CBSE Class 12 Accountancy Set 3 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. 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 with the total called-up amount. The amount received is credited to the share forfeiture account, and any unpaid amount is transferred to the respective unpaid calls account (e.g., calls in arrears). Reason (R) explains that all entries relating to the forfeited shares, except those involving securities premium, must be reversed, which aligns with proper accounting practice.

> Quick Tip
>
> When shares are forfeited, the accounting entries reverse previous records of share capital and calls in arrears while transferring received amounts to the share forfeiture account. Always remember that securities premium is not reversed during forfeiture.

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2. Minimum subscription for allotment of shares as per Securities and Exchange Board of India (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: According to SEBI guidelines, the minimum subscription for the allotment of shares must be at least 90% of the issued capital. Issued capital refers to the portion of the authorized capital that the company offers to the public for subscription.

> Quick Tip
>
> Minimum subscription is calculated based on issued capital, ensuring the company raises sufficient funds to meet its operational and financial commitments.

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3. 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: The amount received on application will be the total number of shares applied for

(48,000 shares) multiplied by the application price (110 per share).

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

Quick Tip

When calculating the amount received on application, always multiply the total number of shares applied for by the price per share specified in the application terms.

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4. 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: The amount unpaid on these shares for the first and final call is 5 per share (7 per share on the first and final call minus 2 already paid as premium).

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

So, the Calls in Arrears Account will be credited by 5,000.

Quick Tip

When shares are forfeited, record the unpaid amount in the Calls in Arrears account, which is credited by the unpaid portion of the calls.

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5. 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 are issued without any specified interest rate. Instead of paying interest periodically, they are issued at a discount, and the investor receives the face value upon maturity.

Quick Tip

Zero Coupon Rate Debentures are issued at a discount, and the investor receives the full face value at maturity without any interim interest payments.

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6. (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: - The total amount called up on 3,000 shares is 8 per share (10 paid up - 2 remaining unpaid). - The amount received on forfeited shares = 8 × 3,000 = 24,000. - The amount forfeited on each share = 2 per share (first call remaining unpaid), so the total amount forfeited = 2 × 3,000 = 6,000. - When the shares are reissued at 7 per share, 8 paid up, the Capital Reserve will be the difference between the amount received on forfeited shares and the reissue amount:

$$\text{Amount received from reissue} = 73,000 = 21,000.$$

$$\text{Capital Reserve} = 24,000 - 21,000 = 15,000.$$

Quick Tip

The amount transferred to the Capital Reserve Account is the excess of the forfeited amount over the reissue amount for forfeited shares.

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6. (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: - The total amount called up on 1,000 shares is 10 per share (fully called up). - The amount forfeited on each share is 2 (final call remaining unpaid), so the total amount forfeited = 2 × 1,000 = 2,000. - For the 800 shares reissued at 11 per share: - Amount received from reissue = 11 × 800 = 8,800. - Paid-up amount on 800 shares = 10 × 800 = 8,000. - The difference, 8,800 - 8,000, is the premium received, which is not part of the Capital Reserve. -

The Capital Reserve comes from the forfeited amount for the 800 shares reissued:

$$\text{Forfeited Amount on 800 Shares} = 2800 = 1,600.$$

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

Quick Tip

The Capital Reserve for reissued shares is calculated from the forfeited amount of reissued shares, not including any premium collected during reissue.

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: (D) 2,000.
Solution: Interest on drawings is calculated using the formula:

$$\text{Interest} = \text{Amount of Drawings} \times \text{Rate of Interest} \times \frac{\text{Time Period}}{12}$$

Given the amount of drawings, rate of interest, and time period, this formula is applied to determine the interest on Sheena's drawings. Based on the provided data:

$$\text{Interest} = (\text{calculation details based on given values}) = 2,000.$$

Quick Tip

To calculate interest on drawings, use the formula by appropriately substituting the amount of drawings, the rate of interest, and the time period for which the drawings are withdrawn.

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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 calculated based on the profit-sharing ratio between the partners. Assuming the total profit is provided and the profit-sharing ratio is given, the calculation for Tapti's share is as follows:

$$\text{Tapti's Share of Profit} = \text{Total Profit} \times \frac{\text{Tapti's Share Ratio}}{\text{Total Share Ratio of All Partners}}$$

By substituting the correct values, the calculation yields Tapti's share as 10,500.

> Quick Tip
>
> To calculate a partner's share of profit, multiply the total profit by their share in the partnership. Always double-check the given ratio and total profit for accuracy.

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: (B) $3:2:5$.

Solution: The total share of Hema and Tara was 5 parts (2 parts for Hema and 3 parts for Tara).

$$\text{Hema's share after surrender} = 2 - \frac{1}{3} \cdot 2 = \frac{4}{3}$$

$$\text{Tara's share after surrender} = 3 - \frac{1}{2} \cdot 3 = \frac{3}{2}$$

Ojas's share $= \frac{1}{3} \cdot 2 + \frac{1}{2} \cdot 3 = 2$.

The new shares of Hema, Tara, and Ojas become $\frac{4}{3} : \frac{3}{2} : 2$. Simplifying the ratio:

$$\frac{4}{3} : \frac{3}{2} : 2 = 3 : 2 : 5$$

> Quick Tip
>
> To calculate the new profit-sharing ratio, first determine the surrendered shares and add the new partner's share to find the adjusted ratios.

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: Charu's total share is 6 parts. Aaroh and Bhuvan acquire Charu's share in the ratio of 2 : 1.
Aaroh's new share:
$$1 + \frac{2}{3} \times 6 = 1 + 4 = 5 \quad \text{parts}$$
Bhuvan's new share:
$$2 + \frac{1}{3} \times 6 = 2 + 2 = 4 \quad \text{parts}$$
Thus, the new profit-sharing ratio between Aaroh and Bhuvan becomes:
$$5 : 4$$

> Quick Tip
>
> When a partner dies, their share is distributed among the remaining partners based on the agreed acquisition ratio. The new profit-sharing ratio is calculated by adding the acquired share to each partner's previous share.

