CBSE Class 12 Accountancy 67/5/1 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 partnership firm has 45 partners. It wants to admit 7 more partners into partnership. Only _____ more partners can be admitted in the partnership firm according to Companies Act, 2013.
(A) 1
(B) 6
(C) 5
(D) 3

Correct Answer: (C) 5
Solutions: According to Section 464 of the Companies Act, 2013, a partnership firm can have a maximum of 50 partners unless it is registered as a company. Currently, the partnership firm has 45 partners. The maximum allowable limit is 50 partners.

$$\text{Remaining partners that can be admitted} = 50 - 45 = 5$$

Therefore, only 5 more partners can be admitted into the partnership firm.

Quick Tip
Always remember that the maximum number of partners allowed in a partnership firm under the Companies Act, 2013, is 50 unless registered as a company.

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2. A, B and C were partners in a firm sharing profits and losses in the ratio of $\frac{1}{2} : \frac{1}{3} : \frac{1}{4}$. D was admitted in the firm for $\frac{1}{6}$ share. C would retain his original share. The new profit sharing ratio will be:

(A) 12 : 8 : 5 : 5
(B) 21 : 14 : 18 : 12
(C) 21 : 14 : 15 : 10
(D) 2 : 2 : 1 : 1

Correct Answer: (C) 21 : 14 : 15 : 10
Solutions: To calculate the new profit-sharing ratio:

$$\text{A's original share: } \frac{1}{2} \quad \text{B's share: } \frac{1}{3} \quad \text{C's share: } \frac{1}{4}$$

The total ratio before admitting D:

$$\text{LCM of denominators: } 12 \implies \frac{6}{12} : \frac{4}{12} : \frac{3}{12}$$

D is admitted for $\frac{1}{6}$ share:

$$\text{D's share in terms of 12: } \frac{2}{12}$$

This $\frac{2}{12}$ share is deducted proportionately from A and B only:

$$\text{A's new share: } \frac{6}{12} - \frac{1}{12} = \frac{5}{12}$$

$$\text{B's new share: } \frac{4}{12} - \frac{1}{12} = \frac{3}{12}$$

C retains his share of $\frac{3}{12}$, and D has $\frac{2}{12}$. The new ratio:

$$5 : 3 : 3 : 2 \implies 21 : 14 : 15 : 10$$

Quick Tip
When calculating new profit-sharing ratios, ensure to properly account for the portions deducted from existing partners as per the question's conditions.

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3. (a) If all the forfeited shares are reissued, the balance, if any, left in the Forfeited Shares Account is transferred to:

(A) General Reserve Account
(B) Securities Premium Account

(C) Capital Reserve Account
(D) Statement of Profit and Loss

Correct Answer: (C) Capital Reserve Account
Solutions: When forfeited shares are reissued, any balance left in the Forfeited Shares Account is treated as a capital profit and transferred to the Capital Reserve Account. This is as per standard accounting practices.

> Quick Tip
>
> Remember that the Capital Reserve Account is used to record capital profits, such as surplus from forfeited shares after reissue.

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3. (b) Raghav Ltd. forfeited 100 shares of ₹10 each issued at a premium of 20% for non-payment of the first call of ₹3 per share and final call of ₹1 per share. The minimum price per share at which these shares can be reissued will be:
(A) ₹4
(B) ₹6
(C) ₹8
(D) ₹10

Correct Answer: (A) ₹4
Solutions:
The forfeited shares were originally issued at a premium of 20%, making the issue price per share:

$$|10 + |2 = |12.$$

The shareholder did not pay the first call of ₹3 and the final call of ₹1, leaving an unpaid amount:

$$|3 + |1 = |4.$$

The amount already paid by the shareholder includes the application and allotment money, including the premium:

$$|12 - |4 = |8.$$

For the shares to be reissued, the minimum price must cover the unpaid amount of ₹4:

$$\text{Minimum Reissue Price} = |4.$$

Conclusion:
The minimum price per share at which the shares can be reissued is $|4$.

> Quick Tip
>
> The minimum reissue price for forfeited shares must cover the unpaid amount to ensure there is no further liability.

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4. Assertion (A): In partnership firm, the private assets of the partners can also be used to pay off the firm's debts.
Reason (R): The liability of the partners for acts of the firm is limited.
Choose the correct option from the following:
(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false, but Reason (R) is true.
(D) Assertion (A) is true, but Reason (R) is false.

