CBSE Class 12 Accountancy Set 2 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. Alfa Ltd. offered for public subscription 50,000 equity shares of 10 each at 110 per share. The entire amount was payable on application. Applications were received for 48,000 shares and allotment was made to all the applicants. The amount received on application will be:

(A) 52,80,000
(B) 55,00,000
(C) 50,00,000
(D) 48,00,000

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

Solution: 1. Number of shares applied = 48,000 shares. 2. Issue price per share = 110. 3. Total amount received on application:

$$\text{Amount Received} = 48,000 \times 110 = 52,80,000.$$

Quick Tip

Ensure you multiply the actual number of shares applied for with the issue price to calculate the amount received on application.

---

2. Lexa Ltd. issued 50,000 equity shares of 10 each at a premium of 2 per share. The amount was payable as follows:
On application and allotment — 7 per share (including premium)
On first and final call — Balance

The issue was fully subscribed. All the money was duly received except the first and final call on 1,000 equity shares. These shares were forfeited. On forfeiture of these shares, Calls in Arrears Account will be:
(A) Credited by 7,000
(B) Debited by 5,000
(C) Credited by 5,000
(D) Debited by 7,000
Correct Answer: (C) Credited by 5,000.
Solution:
1. **Amount Payable on First and Final Call:** Balance amount = 12 (total) - 7 (application and allotment) = 5.
2. **Shares Forfeited:** Number of shares forfeited = 1,000.
3. **Unpaid Amount Calculation:** Total unpaid amount $= 1,000 \times 5 = 5,000$.
4. **Treatment in Calls in Arrears Account:** When shares are forfeited, the unpaid amount is credited to the Calls in Arrears Account:

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

Quick Tip

When shares are forfeited, the unpaid amount is credited to the Calls in Arrears Account to reflect the reversal of the dues.

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

(A) 18,000
(B) 24,000
(C) 15,000
(D) 3,000
Correct Answer: (C) 15,000.
Solution:
1. **Forfeited Amount per Share:** Amount already paid per share = 8 (called-up) - 2 (unpaid first call) = 6.

2. **Total Forfeited Amount:** Total forfeited amount $= 3,000 \times 6 = 18,000$.
3. **Loss on Reissue:** Reissue price per share = 7. Paid-up value per share = 8. Loss per share on reissue = 8 - 7 = 1. Total loss on reissue $= 3,000 \times 1 = 3,000$.
4. **Amount Transferred to Capital Reserve:** Amount transferred to Capital Reserve = Total forfeited amount - Loss on reissue:

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

> Quick Tip
>
> When shares are reissued at a discount, the loss on reissue is deducted from the forfeited amount, and the remaining balance is transferred to the Capital Reserve Account.

3(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 Capital Reserve Account will be:

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

Correct Answer: (A) 6,400.
Solution:
1. **Forfeiture Amount per Share:** Paid amount per share = 10 (fully called-up) - 2 (unpaid final call) = 8.
2. **Total Forfeited Amount:** Total forfeited amount for 1,000 shares $= 8 \times 1,000 = 8,000$.
3. **Reissue Details:** Number of shares reissued = 800. Reissue price per share = 11. Total amount received from reissue $= 11 \times 800 = 8,800$.
4. **Capital Reserve Calculation:** Forfeited amount on reissued shares $= 8 \times 800 = 6,400$. The entire forfeited amount of the reissued shares is transferred to the Capital Reserve as no discount is given:

$$\text{Capital Reserve} = 6,400.$$

> Quick Tip
>
> When forfeited shares are reissued at a premium, the forfeited amount of reissued shares is credited to the Capital Reserve.

---

4. 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.

Quick Tip
Zero Coupon Rate Debentures do not offer periodic interest payments and are issued at a discount.

---

5. 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.

Quick Tip
SEBI guidelines mandate that at least 90% of issued capital must be subscribed for the shares to be allotted.

6.
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.

Options:
(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 amount previously called up (but unpaid) is debited from the Share Capital Account, and the following entries are made: 1. Calls in Arrears Account: Credited with unpaid call amounts. 2. Share Forfeiture Account: Credited with amounts already received.
- Additionally, forfeiture reverses prior entries related to the forfeited shares except those related to the securities premium, which is not reversed under any circumstance.
- Hence, both Assertion (A) and Reason (R) are correct, and Reason (R) correctly explains Assertion (A).

Quick Tip
In share forfeiture, the share capital account is always debited for the amount called up, and any received amount is credited to the Share Forfeiture Account, while unpaid amounts go to Calls in Arrears.

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

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

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

Correct Answer: (C) 3,000.
Solution: Interest on drawings is calculated using the formula:

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

If the necessary values were provided, plug them into the formula to calculate the interest.

Quick Tip
Always check if the time of withdrawal and rate of interest are given on an annual or monthly basis.

---

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

(D) 23,000

Correct Answer: (B) 34,500.
Solution: The share of profit is calculated based on the profit-sharing ratio:

$$\text{Share of Profit} = \text{Total Profit} \times \text{Share Ratio}.$$

If the total profit and the partner's ratio are given, multiply these to determine Tapti's share.

Quick Tip

Remember to confirm the partner's share ratio before calculation, and adjust for any changes in the total profit distribution.

9(a). Hema and Tara were partners in a firm sharing profits and losses in the ratio of $2:3$. They admitted Ojas as a new partner. Hema surrendered $\frac{1}{3}$ of her share and Tara surrendered $\frac{1}{2}$ of her share in favour of Ojas. The new profit-sharing ratio of Hema, Tara and Ojas will be:
(A) 8 : 9 : 13
(B) 3 : 2 : 5
(C) 2 : 3 : 5
(D) 2 : 3 : 25

Correct Answer: (A) 8 : 9 : 13.
Solution:
1. **Initial Shares:** Hema's share $= \frac{2}{5}$, Tara's share $= \frac{3}{5}$.
2. **Surrendered Shares:** Hema surrendered $\frac{1}{3}$ of her share:

$$\text{Hema's surrendered share} = \frac{1}{3} \times \frac{2}{5} = \frac{2}{15}.$$

Tara surrendered $\frac{1}{2}$ of her share:

$$\text{Tara's surrendered share} = \frac{1}{2} \times \frac{3}{5} = \frac{3}{10}.$$

3. **Ojas's Share:** Ojas's total share = Hema's surrendered share + Tara's surrendered share:

$$\text{Ojas's share} = \frac{2}{15} + \frac{3}{10} = \frac{4}{30} + \frac{9}{30} = \frac{13}{30}.$$

4. **Remaining Shares:** Hema's new share $= \frac{2}{5} - \frac{2}{15} = \frac{6}{15} - \frac{2}{15} = \frac{4}{15}$. Tara's new share $= \frac{3}{5} - \frac{3}{10} = \frac{6}{10} - \frac{3}{10} = \frac{3}{10}$.
5. **New Ratio:** Converting all shares to a common denominator (LCM = 30):

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

Therefore, the new ratio = 8 : 9 : 13.