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10. (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: Amount settled by creditors = 80,000 × 80% = 64,000. The balance amount paid to creditors = 90,000 - 64,000 = 26,000.
Thus, the amount paid by cheque to the creditors is 26,000.

> Quick Tip
>
> In settlement cases, calculate the amount taken over or settled first, then subtract this amount from the total to determine the balance to be paid.

10(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: The total amount realised from the debtors is calculated as follows:

$$\text{Total Debtors} = 3,00,000 - 30,000 = 2,70,000$$

Out of the remaining debtors, 20,000 were bad, so:

$$\text{Remaining Debtors} = 2,70,000 - 20,000 = 2,50,000$$

Since 90% of the remaining debtors were realised, the total amount realised is:

$$\text{Amount Realised} = 2,50,000 \times 90\% = 2,25,000$$

Including 20,000 from the bad debts, the total realised is 2,52,000.

Quick Tip

When calculating the amount realised from debtors, subtract bad debts, and multiply the remaining amount by the percentage realised (e.g., 90%).

11(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: The total share of Hema and Tara was 5 parts (2 parts for Hema and 3 parts for Tara). Hema's share after surrender:

$$\text{Hema's new share} = 2 - \frac{1}{3} \cdot 2 = \frac{4}{3} + \frac{2}{3} = \frac{8}{3}$$

Tara's share after surrender:

$$\text{Tara's new share} = 3 - \frac{1}{2} \cdot 3 = \frac{6}{2} - \frac{3}{2} = \frac{9}{2}$$

Ojas's share:

$$\text{Ojas's share} = \frac{1}{3} \cdot 2 + \frac{1}{2} \cdot 3 = \frac{2}{3} + \frac{3}{2} = \frac{13}{6}$$

The new shares of Hema, Tara, and Ojas are:

$$\frac{8}{3} : \frac{9}{2} : \frac{13}{6}$$

Finding a common denominator and simplifying:

$$\text{New Ratio} = 8 : 9 : 13$$

Quick Tip

To calculate the new profit-sharing ratio, determine the surrendered shares and distribute them to the new partner, then simplify the resulting ratios.

11(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: Charu's total share is 6 parts. Aaroh and Bhuvan acquire Charu's share in the ratio of 2 : 1.
Aaroh's new share:

$$1 + \frac{2}{3} \cdot 6 = 1 + 4 = 5 \quad \text{parts}$$

Bhuvan's new share:

$$2 + \frac{1}{3} \cdot 6 = 2 + 2 = 4 \quad \text{parts}$$

Thus, the new profit-sharing ratio between Aaroh and Bhuvan becomes:

$$5 : 4$$

Quick Tip

When a partner dies, their share is distributed among the remaining partners based on the agreed acquisition ratio. The new profit-sharing ratio is calculated by adding the acquired share to each partner's previous share.

12(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: Shrikant withdrew 10,000 at the beginning of each quarter. The total amount withdrawn during the year is:

$$\text{Total withdrawals} = 10,000 \times 4 = 40,000$$

For withdrawals made at the beginning of each quarter, the average time period for the year is 7.5 months (as per the time factor calculation). The interest on drawings is calculated as:

$$\text{Interest} = \text{Total withdrawals} \times \text{Rate of Interest} \times \frac{\text{Average Time Period (in months)}}{12}$$

Substituting the values:

$$\text{Interest} = 40,000 \times 6\% \times \frac{7.5}{12} = 1,500$$

Quick Tip

When calculating interest on drawings, determine whether withdrawals are made at the beginning, middle, or end of the period to adjust the time factor accurately.

(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 31$^{\text{st}}$ 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 31$^{\text{st}}$ March, 2023 will be:
(A) 6,000
(B) 4,500
(C) 3,000
(D) 1,500

Correct Answer: (B) 4,500.
Solution: Interest on Rhea's drawings is calculated as follows:
- Rhea withdrew 30,000 at the beginning of each half year. - For the first withdrawal (30,000) at the beginning of the first half year, it remained in the firm for 12 months:

$$\text{Interest} = \frac{30,000 \times 10\% \times 12}{12} = 3,000$$

- For the second withdrawal (30,000) at the beginning of the second half year, it remained in the firm for 6 months:

$$\text{Interest} = \frac{30,000 \times 10\% \times 6}{12} = 1,500$$

Therefore, the total interest on Rhea's drawings is:

$$3,000 + 1,500 = 4,500.$$

Quick Tip

Interest on drawings is calculated based on the amount withdrawn and the duration it remains in the firm. For withdrawals at the beginning of the period, consider the total time for each withdrawal.

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13. 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 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 To Workmen Compensation Claim A/c To Manu's Capital A/c To Sonu's Capital A/c To Rahul's Capital A/c	84,000 4,000 3,000 2,000	75,000
(B)	Workmen Compensation Reserve A/c To Workmen Compensation Claim A/c To Manu's Capital A/c To Sonu's Capital A/c To Rahul's Capital A/c	84,000 4,000 3,000 2,000	75,000
(C)	Manu's Capital A/c To Rahul's Capital A/c	500	500
(D)	Workmen Compensation Reserve A/c To Workmen Compensation Claim A/c To Manu's Capital A/c To Sonu's Capital A/c To Rahul's Capital A/c	84,000 4,000 3,000 2,000	75,000

Table 1: Journal Entry for Workmen Compensation Reserve

Solution: - The Workmen Compensation Reserve is debited to transfer the reserve to the Workmen Compensation Claim account. - The claim is distributed among the partners according to their new profit-sharing ratio. - The balance in the Workmen Compensation Reserve is credited to the capital accounts of the partners, based on their new profit-sharing ratio.
The journal entry is as follows:

Particulars	Dr Amount ()	Cr Amount ()
Workmen Compensation Reserve A/c	84,000	–
To Workmen Compensation Claim A/c	–	75,000
To Manu's Capital A/c (4/9 of 9,000)	–	4,000
To Sonu's Capital A/c (3/9 of 9,000)	–	3,000
To Rahul's Capital A/c (2/9 of 9,000)	–	2,000

Quick Tip

In cases involving reserves and claims, the amount is distributed to the capital accounts of the partners according to the new profit-sharing ratio after the reserve is adjusted.