Correct Answer: (D) Assertion (A) is true, but Reason (R) is false.
Solutions: In a partnership firm, the partners have unlimited liability, which means their private assets can be used to pay off the firm's debts if the firm's assets are insufficient. However, the statement in Reason (R) is false because the liability of the partners is not limited but unlimited.

> Quick Tip
>
> Understand the fundamental difference between limited and unlimited liability in partnership law. Limited liability applies to LLPs (Limited Liability Partnerships) but not to regular partnerships.

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5. (a) Ridhima and Kavita were partners sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were ₹1,50,000 and ₹2,00,000 respectively. The partnership deed provides for interest on capital @ 8% p.a. The net profit of the firm for the year ended 31st March, 2023 amounted to ₹21,000. The amount of interest on capital credited to the capital accounts of Ridhima and Kavita will be:
(A) ₹12,000 and ₹16,000 respectively.
(B) ₹10,500 and ₹10,500 respectively.
(C) ₹9,000 and ₹12,000 respectively.
(D) ₹16,000 and ₹5,000 respectively.

Correct Answer: (C) ₹9,000 and ₹12,000 respectively.
Solutions:
The partnership deed provides for interest on capital at 8% p.a., and the partners' fixed capitals are as follows:

$$\text{Ridhima's Capital: } |1,50,000, \quad \text{Kavita's Capital: } |2,00,000.$$

Step 1: Calculate the total interest on capital entitlement:

$$\text{Ridhima's Interest: } |1,50,000 \times \frac{8}{100} = |12,000.$$

$$\text{Kavita's Interest: } |2,00,000 \times \frac{8}{100} = |16,000.$$

Total entitlement for interest on capital:

$$|12,000 + |16,000 = |28,000.$$

Step 2: Allocate available profit proportionately:
The total profit of the firm is ₹21,000, which is insufficient to meet the total entitlement of ₹28,000. The available profit is distributed in the ratio of the interest entitlement:

$$\text{Ratio of Interest Entitlement: } 12 : 16 = 3 : 4.$$

$$\text{Ridhima's Share: } |21,000 \times \frac{3}{7} = |9,000.$$

$$\text{Kavita's Share: } |21,000 \times \frac{4}{7} = |12,000.$$

Conclusion:
The amount of interest on capital credited to Ridhima and Kavita's capital accounts is $|9,000$ and $|12,000$, respectively.

> **Quick Tip**
>
> When net profit is insufficient to meet interest on capital, allocate it in the proportion of the partners' entitlement.

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5. (b) Ruchika and Harshita were partners in a firm. Ruchika had withdrawn ₹9,000 at the end of each quarter throughout the year. The interest to be charged on Ruchika's drawings at 6% p.a. will be:
(A) ₹540
(B) ₹2,160
(C) ₹1,080
(D) ₹810

Correct Answer: (D) ₹810
Solutions:
The total annual drawings are:

$$\text{Total Drawings} = |9,000 \times 4 = |36,000.$$

Step 1: Calculate the average period:
For quarterly drawings made at the end of each quarter, the average period is:

$$\text{Average Period} = \frac{3+6+9+12}{4} = 7.5 \text{ months} = \frac{7.5}{12} \text{ years.}$$

Step 2: Calculate interest on drawings:
The formula for interest on drawings is:

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

Substitute the values:

$$\text{Interest} = |36,000 \times \frac{6}{100} \times \frac{7.5}{12}.$$

Simplify:

$$\text{Interest} = |36,000 \times 0.06 \times 0.625 = |810.$$

Conclusion:
The interest to be charged on Ruchika's drawings is |810.

> **Quick Tip**
>
> For periodic drawings, the interest calculation requires the total amount drawn, rate of interest, and average period (in months) converted to years.

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6. (a) Aarav Ltd. issued 10,000, 9% debentures of ₹100 each at a premium of 5%, redeemable at a premium of 10%. Loss on issue of debentures account will be debited by:

(A) ₹10,00,000
(B) ₹1,00,000
(C) ₹1,50,000
(D) ₹1,05,000

Correct Answer: (B) ₹1,00,000

Solutions:

Step 1: Calculate the total premium on redemption:
The debentures are redeemable at a premium of 10%, so the premium on redemption is:

$$\text{Premium on Redemption} = 10,000 \times |10 = |1,00,000.$$

Step 2: Calculate the total premium received on issue:
The debentures were issued at a premium of 5%, so the premium received on issue is:

$$\text{Premium on Issue} = 10,000 \times |5 = |50,000.$$

Step 3: Calculate the loss on issue of debentures:
The loss on issue of debentures is the difference between the premium on redemption and the premium received on issue:

$$\text{Loss on Issue} = |1,00,000 - |50,000 = |1,00,000.$$

Conclusion:
The loss on issue of debentures account will be debited by $|1,00,000$.

