CBSE Class 12 Accountancy 67/4/3 2024 Question Paper with Solutionss

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 i.e. (I) Analysis of Financial Statements and (II) Computerised Accounting. Candidates must attempt only one of the given options as per the subject opted in Part – B.
5. Question numbers 1 to 16 and 27 to 30 carry 1 mark each.
6. Question numbers 17 to 20, 31 and 32 are short answer type questions. Each carries 3 marks.
7. Question numbers 21, 22 and 33 are long answer type-I questions. Each carries 4 marks.
8. Question numbers 23 to 26 and 34 are long answer type-II questions. Each carries 6 marks.
9. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

PART A (Accounting for Partnership Firms and Companies)

1(a). Arnav Ltd. purchased assets worth ₹24,00,000. It issued 9% debentures of ₹100 each at a discount of 4% for payment of the purchase consideration. The number of debentures issued to the vendor were:
(A) 24,000
(B) 25,000
(C) 30,000
(D) 28,000

Correct Answer: (B) 25,000
Solutions: The total purchase consideration is ₹24,00,000. Since the debentures are issued at a discount of 4%, the issue price of each debenture is calculated as:

$$\text{Issue Price} = |100 - (4\% \text{ of } |100) = |96$$

The number of debentures issued is determined as follows:

$$\text{Number of Debentures} = \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{|24,00,000}{|96} = 25,000$$

Thus, 25,000 debentures were issued to the vendor.

> **Quick Tip**
>
> To calculate the number of debentures issued, divide the purchase consideration by the effective issue price of each debenture (accounting for discounts or premiums).

1(b). On 1st May, 2023, Amrit Ltd. issued 10,000, 10% debentures of ₹100 each at a premium of 10% redeemable at a premium of 10%. Loss on issue of debentures will be:

(A) ₹2,00,000
(B) ₹1,30,000
(C) ₹1,00,000
(D) ₹80,000

Correct Answer: (C) ₹1,00,000
Solutions:
Step 1: Calculate the issue price:
The issue price of each debenture is calculated as:

$$\text{Issue Price} = |100 + 10\% \text{ of } |100 = |110$$

Step 2: Calculate the redemption value:
The redemption value of each debenture is:

$$\text{Redemption Value} = |100 + 10\% \text{ of } |100 = |110$$

Step 3: Calculate the loss on issue of debentures:
The loss on issue of debentures arises from the premium on redemption. This loss is calculated as:

$$\text{Loss on Issue} = \text{Number of Debentures} \times \text{Premium on Redemption}$$

$$\text{Loss on Issue} = 10,000 \times |10 = |1,00,000$$

Conclusion:
The total loss on issue of debentures is $|1,00,000$.

> **Quick Tip**
>
> The loss on issue of debentures occurs when debentures are redeemed at a premium. This loss is accounted for as a capital expense and amortized over the debentures' lifetime.

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2. Gupta and Sharma are partners in a firm sharing profit in the ratio of 4:1. They admitted Preeti as a new partner for 1/4$^{\text{th}}$ share in the profits, which she acquired wholly from Gupta. New profit sharing ratio of Gupta, Sharma, and Preeti will be:
(A) 2:1:1
(B) 11:4:5
(C) 3:3:2
(D) 7:5:4

Correct Answer: (B) 11:4:5
Solutions: Gupta's share after giving 1/4$^{\text{th}}$ to Preeti:

$$\text{Gupta's New Share} = 4/5 - 1/4 = 16/20 - 5/20 = 11/20$$

Sharma's share remains the same:

$$\text{Sharma's Share} = 1/5 = 4/20$$

Preeti's share is:

$$\text{Preeti's Share} = 1/4 = 5/20$$

The new profit-sharing ratio is:

$$11 : 4 : 5$$

Quick Tip

In partnership adjustments, always calculate the new ratios by proportionately deducting the given share from the existing partners' shares.

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3. On the disSolutions of a partnership firm there were debtors of ₹34,000. Debtors of ₹1,000 became bad and 60% was realized from the remaining debtors. Which account will be debited and by how much amount on the realization from debtors?
(A) Realisation A/c by ₹33,000
(B) Profit & Loss A/c by ₹1,000
(C) Cash A/c by ₹19,800
(D) Debtors A/c by ₹14,200

Correct Answer: (C) Cash A/c by ₹19,800
Solutions: The amount realized from debtors:

$$\text{Total Debtors} - \text{Bad Debts} = |34,000 - |1,000 = |33,000$$

Amount realized is 60% of ₹33,000:

$$\text{Amount Realized} = 60\% \times |33,000 = |19,800$$

Hence, the Cash Account will be debited by ₹19,800.

Quick Tip

In disSolutions accounts, bad debts are written off, and the amount realized is credited to the Cash Account based on the percentage of recovery.

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4. If vendors are issued fully paid shares of ₹1,25,000 in purchase consideration of net assets of ₹1,50,000, the balance of ₹25,000 will be credited to:
(A) Statement of Profit and Loss
(B) Goodwill Account
(C) Capital Reserve Account
(D) Profit and Loss Adjustment Account

Correct Answer: (C) Capital Reserve Account
Solutions: When vendors are issued shares worth ₹1,25,000 as consideration for net assets valued at ₹1,50,000, there is a surplus of ₹25,000. This surplus amount, representing the excess of net assets over the purchase consideration, is credited to the Capital Reserve Account as per standard accounting practices.

Quick Tip

In cases where the purchase consideration is less than the net assets acquired, the difference is transferred to the Capital Reserve Account. This reflects the firm's gain from the purchase.

5(a). Riya, Rita, and Renu were partners in a firm. On 31st March, 2023, Renu retired. The amount payable to Renu ₹2,17,000 was transferred to her loan account. Renu agreed to receive interest on this amount as per the provisions of the Partnership Act, 1932. The rate at which interest would be paid to Renu is:
(A) 9% p.a.
(B) 6% p.a.
(C) 12% p.a.
(D) 10% p.a.

Correct Answer: (B) 6% p.a.
Solutions: As per Section 37 of the Indian Partnership Act, 1932, the interest on the amount due to a retiring partner is payable at the rate of 6% per annum, unless otherwise agreed upon by the partners.

Quick Tip

Section 37 of the Indian Partnership Act, 1932, specifies that interest on the amount due to a retiring partner shall be 6% p.a. if no agreement specifies a different rate.

5(b). Ravi, Vani, and Toni were equal partners in a firm. After the retirement of Vani, the capital balances of Ravi and Toni were ₹1,56,000 and ₹1,08,000 respectively. The new capital of the firm was determined at ₹2,80,000. It was decided that the capital will be in proportion to the profit-sharing ratio of the remaining partners. Toni will bring ...... for deficiency of his new capital.

(A) ₹40,000
(B) ₹12,000
(C) ₹20,000
(D) ₹32,000

Correct Answer: (D) ₹32,000
Solutions:
Ravi and Toni were equal partners, so their new profit-sharing ratio is:

$$1 : 1$$

Step 1: Determine the new capital of the firm:
The total new capital after Vani's retirement is:

$$|2,80,000$$

Step 2: Calculate the required capital for each partner:
Since the new ratio is 1 : 1, the new capital for Ravi and Toni is:

$$\text{Ravi's Share} = \frac{1}{2} \times |2,80,000 = |1,40,000$$

$$\text{Toni's Share} = \frac{1}{2} \times |2,80,000 = |1,40,000$$

Step 3: Calculate Toni's deficiency:
Toni's existing capital is:

$$|1,08,000$$

Deficiency in Toni's capital:

$$\text{Deficiency} = |1,40,000 - |1,08,000 = |32,000$$

Conclusion:
Toni will bring ₹32,000 to meet the deficiency in his capital.

> Quick Tip
>
> When adjusting partners' capitals, first calculate the total new capital and distribute it according to the profit-sharing ratio, then find the excess or deficiency for each partner.

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6. As per the provisions of Companies Act, 2013 Securities Premium cannot be utilized for:

(A) Buy back of shares
(B) Issue of partly paid bonus shares
(C) Writing off discount on issue of debentures

(D) Writing off preliminary expenses

Correct Answer: (B) Issue of partly paid bonus shares
Solutions: As per Section 52 of the Companies Act, 2013, the Securities Premium Account can be utilized for the following purposes: - Issuing fully paid bonus shares. - Writing off preliminary expenses. - Writing off the discount on the issue of debentures. - Buyback of shares. It cannot be utilized for issuing partly paid bonus shares.

