonu's Capital A/c	
30,000	To Rahul's Capital A/c	
9,000		

Solution:
The journal entries are as follows:

1. **Journal Entry (A)**: Transfer Workmen Compensation Reserve to Workmen Compensation Claim.

   Workmen Compensation Reserve A/c 84,000 is transferred to the Workmen Compensation Claim

2. **Journal Entry (B)**: Allocate the Workmen Compensation Claim among the partners in the new profit-sharing ratio (3:2:1).

Partner	Share of Workmen Compensation Claim ()	Ratio
Manu	45,000	3 : 6
Sonu	30,000	2 : 6
Rahul	9,000	1 : 6

3. **Journal Entry (C)**: Adjust the difference in Manu's and Rahul's capital accounts based on the claim adjustment.

Partner	Adjustment Amount ()
Manu's Capital A/c	500
Rahul's Capital A/c	500

4. **Journal Entry (D)**: Further adjustments are made to balance the Workmen Compensation Reserve, reflecting the final allocation among the partners.

Partner	Adjustment Amount ()
Manu	45,000
Sonu	30,000
Rahul	9,000

Quick Tip

Adjustments for goodwill and revaluation of assets/liabilities are made in the capital accounts based on the partners' profit-sharing changes.

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6. Assertion (A): Partners' current accounts maintained under 'Fixed Capital Method' may show a debit or a credit balance.
Reason (R): In the 'Fixed Capital Method', all items like share of profit or loss, interest on capital, drawings, interest on drawings etc. are recorded in the partners' capital accounts.
Choose the correct option from the following:
(A) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(C) Assertion (A) is correct, but Reason (R) is not correct.
(D) Both Assertion (A) and Reason (R) are not correct.

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

Solution: Under the Fixed Capital Method, the partners' capital accounts only reflect the fixed contributions of partners. Items like share of profits or losses, interest on capital, drawings, and interest on drawings are recorded in the partners' current accounts, not the capital accounts. Hence, Assertion (A) is correct because the current account can have either a debit or credit balance based on transactions. However, Reason (R) is incorrect as it wrongly attributes all these adjustments to the capital accounts.

Quick Tip

In the Fixed Capital Method, capital accounts remain fixed, while current accounts track adjustments like profits, losses, drawings, and interest. Ensure to distinguish between the two for accurate accounting.

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7. Sheena's interest on drawings will be:
(A) 5,000
(B) 4,000
(C) 3,000
(D) 2,000

Correct Answer: (D) 2,000.

Solution: Interest on drawings is charged at 10

$$\text{Interest on drawings} = 20,000 \times 10\% = 2,000$$

Quick Tip

Interest on drawings is calculated based on the amount withdrawn by the partner and the interest rate specified in the partnership deed.

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8. Tapti's share of profit will be:
(A) 11,500
(B) 34,500
(C) 10,500
(D) 23,000

Correct Answer: (C) 10,500.

Solution: Tapti's share of profit is based on the profit-sharing ratio and the net profit of the firm. Given that the net profit is 57,000, Tapti's share is:

$$\text{Tapti's share of profit} = \frac{1}{6} \times 57,000 = 10,500$$

Quick Tip

The share of profit for each partner is calculated based on their profit-sharing ratio and the total net profit of the firm.

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9. Alfa Ltd. offered for public subscription 50,000 equity shares of 10 each at 12 per share. The entire amount was payable on application. Applications were

received for 48,000 shares and allotment was made for all the applications. The amount received against the applications is:
(A) 52,80,000
(B) 55,00,000
(C) 50,00,000
(D) 48,00,000

Correct Answer: (A) 52,80,000.

Solution: The amount received from the applications is calculated as:

$$\text{Amount received} = 48,000 \times 11 = 52,80,000$$

Quick Tip

The amount received from applications is calculated by multiplying the number of shares applied for by the total price per share (inclusive of the premium, if any).

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

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

Choose the correct option from the following: (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).
(C) Assertion (A) is incorrect, but Reason (R) is correct.
(D) Assertion (A) is correct, but Reason (R) is incorrect.

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

Solution: When shares are forfeited, the share capital account is debited by the amount called up on the shares. The credited entries include: - Calls in Arrears account for unpaid amounts, and - Share Forfeiture account for amounts already received.
The securities premium account, if any, is not reversed during forfeiture because it represents a legitimate premium received on the shares and is not affected by forfeiture. Thus, both the Assertion (A) and Reason (R) are correct, and Reason (R) correctly explains the Assertion (A).