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14. 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, partners' current accounts may show a debit or a credit balance depending on transactions like drawings, share of profit, and interest on drawings. These adjustments are made in the current accounts, not in the capital accounts. However, the Reason is incorrect because, under the Fixed Capital Method, such items are not recorded in the capital accounts; they are adjusted in the current accounts.

Quick Tip

In the Fixed Capital Method, partners' current accounts are used to adjust transactions like drawings, profit/loss allocation, and interest on capital, while capital accounts remain unchanged except for capital introduced or withdrawn.

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15. 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:
Aadi's capital contribution is 1,50,000 for a $\frac{1}{5}$ share in the firm. Based on this, the total capital

of the firm is calculated as:

$$\text{Total Capital of the Firm} = 1,50,000 \times \frac{5}{1} = 7,50,000.$$

The combined capital of Seema and Laksh is:

$$\text{Seema's Capital} + \text{Laksh's Capital} = 2,00,000 + 1,80,000 = 3,80,000.$$

The goodwill of the firm is the difference between the total capital and the existing capital of the partners:

$$\text{Goodwill} = 7,50,000 - 3,80,000 = 3,70,000.$$

Since Aadi's share of goodwill is $\frac{1}{5}$ of the total goodwill:

$$\text{Aadi's Share of Goodwill} = \frac{1}{5} \times 3,70,000 = 74,000.$$

The goodwill adjustment in the books leads to the total goodwill as 2,20,000.

> **Quick Tip**
>
> The goodwill is calculated by comparing the implied total capital of the firm with the combined capital of the existing partners.

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16. 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: Krish's share of profit is $\frac{1}{5}$. Geeta and Hari give up their share in the ratio of 2 : 3 to Krish. Geeta sacrifices $\frac{2}{5} \times \frac{1}{5} = \frac{2}{25}$ and Hari sacrifices $\frac{3}{5} \times \frac{1}{5} = \frac{3}{25}$. The sacrificing ratio between Geeta and Hari is 2 : 3.

> **Quick Tip**
>
> To determine the sacrificing ratio, allocate the share of profit given up by each partner based on their existing share and the new partner's share.

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17. Sangeet, Anju and Shiva were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 5. Sangeet died on 31st July, 2023. Sangeet'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 40,000 and sales from 1st April, 2023 to 31st July,

2023 were 10,000. The profit for the year ended 31st March, 2023 was 40,000. Calculate Sangeet'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: To calculate Sangeet's share of profit, we need to calculate the proportion of sales till the date of death:
- Total sales = 40,000 (before 1st April, 2023) + 10,000 (from 1st April to 31st July, 2023) = 50,000. - Sangeet's share of profit is based on the sales during the period of death. - Sales during the period of death = 10,000.
The share of profit is divided in the ratio of the sales. Sangeet's share of profit is calculated as:

$$\text{Sangeet's share} = \frac{\text{Sangeet's sales}}{\text{Total sales}} \times \text{Profit} = \frac{10,000}{50,000} \times 40,000 = 8,000$$

Journal Entry:

$$\text{Sangeet's Capital A/c Dr}\, 8,000 \quad \text{To Profit and Loss A/c}\, 8,000$$

Quick Tip
When a partner dies, their share of profit is calculated based on the sales or other factors agreed upon, up to the date of death.

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18. The average profit for the last five years of a firm of Suman and Dhawan was 6,00,000. The normal rate of return in a similar business is 10%. Goodwill of the firm is valued at 40,000, calculated by capitalizing super profit. Find out the amount of capital employed by the firm.

Solution: The capital employed in the firm is calculated using the formula:

$$\text{Goodwill} = \frac{\text{Super Profit} \times \text{Normal Rate of Return}}{100}$$

To calculate the super profit:

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

Let the capital employed be C.

$$\text{Super Profit} = 6,00,000 - \frac{10\% \times C}{100} = 6,00,000 - 0.10C$$

Now, substituting in the goodwill formula:

$$40,000 = \frac{6,00,000 - 0.10C}{10}$$
$$40,000 \times 10 = 6,00,000 - 0.10C$$
$$4,00,000 = 6,00,000 - 0.10C$$

$$0.10C = 6,00,000 - 4,00,000 = 2,00,000$$
$$C = \frac{2,00,000}{0.10} = 20,00,000$$

Thus, the capital employed in the firm is 20,00,000.

Quick Tip

The capital employed can be derived by capitalizing the super profit, which involves calculating the normal profit and subtracting it from the average profit.

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 amount by issuing 9% Debentures of 100 each at a premium of 10%. Pass the necessary journal entries for the above transactions in the books of Sumi Ltd.

Solution:
The following journal entries will be recorded in the books of Sumi Ltd.:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Assets A/c	8,00,000	–
Sundry Creditors A/c	–	2,00,000
To Pandora Ltd.	–	9,00,000
(Being the purchase of assets and assumption of liabilities)		
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 to Pandora Ltd. through cheque and issue of debentures at a 10% premium)		

Explanation: - Sumi Ltd. acquired assets worth 8,00,000 and took over creditors worth 2,00,000 for a total purchase consideration of 9,00,000. - The payment of 9,00,000 was made through: - 4,60,000 by cheque. - 4,00,000 by issuing 9% debentures at par, and the remaining 40,000 was credited to the Securities Premium Account as the debentures were issued at a 10% premium.

Quick Tip

When issuing debentures at a premium, the premium amount is credited to a separate account, as it represents additional capital raised above the nominal value of the debentures.

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19. (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 by issuing a cheque of 4,60,000 and balance 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:
The following journal entries will be recorded in the books of Gundola Ltd.:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Assets A/c	9,00,000	–
To Liabilities A/c	–	3,00,000
To AK Ltd.	–	14,00,000
(Being purchase of assets and assumption of liabilities)		
AK Ltd. A/c	14,00,000	–
To Bank A/c	–	5,00,000
To 8% Debentures A/c	–	9,00,000
(Being payment made by bank draft and issue of debentures at a discount)		
Discount on Issue of Debentures A/c	1,00,000	–
To AK Ltd.	–	1,00,000
(Being discount on debentures adjusted)		

Explanation: - Gundola Ltd. acquired assets worth 9,00,000 and liabilities worth 3,00,000 for a total purchase consideration of 14,00,000. - The payment was made by: - 5,00,000 through a bank draft. - The remaining 9,00,000 by issuing 8% debentures at a 10% discount. The total face value of debentures issued = 9,00,000 / 0.90 = 10,00,000. The 1,00,000 discount is adjusted in the Discount on Issue of Debentures Account.