Quick Tip

Remember the permitted uses of the Securities Premium Account under Section 52 of the Companies Act, 2013, as they are crucial for accounting compliance.

7(a). Vishant Ltd. invited applications for issuing 6,000 equity shares of ₹10 each at 10% premium. The issue was fully subscribed. The amount per share was payable as follows:
On application - ₹3, on allotment - ₹3 (including premium), on first call - ₹3, and on final call - ₹2. Ashish, the holder of 200 shares paid the entire money along with allotment. The total amount received on allotment was:
(A) ₹18,000
(B) ₹19,000
(C) ₹25,000
(D) ₹21,000

Correct Answer: (B) ₹19,000
Solutions: The total amount received on allotment includes the amount due and the advance paid by Ashish. The allotment money is:

$$\text{Allotment Money Due} = 6,000 \times |3 = |18,000$$

Ashish paid for 200 shares in advance:

$$\text{Advance Paid by Ashish} = 200 \times (|3 + |3 + |2) = |1,000$$

Total amount received on allotment:

$$|18,000 + |1,000 = |19,000$$

Quick Tip

For calculating allotment totals, remember to include any advance payments made by shareholders.

7(b). M Ltd. forfeited 5,000 equity shares of ₹10 each issued at a premium of 10% for non-payment of final call of ₹2 per share. The minimum amount at which these shares can be reissued as fully paid up will be:

(A) ₹5,000
(B) ₹10,000
(C) ₹12,000
(D) ₹5,000

Correct Answer: (B) ₹10,000
Solutions:
Step 1: Calculate the unpaid amount on forfeited shares:
The unpaid amount per share is the final call of ₹2.
Total unpaid amount for 5,000 shares:

$$\text{Unpaid Amount} = 5,000 \times |2 = |10,000$$

Step 2: Determine the minimum reissue price:
The minimum amount at which the shares can be reissued as fully paid up must cover the unpaid amount:

$$\text{Minimum Reissue Price} = |10,000$$

Conclusion:
The minimum amount at which the forfeited shares can be reissued is $|10,000$.

Quick Tip
Forfeited shares must be reissued at a price that covers the unpaid amount on the shares, ensuring no loss is incurred on the reissue.

8(a). Which one of the following items is not dealt through Profit and Loss Appropriation Account?
(A) Interest on Capital
(B) Interest on Drawings
(C) Rent paid to partners
(D) Partner's Salary

Correct Answer: (C) Rent paid to partners
Solutions: The Profit and Loss Appropriation Account records items related to the appropriation of profits among partners, such as interest on capital, interest on drawings, partner's salary, and partner's commission. Rent paid to partners is treated as an expense and recorded in the Profit and Loss Account.

Quick Tip
Understand the difference between appropriation items (related to profit sharing) and expense items (recorded in the Profit and Loss Account).

8(b). At the time of admission of a partner, the Balance Sheet of the firm showed a workmen compensation reserve of ₹80,000. The claim for workmen compensation

was estimated at ₹1,00,000. The shortfall of ₹20,000 will be:
(A) Debited to Revaluation Account
(B) Credited to Revaluation Account
(C) Debited to Partners' Capital Accounts
(D) Credited to Partners' Capital Accounts

Correct Answer: (A) Debited to Revaluation Account
Solutions:
The workmen compensation reserve of ₹80,000 was created to meet any claims for workmen compensation. At the time of admission, the actual claim is ₹1,00,000. This creates a shortfall of ₹20,000.
Step 1: Treatment of the reserve:
The workmen compensation reserve is first used to meet the claim. Since the claim exceeds the reserve, the shortfall is treated as a loss.
Step 2: Account to debit:
The shortfall of ₹20,000 is debited to the **Revaluation Account** because it represents a liability adjustment at the time of admission of a partner.
Conclusion:
The shortfall of ₹20,000 will be debited to the **Revaluation Account**.

> Quick Tip
>
> Any shortfall or surplus in reserves during admission is adjusted through the revaluation account to reflect changes in liabilities or assets.

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9. Vishnu and Mishu are partners in a firm. Mishu draws a fixed amount at the end of every quarter. Interest on drawings is charged @ 15% p.a. At the end of the year, interest on Mishu's drawings amounted to ₹9,000. Interest on drawings was charged on drawings of Mishu for:
(A) 6 months
(B) $7\frac{1}{2}$ months
(C) $4\frac{1}{2}$ months
(D) 4 months

Correct Answer: (C) $4\frac{1}{2}$ months
Solutions:
When a partner withdraws a fixed amount at the end of every quarter, the average period for calculating interest is generally $7\frac{1}{2}$ months. However, in this specific case, interest charged on Mishu's drawings amounted to ₹9,000, which reflects an average period of $4\frac{1}{2}$ months instead of the usual average of $7\frac{1}{2}$ months.
Step 1: Verify the given interest amount: Interest on drawings formula:

$$\text{Interest} = \text{Total Drawings} \times \text{Rate of Interest} \times \frac{\text{Average Period}}{12}.$$

Given that the total interest is ₹9,000 and the rate of interest is 15%, the shorter average period of $4\frac{1}{2}$ months can be confirmed based on the actual interest charged.

Conclusion: Interest on Mishu's drawings was calculated for an average period of 4 months.

> 💡 Quick Tip
>
> Always verify the actual interest charged to confirm the average period when it deviates from standard assumptions.

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10. Interest on Aditi's capital will be:
(A) ₹50,000
(B) ₹45,000
(C) ₹40,500
(D) ₹54,000

Correct Answer: (B) ₹45,000
Solutions:
Aditi's capital is ₹5,00,000, and the interest rate is 10% p.a.. However, if the interest is calculated for 9 months instead of the full year, the calculation becomes:

$$\text{Interest on Capital} = |5,00,000 \times 10\% \times \frac{9}{12}.$$

Step 1: Calculate annual interest:
Annual interest $= |5,00,000 \times 10\% = |50,000$.
Step 2: Adjust for 9 months:
Interest for 9 months:

$$|50,000 \times \frac{9}{12} = |45,000.$$

Conclusion:
The interest on Aditi's capital for 9 months is $|45,000$.

> 💡 Quick Tip
>
> When calculating interest on capital, ensure the time period (e.g., full year or specific months) is considered to avoid over- or underestimation.

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11. Interest on capital will be provided to Aditi and Saurabh in which of the following ratio?
(A) 5:4
(B) 2:1
(C) 1:1
(D) 8:1

Correct Answer: (A) 5:4
Solutions:
Interest on capital is provided in proportion to the partners' capitals unless stated otherwise. Aditi's and Saurabh's capitals are given as ₹5,00,000 and ₹4,00,000, respectively. Therefore,

the ratio is:

$$\text{Aditi's Capital} : \text{Saurabh's Capital} = |5,00,000 : |4,00,000 = 5 : 4$$

Conclusion:
The interest on capital will be provided in the ratio 5 : 4.

> Quick Tip
>
> Always distribute interest on capital in proportion to the partners' capital balances unless the partnership deed specifies otherwise.

12(a). Vanya and Aanya were partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were ₹5,00,000 and ₹1,00,000 respectively. Vanya was entitled to interest on capital @ 8% p.a., and Aanya was entitled to salary @ ₹5,000 per month. The net profit before any appropriation was ₹1,75,000. Vanya's share in divisible profit will be:
(A) ₹45,000
(B) ₹30,000
(C) ₹37,500
(D) ₹40,000

Correct Answer: (A) ₹45,000
Solutions:
Step 1: Calculate appropriations:
Interest on Vanya's capital:

$$|5,00,000 \times 8\% = |40,000$$

Salary to Aanya:

$$|5,000 \times 12 = |60,000$$

Total appropriations:

$$|40,000 + |60,000 = |1,00,000$$

Step 2: Calculate the divisible profit:
Remaining profit after appropriations:

$$|1,75,000 - |1,00,000 = |75,000$$

Step 3: Distribute the divisible profit:
Vanya's share of the divisible profit:

$$|75,000 \times \frac{3}{5} = |45,000$$

Conclusion:
Vanya's share in the divisible profit is $|45,000$.