Quick Tip

To calculate the new profit-sharing ratio, subtract the surrendered shares from the original shares and add them to the new partner's share.

9(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) 4 : 5

Correct Answer: (C) 5 : 4.
Solution:
1. Original Shares of Aaroh, Bhuvan, and Charu: Aaroh's share $= \frac{1}{9}$, Bhuvan's share $= \frac{2}{9}$, Charu's share $= \frac{6}{9}$.
2. Charu's Share Distribution: Total share of Charu $= \frac{6}{9}$. Aaroh and Bhuvan acquired Charu's share in the ratio of 2 : 1. - Aaroh's share from Charu $= \frac{2}{3} \times \frac{6}{9} = \frac{12}{27} = \frac{4}{9}$. - Bhuvan's share from Charu $= \frac{1}{3} \times \frac{6}{9} = \frac{6}{27} = \frac{2}{9}$.
3. New Shares of Aaroh and Bhuvan: - Aaroh's new share $= \frac{1}{9} + \frac{4}{9} = \frac{5}{9}$. - Bhuvan's new share $= \frac{2}{9} + \frac{2}{9} = \frac{4}{9}$.
4. New Profit-Sharing Ratio:

$$\text{Aaroh : Bhuvan} = \frac{5}{9} : \frac{4}{9} = 5 : 4.$$

Quick Tip

When a partner's share is redistributed, always calculate the shares proportionally based on the given ratio and add them to the remaining partners' original shares.

10(a). Shrikant and Ajay were partners in a firm sharing profits and losses in the ratio of $5:3$. Shrikant withdrew 10,000 in 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:

1. Details of Withdrawals: Shrikant withdrew 10,000 at the beginning of each quarter. Total quarterly withdrawals = 4 quarters × 10,000 = 40,000.
2. Interest on Drawings Formula:

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

3. Average Time for Quarterly Withdrawals: When withdrawals are made at the beginning of each quarter, the average time is calculated as:

$$\text{Average Time} = \frac{12+9+6+3}{4 \times 12} = \frac{30}{48} = \frac{5}{8}.$$

4. Calculation of Interest:

$$\text{Interest on Drawings} = 40,000 \times \frac{6}{100} \times \frac{5}{8}.$$

Simplifying:

$$\text{Interest on Drawings} = 40,000 \times 0.06 \times 0.625 = 1,500.$$

Quick Tip
For quarterly withdrawals at the beginning, use the average time of $\frac{5}{8}$ years to calculate the interest.

10(b). Abha, Manju, and Rhea were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. During the year ended 31st March, 2023, Rhea withdrew 30,000 at the beginning of each half year. Interest on Rhea's drawings @ 10% p.a. for the year ended 31st March, 2023 will be:
(A) 6,000
(B) 4,500
(C) 3,000
(D) 1,500

Correct Answer: (B) 4,500.
Solution: Interest on drawings is calculated as:

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

Rhea withdrew 30,000 twice during the year (at the beginning of each half-year). The average time period for each withdrawal is calculated as:

$$\text{Average Time Period for First Withdrawal} = \frac{12}{12} = 1\,\text{year},$$

$$\text{Average Time Period for Second Withdrawal} = \frac{6}{12} = 0.5\,\text{year}.$$

Now, calculate the interest for each withdrawal:

$$\text{Interest for First Withdrawal} = 30,000 \times 10\% \times 1 = 3,000,$$

$$\text{Interest for Second Withdrawal} = 30,000 \times 10\% \times 0.5 = 1,500.$$

The total interest is:

$$\text{Total Interest} = 3,000 + 1,500 = 4,500.$$

💡 Quick Tip

When withdrawals are made at regular intervals, always calculate the average time period for each interval before determining the interest.

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

(A) 10,000
(B) 20,000
(C) 30,000
(D) 40,000

Correct Answer: (B) 20,000.
Solution: Nicku's share of profit is calculated using the formula:

$$\text{Share of Profit} = \text{Previous Year's Profit} \times \frac{\text{Share Ratio}}{\text{Total Ratio}} \times \frac{\text{Months Active}}{12}.$$

Substituting the values:

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

💡 Quick Tip

Always adjust for the months active to calculate the share of profit correctly for a deceased partner.

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

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

Correct Answer: (C) Sacrifice $\frac{1}{10}$.
Solution: The change in share is calculated as:

$$\text{Change in Share} = \text{New Ratio} - \text{Old Ratio}.$$

For Mansi:

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

Since the value is negative, Mansi sacrifices $\frac{1}{10}$.

> Quick Tip
>
> A positive change indicates a gain, while a negative change indicates a sacrifice.

12(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 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: Calculate the value of stock taken by creditors:

$$\text{Value of Stock} = 80,000 \times \frac{80}{100} = 64,000.$$

The remaining amount to be paid is:

$$\text{Amount Paid by Cheque} = 90,000 - 64,000 = 26,000.$$

> Quick Tip
>
> Always calculate the value of assets taken over by creditors before determining the balance payment.

12(b). Sanya, Sarthak, and Nitya were partners in a firm sharing profits and losses in the ratio of $4:3:1$. They decided to dissolve the firm on 31st March, 2023. On this date, the firm had debtors amounting to 3,00,000 and provision for doubtful debts of 30,000. On dissolution, debtors for 20,000 proved bad, and the remaining debtors realised 90%. Amount realised from the 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: Calculate the realisable value of debtors:

$$\text{Realisable Value} = (3,00,000 - 20,000) \times 90\%.$$

$$\text{Realisable Value} = 2,80,000 \times 0.9 = 2,52,000.$$

Quick Tip

Deduct bad debts first, and then apply the realisation percentage to calculate the realisable value.