Quick Tip

When issuing debentures at a discount, the discount is recorded separately as it reduces the value of the capital raised through the debenture issue.

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: 1. Interest on capital: - Misha's interest = 50,000 × 10% = 5,000 - Prisha's interest = 30,000 × 10% = 3,000 2. Interest on drawings: - Misha's interest on drawings = 660 - Prisha's interest on drawings = 540 3. Prisha's loan interest (at 6% p.a): - 20,000 × 6% = 1,200
Now, the net profit will be allocated as per the profit-sharing ratio of 3 : 2.

$$\text{Misha's share of profit} = \frac{3}{5} \times 22,600 = 13,560$$

$$\text{Prisha's share of profit} = \frac{2}{5} \times 22,600 = 9,040$$

The Profit and Loss Appropriation Account will look as follows:

Particulars	**Amount ()**
Net Profit	22,600
Interest on Capital (Misha)	5,000
Interest on Capital (Prisha)	3,000
Interest on Loan (Prisha)	1,200
Interest on Drawings (Misha)	(660)
Interest on Drawings (Prisha)	(540)
Misha's Share of Profit	13,560
Prisha's Share of Profit	9,040

Quick Tip

Interest on capital and loan is recorded before distributing the profits in the profit-sharing ratio.

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 = 4,00,000 × 10% = 40,000 - Diya's interest = 3,00,000 × 10% = 30,000
2. Interest on drawings: - Raghav's interest on drawings: - 2,000 × 12 months × 10% = 2,400 - Diya's interest on drawings: - 3,000 × 4 quarters × 10% = 1,200
Adjustment entry for omitted interest on capital and interest on drawings:

$$\text{Interest on Capital (Raghav)} = 40,000$$

$$\text{Interest on Capital (Diya)} = 30,000$$

Journal entry:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Interest on Capital (Raghav) A/c Dr	40,000	
Interest on Capital (Diya) A/c Dr	30,000	
To Raghav's Capital A/c		40,000
To Diya's Capital A/c		30,000

Quick Tip

When omitted interest is discovered, it must be adjusted in the capital accounts of the respective partners based on their capital balances.

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21. 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. These shares were forfeited. For 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: The amount of unpaid calls on these forfeited shares is 5 per share.

$$\text{Total Calls in Arrears} = 4,000 \times 5 = 20,000$$

The Calls in Arrears account will be credited by 5,000 (for the unpaid portion) from the forfeited shares.

> **Quick Tip**
>
> When shares are forfeited, the Calls in Arrears account is credited with the unpaid amount on the forfeited shares.

---

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**
Capital: 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 3,00,000	1,00,000	Cash
General Reserve	2,00,000	
Total 17,00,000	17,00,000	Total

It was decided that:

1. The value of land having appreciated be brought up to 6,50,000.
2. 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 general reserve of 1,00,000 is distributed among the partners in their old profit-sharing ratio of 5 : 3 : 2.

Particulars	Dr Amount ()	Cr Amount ()
General Reserve A/c	1,00,000	–
To Frank's Capital A/c (5/10 of 1,00,000)	–	50,000
To George's Capital A/c (3/10 of 1,00,000)	–	30,000
To Hemant's Capital A/c (2/10 of 1,00,000)	–	20,000
(Being general reserve distributed among partners in the old profit-sharing ratio)		

Explanation: - The general reserve is distributed among Frank, George, and Hemant in their old ratio of 5 : 3 : 2. - Frank receives 50,000, George 30,000, and Hemant 20,000, which are credited to their respective capital accounts.

> Quick Tip
>
> When the land's value is revalued, a corresponding journal entry should be passed, along with any goodwill adjustments.

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23. David, Eden, and Flora were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of David, Eden and Flora as at 31st March, 2023

Liabilities Amount ()	**Amount ()**	**Assets**
Capital: 10, 00, 000		Fixed Assets
David 5, 00, 000	6, 00, 000	Investments
Eden 3, 00, 000	6, 00, 000	Stock
Flora 3, 00, 000	6, 00, 000	Bills Receivable
General Reserve 2, 00, 000	3, 00, 000	Cash at Bank
Bills Payable	1, 00, 000	
Total 22, 00, 000	22, 00, 000	Total

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

1. Fixed Assets were realised at 15% less than the book value.
2. Trade Receivables were realised at book value.
3. Investments were taken over by Flora at 6,00,000.

4. David took over 50% of the stock at 1,80,000. The remaining stock was taken over by Eden at 95,000.

5. Expenses of realisation amounted to 25,000 and were paid by Flora.

Prepare the Realisation Account.
Solution:

Particulars	Amount ()	Particulars	Amount ()
To Fixed Assets A/c	10,00,000	By Bank (Realisation of Fixed Assets at 15% less)	8,50,000
To Investments A/c	5,00,000	By Debtors A/c (Realisation at Book Value)	2,00,000
To Stock A/c	3,00,000	By Flora's Capital A/c (Investments taken over)	6,00,000
To Bills Receivable A/c	2,00,000	By David's Capital A/c (Stock taken over 50%)	1,80,000
To Realisation Expenses A/c	25,000	By Eden's Capital A/c (Stock taken over)	95,000
		By Bank (Cash at Bank)	2,00,000
		By Profit on Realisation (distributed in ratio 2 : 2 : 1)	1,00,000
Total	**20,25,000**	**Total**	**20,25,000**

Explanation:
1. Fixed assets were realised at a loss of 15% (10,00,000 - 15% = 8,50,000).
2. Trade receivables (debtors) were realised at book value (2,00,000).
3. Investments were taken over by Flora for 6,00,000.
4. Stock was distributed between David (1,80,000) and Eden (95,000).
5. Realisation expenses of 25,000 were paid by Flora.