> **Quick Tip**
>
> The loss on issue of debentures is calculated by subtracting the premium received on issue from the premium payable on redemption.

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6. (b) Dove Ltd. issued 8,000, 11% debentures of ₹100 each at a premium of 5%. The total amount of interest on Debentures for one year will be:
(A) ₹80,000
(B) ₹92,400
(C) ₹88,000
(D) ₹880

Correct Answer: (C) ₹88,000
Solutions: Interest on 11% debentures:

$$|100 \times 8,000 \times \frac{11}{100} = |88,000$$

> Quick Tip
>
> To calculate annual interest on debentures, use the nominal value of debentures and multiply by the stated interest rate.

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7. Assertion (A): Securities Premium cannot be utilized for writing off loss on sale of a fixed asset.
Reason (R): Securities Premium can be applied only for the purposes mentioned in the Companies Act, 2013.
Choose the correct option from the following:
(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false, but Reason (R) is true.
(D) Assertion (A) is true, but Reason (R) is false.

Correct Answer: (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Solutions: According to the Companies Act, 2013, Securities Premium can only be used for specified purposes such as issuing bonus shares, writing off preliminary expenses, or providing for the premium payable on redemption of preference shares or debentures. Writing off the loss on sale of a fixed asset is not an allowable use.

> Quick Tip
>
> Always refer to the provisions of the Companies Act, 2013, when determining the allowable uses of the Securities Premium Account.

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8. (a) Kriti, Hina and Nidhi were partners sharing profits in the ratio of 3 : 2 : 1. Nidhi retired. On the date of her retirement, Workmen Compensation Fund stood in the Balance Sheet at ₹1,50,000. Workmen Compensation Claim was ₹1,20,000.

How much amount of Workmen Compensation Fund will be credited to Nidhi's Capital Account?
(A) ₹30,000
(B) ₹10,000
(C) ₹5,000
(D) ₹15,000

Correct Answer: (C) ₹5,000
Solutions: The Workmen Compensation Fund of ₹1,50,000 is used to meet the claim of ₹1,20,000. The remaining balance of ₹30,000 is distributed among the partners in their profit-sharing ratio of 3 : 2 : 1.

$$\text{Nidhi's Share: } |30,000 \times \frac{1}{6} = |5,000$$

Quick Tip
When a specific fund like Workmen Compensation Fund is created, any remaining balance after meeting claims is distributed in the profit-sharing ratio.

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8. (b) Rohit, Udit and Mohit were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Mohit retired. The balance in his capital account after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was ₹1,80,000. Rohit and Udit agreed to pay him ₹2,00,000 in full settlement of his claim. Mohit's share of goodwill in the firm was:
(A) ₹1,80,000
(B) ₹2,00,000
(C) ₹40,000
(D) ₹20,000

Correct Answer: (D) ₹20,000
Solutions: The amount payable to Mohit exceeds the balance in his capital account by:

$$|2,00,000 - |1,80,000 = |20,000$$

This excess amount represents Mohit's share of goodwill in the firm.

Quick Tip
Goodwill is often paid as compensation when the retiring partner's claim exceeds the balance in their capital account.

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9. On disSolutions of a partnership firm, if realisation expenses are paid by the firm on behalf of a partner, then such expenses are debited to which of the following account:
(A) Realisation Account
(B) Partner's Capital Account

(C) Partner's Loan Account
(D) Bank Account

Correct Answer: (B) Partner's Capital Account
Solutions:
If a partner is responsible for bearing realisation expenses but the firm pays these expenses on the partner's behalf, such expenses are debited to the **Partner's Capital Account**. This is because the expenses represent an obligation of the partner that is settled by the firm, reducing the partner's capital balance.
Conclusion:
When the firm pays realisation expenses on behalf of a partner, the amount is debited to the **Partner's Capital Account**.

> Quick Tip
>
> Realisation expenses paid on behalf of a partner are treated as a reduction in the partner's capital account balance, not as an expense of the firm.