Quick Tip

During forfeiture of shares, always reverse the share capital and unpaid amounts, but securities premium remains intact.

11. On forfeiture of shares, Calls in Arrears Account will be:
(A) Credited by 7,000
(B) Debited by 5,000
(C) Credited by 5,000
(D) Debited by 7,000

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

Solution: The amount called but unpaid on 1,000 shares is 5 per share:

$$\text{Calls in Arrears} = 1,000 \times 5 = 5,000.$$

This amount is credited to the Calls in Arrears Account upon forfeiture.

Quick Tip
Calls in Arrears represent unpaid amounts due on shares and are credited during forfeiture.

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12. Minimum subscription for allotment of shares as per SEBI guidelines cannot be less than 90% of which of the following capital?
(A) Reserve Capital
(B) Nominal Capital
(C) Subscribed Capital
(D) Issued Capital

Correct Answer: (D) Issued Capital.

Solution: As per SEBI guidelines, at least 90% of the issued capital must be subscribed before shares can be allotted.

Quick Tip
Issued capital represents the total shares offered to the public for subscription.

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

Options: (A) 18,000
(B) 24,000
(C) 15,000
(D) 3,000

Correct Answer: (C) 15,000.

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Solution:

1. Forfeiture Amount for 3,000 Shares: - Amount called up per share = 8 - Amount unpaid per share = 2 (First call) - Amount received per share before forfeiture = 6 (8 - 2) - Total amount forfeited:

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

2. Reissue of 3,000 Shares: - Reissue price per share = 7 - Paid-up value per share = 8 - Amount received on reissue:

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

3. Nominal Value of Reissued Shares: - Nominal value per share = 8 - Total nominal value:

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

4. Utilization of Forfeited Amount: - Amount required to make shares fully paid:

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

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

5. Excess Forfeiture Amount Transferred to Capital Reserve: - Total forfeited amount = 18,000 - Forfeited amount used = 3,000 - Remaining amount transferred to Capital Reserve:

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

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

Quick Tip
Forfeited amounts are first used to cover losses on reissued shares. Any remaining balance is transferred to the Capital Reserve Account.

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

Options: (A) 6,400
(B) 8,000
(C) 7,200
(D) 10,000

Correct Answer: (A) 6,400.

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Solution:

1. Forfeiture Amount for 1,000 Shares: - Amount called up per share = 10 - Amount unpaid per share = 2 (Final call) - Amount received per share before forfeiture = 8 - Total amount forfeited:

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

2. Reissue of 800 Shares: - Reissue price per share = 11 - Amount received on reissue:

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

3. Nominal Value of Reissued Shares: - Nominal value per share = 10 - Total nominal value:

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

4. Utilization of Forfeited Amount: - Forfeited amount utilized per share = 2 (to make shares fully paid) - Total forfeited amount used for reissued shares:

$$\text{Utilized Forfeiture Amount} = 800 \times 2 = 1,600$$

5. Excess Forfeiture Amount Transferred to Capital Reserve: - Total forfeited amount = 8,000 - Forfeited amount used = 1,600 - Remaining amount transferred to Capital Reserve:

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

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

Quick Tip
When reissuing forfeited shares, calculate the forfeited amount utilized and transfer the remaining balance to the Capital Reserve Account.

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14. The debentures which do not carry a specific rate of interest are called:
(A) Zero Coupon Rate Debentures
(B) Specific Coupon Rate Debentures
(C) Unsecured Debentures
(D) Secured Debentures

Correct Answer: (A) Zero Coupon Rate Debentures.

Solution: Zero Coupon Rate Debentures do not pay periodic interest but are issued at a discount and redeemed at face value.

Quick Tip
Zero Coupon Debentures provide returns through the difference between the issue price and redemption value.

15(a). Nicku's share of profit will be:
(A) 10,000

(B) 20,000
(C) 30,000
(D) 40,000

Correct Answer: (B) 20,000.

Solution: 1. Nicku's share of profit = Previous Year's Profit × Nicku's Share × Proportion of Year:

$$80,000 \times \frac{5}{10} \times \frac{6}{12} = 20,000.$$

Quick Tip
To calculate a partner's share of profit till death, prorate based on time and profit-sharing ratio.

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

(A) Gain $\frac{1}{10}$
(B) Sacrifice $\frac{3}{10}$
(C) Sacrifice $\frac{1}{10}$
(D) Gain $\frac{3}{10}$

Correct Answer: (3) Sacrifice $\frac{1}{10}$.