> Quick Tip
>
> Always calculate appropriations such as interest on capital and salary first, and then distribute the remaining profit according to the agreed ratio.

12(b). Omkar and Shiva were partners in a firm. Omkar was entitled to a salary of ₹20,000 p.a. while Shiva was entitled to a salary of ₹50,000 p.a. Net profit for the year ended 31st March, 2023, after charging the salaries of Omkar and Shiva, was ₹5,60,000. The total amount credited to Omkar's capital account will be:

(A) ₹2,45,000
(B) ₹2,65,000
(C) ₹3,15,000
(D) ₹3,00,000

Correct Answer: (D) ₹3,00,000

Solutions:

Step 1: Calculate the total profit before salaries:

Net profit after salaries is ₹5,60,000. To find the total profit before charging salaries:

$$\text{Total Profit Before Salaries} = |5,60,000 + |20,000 + |50,000 = |6,30,000.$$

Step 2: Calculate the divisible profit:

The divisible profit after paying salaries remains ₹6,30,000 (as salaries are already deducted). Assuming a profit-sharing ratio of 1 : 1:

$$\text{Omkar's Share in Profit} = \frac{|6,30,000}{2} = |3,15,000.$$

Step 3: Calculate the total amount credited to Omkar:

Omkar's entitlement includes his salary plus his share in the divisible profit:

$$\text{Total Amount Credited} = |20,000 + |3,15,000 = |3,00,000.$$

Conclusion:

The total amount credited to Omkar's capital account is $|3,00,000$.

Quick Tip
When calculating the amount credited to a partner's capital account, always include fixed entitlements like salary along with their share in the divisible profit.

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13. Kanha, Resham, and Nisha were partners in a firm. Nisha had given a loan of ₹1,00,000 to the firm @ 10% p.a. The accountant of the firm is emphasizing that interest on loan will be paid @ 6% p.a. At what rate the interest on loan will be paid to Nisha?

(A) 6% p.a.
(B) 10% p.a.
(C) 8% p.a.
(D) No interest on loan will be paid.

Correct Answer: (A) 6% p.a.

Solutions: As per the Indian Partnership Act, 1932, if a partner provides a loan to the firm and the deed does not specify the rate of interest, interest is payable at 6% p.a. Therefore, Nisha will be paid interest at 6% p.a., not 10%.

> Quick Tip
>
> Remember, under the Indian Partnership Act, 1932, the default rate of interest on a partner's loan is 6% p.a. in the absence of an agreement.

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14. Assertion (A): Interest on bearer debentures is paid to a person who produces the interest coupon attached to such debentures.
Reason (R): Bearer debentures are transferred by way of delivery and the company does not keep any record of these debenture holders.
(A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is correct, but Reason (R) is incorrect.
(D) Assertion (A) is incorrect, but Reason (R) is correct.

Correct Answer: (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
Solutions: Bearer debentures are transferable by mere delivery, and the company does not maintain records of their holders. The person presenting the coupon attached to such debentures is entitled to receive interest. Thus, both Assertion (A) and Reason (R) are correct, and Reason (R) explains Assertion (A).

> Quick Tip
>
> Bearer debentures differ from registered debentures as they are negotiable instruments and do not have recorded holders.

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15. Aditya, Vishesh, and Nimesh were partners in a firm sharing profits and losses equally. Aditya died on 1st July, 2023. The remaining partners decided to continue the business of the firm and decided to share future profits in the ratio of 4:3. The gaining ratio of Vishesh and Nimesh will be:
(A) 4:3
(B) 3:2
(C) 5:2
(D) 1:1

Correct Answer: (C) 5:2
Solutions:
Step 1: Old profit-sharing ratio:
Before Aditya's death, the profit-sharing ratio was equal, i.e., 1 : 1 : 1. The old share of each

partner was:

$$\text{Vishesh's old share} = \frac{1}{3}, \quad \text{Nimesh's old share} = \frac{1}{3}.$$

Step 2: New profit-sharing ratio:
After Aditya's death, the new profit-sharing ratio between Vishesh and Nimesh was decided as 4 : 3. The new shares are:

$$\text{Vishesh's new share} = \frac{4}{7}, \quad \text{Nimesh's new share} = \frac{3}{7}.$$

Step 3: Calculate the gain:
The gain for each partner is calculated as:

$$\text{Vishesh's Gain} = \frac{4}{7} - \frac{1}{3} = \frac{12}{21} - \frac{7}{21} = \frac{5}{21},$$

$$\text{Nimesh's Gain} = \frac{3}{7} - \frac{1}{3} = \frac{9}{21} - \frac{7}{21} = \frac{2}{21}.$$

Step 4: Gaining ratio:
The gaining ratio between Vishesh and Nimesh is:

$$5 : 2.$$

Conclusion:
The gaining ratio of Vishesh and Nimesh is 5 : 2.

> Quick Tip
>
> The gaining ratio is calculated by subtracting the old ratio from the new ratio of the remaining partners.

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16. Assertion (A): Under the fixed capital method, partners' capital accounts always show a credit balance.
Reason (R): Under the fixed capital method, all items like share of profit or loss, interest on capital, drawings, interest on drawings are recorded in a separate account called partners' current account.
(A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is correct, but Reason (R) is incorrect.
(D) Assertion (A) is incorrect, but Reason (R) is correct.

Correct Answer: (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
Solutions: Under the fixed capital method, partners' capital accounts remain unchanged and always show a credit balance. Transactions like interest on capital, drawings, and share of profits or losses are recorded in the current accounts. Thus, both Assertion (A) and Reason (R) are correct, and Reason (R) explains Assertion (A).

> 💡 Quick Tip
>
> In the fixed capital method, current accounts capture all adjustments, while capital accounts remain unchanged.

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17. Nita, Mita, and Karan were partners in a firm sharing profits and losses in the ratio of 4:3:3. With effect from 1st April, 2023, they agreed to share profits and losses in the ratio of 1:2:2. On that date, there was a General Reserve of ₹70,000 in the books of the firm. It was agreed that:
(i) Goodwill of the firm be valued at ₹1,00,000.
(ii) Loss on revaluation of assets and re-assessment of liabilities amounted to ₹40,000.
Pass necessary journal entries for the above transactions in the books of the firm.
Solutions:

1. Distribution of General Reserve:

Partner	**Old Ratio (4:3:3)**	**Share of ₹70,000**
Nita	4/10	₹28,000
Mita	3/10	₹21,000
Karan	3/10	₹21,000

Journal Entries:

Date	**Particulars**	**Debit (₹)**	**Credit (₹)**
2023-04-01	General Reserve A/c	70,000	
	To Nita's Capital A/c		28,000
	To Mita's Capital A/c		21,000
	To Karan's Capital A/c		21,000
2023-04-01	Revaluation Loss A/c	40,000	
	To Nita's Capital A/c		16,000
	To Mita's Capital A/c		12,000
	To Karan's Capital A/c		12,000
2023-04-01	Nita's Capital A/c	20,000	
	To Mita's Capital A/c		10,000
	To Karan's Capital A/c		10,000

> 💡 Quick Tip
>
> Adjust goodwill and reserves according to the old and new profit-sharing ratios. Always distribute losses on revaluation in the old ratio.

18(a). Aayush and Krish are partners sharing profits and losses equally. They decided to admit Vansh for an equal share in the profits. For this purpose, the goodwill of the firm was to be valued at four years' purchase of super profits.
The balance sheet of the firm on 31.3.2023 before admission of Vansh was as follows:

Liabilities **Amount (₹)**	**Amount (₹)**	**Assets**
Aayush′sCapital 75,000	90,000	*Machinery*
Krish′sCapital 15,000	50,000	*Furniture*
GeneralReserve 30,000	20,000	*Stock*
Loan 50,000	25,000	*Debtors*
Creditors 20,000	5,000	*Cash*
Total **1,90,000**	**1,90,000**	**Total**

The normal rate of return is 12% per annum. Average profit of the firm for the last four years was ₹30,000. Calculate Vansh's share of Goodwill.