---

13. 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 1$^{\text{st}}$ 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. Determine Total Capital of the Firm: Aadi's share $= \frac{1}{5}$. Total capital of the firm is calculated based on Aadi's contribution:

$$\text{Total Capital} = \frac{\text{Aadi's Capital}}{\text{Aadi's Share}} = \frac{1,50,000}{\frac{1}{5}} = 7,50,000.$$

2. Calculate the Goodwill: Goodwill is the difference between the total capital and the existing partners' capital:

$$\text{Goodwill} = \text{Total Capital} - (\text{Seema's Capital} + \text{Laksh's Capital}).$$

Substituting values:

$$\text{Goodwill} = 7,50,000 - (2,00,000 + 1,80,000) = 7,50,000 - 3,80,000 = 3,70,000.$$

3. Adjustment for Aadi's Contribution to Goodwill: Aadi's goodwill share is already included in his contribution. Subtract Aadi's contribution from the calculated goodwill:

$$\text{Goodwill} = 3,70,000 - 1,50,000 = 2,20,000.$$

Quick Tip

When calculating goodwill on a partner's admission, always deduct the partner's capital contribution included in the goodwill from the total calculated goodwill.

---

14. 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 the 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 determine how much of their share Geeta and Hari are giving up in favor of Krish:

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

Krish acquires $\frac{1}{5}$ share from Geeta and Hari in the ratio 2 : 3, which means:

$$\text{Geeta's Sacrifice} = \frac{1}{5} \times \frac{2}{5} = \frac{2}{25},$$

$$\text{Hari's Sacrifice} = \frac{1}{5} \times \frac{3}{5} = \frac{3}{25}.$$

Thus, the sacrificing ratio of Geeta and Hari is 2 : 3.

Quick Tip

The sacrificing ratio reflects the proportion of profit share given up by existing partners. Always calculate it based on the share acquired by the new partner.

---

15. Assertion (A): Partners' current accounts maintained under the '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:
1. Assertion (A): Under the Fixed Capital Method, the capital account of partners remains unchanged unless additional capital is introduced or withdrawn. All transactions like share of profit or loss, interest on capital, drawings, and interest on drawings are recorded in the partners' current accounts. These current accounts may show either a debit or a credit balance based on the net outcome of the transactions. Thus, the assertion is correct.
2. Reason (R): The statement in Reason (R) incorrectly describes the Fluctuating Capital Method, where all transactions are directly adjusted in the partners' capital accounts. Under

the Fixed Capital Method, such transactions are not recorded in the capital accounts but in the current accounts. Hence, the reason is not correct.
3. Conclusion: While Assertion (A) is true, Reason (R) is incorrect as it misrepresents the Fixed Capital Method.

Quick Tip
Under the Fixed Capital Method, the capital accounts remain unchanged, and all adjustments for profit, loss, interest, or drawings are made through the current accounts of partners.

---

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

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

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

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

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

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

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

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

Table 1: Journal Entry for Adjustment of Workmen Compensation Reserve

Quick Tip

Any balance remaining in the Workmen Compensation Reserve after meeting claims is distributed among the partners in their old profit-sharing ratio.

---

17. Alisha, Bobby, and Pooja were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Pooja died on 30th September, 2023. Pooja'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 30,00,000, and sales from 1st April, 2023, to 30th September, 2023, were 10,00,000. The profit for the year ended 31st March, 2023, was 3,00,000.

Calculate Pooja'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.

Solution: To calculate Pooja's share of profit:

- Profit is calculated in proportion to the sales:

$$\text{Profit for Sales of } 10{,}00{,}000 = \frac{\text{Profit for } 30{,}00{,}000 \text{ Sales}}{\text{Total Sales}} \times \text{Relevant Sales.}$$

  Substituting the values:

$$\text{Profit for } 10{,}00{,}000 \text{ Sales} = \frac{3,00,000}{30,00,000} \times 10,00,000 = 1,00,000.$$

- Pooja's share in the profit is determined using the profit-sharing ratio 5 : 3 : 2. Her share is:

$$\text{Pooja's Share of Profit} = 1,00,000 \times \frac{2}{10} = 20,000.$$

Journal Entry:

Particulars	Dr Amount ()	Cr Amount ()
Profit and Loss Suspense A/c Dr	20,000	
To Pooja's Capital A/c		20,000

Quick Tip

When calculating a deceased partner's share of profit, always use the proportionate sales or time basis as specified in the question.

18. The average profit for the last five years of a firm was 20,000. The normal rate of return in a similar business is 8%. Goodwill of the firm is valued at 24,000 at the three years' purchase of super profit. Calculate the amount of capital employed by the firm.

Solution: To calculate the capital employed, we first determine the super profit:

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

The normal profit is calculated as:

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

Let the capital employed be C. The super profit is:

$$\text{Super Profit} = 20,000 - \frac{8}{100} \times C.$$

The goodwill is calculated as:

$$\text{Goodwill} = 3 \times \text{Super Profit}.$$

Substituting the given values:

$$24,000 = 3 \times \left(20,000 - \frac{8}{100} \times C\right),$$

$$24,000 = 60,000 - \frac{24}{100} \times C.$$

Solving for C:

$$\frac{24}{100} \times C = 60,000 - 24,000 = 36,000,$$

$$C = \frac{36,000 \times 100}{24} = 1,50,000.$$

> Quick Tip
>
> To calculate goodwill, first calculate the super profit, then multiply it by the number of years' purchase to find the goodwill. Use the formula for normal profit to find capital employed.

19(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 for Misha $= 50,000 \times 10\% = 5,000$.
- Interest on capital for Prisha $= 30,000 \times 10\% = 3,000$.
- Interest on drawings for Misha = 660.
- Interest on drawings for Prisha = 540.
- Interest on loan to Prisha $= 20,000 \times 10\% \times \frac{8}{12} = 1,333.33$.
- Net Profit = 22,600.

Profit and Loss Appropriation Account:

Particulars	Misha's Share ()	Prisha's Share ()
$NetProfit$	22, 600	22, 600
$InterestonCapital$	5, 000	3, 000
$InterestonLoan$	1, 333.33	–
$InterestonDrawings$	(660)	(540)
$ProfittobeAppropriated$	28, 273.33	25, 060

Quick Tip

Ensure to calculate interest on capital, loan, and drawings before appropriating the remaining profit between the partners based on their profit-sharing ratio.