Solution: To calculate Mansi's sacrifice or gain, we need to first find her old share and new share of profits. - Old share of Mansi = $\frac{3}{10}$ - New share of Mansi = $\frac{2}{10}$ Mansi's sacrifice = $\frac{3}{10} - \frac{2}{10} = \frac{1}{10}$

Quick Tip
The sacrifice or gain of a partner is determined by the difference in their old and new profit-sharing ratios.

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

(A) 8 : 9 : 13
(B) 3 : 2 : 5
(C) 2 : 3 : 5
(D) 2 : 3 : 25

Correct Answer: (1) 8 : 9 : 13.

Solution: - Hema's new share $= 2 - \frac{1}{3} \times 2 = 8/3$, - Tara's new share $= 3 - \frac{1}{2} \times 3 = 3/2$, - Ojas's share $= \frac{1}{3} \times 2 + \frac{1}{2} \times 3 = 13/6$.
The new ratio is $8 : 9 : 13$.

> **Quick Tip**
>
> When a new partner is admitted, the share of the existing partners is surrendered based on the agreed ratio.

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16. (b) Aaroh, Bhuvan and Charu were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 6. Charu died. Aaroh and Bhuvan acquired Charu's share in the ratio of 2 : 1. The new profit-sharing ratio between Aaroh and Bhuvan after Charu's death will be:
(A) 2 : 1
(B) 1 : 2
(C) 5 : 4
(D) 5 : 6

Correct Answer: (3) 5 : 4.

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Solution: Charu's share $= \frac{6}{9}$ of the total profit. Aaroh and Bhuvan acquire this share in the ratio of 2:1, so: - Aaroh's share $= \frac{1}{9} + \frac{2}{3} \times \frac{6}{9} = \frac{1}{9} + \frac{12}{27} = \frac{15}{27} = \frac{5}{9}$, - Bhuvan's share $= \frac{2}{9} + \frac{1}{3} \times \frac{6}{9} = \frac{2}{9} + \frac{6}{27} = \frac{12}{27} + \frac{6}{27} = \frac{9}{27} + \frac{6}{27} = \frac{4}{9}$.
Thus, the new profit-sharing ratio between Aaroh and Bhuvan is 5:4.
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> **Quick Tip**
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> When a partner dies, their share is transferred to the remaining partners in the agreed ratio, and the new profit-sharing ratio is calculated accordingly.

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

Clara's share of the profit is calculated by the sales ratio:

$$\text{Clara's share} = \left(\frac{4,00,000}{20,00,000}\right) \times 5,00,000 = 1,00,000$$

Clara's share of profit up to the date of death = 1,00,000.
Now, the journal entry:

Date	Particulars	Dr Amount ()	Cr Amount ()
30th June 2023	Clara's Capital A/c	1,00,000	
	To Aaria's Capital A/c	33,333	
	To Beenu's Capital A/c	33,333	
	To Clara's Capital A/c (Clara's share of profit)	33,334	

Table 1: Journal Entry for Clara's Share of Profit up to the Date of Death

Quick Tip

When a partner dies, the share of profit for the period until death is calculated based on the ratio of sales during the period and the total sales.

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

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

Calculate goodwill of the firm based on: (i) Three years' purchase of the last four years' average profits. (ii) Capitalisation of super profit.

Solution:
1. Average Profit:

$$\text{Average Profit} = \frac{33,000 + 22,000 + 31,000 + 34,000}{4} = 30,000.$$

2. Goodwill (Three Years' Purchase):

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

3. Normal Profit:

$$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}.$$

Capital Employed = 1,20,000 + 80,000 = 2,00,000.

$$\text{Normal Profit} = 2,00,000 \times \frac{12}{100} = 24,000.$$

4. Super Profit:

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

5. Goodwill (Capitalisation of Super Profit):

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

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

Quick Tip

Goodwill can be calculated using various methods like average profits, super profits, or capitalization based on the firm's profitability and normal return expectations.

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

Pass necessary journal entries for the above transactions in the books of Sumi Ltd.