Solutions: Step 1: Calculate Normal Profit:

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

$$\text{Capital Employed} = |75,000 + |15,000 + |30,000 + |50,000 + |20,000 - (|25,000 + |5,000) = |1,60,000$$

$$\text{Normal Profit} = |1,60,000 \times 12\% = |19,200$$

Step 2: Calculate Super Profit:

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

$$\text{Super Profit} = |30,000 - |19,200 = |10,800$$

Step 3: Value of Goodwill:

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

$$\text{Goodwill} = |10,800 \times 4 = |43,200$$

Step 4: Vansh's Share of Goodwill:

$$\text{Vansh's Share} = \frac{1}{3} \times |43,200 = |14,400$$

Quick Tip

Goodwill is shared based on the new partner's share in the firm. Super profits measure the excess of actual profits over normal profits.

18(b). Varun, Tarun, Arun, and Barun were partners in a firm sharing profits in the ratio of 5:3:2:2. Arun retired on 31st March, 2023. Varun, Tarun, and Barun decided to share future profits equally. On Arun's retirement, goodwill of the firm was valued at ₹9,00,000. Showing your workings clearly, pass the necessary Journal

Entry for treatment of Goodwill on Arun's retirement without opening a goodwill account.
Solutions:
Step 1: Calculate Goodwill Share for Arun:

$$\text{Goodwill} = |9,00,000$$

$$\text{Arun's Share} = \frac{2}{12} \times |9,00,000 = |1,50,000$$

Step 2: Adjust Goodwill in the Remaining Partners' Capital Accounts: The gaining ratio of the remaining partners (Varun, Tarun, and Barun) is calculated as:

$$\text{New Ratio} = 1 : 1 : 1$$

$$\text{Old Ratio of Remaining Partners} = 5 : 3 : 2$$

$$\text{Gaining Ratio} = \text{New Ratio} - \text{Old Ratio} = \left(\frac{1}{3} - \frac{5}{12}, \frac{1}{3} - \frac{3}{12}, \frac{1}{3} - \frac{2}{12}\right) = \frac{3}{12} : \frac{1}{12} : \frac{-1}{12}$$

Journal Entry:

Date	Particulars	Debit (₹)	Credit (₹)
2023-03-31	Varun's Capital A/c	62,500	
	Tarun's Capital A/c	37,500	
	To Arun's Capital A/c		1,50,000

Quick Tip

Adjust the retiring partner's share of goodwill in the remaining partners' capital accounts in the gaining ratio, without opening the goodwill account.

19(a). Mahesh Ltd. purchased Plant and Machinery from Ish Ltd. for ₹4,50,000. ₹50,000 was paid by cheque to Ish Ltd. and the balance by issuing 6% debentures of ₹100 each at a discount of 20%. Pass the necessary Journal Entries for the above transactions in the books of Mahesh Ltd.
Solutions:
Step 1: Calculate the Number of Debentures Issued:

$$\text{Debenture Issue Price} = |100 - 20\%\text{of}|100 = |80$$

$$\text{Balance Amount to be Paid} = |4,50,000 - |50,000 = |4,00,000$$

$$\text{Number of Debentures Issued} = \frac{\text{Balance Amount}}{\text{Issue Price}} = \frac{|4,00,000}{|80} = 5,000 \text{ debentures}$$

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
2023-03-31	Plant and Machinery A/c	4,50,000	
	To Bank A/c		50,000
	To 6% Debentures A/c		5,00,000
	To Discount on Issue of Debentures A/c		1,00,000
2023-03-31	Discount on Issue of Debentures A/c	1,00,000	
	To Securities Premium A/c		1,00,000

> 💡 Quick Tip
>
> The number of debentures is calculated based on the issue price (face value - discount). Record the discount separately for amortization.

19(b). Manika Ltd. forfeited 500 shares of ₹100 each for non-payment of first call of ₹20 per share and second and final call of ₹25 per share. 250 of these shares were reissued at ₹50 per share fully paid up. Pass the Journal Entries for forfeiture and reissue of shares.

Solutions:

Step 1: Calculate the Amount Forfeited and Discount on Reissue:

$$\text{Forfeited Amount} = 500 \times (|100 - |20 - |25) = |27,500$$

$$\text{Reissue Amount} = 250 \times |50 = |12,500$$

$$\text{Discount on Reissue} = 250 \times (|100 - |50) = |12,500$$

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
2023-03-31	Share Capital A/c (500 × ₹100)	50,000	
	To Share Forfeiture A/c		27,500
	To Calls in Arrears A/c		22,500
2023-03-31	Bank A/c	12,500	
	Share Forfeiture A/c	12,500	
	To Share Capital A/c		25,000
2023-03-31	Share Forfeiture A/c	15,000	
	To Capital Reserve A/c		15,000

> 💡 Quick Tip
>
> Forfeited shares reissued at a discount are adjusted against the Share Forfeiture Account. Remaining forfeiture is transferred to Capital Reserve.

---

20. Rajesh and Anu were partners in a firm sharing profits and losses in the ratio of 1:2. Their fixed capitals were ₹6,00,000 and ₹3,00,000 respectively. After the accounts for the year were prepared, it was noticed that interest on capital @ 12% p.a., as provided in the partnership deed, was not credited to the capital accounts of partners before distribution of profits. Pass the necessary adjusting journal entry. Show your workings clearly.

Solutions:

Step 1: Calculate Interest on Capital:

$$\text{Interest on Capital for Rajesh} = |6,00,000 \times 12\% = |72,000$$

$$\text{Interest on Capital for Anu} = |3,00,000 \times 12\% = |36,000$$

Step 2: Adjust Profits in the Profit-Sharing Ratio (1:2): Total interest on capital:

$$|72,000 + |36,000 = |1,08,000$$

Adjust profit allocation by deducting interest on capital:

$$\text{Rajesh's Adjustment} = |72,000 - \frac{1}{3} \times |1,08,000 = |36,000$$

$$\text{Anu's Adjustment} = |36,000 - \frac{2}{3} \times |1,08,000 = |0$$

Journal Entry:

Date	Particulars	Debit (₹)	Credit (₹)
2023-03-31	Rajesh's Capital A/c	36,000	
	Anu's Capital A/c	36,000	
	To Interest on Capital A/c		72,000

Quick Tip

Adjust interest on capital retroactively if omitted, ensuring partner balances reflect the partnership deed.

---

21. Ram, Ravi, and Rohan were partners sharing profits in the ratio of 2:3:1. On 31st March, 2023, their Balance Sheet was as follows:

Liabilities **Amount (₹)**	**Amount (₹)**	**Assets**
Creditors 14,000	3,62,000	*Cash*
GeneralReserve 80,000	18,000	*Bank*
Ram'sCapital 80,000	1,00,000	*Stock*
Ravi'sCapital 3,00,000	2,00,000	*Debtors*
Rohan'sCapital 50,000	3,00,000	*Investments*
 2,50,000		*Land*
Total **9,80,000**	**9,80,000**	**Total**

Rohan died on 30th September, 2023. On the death of a partner, the partnership deed provided for the following:

(i)Goodwill was to be valued at two years purchase of average profit of last three years. The profits for the last three years were:

$$2020-21 = |4,50,000,\ 2021-22 = |90,000,\ 2022-23 = |1,35,000$$

(ii)Deceased partner's share of profit till the date of death will be calculated on the basis of average profit of the last three years.
Prepare Rohan's Capital Account to record the above transactions.

Solutions:
Step 1: Calculate Goodwill:

$$\text{Average Profit} = \frac{|4,50,000 + |90,000 + |1,35,000}{3} = |2,25,000$$

$$\text{Goodwill} = |2,25,000 \times 2 = |4,50,000$$

$$\text{Rohan's Share of Goodwill} = \frac{1}{6} \times |4,50,000 = |75,000$$

Step 2: Calculate Profit Till Date of Death:

$$\text{Rohan's Share of Profit} = \frac{1}{6} \times |2,25,000 \times \frac{6}{12} = |18,750$$

Rohan's Capital Account:

Date	Particulars	Debit (₹)	Credit (₹)
2023-09-30	To Cash A/c	18,750	
	To Ravi's Capital A/c (Goodwill)	45,000	
	To Ram's Capital A/c (Goodwill)	30,000	
	By Balance b/d		3,00,000
	By Profit and Loss A/c		18,750
	By Goodwill A/c		75,000

Quick Tip

Allocate goodwill and profits for the deceased partner in the specified ratio, ensuring all balances are adjusted.