19(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: Interest on capital for Raghav $= 4,00,000 \times 10\% = 40,000$. Interest on capital for Diya $= 3,00,000 \times 10\% = 30,000$. Interest on drawings for Raghav $= 2,000 \times 12 \times 10\% = 2,400$. Interest on drawings for Diya $= 3,000 \times 4 \times 10\% = 1,200$.

Journal Entry:

Particulars	Dr Amount ()	Cr Amount ()
Interest on Capital A/c Dr	70,000	
To Raghav's Capital A/c		40,000
To Diya's Capital A/c		30,000
Interest on Drawings A/c Dr	3,600	
To Raghav's Current A/c		2,400
To Diya's Current A/c		1,200

Quick Tip

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

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

Solution:
Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Assets A/c Dr	8,00,000	
To Sundry Creditors A/c		2,00,000
To Bank A/c		4,60,000
To 9% Debentures A/c		4,50,000
9% Debentures A/c Dr	4,50,000	
To Premium on Debentures A/c		50,000

Quick Tip

When issuing debentures at a premium, ensure the premium is separately recorded in the Premium on Debentures Account.

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

Solution:
Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Assets A/c Dr	9,00,000	
Goodwill A/c Dr	8,00,000	
To Liabilities A/c		3,00,000
To Bank A/c		5,00,000
To 8% Debentures A/c		6,36,364
Discount on Issue of Debentures A/c Dr	63,636	
To 8% Debentures A/c		63,636

Quick Tip

When issuing debentures at a discount, the discount amount must be recorded separately in the Discount on Issue of Debentures Account.

---

21. 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:

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

It was decided that:

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

Pass the necessary journal entries in the books of the firm.

Solution:

The journal entries to record the revaluation of land and goodwill are as follows:

(i) **To record the appreciation in the value of land:**

Particulars	**Dr Amount ()**	**Cr Amount ()**
Land A/c Dr	1,50,000	
To Revaluation A/c		1,50,000

(ii) **To record the goodwill valuation (without affecting the books of the firm):** Since the goodwill is not to appear in the books, we will pass the entry to transfer goodwill to the partners' capital accounts as per the new profit-sharing ratio:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Revaluation A/c Dr	2,00,000	
To Frank's Capital A/c		80,000
To George's Capital A/c		40,000
To Hemant's Capital A/c		80,000

> Quick Tip
>
> When adjusting asset values or recording goodwill, ensure to update the partners' capital accounts accordingly and avoid recording goodwill in the firm's books if not required.

22. Shri Ganga Ltd. was registered with an authorised capital of 7,00,000 divided into equity shares of 10 each. It offered to the public for subscription 50,000 equity shares. The amount was payable as follows:
On application : 4 per share
On allotment : 4 per share
On first and final call : Balance.
The issue was fully subscribed. All the amounts were duly received except the first and final call money on 4,000 equity shares.
Show the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same.

Solution: The share capital will be shown as follows:

$$\text{Share Capital: } 7,00,000 \quad \text{divided into} \quad 50,000 \quad \text{equity shares of} \quad 10 \quad \text{each.}$$

Journal Entries:
(i) **On application:**

Particulars	**Dr Amount ()**	**Cr Amount ()**
Bank A/c Dr To Share Application A/c	2,00,000	 2,00,000

(ii) **On allotment:**

Particulars	**Dr Amount ()**	**Cr Amount ()**
Share Application A/c Dr To Share Allotment A/c	2,00,000	 2,00,000

(iii) **On call:** For the final call on 46,000 shares:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Share Allotment A/c Dr To Share Capital A/c	1,84,000	 1,84,000

Quick Tip

For share capital, ensure to break down the transactions at each stage: application, allotment, and calls. Maintain proper disclosure as required by Schedule III.

23. Rishan, Suzane, and Tapti were partners in a firm sharing profits and losses equally. On 31st March, 2023 their Balance Sheet was as follows:

Liabilities Amount ()	Amount ()	Assets
Creditors 25,000	60,000	Cash at Bank
General Reserve 40,000	60,000	Debtors
Capital: 60,000		Stock
Rishan 80,000	1,25,000	Investments
Suzane 2,00,000	1,05,000	Plant and Equipment
Tapti	55,000	
Total 4,05,000	4,05,000	Total

On the above date, the firm was dissolved on the following terms:

- Plant and Equipment were realised at 10% less than the book value.
- Debtors were realised at book value.
- Investments were taken over by Suzane at 1,00,000.
- Tapti took over 50% of the stock at 36,000. The remaining stock was sold for 19,000.
- Expenses of realisation amounted to 20,000 which were paid by Rishan.

Prepare Realisation Account.

Solution:

Realisation Account:

Particulars	Dr Amount ()	Cr Amount ()
Plant and Equipment	2,00,000	
To Realised Amount		1,80,000
Debtors	40,000	
To Suzane's Capital A/c		1,00,000
Stock	60,000	
To Tapti's Capital A/c		36,000

Quick Tip

When preparing the Realisation Account, account for all assets and liabilities. Ensure to apply the terms of dissolution for the realisation of assets and liabilities.

---

24. On 1st April, 2022, Bellfont Ltd. issued 5,000, 7% Debentures of 500 each at a premium of 5%, redeemable at a premium of 10% after five years. The company had a balance of 3,25,000 in 'Securities Premium Account' before the issue.

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

Solution:

1. Calculation of Amounts: - Nominal Value of Debentures Issued: $5,000 \times 500 = 25,00,000$. - Premium on Issue: $500 \times 5\% = 25$ per debenture. Total $= 5,000 \times 25 = 1,25,000$. - Premium on Redemption: $500 \times 10\% = 50$ per debenture. Total $= 5,000 \times 50 = 2,50,000$. - Loss on Issue of Debentures: This arises because the redemption premium is not covered by the premium on issue:

$$\text{Loss on Issue of Debentures} = \text{Premium on Redemption} - \text{Premium on Issue} = 2,50,000.$$

2. Entries to Record the Transactions: - First, record the issue of debentures, including the premium on issue. - Then, account for the loss on issue of debentures as an adjustment. - Finally, write off the loss using the Securities Premium Account.

Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Bank A/c Dr To 7% Debentures A/c To Securities Premium A/c	26,25,000	 25,00,000 1,25,000
Loss on Issue of Debentures A/c Dr To Premium on Redemption of Debentures A/c	2,50,000	 2,50,000
Securities Premium A/c Dr To Loss on Issue of Debentures A/c	2,50,000	 2,50,000

3. Explanation: - Bank Account: Reflects the cash inflow of 26,25,000, which includes the nominal value and the premium on issue. - Debenture Account: Represents the liability created for the nominal value of debentures. - Securities Premium Account: Records the premium on issue of debentures. - Loss on Issue of Debentures Account: Represents the excess premium on redemption over the premium on issue. - Premium on Redemption of Debentures: Represents the liability to pay the premium on redemption after five years. - Adjustment of Loss: The loss on issue of debentures is written off using the Securities Premium Account, which had sufficient balance before the issue.

Quick Tip
When a loss arises from the issue of debentures, it must be adjusted against available reserves, such as the Securities Premium Account, to avoid overstating liabilities.

(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31$^{\text{st}}$ March, 2023.

Solution:

1. Explanation of the Account: - The "Loss on Issue of Debentures" account reflects the adjustment of the redemption premium over the premium on issue. - This account is created upon the issue of debentures and is adjusted or written off over time. If sufficient reserves are available, the entire amount may be written off in the same year.

2. Entries to Prepare the Account: - The account is first debited with the total loss on issue, which equals the redemption premium not covered by the premium on issue. - It is then credited when the loss is written off using the Securities Premium Account or other reserves.

Loss on Issue of Debentures Account:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Premium on Redemption of Debentures A/c Dr To Loss on Issue of Debentures A/c	2,50,000	 2,50,000
Securities Premium A/c Dr To Loss on Issue of Debentures A/c	2,50,000	 2,50,000

3. Conclusion: - The balance in the "Loss on Issue of Debentures" account at the end of the year is 0, as it has been fully written off using the Securities Premium Account. - If the Securities Premium Account had been insufficient, the remaining balance would have been carried forward or charged to the Profit and Loss Account over subsequent years.

Quick Tip

The "Loss on Issue of Debentures" account ensures transparency in financial reporting by adjusting for liabilities arising from premium redemption of debentures.

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

Liabilities **Amount ()**	**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
Provident Fund 25,000	1,20,000	Cash
Creditors	50,000	
Total 3,00,000	3,00,000	Total

On 1st April, 2023, they decided to admit Tasha as a new partner for $\frac{1}{4}$ share in the profits of the firm on the following terms:

- Tasha brought 40,000 as her capital and 20,000 as her share of premium for goodwill.
- Plant and Machinery was valued at 1,90,000.
- An item of 20,000, included in creditors, is not likely to be claimed and should be written off.

- Capitals of the partners in the new firm are to be in the new profit-sharing ratio on the basis of Tasha's capital, by bringing or paying off cash, as the case may be.

Prepare Revaluation Account and Partners' Capital Accounts.
Solution: (i) **Revaluation Account:**

Revaluation Account:

Particulars	**Dr Amount ()**	**Cr Amount ()**
To Plant and Machinery A/c	$10,000$	
To Workmen's Compensation Fund A/c	$20,000$	
To Creditors A/c	$20,000$	

(ii) **Partners' Capital Accounts:**

Capital Accounts of Sarah, Varsha, and Tasha are adjusted based on the new profit-sharing ratio. Tasha'

> Quick Tip
>
> Always adjust the capital accounts of new and existing partners based on the new profit-sharing ratio, ensuring that all revaluation gains and losses are properly recorded.

(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 on Kapil's Retirement:

1. Bad debts amounting to 5,000 were 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 adjusted in the accounts of Inder and Jonny.
6. New profit-sharing ratio between Inder and Jonny = 3 : 2.

Solution: Journal Entries in the Books of the Firm:

Particulars	Dr Amount ()	Cr Amount ()
Revaluation A/c Dr To Fixed Assets A/c To Stock A/c To Debtors A/c	58,000	 24,000 29,000 5,000
Fixed Assets A/c Dr Stock A/c Dr To Revaluation A/c	24,000 29,000	 58,000
General Reserve A/c Dr To Inder's Capital A/c To Jonny's Capital A/c To Kapil's Capital A/c	80,000	 45,000 15,000 20,000
Inder's Capital A/c Dr Jonny's Capital A/c Dr To Kapil's Capital A/c	24,000 16,000	 40,000
Creditors A/c Dr To Cash A/c	10,000	 10,000
Kapil's Capital A/c Dr To Cash A/c	1,20,000	 1,20,000

Explanation of Adjustments:

- **Revaluation Account:** Reflects adjustments in the value of assets and liabilities.
- **General Reserve:** Distributed among partners in their old profit-sharing ratio 9 : 3 : 4.
- **Goodwill Adjustment:** Kapil's share of goodwill is $80,000 \times \frac{4}{16} = 20,000$, adjusted in the gaining ratio of Inder and Jonny 3 : 2.
- **Settlement of Creditors and Capital:** Creditors and Kapil's capital were settled in cash.

Quick Tip

On a partner's retirement, always adjust revaluation, reserves, and goodwill based on the agreed terms and settle the retiring partner's capital account accordingly.

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

Solution: Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Share Capital A/c Dr	16,000	
Securities Premium A/c Dr	4,000	
To Share Allotment A/c		10,000
To Forfeited Shares A/c		10,000
Bank A/c Dr	10,500	
Forfeited Shares A/c Dr	7,500	
To Share Capital A/c		12,000
To Securities Premium A/c		6,000
Forfeited Shares A/c Dr	2,500	
To Capital Reserve A/c		2,500

Explanation:

- On forfeiture, 8 (called up) is transferred from Share Capital A/c and unpaid allotment money of 5 is adjusted against Share Allotment A/c.
- Forfeited Shares A/c represents the paid-up amount for forfeited shares.
- On reissue, 7 per share is received as reissue price, and the remaining balance from Forfeited Shares A/c is transferred to Capital Reserve.