Solution:

Date	**Particulars**	**Dr ()**	**Cr ()**
2023 April 1	Assets A/c	8, 00, 000	
	Sundry Creditors A/c	2, 00, 000	
	To Pandora Ltd. A/c		9, 00, 000
	(Being purchase of assets and assumption of liabilities from Pandora Ltd.)		
2023 April 1	Pandora Ltd. A/c	9, 00, 000	
	To Bank A/c		4, 60, 000
	To 9% Debentures A/c		4, 00, 000
	To Securities Premium A/c		40, 000
	(Being payment made partly in cash and balance through issuance of 9% Debentures at 10% premium)		

Quick Tip

For transactions involving asset purchase through liabilities and securities issuance: 1. Record assets and liabilities taken over. 2. Record the payment made via bank and securities issuance. 3. Account for premium in the Securities Premium Account.

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

Record necessary journal entries in the books of Gundola Ltd. for the above transactions.

Solution:

Date	Particulars	Dr ()	Cr ()
2023			
April 1	*Assets A/c*	9,00,000	
	Liabilities A/c	3,00,000	
	To AK Ltd. A/c		14,00,000
	(Being purchase of assets and assumption of liabilities from AK Ltd.)		
April 1	*AK Ltd. A/c*	14,00,000	
	To Bank A/c		5,00,000
	To 8% Debentures A/c		8,40,000
	To Discount on Issue of Debentures A/c		60,000
	(Being payment made partly in cash and balance through issuance of 8% Debentures at a 10% discount)		

> Quick Tip
>
> For transactions involving asset purchases with securities issued at a discount: 1. Record assets and liabilities taken over. 2. Record the payment through bank and debentures issued at a discount. 3. Account for the discount on debentures as a separate account.

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

Interest on Capital:

Misha: $50,000 \times 10\% = 5,000$ Prisha: $30,000 \times 10\% = 3,000$

Interest on Prisha's Loan:

Prisha: $20,000 \times 6\% \times \frac{8}{12} = 800$

Profit Sharing:

Remaining profit after appropriations is shared in the ratio 3:2.
Profit and Loss Appropriation Account for the year ended 31st March, 2023

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

> Quick Tip
>
> In a Profit and Loss Appropriation Account, ensure to adjust all interest on capital, drawings, and loans before distributing profits among partners.

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

Solution:
1. Interest on Capital: - Raghav's Interest on Capital:

$$\text{Interest} = 4,00,000 \times \frac{10}{100} = 40,000.$$

- Diya's Interest on Capital:

$$\text{Interest} = 3,00,000 \times \frac{10}{100} = 30,000.$$

2. Interest on Drawings: - Raghav's Drawings:

$$\text{Total Drawings} = 2,000 \times 12 = 24,000.$$

- Average Period = $\frac{13}{24}$ years:

$$\text{Interest on Drawings} = 24,000 \times \frac{10}{100} \times \frac{13}{24} = 1,300.$$

- Diya's Drawings:

$$\text{Total Drawings} = 3,000 \times 4 = 12,000.$$

- Average Period = $\frac{7.5}{12}$ years:

$$\text{Interest on Drawings} = 12,000 \times \frac{10}{100} \times \frac{7.5}{12} = 750.$$

3. Net Profit Distribution: - Adjusted Net Profit:

$$\text{Net Profit} = 1,00,000 - (40,000 + 30,000) + (1,300 + 750) = 32,050.$$

- Profit Sharing Ratio (Assumed Equal):

$$\text{Raghav's Share} = 16,025, \quad \text{Diya's Share} = 16,025.$$

Journal Entry:

Date	**Particulars**	**Dr ()**	**Cr ()**
2023			
March 31	Interest on Capital A/c	70,000	
	To Raghav's Capital A/c		40,000
	To Diya's Capital A/c		30,000
	(Interest on capital credited to partners' accounts)		
March 31	Profit and Loss A/c	32,050	
	To Raghav's Capital A/c		16,025
	To Diya's Capital A/c		16,025
	(Distribution of adjusted net profit among partners)		
March 31	Raghav's Capital A/c	1,300	
	Diya's Capital A/c	750	
	To Interest on Drawings A/c		2,050
	(Interest on drawings charged to partners)		

Quick Tip

While adjusting for omissions, calculate interest on capital and drawings first, then distribute the adjusted net profit based on the profit-sharing ratio.

21. Shri Ganga Ltd. was registered with an authorised capital of 7,00,000 divided into equity shares of 10 each. Show Share Capital in the Balance Sheet as per Schedule III, Part I of the Companies Act, 2013.