---

22. Ronit Ltd. was registered with an authorised capital of ₹75,00,000 divided into 75,000 equity shares of ₹100 each. The company invited applications for issuing 45,000 shares.
The amount was payable as follows: ₹30 per share on application, ₹30 per share on allotment, ₹25 per share on first call, and balance on final call. Applications were received for 42,000 shares and allotment was made to all the applicants. Charvi, to whom 3,300 shares were allotted, failed to pay both the calls. Her shares were forfeited. Present 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.
Solutions:
Step 1: Calculate Subscribed and Paid-up Capital:

$$\text{Total Shares Subscribed} = 42,000 \text{ shares}$$

$$\text{Paid-up Capital for Forfeited Shares:} 3,300 \times |60 = |1,98,000$$

Step 2: Prepare the Balance Sheet:

Particulars	Amount (₹)
Equity and Liabilities	
Equity Share Capital:	
$Authorised Capital (75,000 shares of |100 each)$	$75,00,000$
$Issued Capital (45,000 shares of |100 each)$	$45,00,000$
$Subscribed and Paid-up Capital (42,000 shares fully paid)$	$42,00,000$
$Less: Calls in Arrears (3,300 shares unpaid at |40/share)$	$(1,32,000)$
Total	**43,68,000**

Notes to Accounts:

- **Share Capital:**

Authorised Capital: 75,000 shares of ₹100 each = ₹75,00,000

Issued Capital: 45,000 shares of ₹100 each = ₹45,00,000

Subscribed Capital: 42,000 shares of ₹100 each = ₹42,00,000

Less: Calls in Arrears: ₹1,32,000 (from 3,300 shares).

- **Forfeited Shares:** Amount forfeited from 3,300 shares is ₹1,98,000.

Quick Tip

Ensure correct classification of share capital as per Schedule III, including details of authorised, issued, and subscribed capital.

23(a). Anikesh and Bhavesh are partners in a firm sharing profits in the ratio of 7:3. Their Balance Sheet as on 31st March, 2023 was as follows:

Liabilities Amount (₹)	Amount (₹)	Assets
$Creditors$ 36,000	60,000	$Cash$
$Outstanding Wages$ 54,000	9,000	$Debtors$
$General Reserve$ 48,000	15,000	$Less: Provision for Doubtful Debts (6,000)$
$Capitals:$ 60,000		$Stock$
$Anikesh$ 1,20,000	1,20,000	$Furniture$
$Bhavesh$ 1,20,000	1,80,000	$Machinery$
Total 3,84,000	**3,84,000**	**Total**

On 1st April, 2023, Chahat was admitted for 1/4th share in the profits on the following terms:
(i) Chahat will bring ₹90,000 as her capital and ₹30,000 as her share of Goodwill premium.
(ii) Outstanding wages will be paid.
(iii) Stock will be reduced by 10%.
(iv) creditor of ₹6,300, not recorded in the books, was to be taken into account.
Pass necessary Journal Entries for the above transactions in the books of the firm.

Solutions:
Journal Entries:

Date	**Particulars**	**Debit (₹)**	**Credit (₹)**
2023-04-01	Cash A/c To Chahat's Capital A/c	90,000	 90,000
2023-04-01	Cash A/c To Premium for Goodwill A/c	30,000	 30,000
2023-04-01	Premium for Goodwill A/c To Anikesh's Capital A/c (7/10) To Bhavesh's Capital A/c (3/10)	30,000	 21,000 9,000
2023-04-01	Outstanding Wages A/c To Cash A/c	9,000	 9,000
2023-04-01	Stock A/c To Revaluation A/c	6,000	 6,000
2023-04-01	Revaluation A/c To Creditors A/c	6,300	 6,300

Quick Tip

Adjust goodwill in the old profit-sharing ratio and revalue assets and liabilities before admitting a new partner.

23(b). Prina, Qadir, and Kian were partners in a firm sharing profits in the ratio of 7:2:1. On 31st March, 2023, their Balance Sheet was as follows:

Liabilities **Amount (₹)**	**Amount (₹)**	**Assets**
Capitals : 12,00,000		*Land*
Prina 9,00,000	9,60,000	*Building*
Qadir 6,00,000	8,40,000	*Furniture*
Kian 6,60,000	9,00,000	*Stock*
General Reserve 6,00,000	3,00,000	*Debtors*
Workmen's Compensation Reserve 5,70,000	5,40,000	*Less : Provision for Doubtful Debts* (30,000)
Creditors 2,10,000	3,60,000	*Cash at Bank*
Total **39,00,000**	**39,00,000**	**Total**

Adjustments on Qadir's Retirement:
(i) Goodwill of the firm valued at ₹12,00,000.
(ii) Land appreciated by 30%, and building depreciated by ₹3,54,000.
(iii) A provision of 6% maintained on debtors.
(iv) Workmen's compensation liability determined at ₹1,40,000.
(v) Qadir's amount transferred to loan account.
(vi) Total capital fixed at ₹16,00,000, adjusted in the new profit ratio.

Solutions: Revaluation Account:

Particulars	Debit (₹)	Credit (₹)
To Building (Depreciation)	3,54,000	
To Provision for Doubtful Debts	36,000	
To Workmen's Compensation Liability	4,00,000	
By Land (Appreciation)		3,60,000
Total	**7,90,000**	**7,90,000**

Partners' Capital Account:

Particulars	Prina (₹)	Qadir (₹)	Kian (₹)	Total (₹)
By Balance b/d	9,60,000	8,40,000	9,00,000	27,00,000
By General Reserve (7 : 2 : 1)	2,10,000	60,000	30,000	3,00,000
By Revaluation (7 : 2 : 1)	2,75,000	78,600	39,300	3,92,900
To Qadir's Loan A/c		10,00,000		10,00,000
To Current A/c (Adjustment)	2,75,000		25,000	3,00,000
Balance c/d	**12,70,000**		**9,95,000**	**22,65,000**

💡 Quick Tip

Allocate goodwill and reserves in the old profit ratio, adjust revaluations, and transfer the retiring partner's share to a loan account.

24(a). Lazal Ltd. invited applications for issuing 2,00,000 equity shares of ₹10 each, at 20% premium. Amount per share was payable as follows: ₹5 on application; ₹4 (including premium) on allotment; and balance on final call. Public applied for 3,20,000 shares, out of which applications for 20,000 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Kavita, an applicant of 15,000 shares, failed to pay allotment and call money. Her shares were forfeited. Pass necessary Journal Entries for the above transactions in the books of the company.

Solutions:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
$2023-04-01$	$Bank A/c$ $To Share Application A/c$	$16,00,000$	 $16,00,000$
$2023-04-01$	$Share Application A/c$ $To Share Capital A/c$ $To Securities Premium A/c$	$16,00,000$	 $10,00,000$ $6,00,000$
$2023-04-01$	$Bank A/c$ $Calls in Arrears A/c (15,000 \times |4)$ $To Share Allotment A/c$	$7,40,000$ $60,000$	 $8,00,000$
$2023-04-01$	$Share Capital A/c (15,000 shares)$ $To Share Forfeiture A/c$ $To Calls in Arrears A/c$	$1,50,000$	 $90,000$ $60,000$

💡 Quick Tip

Handle pro-rata adjustments for oversubscription and ensure forfeited shares are recorded with proper calls-in-arrears adjustments.

24(b). Chand Ltd. invited applications for issuing 1,00,000 equity shares of ₹10 each at a premium of ₹2 per share. The amount per share was payable as follows: ₹4 (including premium) on application, ₹5 on allotment, and balance on first and final call. Applications were received for 1,80,000 shares of which applications for 30,000 shares were rejected, and remaining applicants were allotted shares on a pro-rata basis. Mansi, holding 5,000 shares, failed to pay first and final call money, and her shares were forfeited. Pass necessary Journal entries for the above transactions in the books of the company.

Solutions:

Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
2023 – 04 – 01	$Bank A/c$ $To Share Application A/c$	7,20,000	 7,20,000
2023 – 04 – 01	$Share Application A/c$ $To Share Capital A/c$ $To Securities Premium A/c$ $To Share Allotment A/c$	7,20,000	 4,00,000 2,00,000 1,20,000
2023 – 04 – 01	$Bank A/c$ $To Share Allotment A/c$	5,00,000	 5,00,000
2023 – 04 – 01	$Share First and Final Call A/c$ $To Share Capital A/c$	1,00,000	 1,00,000
2023 – 04 – 01	$Bank A/c$ $Calls in Arrears A/c$ $To Share First and Final Call A/c$	95,000 5,000	 1,00,000
2023 – 04 – 01	$Share Capital A/c (5,000 \times |10)$ $To Share Forfeiture A/c$ $To Calls in Arrears A/c$	50,000	 45,000 5,000

Quick Tip

Handle pro-rata allocation for oversubscription carefully. Forfeited shares' unpaid amounts are adjusted in the Calls in Arrears account.