(ii) 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:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Share Capital A/c Dr	24,000	
To Share First Call A/c		9,000
To Forfeited Shares A/c		15,000
Bank A/c Dr	18,000	
Forfeited Shares A/c Dr	12,000	
To Share Capital A/c		20,000
Forfeited Shares A/c Dr	6,000	
To Capital Reserve A/c		6,000

Explanation:

- On forfeiture, 8 (called up) is transferred from Share Capital A/c, and unpaid First Call is adjusted against Share First Call A/c.
- On reissue, 9 per share is received, and the balance from Forfeited Shares A/c is transferred to Capital Reserve.

Quick Tip
When forfeited shares are reissued, any balance in the Forfeited Shares Account after adjusting for discounts on reissue is transferred to Capital Reserve.

(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 afterwards and duly received.

Solution: Journal Entries:

Particulars	Dr Amount ()	Cr Amount ()
Bank A/c Dr To Share Application A/c	2,90,000	 2,90,000
Share Application A/c Dr To Share Capital A/c	2,90,000	 2,90,000
Share Allotment A/c Dr To Share Capital A/c	58,000	 58,000
Bank A/c Dr Calls-in-Advance A/c Dr To Share Allotment A/c	57,800 500	 58,000
Share Capital A/c Dr To Share Allotment A/c To Forfeited Shares A/c	3,000	 300 2,700
Share First and Final Call A/c Dr To Share Capital A/c	2,90,000	 2,90,000
Bank A/c Dr Calls-in-Advance A/c Dr To Share First and Final Call A/c	2,89,500 500	 2,90,000

Explanation:

- On application: The application money received for 58,000 shares at 5 per share is credited to Share Capital A/c.
- On allotment: 1 per share allotment money was due. Usha paid 500 as calls-in-advance, and Rajat defaulted on 300 allotment money.
- Forfeiture of shares: Rajat's 300 shares were forfeited, transferring 2,700 (9 per share paid) to Forfeited Shares A/c.
- On first and final call: The call was made for 5 per share (balance). Usha's advance was adjusted, and the remaining balance was received in full.

Quick Tip

When shares are forfeited, transfer the amount paid to Forfeited Shares A/c. Calls-in-advance must always be adjusted against future calls.

PART B
OPTION II
(Analysis of Financial Statements)

27(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: Cash flows from operating activities include receipts and payments related to the core business operations, such as cash received from the sale of goods or services. This is classified under operating activities in the cash flow statement.

Quick Tip

Operating activities include cash flows from the core business transactions like cash receipts from customers and payments to suppliers. Cash flows from investments and financing activities are classified separately.

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

(A) Operating Activities
(B) Investing Activitie
(C) Financing Activities
(D) Cash and Cash Equivalents

Correct Answer: (C) Financing Activities.
Solution: Dividends paid by a finance company fall under financing activities in the cash flow statement because they are related to the company's financing structure and shareholder distributions.

Quick Tip

Financing activities include cash flows related to obtaining or repaying capital, including dividend payments to shareholders.

28(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 provide a side-by-side comparison of financial data over different periods, helping to assess trends and financial performance.

> Quick Tip
>
> Comparative statements allow for trend analysis by comparing financial statements over multiple periods to understand the direction of business performance.

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

Correct Answer: (B) Turnover ratios.
Solution: Turnover ratios, such as inventory turnover or receivables turnover, indicate how quickly a company is managing its assets and generating revenue from them.

> Quick Tip
>
> Turnover ratios measure how efficiently a company converts its resources, such as inventory or receivables, into revenue over a given period.

---

29. 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.
In the context of the above two statements, choose the correct option:
(A) Both statement I and statement II are correct
(B) Both statement I and statement II are incorrect
(C) Statement I is correct and statement II is incorrect
(D) Statement I is incorrect and statement II is correct

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

Solution:

- Statement I is incorrect: The issue of fully paid bonus shares does not result in any inflow of cash, as the shares are issued out of the Securities Premium Account, which is a non-cash transaction.
- Statement II is incorrect: Cash withdrawn from the bank does not result in inflow of cash; it merely shifts the cash from one form (bank) to another (cash in hand), with no net inflow.

> Quick Tip
>
> The issue of bonus shares does not result in cash inflow as it involves capitalizing reserves. Similarly, withdrawing cash from a bank results in a shift of funds, not an inflow.

---

30. The Debt-Equity Ratio of a company is 3 : 2. Which of the following transactions will result in 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:

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

- Purchase of goods on credit increases current liabilities but does not affect long-term debt, so it will not increase the ratio. - Issue of debentures increases long-term debt, thus increasing the debt-equity ratio. - Issue of equity shares increases equity capital, which reduces the ratio. - Cash received from debtors only affects current assets and does not impact liabilities, so it does not change the ratio.

> Quick Tip
>
> The Debt-Equity ratio increases when the debt component increases or equity decreases.

---

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) Loose Tools
(b) Provision for Tax
(c) Copyrights

Solution: According to Schedule III, Part I of the Companies Act, 2013, the classification is as follows:
- Loose Tools: Classified under Current Assets, Sub-head: Inventories.
- Provision for Tax: Classified under Current Liabilities, Sub-head: Provisions.
- Copyrights: Classified under Non-Current Assets, Sub-head: Intangible Assets.

Quick Tip

Classification of items in the Balance Sheet is based on whether they are current or non-current, and the nature of the asset or liability.

---

32. From the following information, calculate 'Total Assets to Debt Ratio':

Particulars	()
Current Assets	8,00,000
Current Liabilities	5,00,000
10% Debentures	4,00,000
9% Long-term Bank Loan	1,00,000
Shareholders' Funds	15,00,000

Table 2: Information for Total Assets to Debt Ratio Calculation

Solution:
The formula for Total Assets to Debt Ratio is:

$$\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Total Debt}}$$

1. Total Assets: Total Assets include Current Assets and Non-current Assets. Here, Total Assets = Shareholders' Funds + Total Debt (since liabilities fund the remaining assets).

$$\text{Total Assets} = 15,00,000+(5,00,000+4,00,000+1,00,000) = 15,00,000+10,00,000 = 25,00,000$$

2. Total Debt: Total Debt includes Current Liabilities and Non-current Liabilities (10% Debentures and 9% Long-term Bank Loan):

$$\text{Total Debt} = 5,00,000 + 4,00,000 + 1,00,000 = 10,00,000$$

3. Total Assets to Debt Ratio: Using the formula:

$$\text{Total Assets to Debt Ratio} = \frac{25,00,000}{10,00,000} = 2.5$$

Final Answer: The Total Assets to Debt Ratio is 2.5 : 1.