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

Particulars	**Amount ()**
Equity and Liabilities:	
Share Capital (Note 1)	5,60,000
Calls in Arrears	40,000
Total	6,00,000

Notes to Accounts:

Particulars	**Amount ()**
Authorised Capital	7,00,000
Issued Capital (50,000 shares)	5,00,000
Subscribed and Paid-Up Capital (46,000 shares)	4,60,000

> Quick Tip
>
> Present Share Capital under Schedule III requirements, showing detailed disclosures of issued, subscribed, and called-up amounts.

---

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

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

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

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

Solution : Journal Entries:

Date	Particulars	Dr ()	Cr ()
2023 Mar 31	**1. Revaluation of Land:** $LandA/c \rightarrow$ (Appreciation in value) $ToRevaluationA/c$ $(Increaseinthevalueoflandrecorded)$	 1,50,000	 1,50,000
Mar 31	**2. Distribution of Revaluation Profit:** $RevaluationA/c$ $ToFrank'sCapitalA/c(5/10)$ $ToGeorge'sCapitalA/c(3/10)$ $ToHemant'sCapitalA/c(2/10)$ $(Revaluationprofittransferredtopartners'capitalaccounts)$	 1,50,000	 75,000 45,000 30,000
Mar 31	**3. Goodwill Adjustment:** $Frank'sCapitalA/c(SacrificingShare)$ $George'sCapitalA/c(SacrificingShare)$ $ToHemant'sCapitalA/c(GainingShare)$ $(Goodwilladjustedamongpartnersinsacrificing/gainingratio)$	 40,000 40,000	 80,000

Quick Tip

Adjustments for goodwill and revaluation of assets/liabilities are made in the capital accounts based on the partners' profit-sharing changes.

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23. Abhay, Bikram, and Chris were partners in a firm sharing profits and losses equally. They decided to dissolve their partnership firm on 31st March, 2023. The firm's Balance Sheet on the date of dissolution was as follows:

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

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

Adjustments:

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

Solution:
Realisation Account:

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

Quick Tip

In a Realisation Account, ensure all liabilities and assets are appropriately transferred and accounted for, including any takeovers by partners or realisation expenses.

---

24. On 1st April, 2022, Helloix Ltd. issued 10,000, 7% Debentures of 500 each at a premium of 10%, redeemable at a premium of 5% after five years. The company had a balance of 1,50,000 in the 'Securities Premium Account' before the issue. (a) Pass necessary journal entries for issue of debentures and for writing off Loss on I utilising Securities Premium Account at the end of the first year itself.
(b) Prepare oss on Issue of Debentures Account for the year ended 31st March, 2023.

Solution:
(a) Journal Entries:

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

(b) Loss on Issue of Debentures Account:

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

Quick Tip

When issuing debentures at a premium and redeemable at a premium, calculate the loss on issue of debentures by adding the premium on redemption and subtracting the premium received on issue.

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

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

Solution:
Journal Entries:

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

Quick Tip
In forfeiture and reissue, ensure to calculate amounts forfeited, amounts reissued, and profits transferred to Capital Reserve accurately, keeping in mind the shares' paid-up value.

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

- On application – 5 per share
- On allotment – 1 per share
- On first and final call – Balance

Applications were received for 58,000 shares. Rajat, the holder of 300 shares, did not pay allotment money, and Usha, the holder of 500 shares, paid her entire share money along with allotment money. Rajat's shares were forfeited immediately after allotment. First and final call was made afterward and duly received.
Pass necessary journal entries for the above transactions. Open 'Calls-in-arrears' and 'Calls-in-advance' Account, wherever required.
Solution:
Journal Entries:

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

Calls-in-Arrears Account:

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

Calls-in-Advance Account:

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

> Quick Tip
>
> While recording forfeiture and reissue of shares, ensure all unpaid amounts are routed through Calls-in-arrears, and any excess received is adjusted via Calls-in-advance.

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

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

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

Adjustments:

1. Tasha brought 40,000 as her capital and 20,000 as her share of premium for goodwill.
2. Plant and Machinery was valued at 1,90,000.
3. An item of 20,000 included in creditors is not likely to be claimed and should be written off.
4. Capitals of the partners in the new firm are to be in the new profit-sharing ratio based on Tasha's capital, by bringing or paying off cash, as the case may be.

Revaluation Account:

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

Partners' Capital Accounts:

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

Quick Tip

Revaluation adjustments affect profits, which are shared in the old ratio. New capital balances are aligned with the new profit-sharing ratio by adjusting cash brought in or withdrawn.