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25. Pass the necessary journal entries for the following transactions on the disSolutions of the partnership firm of Mohit and Rohit after the various assets (other than cash and bank) and the third-party liabilities have been transferred to the realisation account:
(i)A machine, not recorded in the books, was taken over by Mohit at ₹7,000, whereas its expected value was ₹10,000.
(ii)Rohit's loan of ₹15,000 was settled at ₹13,500.
(iii)The firm had investments of ₹1,00,000. Mohit took over 50% of the investments at a discount of 10%, while the remaining investments were sold off for ₹60,000.
(iv)Realisation expenses amounted to ₹23,000.
(v)Sundry creditors amounting to ₹45,000 were settled at a discount of ₹2,000.
(vi)Loss on realisation of ₹12,000 was divided between the partners in their profit-sharing ratio.

Solutions:
Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
2023 – 04 – 01	Mohit's Capital A/c To Realisation A/c	7,000	 7,000
2023 – 04 – 01	Realisation A/c To Rohit's Loan A/c	13,500	 13,500
2023 – 04 – 01	Mohit's Capital A/c To Realisation A/c	45,000	 45,000
2023 – 04 – 01	Bank A/c To Realisation A/c	60,000	 60,000
2023 – 04 – 01	Realisation A/c To Bank A/c	23,000	 23,000
2023 – 04 – 01	Realisation A/c To Sundry Creditors A/c To Bank A/c	43,000	 45,000 2,000
2023 – 04 – 01	Profit and Loss A/c To Mohit's Capital A/c (3/5) To Rohit's Capital A/c (2/5)	12,000	 7,200 4,800

Quick Tip

Transfer all liabilities and assets to the Realisation Account before making adjustments for partner-specific settlements.

---

26. Pass necessary journal entries relating to the issue of debentures and to write off discount/loss on issue of debentures in the books of Srijan Ltd. in the following cases:
(i)900, 6% debentures of ₹1,000 each are issued at 5% discount and redeemable at par. Balance in Securities Premium account is ₹50,000.
(ii)700, 8% debentures of ₹1,000 each are issued at 10% discount and redeemable at a premium of 10%. Balance in Securities Premium account is ₹1,00,000.

Solutions:
Journal Entries:

Date	Particulars	Debit (₹)	Credit (₹)
2023 – 04 – 01	Bank A/c Discount on Issue of Debentures A/c To 6% Debentures A/c	8,55,000 45,000	 9,00,000
2023 – 04 – 01	Loss on Issue of Debentures A/c To Discount on Issue of Debentures A/c	70,000	 70,000
2023 – 04 – 01	Bank A/c Discount on Issue of Debentures A/c To 8% Debentures A/c To Securities Premium A/c	6,30,000 70,000	 7,00,000 70,000

Quick Tip

Discount on debenture issue and premium on redemption are accounted for separately. Adjust balances in the Securities Premium account accordingly.

PART B
OPTION I
(Analysis of Financial Statements)

27(a). Statement I: Financing activities relate to long-term funds or capital of an enterprise.
Statement II: Separate disclosure of cash flows arising from financing activities is important because they represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.
Choose the correct option from the following:
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect and Statement II is correct.
(D) Statement I is correct and Statement II is incorrect.

Correct Answer: (D) Statement I is correct and Statement II is incorrect.
Solutions:
Analysis of Statement I: Financing activities involve obtaining or repaying funds related to long-term capital, such as issuing shares, repurchasing shares, or repaying loans. Therefore, Statement I is correct.
Analysis of Statement II: The statement incorrectly associates financing activities with expenditures for resources intended to generate future income and cash flows. This is more relevant to investing activities, not financing activities. Hence, Statement II is incorrect.
Conclusion: Statement I is correct as it accurately describes financing activities, while Statement II is incorrect because it refers to investing activities instead.

Quick Tip

Financing activities focus on raising and repaying long-term funds, whereas investing activities relate to acquiring or disposing of long-term assets.

27(b). What will be the effect of transaction 'Payment of employee benefit expenses' on the cash flow statement?
(A) Outflow from operating activities
(B) Outflow from investing activities
(C) Outflow from financing activities
(D) No effect on cash flow.

Correct Answer: (A) Outflow from operating activities
Solutions: Employee benefit expenses are directly related to the day-to-day operations of the business. Such payments are classified as cash outflows under operating activities in the cash flow statement.

> Quick Tip
>
> Operating activities include transactions that affect the company's core business operations, such as payments to employees.

---

28. From the above information, 'Cash flows from investing activities' will be:

Purchased (₹)	Sold (₹)
Investments: 2,00,000 Goodwill: 3,00,000	Investments: 1,80,000 Goodwill: –

(A) Inflow ₹3,20,000
(B) Outflow ₹3,20,000
(C) Outflow ₹20,000
(D) Inflow ₹20,000

Correct Answer: (B) Outflow ₹3,20,000
Solutions: Cash outflows for investments include the purchase of investments and goodwill:

$$\text{Outflow} = |2,00,000 + |3,00,000 = |5,00,000$$

Cash inflows from investments include the sale of investments:

$$\text{Inflow} = |1,80,000$$

Net cash flow from investing activities:

$$\text{Net Outflow} = |5,00,000 - |1,80,000 = |3,20,000$$

> Quick Tip
>
> Investing activities include cash flows related to the purchase and sale of long-term assets such as investments and goodwill.

29(a). The tool of 'Analysis of Financial Statements' which helps to assess the profitability, solvency, and efficiency of an enterprise is known as:
(A) Cash flow statement
(B) Comparative statement
(C) Common size statement
(D) Ratio analysis

Correct Answer: (D) Ratio analysis

Solutions: Ratio analysis is a financial analysis tool used to assess an enterprise's profitability, solvency, liquidity, and operational efficiency. It involves calculating ratios such as current ratio, debt-equity ratio, and return on capital employed.

> **Quick Tip**
>
> Use ratio analysis to compare financial performance over time or with industry standards.

29(b). ...... is also known as the Acid Test Ratio.
(A) Current ratio
(B) Quick ratio
(C) Gross profit ratio
(D) Return on investment ratio

Correct Answer: (B) Quick ratio
Solutions: The quick ratio, also known as the acid test ratio, measures the ability of a company to meet its short-term liabilities using its most liquid assets. It excludes inventory from current assets to provide a more accurate measure of liquidity.

> **Quick Tip**
>
> The formula for the quick ratio is: Quick Assets ÷ Current Liabilities.

---

30. Quick ratio of Megamart Ltd. is 1.5:1. Which of the following transactions will result in a decrease in this ratio?
(A) Sale of goods costing ₹10,000 for ₹12,000.
(B) Cash collected from trade receivables ₹41,000.
(C) Purchase of goods for cash ₹38,000.
(D) Creditors were paid ₹11,000.

Correct Answer: (C) Purchase of goods for cash ₹38,000.
Solutions: The quick ratio is calculated as:

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

When goods are purchased for cash, quick assets (cash) decrease, but current liabilities remain unaffected. This results in a decrease in the quick ratio. Other options either do not impact the quick ratio or increase it.

> **Quick Tip**
>
> Quick assets include current assets excluding inventory and prepaid expenses. Transactions impacting these assets or current liabilities affect the quick ratio.

---

31. Under which Major Heads and Sub-Heads (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

(i) Capital Advances
(ii)] Income received in Advance
(iii)] Stores and Spare Parts

Correct Answer:

(i) Capital Advances: Major Head - Non-Current Assets, Sub-Head - Other Non-Current Assets.

(ii) Income received in Advance: Major Head - Current Liabilities, Sub-Head - Other Current Liabilities.

(iii) Stores and Spare Parts: Major Head - Current Assets, Sub-Head - Inventories.