Quick Tip

The Total Assets to Debt Ratio measures the company's ability to cover its debt obligations using its total assets. A higher ratio (above 1) indicates that the company has sufficient assets to cover its debts.

---

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		15,00,000	12,00,000
2. Non-Current Liabilities			
(a) Long-term Borrowings		10,00,000	5,00,000
3. Current Liabilities			
(a) Trade Payables		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 and Intangible Assets		20,00,000	15,00,000
2. Current Assets			
(a) Inventories		1,50,000	1,00,000
(b) Trade Receivables		4,50,000	4,00,000
Total		26,00,000	20,00,000

Comparative Balance Sheet of Hira Ltd.:
Solution:

Particulars	31.03.2023	31.03.2022	% Change
I - Equity and Liabilities			
1. Shareholders' Funds			
Share Capital	15,00,000	12,00,000	25%
2. Non-Current Liabilities			
Long-term Borrowings	10,00,000	5,00,000	100%
3. Current Liabilities			
Trade Payables	1,00,000	3,00,000	(66.67%)
Total Equity and Liabilities	26,00,000	20,00,000	30%
II - Assets			
1. Non-Current Assets			
Fixed Assets (Property, Plant, Equipment)	20,00,000	15,00,000	33.33%
2. Current Assets			
Inventories	1,50,000	1,00,000	50%
Trade Receivables	4,50,000	4,00,000	12.5%
Total Assets	26,00,000	20,00,000	30%

Table 3: Comparative Balance Sheet of Hira Ltd.

Analysis:

- Share Capital increased by 25%, reflecting an infusion of funds from equity.
- Long-term Borrowings doubled, indicating increased reliance on external borrowings.
- Trade Payables decreased significantly by 66.67%, indicating better settlement of liabilities.
- Fixed Assets saw a 33.33% increase, indicating significant investment in non-current assets.
- Inventories and Trade Receivables increased, reflecting higher levels of stock and credit sales.

Quick Tip

A Comparative Balance Sheet helps in understanding the changes in a company's financial position over two periods and identifies trends in asset utilization and liabilities management.

---

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

Particulars	31.03.2023 ()	31.03.2022 ()
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%	20%

Table 4: Common Size Statement of Profit and Loss for NK Ltd.

Solution: To prepare the Common Size Statement of Profit and Loss, we express each line item as a percentage of revenue from operations. The formula for each item is:

$$\text{Common Size Percentage} = \left(\frac{\text{Item}}{\text{Revenue from Operations}}\right) \times 100$$

- Cost of Materials Consumed (2023) $= \frac{8,00,000}{25,00,000} \times 100 = 32\%$
- Cost of Materials Consumed (2022) $= \frac{6,00,000}{20,00,000} \times 100 = 30\%$
- Employee Benefit Expenses (2023) $= \frac{4,00,000}{25,00,000} \times 100 = 16\%$
- Employee Benefit Expenses (2022) $= \frac{4,00,000}{20,00,000} \times 100 = 20\%$
- Income Tax (2023) $= \frac{20\%}{20\%} = 20\%$

Quick Tip

In a Common Size Statement, each item is expressed as a percentage of the total (in this case, Revenue from Operations) to assess its proportion in the financial statement.

---

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

Particulars	31st March, 2023 ()	31st March, 2022 ()
Plant and Machinery	4,10,000	3,00,000
Goodwill	1,80,000	80,000

Table 5: Balance Sheet of Plant and Machinery and Goodwill

Additional Information: (a) 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: To calculate Cash Flows from Investing Activities, we consider the changes in Plant and Machinery and Goodwill, as well as the sale of the machine.

- **Cash Flow from Sale of Machine:** The sale of the machine results in an inflow of 62,000. The book value of the machine is 85,000 - 15,000 = 70,000. Therefore, the cash inflow from the sale of the machine is:

  Cash inflow from sale of machine $= 62,000 \quad \text{(proceeds from sale)} - 70,000 \quad \text{(book value of machine)}$

- **Change in Plant and Machinery:** The net increase in Plant and Machinery is:

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

  This increase is considered as an outflow of cash.

- **Change in Goodwill:** The increase in Goodwill is:

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

  This is also an outflow of cash.

Cash Flow from Investing Activities:

Cash Flows from Investing Activities = Proceeds from sale of machine − Increase in Plant and Machinery−

$$= -8,000 - 1,10,000 - 1,00,000 = -2,18,000$$

> Quick Tip
>
> Cash Flows from Investing Activities include cash inflows and outflows related to the purchase and sale of assets such as property, plant, and equipment.

---

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

Particulars	31st March, 2023 ()	31st March, 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

Table 6: Balance Sheet of Financing Activities

Additional Information: (i) Interest paid on bank loan amounted to 60,000.
(ii) Dividend paid 1,10,000.

Solution: To calculate the Cash Flows from Financing Activities, we need to consider the following:

- **Equity Share Capital:** The increase in equity share capital is:

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

  This is a cash inflow.

- **Bank Overdraft:** The decrease in bank overdraft is:

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

This is a cash outflow.

- **Loan from Bank:** The increase in loan from the bank is:

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

This is a cash inflow.

- **Interest Paid on Bank Loan:** Interest paid on bank loan is a financing activity outflow of 60,000.
- **Dividend Paid:** Dividend paid is a cash outflow of 1,10,000.

Cash Flows from Financing Activities:

$$\text{Cash Flows from Financing Activities} = \text{Increase in Equity Share Capital} + \text{Increase in Loan from Bank} -$$

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

> Quick Tip
>
> Cash Flows from Financing Activities include the cash raised from issuing shares or loans and the cash outflows for repaying loans, paying interest, and dividends.

PART B
OPTION II
(Computerised Accounting)

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

Correct Answer: (C) Now().
Solution: The 'NOW()' function returns the current date and time. It is widely used in spreadsheet programs like Excel to display the current system date and time.

> Quick Tip
>
> Use the 'NOW()' function when you need both the current date and time in your calculations or spreadsheets.