Quick Tip

When a firm is dissolved, the Realisation Account is used to account for the disposal of assets, settlement of liabilities, and the distribution of any surplus or deficit.

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24. On 1st April, 2022, Centafit Ltd. issued 2,000, 7% Debentures of 500 each at a premium of 10%, redeemable at a premium of 10% after five years. The company had a balance of 1,75,000 in 'Securities Premium Account' before the issue.

(a) Pass journal entries for issue of debentures and for writing off 'Loss on Issue of

Debentures' utilizing Securities Premium Account at the end of the first year itself.

Solution (a): Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Bank A/c (2,000 × 550)	11,00,000	–
To 7% Debentures A/c (2,000 × 500)	–	10,00,000
To Securities Premium A/c (2,000 × 50)	–	1,00,000
(Being issue of 2,000, 7% Debentures at a premium of 10%)		
Loss on Issue of Debentures A/c	2,00,000	–
To Premium on Redemption of Debentures A/c (2,000 × 50)	–	1,00,000
To Securities Premium A/c (Utilised)	–	1,00,000
(Being the loss on issue of debentures recorded and partly written off using Securities Premium Account)		

> Quick Tip
>
> When debentures are issued at a premium, the premium is credited to the 'Securities Premium Account', and any loss on issue of debentures is written off utilizing this premium.

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

Solution (b): Loss on Issue of Debentures Account:

Particulars	**Amount ()**	**Particulars**	**Amount ()**
To Premium on Redemption of Debentures A/c	1,00,000	By Securities Premium A/c	1,00,000
To Balance c/d (to be amortised in future years)	1,00,000		
Total	**2,00,000**	**Total**	**2,00,000**

Explanation: 1. The debentures were issued at a premium of 50 per debenture, raising 1,00,000 in Securities Premium. 2. Redemption involves a premium of 50 per debenture, creating a loss of 2,00,000. 3. 1,00,000 of this loss is written off against Securities Premium Account, and the remaining 1,00,000 is carried forward for amortisation in future years.

Quick Tip

For part (b): Loss on issue of debentures is amortised over the tenure of the debentures. Any portion written off in the first year is adjusted against Securities Premium Account (if available), while the remaining amount is carried forward for future years.

25.(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 (2,000 × 8)	16,000	–
Securities Premium A/c (2,000 × 2)	4,000	–
To Share Forfeiture A/c (2,000 × 3)	–	6,000
To Share Allotment A/c (2,000 × 5)	–	10,000
(Being forfeiture of 2,000 shares for non-payment of allotment money)		
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
(Being reissue of 1,500 forfeited shares at 7 per share, 8 paid up)		
Share Forfeiture A/c	4,500	–
To Capital Reserve A/c	–	4,500
(Being transfer of surplus on reissue of shares to Capital Reserve)		

Quick Tip

Forfeiture entries should reflect the amount not received from shareholders, and reissue entries should show the amount received from new shareholders, adjusting for premium.

(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, 8 paid up.

Solution: Journal Entries:

Particulars	**Dr Amount ()**	**Cr Amount ()**
Share Capital A/c (3,000 × 9)	27,000	–
To Share Forfeiture A/c (3,000 × 3)	–	9,000
To Share First Call A/c (3,000 × 3)	–	9,000
To Share Capital A/c (3,000 × 6)	–	18,000
(Being forfeiture of 3,000 shares for non-payment of first call)		
Bank A/c (2,000 × 9)	18,000	–
To Share Capital A/c (2,000 × 9)	–	18,000
(Being reissue of 2,000 forfeited shares at 9 per share, fully paid)		
Share Forfeiture A/c	6,000	–
To Capital Reserve A/c	–	6,000
(Being transfer of surplus on reissue of shares to Capital Reserve)		

Quick Tip

In case of forfeiture, unpaid amounts are debited to respective accounts, and forfeited amounts are credited to Share Forfeiture Account. On reissue, any surplus remaining in the Share Forfeiture Account after 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

Solution: 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.
Pass the necessary journal entries for the above transactions.
Journal Entries:

Particulars	Dr Amount ()	Cr Amount ()
Bank A/c (58,000 × 5)	2,90,000	–
To Share Application A/c	–	2,90,000
(Being application money received for 58,000 shares)		
Share Application A/c	2,90,000	–
To Share Capital A/c (58,000 × 5)	–	2,90,000
(Being application money transferred to share capital account)		
Share Allotment A/c (58,000 × 1)	58,000	–
To Share Capital A/c	–	58,000
(Being allotment money due)		
Bank A/c (57,700 × 1 + 500 × 5)	58,200	–
Calls-in-Arrears A/c (300 × 1)	300	–
To Share Allotment A/c	–	58,500
To Calls-in-Advance A/c (500 × 4)	–	2,000
(Being allotment money received, including advance from Usha and arrears from Rajat)		
Share Capital A/c (300 × 6)	1,800	–
To Share Forfeiture A/c (300 × 5)	–	1,500
To Calls-in-Arrears A/c (300 × 1)	–	300
(Being 300 shares of Rajat forfeited for non-payment of allotment money)		
Share First and Final Call A/c (57,700 × 4)	2,30,800	–
To Share Capital A/c	–	2,30,800
(Being first and final call due)		
Bank A/c	2,30,800	–
To Share First and Final Call A/c	–	2,30,800
(Being first and final call money received)		
Calls-in-Advance A/c	2,000	–
To Share First and Final Call A/c	–	2,000
(Being adjustment of Usha's advance towards first and final call)		

Quick Tip

When shares are forfeited, the amount paid on those shares is transferred to the forfeited shares account, and any amount not received is transferred to calls in arrears.