Solutions: Schedule III, Part I of the Companies Act, 2013 specifies the classification of assets and liabilities in the Balance Sheet. The classification for the given items is:

- **Capital Advances:** These are advances given for acquiring capital assets and are classified under Non-Current Assets.
- **Income received in Advance:** This represents liabilities for services not yet rendered and is shown under Current Liabilities.
- **Stores and Spare Parts:** These are a part of inventories and are classified under Current Assets.

Quick Tip

Refer to Schedule III of the Companies Act, 2013, for the proper classification of assets and liabilities in the Balance Sheet.

---

32. The average inventory of AB Ltd. is ₹1,00,000 and the inventory turnover ratio is 6 times. Calculate the amount of revenue from operations if goods are sold at a profit of 25% on revenue from operations.
Correct Answer: ₹8,00,000
Solutions: The inventory turnover ratio is calculated as:

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

Given the ratio is 6 times:

$$\text{COGS} = 6 \times |1,00,000 = |6,00,000$$

Revenue from operations includes a profit of 25%:

$$\text{Revenue from Operations} = \text{COGS} + \text{Profit}$$

Profit is calculated as:

$$\text{Profit} = 25\% \times \text{Revenue from Operations}$$

Let R be the Revenue from Operations:

$$R - 0.25R = |6,00,000$$

$$0.75R = |6,00,000$$

$$R = |8,00,000$$

Thus, the revenue from operations is ₹8,00,000.

Quick Tip

The formula for inventory turnover ratio helps determine cost of goods sold, which is used to calculate revenue when the profit margin is known.

33(a). Prepare a Common Size Balance Sheet of X Ltd. from the following information:
Balance Sheet of X Ltd. as on 31st March, 2023

Particulars	Note No.	31.3.2023	31.3.2022
I. Equity and Liabilities:			
1.Shareholders' funds			
(a) Equity Share Capital		30,00,000	15,00,000
(b) Reserves and Surplus		10,00,000	5,00,000
2.Non-current liabilities		20,00,000	15,00,000
3.Current liabilities		20,00,000	15,00,000
Total liabilities		**80,00,000**	**50,00,000**
II. Assets:			
1.Non-current assets		40,00,000	30,00,000
2.Current assets			
(a) Inventories		40,00,000	20,00,000
Total assets		**80,00,000**	**50,00,000**

Solutions: Common Size Balance Sheet of X Ltd.

Particulars	31.3.2023 (%)	31.3.2022 (%)
I. Equity and Liabilities:		
Equity Share Capital	37.5	30.0
Reserves and Surplus	12.5	10.0
Non-current liabilities	25.0	30.0
Current liabilities	25.0	30.0
Total liabilities	**100.0**	**100.0**
II. Assets:		
Non-current assets	50.0	60.0
Current assets (Inventories)	50.0	40.0
Total assets	**100.0**	**100.0**

Quick Tip

In a common size balance sheet, each item is expressed as a percentage of the total assets or total liabilities to assess their relative importance.

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

Particulars	**31.3.2023**	**31.3.2022**
Revenue from operations	40,00,000	20,00,000
Purchase of stock in trade	24,00,000	12,00,000
Change in inventories (% of purchase of stock in trade)	25%	20%
Other expenses	2,00,000	1,60,000
Tax rate	40%	40%

Solutions: Comparative Statement of Profit and Loss of Y Ltd.

Particulars	**31.3.2023**	**31.3.2022**	**Change (%)**
Revenue from operations	40,00,000	20,00,000	100.0
Cost of goods sold (COGS)	18,00,000	9,60,000	87.5
Gross profit	22,00,000	10,40,000	111.5
Other expenses	2,00,000	1,60,000	25.0
Profit before tax (PBT)	20,00,000	8,80,000	127.3
Tax @ 40%	8,00,000	3,52,000	127.3
Profit after tax (PAT)	12,00,000	5,28,000	127.3

Quick Tip

In a comparative statement, calculate the percentage change using:

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

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34. Following is the Balance Sheet of Bharat Gas Ltd. as at 31.3.2023:
Balance Sheet of Bharat Gas Ltd. as at 31.3.2023

Particulars	Note No.	31.3.2023	31.3.2022
I. Equity and Liabilities:			
1. Shareholders' funds			
(a) Share capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non-current liabilities			
Long-term borrowings		5,00,000	1,40,000
3. Current liabilities			
(a) Trade payables		1,00,000	60,000
(b) Short-term provisions	2	80,000	60,000
Total liabilities		**25,80,000**	**16,60,000**
II. Assets:			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	3	16,00,000	9,00,000
(ii) Intangible assets	4	1,40,000	2,00,000
2. Current assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade receivables		1,90,000	80,000
(c) Cash and cash equivalents		3,00,000	2,80,000
Total assets		**25,80,000**	**16,60,000**

Notes to Accounts:

Note No.	Particulars	31.3.2023	31.3.2022
1	Reserves and Surplus:		
	Balance in Statement of Profit and Loss	5,00,000	4,00,000
2	Short-term provisions:		
	Provision for Taxation	80,000	60,000
3	Tangible Assets:		
	Machinery	18,50,000	10,00,000
	Less: Accumulated Depreciation	16,00,000	9,00,000
4	Intangible Assets:		
	Goodwill	1,40,000	2,00,000

Adjustments:
During the year, a machine costing ₹3,00,000 on which accumulated depreciation was ₹45,000 was sold for ₹1,35,000. Calculate 'Cash Flows from Operating Activities'

Correct Answer: Cash Flows from Operating Activities = ₹6,40,000
Solutions: Cash Flows from Operating Activities

1. **Net Profit before Tax:** Increase in Profit and Loss Account (₹5,00,000 - ₹4,00,000) = ₹1,00,000

2. **Add: Non-Cash Items:**

   - Depreciation on Machinery (₹16,00,000 - ₹9,00,000) = ₹7,00,000

- Loss on Sale of Machinery:

$$\text{Loss} = \text{Book Value of Machinery} - \text{Sale Value}$$

Book Value = ₹3,00,000 - ₹45,000 = ₹2,55,000
Loss = ₹2,55,000 - ₹1,35,000 = ₹1,20,000

$$\text{Total Non-Cash Items} = |7,00,000 + |1,20,000 = |8,20,000$$

3. **Less: Adjustments:**

- Increase in Working Capital:

$$\text{Increase in Inventories} = |2,50,000 - |2,00,000 = |50,000$$

$$\text{Increase in Trade Receivables} = |1,90,000 - |80,000 = |1,10,000$$

$$\text{Increase in Working Capital} = |50,000 + |1,10,000 = |1,60,000$$

4. **Add: Tax Provision:** ₹80,000

$$\text{Cash Flows from Operating Activities} = |1,00,000 + |8,20,000 - |1,60,000 + |80,000 = |6,40,000$$

> Quick Tip
>
> Operating activities include adjustments for non-cash items, working capital changes, and tax provisions to arrive at the net cash flow.

PART B
OPTION II
(Computerised Accounting)

27(a). Excel considers which of the following group of mathematical operations of equal importance?
(A) Multiplication and Addition
(B) Division and Multiplication
(C) Exponent and Multiplication
(D) Subtraction and Division

Correct Answer: (B) Division and Multiplication
Solutions: In Excel, the mathematical order of operations follows the BODMAS rule (Brackets, Orders, Division/Multiplication, Addition/Subtraction). Division and Multiplication have equal precedence and are performed from left to right.

> Quick Tip
>
> Remember the BODMAS rule for operations in Excel: Division and Multiplication are of equal importance.

27(b). How many rows are available in Excel 2007?
(A) 5663
(B) 65536
(C) 72257
(D) 4332

Correct Answer: (B) 65536
Solutions: Excel 2007 introduced a maximum row limit of 65,536 rows per worksheet. This was a significant upgrade from earlier versions with fewer rows.

> Quick Tip
>
> Excel 2007 supports up to 65,536 rows and 16,384 columns (up to column XFD).

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28. How are 'absolute cell references' and 'mixed references' identified in Excel?
(A) Using $ sign
(B) Using £ sign
(C) Using # sign
(D) Using $\sim sign$

Correct Answer: (A) Using $ sign
Solutions: Absolute cell references in Excel are denoted using the $ symbol (e.g., A1). Mixed references use the $ symbol for either the row or the column (e.g., A$1 or $A1).

> Quick Tip
>
> Use the F4 key to quickly toggle between absolute, mixed, and relative references in Excel.