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

Balance Sheet of Inder, Jonny, and Kapil as at 31st March, 2023

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

Adjustments:

1. Bad debts amounting to 5,000 were to be written off.
2. Fixed assets were revalued at 96,000.
3. Stock was undervalued by 29,000.
4. Creditors were paid off.
5. Goodwill of the firm was valued at 80,000, and Kapil's share of goodwill was to be adjusted in the accounts of Inder and Jonny.
6. New profit-sharing ratio between Inder and Jonny was 3:2.

Journal Entries:

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

Quick Tip

When a partner retires, adjust revaluation, goodwill, reserves, and capital accounts as per the terms of retirement.

PART B
OPTION I
(Analysis of Financial Statements)

27. The Debt-Equity Ratio of a company is 3 : 2. Which of the following transactions will result in an increase in this ratio?
(A) Purchase of goods on credit
(B) Issue of Debentures
(C) Issue of Equity Shares
(D) Cash received from Debtors

Correct Answer: (B) Issue of Debentures.

Solution: - The debt-equity ratio is calculated as:

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

- Issuing debentures increases debt without affecting equity, resulting in an increase in the debt-equity ratio. - Other transactions like issuing equity shares or receiving cash from debtors affect equity or current assets, not the debt-equity ratio.

Quick Tip

Issuance of debt (like debentures) increases the numerator of the debt-equity ratio, while equity-related transactions impact the denominator.

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

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

Solution: - Statement I: Issue of fully paid bonus shares does not result in cash inflow, as it involves a transfer within equity accounts, not cash transactions. - Statement II: Cash withdrawn from the bank does not lead to cash inflow, as it only involves a movement of funds within cash and bank accounts.

Quick Tip

Analyze cash flow questions carefully: Transactions involving internal adjustments (e.g., bonus shares, cash withdrawn) do not lead to cash inflows or outflows.

29(a). Which of the following tools of 'Analysis of Financial Statements' indicate the trend and direction of financial position and operating results?
(A) Comparative statements
(B) Common size statements
(C) Cash flow analysis
(D) Ratio analysis

Correct Answer: (A) Comparative statements.

Solution: - Comparative Statements compare financial data for multiple periods to analyze trends and directions in financial performance. - Common size statements and ratio analysis focus on proportions and relationships, while cash flow analysis examines liquidity and cash movements.

Quick Tip

Use comparative statements to identify trends and performance changes over time, providing insight into growth or decline.

29(b). _______ indicate the speed at which activities of the business are being performed.
(A) Liquidity ratios
(B) Turnover ratios
(C) Solvency ratios
(D) Profitability ratios

Correct Answer: (B) Turnover ratios.

Solution: - Turnover Ratios (e.g., inventory turnover, receivables turnover) measure the efficiency and speed at which business activities (like sales or collections) are performed. - Liquidity ratios assess short-term financial health, solvency ratios measure long-term stability, and profitability ratios focus on returns.

Quick Tip

Turnover ratios help in evaluating operational efficiency and the speed of activity cycles like inventory or receivables management.

30(a). Which of the following transactions will result in cash flows from operating activities?
(A) Cash receipts from sale of investments 60,000
(B) Cash receipts from sale of goods 94,000
(C) Dividend received 31,000
(D) Payment of cash for purchase of fixed assets 3,00,000

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

Solution: - Operating activities involve cash flows related to the principal revenue-generating activities of a company. - Sale of goods is an operating activity as it is part of the company's core operations. - Sale of investments and dividend receipts are classified under investing activities, and payment for fixed assets is also an investing activity.

Quick Tip

Always classify cash flows based on their relation to operating, investing, or financing activities as per accounting standards.

30(b). 'Dividend paid by a finance company' is classified under which of the following?
(A) Operating Activities
(B) Investing Activities
(C) Financing Activities
(D) Cash and Cash Equivalents

Correct Answer: (C) Financing Activities.

Solution: - Dividend payments, whether made by a finance company or a non-finance company, are classified under financing activities. This is because they involve cash outflows to owners and are related to equity financing. - For a finance company, only dividend received (if applicable) is considered part of operating activities.

Quick Tip

Dividend paid by any company, regardless of the industry type, is classified under financing activities as it represents a return to shareholders.

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31. Classify the following items under major heads and sub-heads (if any) in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013: (a) Mining Rights
(b) Loose Tools
(c) Income Received in Advance

Solution:

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

Quick Tip

Classify assets and liabilities carefully based on their nature, expected duration, and role in business operations.

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

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

Solution: 1. Capital Employed:

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

2. Net Profit Before Tax:

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

3. Return on Investment (ROI):

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

Final Answer: ROI = **45**%.