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10. Opening capital of Keshav was:
(A) ₹35,000
(B) ₹39,000
(C) ₹43,000
(D) ₹52,000

Correct Answer: (C) ₹43,000
Solutions:
The closing capital of Keshav is ₹55,000. To calculate the opening capital, adjustments are made for profit earned during the year and drawings made at the beginning of each quarter.
Step 1: Calculate total drawings:
Drawings made at the beginning of each quarter = ₹1,500. Total drawings for the year:

$$|1,500 \times 4 = |6,000.$$

Step 2: Adjust for profit:
The profit for the year is ₹15,000.
Step 3: Calculate opening capital:
Opening capital is calculated as:

$$\text{Opening Capital} = \text{Closing Capital} - \text{Profit} + \text{Drawings}.$$

Substituting the values:

$$\text{Opening Capital} = |55,000 - |15,000 + |6,000 = |43,000.$$

Conclusion:
The opening capital of Keshav was $|43,000$.

Quick Tip

When calculating opening capital, add back drawings and subtract the profit earned during the year from the closing capital.

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11. Amount of interest to be charged on Hitesh's drawings will be:
(A) ₹225
(B) ₹4,500
(C) ₹300
(D) ₹7,200

Correct Answer: (C) ₹300
Solutions: Hitesh withdrew ₹9,000 on 1st November, 2022. Interest on drawings for 5 months (November to March):

$$\text{Interest: } |9,000 \times \frac{8}{100} \times \frac{5}{12} = |300$$

Quick Tip

When calculating interest on drawings for a specific period, use the formula Amount × Rate × Time (in years).

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12. Kewal Ltd. purchased sundry assets from Ganpati Ltd. for ₹28,60,000. The amount was paid by issuing fully paid shares of ₹100 each issued at a premium of 10%. The number of shares issued to Ganpati Ltd. were:
(A) 28,000
(B) 31,778
(C) 28,600
(D) 26,000

Correct Answer: (D) 26,000
Solutions:
The issue price of each share includes the face value and premium:

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

Step 1: Calculate the number of shares issued:
The total value of assets purchased is ₹28,60,000. The number of shares issued is calculated by dividing the total amount by the issue price:

$$\text{Number of Shares} = \frac{\text{Total Amount}}{\text{Issue Price}} = \frac{|28,60,000}{|110}.$$

Step 2: Perform the division:

$$\text{Number of Shares} = \frac{|28,60,000}{|110} = 26,000 \text{ shares.}$$

Conclusion:
The number of shares issued to Ganpati Ltd. is $26,000$.

> Quick Tip
>
> Always include the premium in the issue price when calculating the number of shares to be issued.

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13. Sarita Ltd. forfeited 100 shares of ₹10 each, ₹8 called up issued at a premium of ₹2 per share to Ramesh for non-payment of allotment money of ₹5 per share (including premium). The first and final call of ₹2 per share was not made. Out of these 70 shares were reissued to Ashok as ₹8 called up for ₹10 per share. The gain on reissue will be:
(A) ₹500
(B) ₹400
(C) ₹350
(D) ₹300

Correct Answer: (C) ₹350
Solutions:
Step 1: Calculate the forfeited amount per share:
The total amount called up per share is ₹8. Ramesh paid ₹3 before forfeiture, so the amount forfeited per share is:

$$\text{Forfeited Amount per Share} = |8 - |3 = |5.$$

Step 2: Total amount forfeited for 70 shares:
The forfeited amount for 70 shares is:

$$\text{Total Forfeited Amount} = |5 \times 70 = |350.$$

Step 3: Determine the reissue price and gain:
The shares were reissued to Ashok at ₹10 per share. Since the shares were reissued at the called-up value of ₹8, the gain on reissue equals the total amount forfeited:

$$\text{Total Gain on Reissue} = |350.$$

Conclusion:
The gain on reissue of shares is |350.

> Quick Tip
>
> To calculate gain on reissue, always subtract the unpaid amount from the forfeited amount and multiply it by the number of shares reissued.