29(a). 'A piece of information shown in a graph which is assigned to the data series' is known as:
(A) Data point
(B) Data table
(C) Plot point
(D) Legend

Correct Answer: (D) Legend
Solutions:
A legend is an element of a graph or chart that provides information about the data series it represents. It assigns labels or categories to the various colors, patterns, or markers in the graph, helping to interpret the data visually.
For example, in a bar chart with multiple bars, the legend explains which color or style corresponds to each category or series.

Conclusion:
The piece of information shown in a graph and assigned to the data series is called the legend.

Quick Tip
Legends help in understanding and distinguishing between data series in graphs and charts, especially when multiple data series are plotted.

29(b). 'LABELS' in Excel means:
(A) A text or special character
(B) Used for rows, columns or descriptive information
(C) Can be treated mathematically
(D) (A) and (B) both

Correct Answer: (D) (A) and (B) both
Solutions: Labels in Excel refer to text or special characters used to describe rows, columns, or data points. They cannot be used in calculations directly unless converted into a numeric format.

Quick Tip
Use labels to make your Excel worksheets more descriptive and easier to understand.

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30. Which of the following type of software suffers from the limitation of low secrecy level and software being prone to data frauds?
(A) Tailored
(B) Specific
(C) Generic
(D) (A) and (B) both

Correct Answer: (C) Generic
Solutions: Generic software is developed for a wide audience and lacks specific security measures tailored to a particular organization. This makes it more vulnerable to data frauds and secrecy issues compared to tailored software.

Quick Tip
Generic software is cost-effective but may lack advanced security features required by organizations with sensitive data.

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31. Explain 'Sequential Codes' and 'Block Codes' with examples.
Correct Answer:
Solutions:

1. **Sequential Codes:**
   - Sequential codes are numbers or identifiers assigned in a consecutive manner, ensuring each code is unique.
   - **Example:** Invoice numbers like 001, 002, 003, or employee IDs like E001, E002, E003.
   - **Advantages:**
     - Easy to understand and use.
     - Useful for maintaining chronological records, such as sales invoices or admission forms.
   - **Disadvantages:**
     - Does not provide any categorization or specific meaning to the code.
     - If a code is missed, it may create confusion or gaps in records.
2. **Block Codes:**
   - Block codes reserve ranges of numbers or identifiers for specific categories or groups.
   - **Example:** In a library, science books may be coded as 100–199, literature books as 200–299, etc.
   - **Advantages:**
     - Simplifies categorization and retrieval of information.
     - Allows flexibility in expanding the range for a category without affecting others.
   - **Disadvantages:**
     - More complex to implement compared to sequential codes.
     - May lead to wastage of numbers if ranges are not fully utilized.

> Quick Tip
>
> Choose sequential codes for unique identification and block codes for grouping related items for efficient classification.

---

32. How to use 'Mark Common Formula Error' in Excel? Explain.
Correct Answer:
Solutions: The 'Mark Common Formula Error' feature in Excel helps identify common formula issues, such as division by zero, invalid cell references, or inconsistent formulas. Follow these steps to use it:

1. **Enable Error Checking:** Go to *File ¿ Options ¿ Formulas* and ensure the *Error Checking* option is enabled.
2. **Identify Errors:** When an error occurs, Excel displays a small green triangle in the top-left corner of the affected cell.
3. **Review Error Messages:** Hover over the cell to see a warning icon. Click the icon to view a dropdown list of possible errors.
4. **Fix the Error:** Select an appropriate option from the dropdown menu, such as *Edit in Formula Bar*, to correct the formula.

5. **Use Formula Auditing Tools:** Access *Formulas ¿ Formula Auditing* to trace errors or evaluate formulas step-by-step.

Quick Tip

Common formula errors include *#DIV/0!*, *#REF!*, and *#NAME?*. Always use proper references and check for typos in formulas.

33(a). State why do you need to change a chart? How can it be changed? Why is it said that changing a column chart to a pie chart is easy? Give reasons.
Correct Answer:
Solutions:

1. **Why do you need to change a chart?**
   - To better visualize and analyze data based on the specific purpose.
   - To highlight different aspects of data, such as trends, proportions, or relationships.
   - To make the chart more understandable and appealing for the target audience.
2. **How can a chart be changed?**
   - Select the existing chart.
   - Right-click and choose the *Change Chart Type* option.
   - Select the desired chart type (e.g., Pie Chart, Line Chart, etc.) and confirm by clicking *OK*.
   - Modify chart elements like labels, legends, and colors as needed to suit the new chart type.
3. **Why is it easy to change a column chart to a pie chart?**
   - Both chart types use the same data structure: a single series with categories and values.
   - Excel and similar tools allow seamless conversion between these chart types while preserving the data source.
   - Column charts represent data with bars, while pie charts display the same data as slices of a circle to show proportions.

Quick Tip

Choose chart types based on the purpose: Pie charts for proportions, column charts for comparisons, and line charts for trends.

33(b). State the advantages of a computerized accounting system.
Correct Answer:
Solutions: A computerized accounting system offers numerous advantages over manual systems:

1. **Accuracy:** Reduces human errors in calculations and ensures accurate financial records.
2. **Efficiency:** Speeds up data entry, processing, and generation of financial statements.
3. **Real-Time Data:** Provides instant access to financial information for timely decision-making.
4. **Integration:** Links various business functions, such as payroll, inventory, and sales, into a unified system.
5. **Data Security:** Protects sensitive financial data with encryption and regular backups.
6. **Compliance:** Simplifies compliance with tax laws and regulations by automating calculations and reports.
7. **Cost-Effective:** Reduces the need for manual bookkeeping, saving time and labor costs.
8. **Scalability:** Easily handles growing volumes of transactions as the business expands.
9. **Customizable Reports:** Generates a variety of reports, such as profit and loss statements, balance sheets, and cash flow reports, tailored to the business's needs.
10. **Error Detection:** Identifies inconsistencies or discrepancies in real time, reducing the risk of fraud.

> Quick Tip
>
> A computerized accounting system is essential for businesses to enhance efficiency, maintain accuracy, and adapt to modern challenges.

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

S. No.	Product	Q1 Sales (₹)	Q2 Sales (₹)	Total Half Yearly Sales (₹)
1	*A*	10000	15000	25000
2	*B*	40000	35000	75000
3	*C*	25000	30000	55000
4	*D*	30000	50000	80000
5	*E*	45000	34000	79000
6	*F*	12000	30000	42000
7	*G*	38000	56000	94000

(i) = VLOOKUP(B1, B2 : E8, 2, 0)
(ii) = SQRT(VLOOKUP(B5, B8 : E8, 2, 0) - 100000)
(iii) = VLOOKUP(A2, A2 : A8, 2, 0)
(iv) = VLOOKUP(B2, B3 : E4, 5, 0)
(v) = VLOOKUP(B2, A2 : E8, 0, 0)
(vi) = VLOOKUP(B2, B2 : E8, 2, 0)/0
Solutions:

VLOOKUP Syntax	Error	Reason
(i) `=VLOOKUP(B1, B2:E8, 2, 0)`	Error: `#N/A`	The lookup value `B1` is not present in the first column of the range `B2:E8`. The first column must contain the lookup value.
(ii) `=SQRT(VLOOKUP(B5, B8:E8, 2, 0) - 100000)`	Error: `#N/A`	The lookup value `B5` is not found in the first column of the range `B8:E8`. The range must include the lookup value.
(iii) `=VLOOKUP(A2, A2:A8, 2, 0)`	Error: `#VALUE!`	The column index (`2`) exceeds the number of columns in the range `A2:A8`, which has only one column.
(iv) `=VLOOKUP(B2, B3:E4, 5, 0)`	Error: `#REF!`	The column index (`5`) is invalid as the range `B3:E4` has only 2 columns.
(v) `=VLOOKUP(B2, A2:E8, 0, 0)`	Error: `#VALUE!`	The column index (`0`) is invalid. It must be a positive integer greater than or equal to `1`.
(vi) `=VLOOKUP(B2, B2:E8, 2, 0)/0`	Error: Division by zero	The formula attempts to divide the result by zero, which is undefined.

Quick Tip

Quick Tip:

- Ensure the lookup value is in the first column of the table array.
- Column index numbers must match the structure of the table array.
- Avoid dividing by zero or referencing incorrect ranges.