Quick Tip

To calculate ROI, ensure accurate computation of capital employed and consider profits before tax for consistency.

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

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

Particulars	**Note No.**	**31.3.2023 ()**	**31.3.2022 ()**
I – Equity and Liabilities:			
1.Shareholders' Funds:			
(*a*)Share Capital	1	15, 00, 000	12, 00, 000
2.Non-Current Liabilities:			
(*a*)Long-term Borrowings	2	10, 00, 000	5, 00, 000
3.Current Liabilities:			
(*a*)Trade Payables	3	1, 00, 000	3, 00, 000
Total		26, 00, 000	20, 00, 000
II – Assets:			
1.Non-Current Assets:			
(*a*)Fixed Assets/Property, Plant, and Equipment	4	20, 00, 000	15, 00, 000
2.Current Assets:			
(*a*)Inventories	5	1, 50, 000	1, 00, 000
(*b*)Trade Receivables	6	4, 50, 000	4, 00, 000
Total		26, 00, 000	20, 00, 000

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

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

Notes to Accounts:
1. Share Capital increased by 3,00,000 due to the issuance of additional shares. 2. Long-term Borrowings doubled due to additional loans. 3. Trade Payables decreased due to payments made to creditors. 4. Fixed Assets increased by 5,00,000 due to capital expenditure. 5. Inventories increased by 50,000 due to stock buildup. 6. Trade Receivables increased by 50,000 due to higher credit sales.

Quick Tip

To prepare a Comparative Balance Sheet, calculate the percentage change as:

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

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

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

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

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

Steps to Prepare Common Size Statement:

1. **Base Percentage:** Revenue from Operations is taken as 100%.
2. **Calculations:**
   - Cost of Materials Consumed% = $\frac{\text{Cost of Materials Consumed}}{\text{Revenue from Operations}} \times 100$
   - Similarly, calculate other items as a percentage of Revenue from Operations.
3. **Income Tax and PAT:**

- PBT% = 100 − (Cost of Materials% + Employee Expenses%)
- Income Tax = PBT% × Tax Rate
- PAT = PBT - Income Tax.

Quick Tip

In a Common Size Statement, express all items as a percentage of Revenue from Operations to analyze trends over time.

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

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

Additional Information:

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

Solution: 1. Proceeds from Sale of Machinery:

$$\text{Proceeds from Sale} = 62,000$$

2. Purchase of New Machinery:

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

3. Investment in Goodwill:

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

4. Net Cash Flows from Investing Activities:

$$\text{Cash Flows from Investing Activities} = \text{Proceeds from Sale of Machinery} - \text{Purchase of Machinery} - \text{Investment in Goodwill}$$

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

Final Answer: Net Cash Flows from Investing Activities = $-1,48,000$.

Quick Tip

While calculating cash flows from investing activities, include proceeds from the sale of fixed assets and investments but deduct purchases of new assets or investments.

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

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

Additional Information:

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

Solution: 1. Proceeds from Issue of Equity Share Capital:

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

2. Proceeds from Additional Loan:

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

3. Repayment of Bank Overdraft:

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

4. Payment of Dividend:

$$\text{Dividend Paid} = -1,10,000$$

5. Payment of Interest:

$$\text{Interest Paid on Loan} = -60,000$$

6. Net Cash Flows from Financing Activities:

$$\text{Net Cash Flows from Financing Activities} = \text{Proceeds from Equity Shares} + \text{Proceeds from Loan} - \text{Repayment of Overdraft} -$$

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

Final Answer: Net Cash Flows from Financing Activities = $\mathbf{4,00,000}$.

> Quick Tip
>
> Cash flows from financing activities include proceeds from or repayments of equity and borrowings, adjusted for dividend and interest payments.

PART B
OPTION II
(Computerised Accounting)

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

Correct Answer: (A) Specific.

Solution: - Specific Software is designed for particular purposes and is highly suited for large and medium organizations that require unique functionalities and integrations with other systems. - Generic and tailored software may also provide certain features, but specific software is built to meet targeted needs directly.

> Quick Tip
>
> Specific software offers a tailored approach to meet the precise operational needs of medium and large organizations, often providing better integration with existing systems.

28(a). In a graph, the area bounded by different axes is known as:
(A) Legend
(B) Data point

(C) Axis title
(D) Plot area

Correct Answer: (D) Plot area.

Solution: - The plot area is the rectangular region in a graph where the data points are plotted. - It is bounded by the axes and displays the relationship between variables.