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 $25,000$	$1,20,000$	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:

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 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: 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:	10,000		
Sarah's Capital A/c (3/5 of 10,000)	6,000		
Varsha's Capital A/c (2/5 of 10,000)	4,000		
Total	**20,000**	**Total**	**20,000**

Partners' Capital Accounts:

Particulars	Sarah ()	Varsha ()	Tasha ()	Total ()
Balance b/d	60,000	50,000	–	1,10,000
Add: Revaluation Profit	6,000	4,000	–	10,000
Add: Premium for Goodwill (20,000 in ratio 3 : 2)	12,000	8,000	–	20,000
Add: Capital brought by Tasha	–	–	40,000	40,000
Total	78,000	62,000	40,000	1,80,000
Less: Adjustment for new capital (in ratio 2 : 2 : 1)	6,000 (Paid)	–	6,000 (Received)	–
Balance c/d (New Capitals)	72,000	62,000	46,000	1,80,000

Quick Tip

When admitting a new partner, goodwill is usually accounted for, and the existing partners' capital accounts are adjusted according to the new profit-sharing ratio.

26(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

Kapil retired from the firm on 31st March, 2023 on the following terms:

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.

Pass the necessary journal entries in the books of the firm on Kapil's retirement.
Solution: Journal Entries:

Particulars	Dr Amount ()	Cr Amount ()
Revaluation A/c	5,000	–
To Debtors A/c	–	5,000
(Being bad debts written off)		
Fixed Assets A/c	24,000	–
Stock A/c	29,000	–
To Revaluation A/c	–	53,000
(Being revaluation of fixed assets and stock)		
Revaluation A/c	48,000	–
To Inder's Capital A/c (9/16 × 48,000)	–	27,000
To Jonny's Capital A/c (3/16 × 48,000)	–	9,000
To Kapil's Capital A/c (4/16 × 48,000)	–	12,000
(Being revaluation profit transferred to partners' capital accounts in the old ratio)		
General Reserve A/c	80,000	–
To Inder's Capital A/c (9/16 × 80,000)	–	45,000
To Jonny's Capital A/c (3/16 × 80,000)	–	15,000
To Kapil's Capital A/c (4/16 × 80,000)	–	20,000
(Being general reserve distributed among partners)		
Inder's Capital A/c	36,000	–
Jonny's Capital A/c	24,000	–
To Kapil's Capital A/c	–	60,000
(Being adjustment of goodwill in the ratio of sacrificing partners)		
Kapil's Capital A/c	92,000	–
To Cash A/c	–	92,000
(Being payment made to Kapil on his retirement)		

Quick Tip

For retirement of a partner, adjustments related to goodwill, revaluation of assets, and payment of liabilities must be made in the journal entries.

PART B
OPTION I
(Analysis of Financial Statements)

27. (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 show the trend and direction of financial position and operating results by comparing financial information over multiple periods. This helps in analyzing the financial performance and identifying growth trends.

> Quick Tip
>
> Comparative statements are used to identify financial trends over time, which is essential for decision-making. Always analyze both the percentage change and absolute change for a comprehensive understanding.

(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 the inventory turnover ratio and accounts receivable turnover ratio, indicate how efficiently and quickly business activities are being performed.

> Quick Tip
>
> Turnover ratios are essential for evaluating the efficiency of various business operations like sales, inventory management, and receivables collection.

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28. (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 primarily involve the core business operations. Cash receipts from the sale of goods are considered operating cash flows because they are directly related to the business's main activities, such as selling products.

> Quick Tip
>
> Cash flows from operating activities include transactions related to the principal revenue-generating activities of the business, such as cash receipts from sales and payments to suppliers.

(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 paid by a finance company is classified under financing activities as it is related to the company's capital structure (equity and debt financing).

> Quick Tip
>
> Financing activities refer to transactions that affect the company's capital structure, such as issuing dividends, raising capital, and repaying debt.

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29. 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 by dividing total debt by total equity. Issuing debentures increases the debt portion while keeping equity unchanged, thereby increasing the ratio. Other options do not affect the debt-equity balance in a way that increases the ratio.

Quick Tip

Issuing debentures increases debt in the company, thus raising the debt-equity ratio.

---

30. 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 because issuing bonus shares from securities premium does not result in inflow of cash, as it involves a transfer from one account (securities premium) to another (share capital). Statement II is incorrect because cash withdrawn from a bank does not result in inflow of cash; it simply transfers cash from the bank to the business and does not affect the total cash position.

Quick Tip

Bonus shares do not impact cash flow as they are an internal transfer. Similarly, withdrawing cash from a bank is a movement within cash accounts, not an inflow or outflow.

---

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:

1. Capital Work-in-Progress
2. Stores and Spares
3. Public Deposits

Solution: 1. Capital Work-in-Progress: Non-current assets (under "Fixed Assets" section) 2. Stores and Spares: Current assets (under "Inventories" section) 3. Public Deposits: Current liabilities (under "Other Current Liabilities" section)

Quick Tip

Proper classification of assets and liabilities helps in presenting the financial position as per the requirements of the Companies Act, 2013.

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32. From the following information, calculate the 'Proprietary Ratio':

Particulars	(₹)
Creditors	3,50,000
Bills Payable	1,50,000
10% Debentures	5,00,000
Share Capital	12,00,000
Reserves and Surplus	3,00,000

Solution: The Proprietary Ratio is calculated as:

$$\text{Proprietary Ratio} = \frac{\text{Total Equity}}{\text{Total Assets}} = \frac{\text{Share Capital} + \text{Reserves and Surplus}}{\text{Total Liabilities} + \text{Total Assets}}$$

Here, Total Equity = 4,00,000 + 3,00,000 = 7,00,000 Total Liabilities = 3,50,000 + 1,50,000 + 5,00,000 = 10,00,000
The ratio is:

$$\text{Proprietary Ratio} = \frac{7,00,000}{10,00,000} = 0.70$$

Quick Tip

Proprietary ratio is a measure of financial strength, showing the proportion of equity to total liabilities.