(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 outcome of an arithmetic expression or function is termed as a Derived Value. This is because the value is computed based on the rules of arithmetic or the logic of the function, thereby deriving the result from the given inputs or expressions.

Quick Tip

A derived value represents the computed outcome based on mathematical or logical operations applied to input data or expressions.

---

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

(A) Home + Right arrow (→)
(B) CTRL + Right arrow (→) successively
(C) END + Right arrow (→)
(D) CTRL + END

Correct Answer: (B) CTRL + Right arrow (→) successively
Solution: To navigate from the first filled cell to the last filled cell of a cluster in a row, you can use the keyboard shortcut CTRL + Right arrow (→) successively. This allows quick movement to the next filled cell in the row until the last one is reached. Each press of the shortcut skips empty cells and stops at the next filled cell in the sequence.

Quick Tip

The shortcut CTRL + Right arrow (→) is highly efficient for navigating large datasets horizontally to locate filled cells in clusters.

29(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 region of a graph that contains the actual data points, where the axes meet and display the plotted values.

Quick Tip

In graphs, the plot area is where data is visually represented, bounded by the X and Y axes.

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

(A) Function library
(B) Defined names
(C) Calculations
(D) Page layout

Correct Answer: (D) Page layout.
Solution: The "Page Layout" option is not part of the formula tab. It is a separate tab on the Excel ribbon related to page formatting for printing.

Quick Tip

The "Page Layout" tab in Excel controls printing and page setup, while the formula tab focuses on functions and formulae.

---

30. 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 to meet the unique and tailored needs of large and medium organizations. These are purpose-built solutions that ensure compatibility with existing information systems and cater to the precise requirements of the business.

Quick Tip

Specific software is custom-built for an organization's unique needs, enabling seamless integration with other systems and addressing specific operational requirements.

---

31. State the parameters of Excel's PMT function. What is the use of this function?
Solution: The PMT function in Excel is used to calculate the periodic payment for a loan based on constant payments and a constant interest rate. Its parameters are:

- **Rate:** The interest rate for the loan per period.

- **Nper:** The total number of payment periods.
- **Pv:** The present value or the principal amount of the loan.
- **Fv (optional):** The future value, or the desired balance after the last payment (default is 0).
- **Type (optional):** The timing of payments:
  - 0: Payment at the end of the period (default).
  - 1: Payment at the beginning of the period.

> Quick Tip
>
> Use the PMT function to plan loan repayments effectively, as it accounts for interest rates, payment periods, and loan amounts. It's especially useful for financial planning and budgeting.

---

32. Explain 'Transparency and Control' and 'Accuracy and Speed' as features of Computerised Accounting System.
Solution:

- **Transparency and Control:** A computerised accounting system ensures transparency by providing clear, consistent, and accessible financial data. It allows stakeholders to verify and monitor transactions easily, ensuring better governance and accountability.
- **Accuracy and Speed:** The system minimizes human errors by automating calculations and data entry processes. It processes large volumes of accounting data quickly, enabling efficient and timely decision-making.

> Quick Tip
>
> Computerised accounting systems not only ensure accurate and transparent records but also save significant time, enhancing overall operational efficiency in financial management.

33(a). Explain 'Password Security' and 'Data Audit' as security features of Computerised Accounting System.
Solution: - Password Security: Password security is a fundamental feature in a computerized accounting system. It restricts access to the system by requiring authorized users to enter a valid password. This ensures that sensitive financial data is protected from unauthorized access. Passwords should be complex and regularly updated to maintain system security.
- Data Audit: Data audit is a feature that allows tracking and monitoring of changes made to the financial data in the system. Every transaction or alteration in the system can be logged, along with details of who made the change, when it was made, and what changes were made. This provides transparency and accountability, ensuring the integrity of the data is maintained.

Quick Tip

Password security helps ensure that only authorized personnel can access sensitive financial information, while data audit enables transparency and accountability by tracking changes in the system.

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 structuring data in a way that makes it readable and useful for analysis or presentation. It involves changing the appearance of the data without altering its underlying value. Formatting includes adjusting font style, number formats, date formats, and alignment.
- Tools for Formatting: Several tools can be used for data formatting, especially in spreadsheet and accounting software like Excel: - Cell formatting: Allows adjusting the appearance of individual cells, including text alignment, font size, and color. - Number formatting: Ensures that numbers are displayed in the correct format (currency, percentage, decimal places, etc.). - Date formatting: Controls the appearance of dates and time values. - Conditional Formatting: Highlights data points based on specific criteria, making it easier to analyze large datasets.

Quick Tip

Effective data formatting improves the readability of the information, making it easier to interpret and analyze, especially for reporting and presentations.

---

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

S. No.	Consumables	Price in FY 21-22 ()	Price in FY 23-24 ()
1	Pineapple	40	55
2	Kiwi	34	45
3	Jackfruit	50	62
4	Blueberry	35	54
5	Butter	50	56
6	Buns	48	45
7	Meat	36	48

Table 7: Worksheet data for VLOOKUP syntax

Solution:
1. **Formula:**

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

Error: REF! Reason: The reference range used in this formula (B4:D6) does not include the entire data set. The range should start from the top row of the table (e.g., B1:D7) for proper referencing.
2. **Formula:**

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

Error: N/A Reason: The VLOOKUP function is trying to search for the value in C2 within the range C2:D8, which results in an invalid range. The lookup value should exist within a different range.

3. **Formula:**

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

Error: REF! Reason: The 1st column index (A) does not exist in the lookup range (B6:D8). The first column should be in the lookup range for the formula to work properly.

4. **Formula:**

$$= VLOOKUP(B3, B2 : D5, 5, 0)$$

Error: REF! Reason: The column index (5) exceeds the available columns in the specified range (B2:D5). The column index should be less than or equal to the number of columns in the range.

5. **Formula:**

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

Error: VALUE! Reason: The column index (0) is invalid. The column index must be a positive integer that corresponds to a column number within the given range.

6. **Formula:**

$$= VLOOKUP(B2, B2 : D7, 2, 0)$$

Error: N/A Reason: This error occurs if the lookup value (B2) does not exist in the first column of the specified range. Ensure the lookup value is available in the range for a correct lookup.

> Quick Tip
>
> The VLOOKUP function can be tricky when the reference range or column index is not set correctly. Always ensure the lookup value exists within the specified range, and the column index is valid.