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14. Isha and Manish were partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1st April, 2023, they agreed to share profits equally. On

this date the goodwill of the firm was valued at ₹3,00,000. The necessary journal entry for the treatment of goodwill without opening Goodwill Account will be:

Date 2023	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A) April, 1	Manish's Capital A/c. Dr.	30,000	To Isha's Capital A/c. 30,000
(B) April, 1	Isha's Capital A/c. Dr.	30,000	To Manish's Capital A/c. 30,000
(C) April, 1	Manish's Capital A/c. Dr.	3,000	To Isha's Capital A/c. 3,000
(D) April, 1	Isha's Capital A/c. Dr.	3,000	To Manish's Capital A/c. 3,000

Correct Answer: (A) Manish's Capital A/c. Dr. ₹30,000 To Isha's Capital A/c. ₹30,000
Solutions: The old ratio of Isha and Manish is 3 : 2, and the new ratio is 1 : 1. The sacrificing ratio is calculated as:

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

For Isha:

$$\frac{3}{5} - \frac{1}{2} = \frac{6}{10} - \frac{5}{10} = \frac{1}{10}$$

For Manish:

$$\frac{2}{5} - \frac{1}{2} = \frac{4}{10} - \frac{5}{10} = -\frac{1}{10}$$

The goodwill to be adjusted:

$$|3,00,000 \times \frac{1}{10} = |30,000$$

Journal entry:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
$Manish'sCapitalA/c.Dr.$	30,000	
$ToIsha'sCapitalA/c.$		30,000

Quick Tip

When partners agree to change their profit-sharing ratio, goodwill adjustments are made based on the sacrificing and gaining ratios without opening a goodwill account.

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15. Mahi, Ruhi, and Ginni are partners in a firm sharing profits and losses in the ratio of 6 : 4 : 1. Mahi guaranteed a profit of ₹50,000 to Ginni. Net profit for the year ending 31st March, 2023, was ₹1,10,000. Mahi's share in the profit of the firm after giving the guaranteed amount to Ginni will be:
(A) ₹20,000
(B) ₹60,000
(C) ₹40,000
(D) ₹10,000

Correct Answer: (A) ₹20,000
Solutions:

Step 1: Distribute profit as per the profit-sharing ratio:
The total profit available is ₹1,10,000. Distribute the profit among Mahi, Ruhi, and Ginni in the ratio 6 : 4 : 1:

$$\text{Mahi's Share: } |1,10,000 \times \frac{6}{11} = |60,000.$$

$$\text{Ruhi's Share: } |1,10,000 \times \frac{4}{11} = |40,000.$$

$$\text{Ginni's Share: } |1,10,000 \times \frac{1}{11} = |10,000.$$

Step 2: Calculate Ginni's guaranteed amount and shortfall:
Ginni is guaranteed a profit of ₹50,000. Her allocated share is ₹10,000, so the shortfall is:

$$|50,000 - |10,000 = |40,000.$$

Step 3: Adjust Mahi's share for the guarantee:
The shortfall of ₹40,000 is borne by Mahi. Adjusting Mahi's share:

$$\text{Mahi's Final Share: } |60,000 - |40,000 = |20,000.$$

Conclusion:
Mahi's share in the profit of the firm after giving the guaranteed amount to Ginni is $|20,000$.

> Quick Tip
>
> When a partner guarantees a profit to another, calculate the shortfall after distributing profits in the agreed ratio and adjust the share of the partner providing the guarantee.

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16. (a) Aditi, Sukriti and Niti were partners sharing profits in the ratio of 2 : 2 : 1. Sukriti died on 30th June, 2023. Net profit for the year ended 31st March, 2023 was ₹4,50,000. If the deceased partner's share of profit is to be calculated on the basis of previous year's profit, the amount of profit credited to Sukriti's Capital Account will be:
(A) ₹90,000
(B) ₹45,000
(C) ₹1,80,000
(D) ₹1,12,500

Correct Answer: (B) ₹45,000
Solutions: The profit for the year ended 31st March, 2023 was ₹4,50,000. Sukriti's share of profit is calculated up to the date of her death (3 months from the start of the financial year):

$$\text{Profit for 3 months: } |4,50,000 \times \frac{3}{12} = |1,12,500$$

Sukriti's share in the profit-sharing ratio of 2 : 2 : 1:

$$\text{Sukriti's Share: } |1,12,500 \times \frac{2}{5} = |45,000$$

💡 Quick Tip

To calculate a deceased partner's share of profit, prorate the annual profit based on the time period and then allocate the share as per the profit-sharing ratio.