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

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

Particulars	31.03.2023	31.03.2022
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

Solution: In a Comparative Balance Sheet, the amounts for each item are presented side by side for the two periods (2023 and 2022) for easy comparison. **Comparative Balance Sheet:**

Particulars	31.3.2023 ()	31.3.2022 ()	Increase/Decrease ()
I – Equity and Liabilities:			
Shareholders' Funds: Share Capital	15,00,000	12,00,000	3,00,000 (Increase)
Non-Current Liabilities: Long-term Borrowings	10,00,000	5,00,000	5,00,000 (Increase)
Current Liabilities: Trade Payables	1,00,000	3,00,000	(2,00,000) (Decrease)
Total Liabilities	26,00,000	20,00,000	6,00,000 (Increase)
II – Assets:			
Non-Current Assets: Fixed Assets	20,00,000	15,00,000	5,00,000 (Increase)
Current Assets: Inventories	1,50,000	1,00,000	50,000 (Increase)
Trade Receivables	4,50,000	4,00,000	50,000 (Increase)
Total Assets	26,00,000	20,00,000	6,00,000 (Increase)

Quick Tip

Comparative Balance Sheets show the financial position over multiple periods, helping identify trends in the company's assets and liabilities.

33(b). From the following information of NK Ltd., prepare a Common Size State-

ment 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%	30%

Solution: To prepare a Common Size Statement, we convert each item in the Profit and Loss account to a percentage of the total revenue. The formula for each item is:

$$\text{Percentage of Revenue} = \frac{\text{Item Amount}}{\text{Revenue from Operations}} \times 100$$

For 31.03.2023: - Cost of Materials Consumed = $\frac{8,00,000}{25,00,000} \times 100 = 32\%$ - Employee Benefit Expenses = $\frac{4,00,000}{25,00,000} \times 100 = 16\%$
For 31.03.2022: - Cost of Materials Consumed = $\frac{6,00,000}{20,00,000} \times 100 = 30\%$ - Employee Benefit Expenses = $\frac{4,00,000}{20,00,000} \times 100 = 20\%$
Common Size Statement for the years ended 31st March, 2022 and 31st March, 2023:

Particulars	**31.03.2023 %**	**31.03.2022 %**
Revenue from Operations	100%	100%
Cost of Materials Consumed	32%	30%
Employee Benefit Expenses	16%	20%
Income Tax Rate	20%	30%

Quick Tip

A common size statement helps to compare the relative size of each line item against total revenue, making it easier to analyze trends in costs and expenses.

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

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: 1. Cash Flows from Investing Activities: The formula for Cash Flows from Investing Activities is:

$$\text{Cash Flow from Investing Activities} = \text{Proceeds from Sale of Asset} - \text{Purchase of Asset}$$

- Proceeds from Sale of Machine = 62,000 - Cost of Machine Sold = 85,000 - Depreciation on Machine Sold = 15,000
The book value of the machine sold is:

$$\text{Book Value of Machine} = 85,000 - 15,000 = 70,000$$

The cash flow from the sale of the machine is 62,000, which is less than the book value, indicating a loss on sale of 8,000.
- Purchase of Plant and Machinery during the year:

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

- Cash Flow from Investing Activities = 62,000 - 1,10,000 = - 48,000
Thus, the cash flow from investing activities is a negative 48,000.

Quick Tip

When calculating cash flows from investing activities, the proceeds from the sale of assets and purchases made during the period are the key factors. The net result will be positive for inflows and negative for outflows.

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

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

Solution: 1. Cash Flows from Financing Activities: The formula for Cash Flows from Financing Activities is:

$$\begin{aligned}\text{Cash Flow from Financing Activities} &= \text{Increase in Share Capital}\\ &+ \text{Increase in Borrowings}\\ &- \text{Repayment of Borrowings}\\ &- \text{Dividend Paid}\end{aligned}$$

- Increase in Equity Share Capital = 15,00,000 - 10,00,000 = 5,00,000 - Increase in Loan from Bank = 7,00,000 - 6,00,000 = 1,00,000 - Decrease in Bank Overdraft = 1,20,000 - 90,000 = 30,000 (Outflow)

$$\text{Total Financing Cash Flow} = 5,00,000 + 1,00,000 - 30,000 - 1,10,000 = 4,60,000$$

Thus, the cash flow from financing activities is 4,60,000.

Quick Tip

Cash flows from financing activities involve changes in the firm's equity and borrowings, including dividends and loan repayments.

PART B
OPTION II
(Computerised Accounting)

27. 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 to the last filled cell in a row in Excel, the combination of CTRL and Right arrow (→) successively will take you directly to the last filled cell in the active row.

Quick Tip

Using the CTRL key along with directional arrows is an efficient way to quickly navigate to the last filled cell in a row or column.

28(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 in the format: Date + Time. It updates automatically whenever the sheet recalculates.

Quick Tip

To display both the current date and time in Excel, use the Now() function, while Today() only shows the current date.

28(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:** An arithmetic expression or function in Excel (or in programming contexts) returns a Derived Value, which is the result calculated from input values. A "Basic Value" would simply refer to the raw data before any function or operation has been applied.

> Quick Tip
>
> A Derived Value is the result of an operation or calculation, such as the output of a mathematical function in Excel.

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29. 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 exact requirements of a particular organization, making it suitable for large and medium-sized organizations. It can also be linked to other information systems as per the organization's needs. Generic software, on the other hand, is not specialized and is meant for general use.

> Quick Tip
>
> Specific software is customized to cater to the unique needs of an organization, ensuring seamless integration with other systems.

30(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 of a graph refers to the area bounded by the axes, which contains the data points. It is where the data is visually represented in the graph.

Quick Tip

- In a graph, the Plot Area is the part of the chart where the data is visually displayed, enclosed by the axes. - The Formula Tab in Excel's ribbon does not include the Page Layout option. Page Layout is part of the View tab for worksheet display settings.

30(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: Page Layout is found on a different tab of the Excel ribbon, while the other options (Function Library, Defined Names, and Calculations) are located under the Formula tab.

Quick Tip

The Page Layout tab contains options related to the layout and design of the worksheet, not the formulas.

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31. 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 access to real-time data and reports. - It enhances control as users can track every transaction and identify errors easily through automated checks and logs. - The system facilitates a clear audit trail, helping maintain the integrity of financial data.
Accuracy and Speed: - The system performs calculations with high accuracy, reducing the chances of human error. - Automation in repetitive tasks like ledger posting, invoice generation, and reporting increases the speed of operations. - It allows organizations to generate reports and analyze data quickly for decision-making.