Quick Tip
Understanding the plot area helps in correctly interpreting graphical data representations.

28(b). Which of the following is not contained on the formula tab on Excel ribbon?
(A) Function library
(B) Defined names
(C) Calculations
(D) Page layout

Correct Answer: (D) Page layout.

Solution: - The formula tab in Excel contains tools like function library, defined names, and calculation options for managing and analyzing data. - Page layout is part of a different tab for designing the worksheet's appearance.

Quick Tip
Each Excel ribbon tab serves specific purposes. Familiarizing yourself with these can improve efficiency in data handling.

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29. How is navigation conducted from the first to the last filled cells of clusters when moving one cell at a time in a row?
(A) Home + Right arrow ($\rightarrow$)
(B) CTRL + Right arrow ($\rightarrow$) successively
(C) END + Right arrow ($\rightarrow$)
(D) CTRL + END

Correct Answer: (B) CTRL + Right arrow ($\rightarrow$) successively.

Quick Tip
Keyboard shortcuts in Excel like CTRL + Arrow keys help navigate data faster and improve workflow efficiency.

30(a). Which Date and Time function returns the value of today's date with time?
(A) Today()
(B) Day()
(C) Now()
(D) Day time()

Correct Answer: (C) Now().

Solution: - The Now() function in Excel returns the current date and time. - The Today() function returns only the current date without the time.

Quick Tip

Use Now() for date-time stamps and Today() for dates when analyzing or managing time-based data in Excel.

30(b). What is the outcome of an arithmetic expression or function called?
(A) Basic Value
(B) Vertical Vector
(C) Derived Value
(D) Horizontal Vector

Correct Answer: (C) Derived Value.

Solution: - The derived value is the result obtained after performing a calculation or evaluation of an arithmetic function.

Quick Tip

Derived values in formulas help automate calculations, reducing manual errors in data processing.

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

Solution: - Transparency and Control: Computerized accounting systems provide clear and accurate reports, enabling better control and informed decision-making. - Accuracy and Speed: Automation ensures minimal errors and speeds up data processing, saving time and enhancing reliability.

Quick Tip

A computerized accounting system enhances productivity by improving accuracy, speed, and transparency in financial operations.

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

Solution: - PMT Function Parameters: 1. **Rate:** Interest rate per period. 2. **Nper:** Total number of payment periods. 3. **PV:** Present value or loan amount.
- Use: The PMT function calculates the payment amount for a loan based on constant interest rates and payments.

Quick Tip

Use the PMT function for financial planning by determining periodic payments for loans or investments.

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

Solution: - Password Security: Protects data by restricting unauthorized access. Each user can have a unique password. - Data Audit: Tracks changes made to data, providing accountability and ensuring accuracy.

Quick Tip

Implementing security features like password protection and data audits ensures safe and reliable financial data management.

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

Solution: - Data Formatting: Data formatting refers to the process of organizing, structuring, and styling data to enhance its readability and presentation. It includes modifying the appearance of text, numbers, dates, or any other content within a dataset to make it more meaningful and easy to understand.
- Tools Used for Data Formatting: 1. Font and Text Tools: Bold, Italics, Font Size, Font Color. 2. Number Formatting: Currency, Percentage, Decimal Points, Scientific Notation. 3. Alignment Tools: Left, Right, Center Alignment, Indentation. 4. Conditional Formatting: Highlighting data based on specific conditions. 5. Date and Time Formatting: Changing date and time formats (e.g., MM/DD/YYYY). 6. Borders and Shading: Adding borders and background colors to cells or tables.

Quick Tip

Effective data formatting ensures clarity, consistency, and better data interpretation for decision-making.

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34. Using the worksheet, find out the error and its reason for the given syntax:
(i) = VLOOKUP (B1, B4 : D6, 2, 0)
(ii) = SQRT (VLOOKUP (C2, C2 : D8, 2, 0) 100)
(iii) = VLOOKUP (B5, B6 : D8, 1, 0)
(iv) = VLOOKUP (B3, B2 : D8, 5, 0)
(v) = VLOOKUP (B5, B3 : D8, 0, 0)
(vi) = VLOOKUP (B2, B2 : D7, 2, 0)/0

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

Given Syntax and Solution:

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

Quick Tip

To avoid errors in VLOOKUP: 1. Ensure the lookup value exists within the range. 2. Specify a valid column index within the range. 3. Avoid circular references or division by zero in calculations.