Quick Tip

Computerised accounting systems improve control and transparency while increasing speed and accuracy in financial operations.

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32. State the parameters of Excel's PMT function. What is the use of this function?
Solution:
Parameters of PMT Function: The PMT function in Excel calculates the payment for a loan based on constant payments and a constant interest rate. Its parameters are:
1. Rate: The interest rate per period.

2. Nper: Total number of payment periods in the loan term.
3. Pv: Present value or the principal loan amount.
4. Fv (optional): The future value or the cash balance you want after the last payment (default is 0).
5. Type (optional): Indicates when payments are due: 0 for end of the period (default) and 1 for beginning of the period.

Use of PMT Function: - The PMT function helps determine the regular payment amount required to pay off a loan over a specified period, considering the loan's interest rate and term. - It is widely used in financial modeling and loan calculations.

> Quick Tip
>
> PMT is useful for calculating regular loan payments, making it an essential tool for financial planning and loan management.

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

Solution: Password Security: - Password security ensures that only authorized users can access the accounting system. - Each user is assigned a unique username and password, which restricts unauthorized entry and protects sensitive financial information. - Passwords are encrypted within the system, further enhancing security. - This feature allows multiple levels of access control, ensuring that specific users can only access the information they are permitted to view or modify. - Regular updates and strong password policies, such as requiring a mix of letters, numbers, and special characters, strengthen the system's security.

Data Audit: - A data audit involves tracking all modifications, deletions, and additions made to the accounting records. - It provides a clear trail of who accessed or altered the data, ensuring accountability. - Data audit logs include details such as the date, time, and user who performed each action, making it easier to detect unauthorized changes. - This feature aids in compliance with legal and regulatory requirements by ensuring the integrity of financial data. - It also assists in identifying and rectifying errors in the records promptly.

> Quick Tip
>
> For Password Security and Data Audit in Computerised Accounting, password protection restricts unauthorized access to financial data, while data audits track changes to ensure integrity and detect discrepancies in records.

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

Solution: Data Formatting: - Data formatting refers to organizing and presenting data in a structured, readable, and visually appealing manner. - It ensures that the data is easy to interpret, analyze, and use for decision-making. - Formatting includes applying styles, alignment, fonts, colors, borders, and number formats to enhance the data's appearance and clarity. - Properly formatted data improves communication, highlights important information, and prevents misinterpretation.

Tools Used for Data Formatting: 1. **Font Formatting:** - Tools for changing font style, size, color, and effects (bold, italic, underline). - Used to emphasize headings or key data points. 2. **Alignment Tools:** - Options to align text horizontally (left, center, right) or vertically (top, middle, bottom). - Indentation and wrapping text for better cell layout. 3. **Number Formatting:** - Formats for numbers, dates, percentages, and currencies. - Example: Converting "1000" to " 1,000.00" or "50" to "504. **Conditional Formatting:** - Applies formatting (colors, icons, bars) based on specific criteria, such as highlighting negative values in red. 5. **Borders and Shading:** - Adding borders, background colors, or patterns to differentiate sections of data. 6. **Data Validation:** - Restricts input to a specific range, type, or format to maintain consistency and accuracy. 7. **Custom Styles and Themes:** - Predefined styles and themes to ensure consistency across multiple sheets or documents. 8. **Excel Formatting Shortcuts:** - Use quick tools like the Format Painter to copy formatting across cells.

Importance of Data Formatting: - Well-formatted data improves comprehension and reduces errors in analysis. - It helps present data professionally, making reports and dashboards more effective. - It enhances data visualization by applying meaningful formats to graphs and charts.

Quick Tip

Data formatting is important for presentation, making data easier to read and understand.

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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	Muskmelon	45	122
2	Watermelon	9	21
3	Squash	22	35
4	Gourd	47	68
5	Curd	49	66
6	Brisket	33	43
7	Poultry	88	96

(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

Solution:

VLOOKUP Syntax	Error	Reason
(i) =VLOOKUP(B1, B4:D6, 2, 0)	Error: #N/A	The lookup value B1 ("S. No.") is not found in the first column of the specified range B4:D6. The first column of the range must contain the lookup value.
(ii) =SQRT(VLOOKUP(C2, C2:D8, 2, 0) - 100)	Error: #N/A	The range C2:D8 does not contain C2 ("Price in FY 21–22") in the first column, leading to an invalid lookup result. Additionally, attempting to take the square root of a non-numeric result will cause an error.
(iii) =VLOOKUP(B5, B6:D8, 1, 0)	Error: #VALUE!	The column index number (1) is out of the range of the table array B6:D8. The column index must be at least 2 or greater.
(iv) =VLOOKUP(B3, B2:D8, 5, 0)	Error: #REF!	The column index number (5) exceeds the number of columns in the table array B2:D8, which only has 4 columns.
(v) =VLOOKUP(B5, B3:D8, 0, 0)	Error: #VALUE!	The column index number (0) is invalid because the column index must be a positive integer greater than or equal to 1.
(vi) =VLOOKUP(B2, B2:D7, 2, 0)	No error	This syntax is correct. It searches for the value in B2 in the range B2:D7 and returns the value from the second column if the match is found.

Explanation: 1. The VLOOKUP function requires the lookup value to exist in the first column of the range. 2. The column index must be within the range of columns specified in the table array. 3. Errors like #N/A, #VALUE!, or #REF! occur due to incorrect parameters or mismatches.

Quick Tip

- When using VLOOKUP, ensure that the lookup value is found in the first column of the selected range. - For SQRT, check if the value inside the function is non-negative, as square roots of negative numbers cause errors. - Ensure the column index number in VLOOKUP is valid and within the range of columns in the selected table array. - Always verify that the range and column index are compatible in VLOOKUP to avoid REF! errors. - VALUE! errors can occur in VLOOKUP when an invalid column index is used, such as 0. Use positive integers only. - A DIV/0! error occurs when dividing by zero. Always check that your denominator is non-zero to prevent this error.