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16. (b) Pawan, a partner, was appointed to look after the process of disSolutions of the firm, for which he was allowed a remuneration of ₹75,000. Pawan agreed to bear the disSolutions expenses. Actual disSolutions expenses ₹60,000 were paid by Pawan. Pawan's capital account will be credited by:

(A) ₹75,000
(B) ₹60,000
(C) ₹15,000
(D) ₹10,000

Correct Answer: (A) ₹75,000
Solutions:
Pawan was entitled to a remuneration of ₹75,000 for handling the disSolutions process. As he agreed to bear the disSolutions expenses of ₹60,000, this expense does not impact the amount credited to his capital account. The full remuneration of ₹75,000 is credited to Pawan's capital account, irrespective of the expenses borne.
Conclusion:
Pawan's capital account will be credited by $|75,000$.

💡 Quick Tip

When a partner is entitled to remuneration for disSolutions and agrees to bear expenses, their capital account is credited with the full remuneration amount, as expenses borne are their responsibility.

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17. Anand, Ridhi and Shyam were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their fixed capitals were ₹1,00,000, ₹60,000 and ₹40,000 respectively. For the year ended 31$^{\text{st}}$ March, 2023, interest on capital was credited to their capital accounts @ 9% p.a. instead of 7% p.a. Pass the necessary adjusting Journal entry.
Correct Answer:
Solutions: Excess interest on capital credited:

$$\text{Anand: } |1,00,000 \times (9\% - 7\%) = |2,000$$

$$\text{Ridhi: } |60,000 \times (9\% - 7\%) = |1,200$$

$$\text{Shyam: } |40,000 \times (9\% - 7\%) = |800$$

Adjust the excess by passing a journal entry to transfer the amounts:

Journal Entry:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Ridhi's Capital A/c. Dr.	1,200	
Shyam's Capital A/c. Dr.	800	
To Anand's Capital A/c.		2,000

Quick Tip

While rectifying errors in interest on capital, calculate the excess or shortfall for each partner and adjust using their profit-sharing ratio.

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18. (a) Mahesh, Ramesh and Naresh were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1st April, 2023, they decided to share profits equally. On that date, there was a balance of ₹3,60,000 in General Reserve and a debit balance of ₹1,80,000 in the Profit and Loss Account. Pass single adjustment Journal entry for the above on account of change in the profit-sharing ratio.

Correct Answer:

Solutions: The profit-sharing ratio is changed from 5 : 3 : 2 to equal sharing (1 : 1 : 1). General Reserve and Profit and Loss Account balances are adjusted in the partners' capital accounts:

$$\text{General Reserve Distribution: } |3,60,000 \times \text{(Old Ratio 5:3:2)}$$

$$\text{Profit and Loss Debit: } |1,80,000 \text{ in the same ratio.}$$

The adjustment entry:

Journal Entry:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Naresh's Capital A/c. Dr.	60,000	
To Mahesh's Capital A/c.		50,000
To Ramesh's Capital A/c.		10,000

Quick Tip

Always adjust reserve and loss balances proportionate to the old and new ratios when the profit-sharing ratio changes.

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18. (b) Ravi, Guru, Mani and Sonu were partners in a firm sharing profits in the ratio of 2 : 2 : 2 : 1. On 31st January, 2023, Sonu retired. On Sonu's retirement, the Goodwill of the firm was valued at ₹1,40,000. The new profit sharing ratio among Ravi, Guru and Mani was 5 : 5 : 1. Showing your workings clearly, pass necessary Journal entry for the treatment of Goodwill in the books of the firm on Sonu's retirement without opening goodwill account.

Correct Answer:

Solutions: Goodwill is distributed among the partners in their sacrificing or gaining ratios. On Sonu's retirement:

$$\text{Goodwill} = ₹1,40,000$$

Journal Entry:

Journal Entry:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Ravi's Capital A/c. Dr.	10,000	
Guru's Capital A/c. Dr.	10,000	
To Sonu's Capital A/c.		20,000

Quick Tip

When adjusting goodwill, calculate the proportionate share for each partner based on the profit-sharing ratio before and after the change.

---

19. (a) Chavi Ltd. purchased machinery from Neo Ltd. It was agreed that the purchase consideration will be paid by issuing 10,000 equity shares of ₹10 each at a premium of 10% and a bank draft of ₹50,000. Pass the necessary Journal entries in the books of Chavi Ltd. for the above transactions.

Correct Answer:

Solutions: The journal entry for purchase consideration:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Machinery A/c. Dr.	1,50,000	
To Equity Share Capital A/c.		1,00,000
To Securities Premium A/c.		10,000
To Bank A/c.		50,000

Quick Tip

Ensure to account for both the face value of shares and the premium separately in the journal entry when issuing shares.

(b) On 1st October, 2022 Ninza Ltd. issued 4,000, 8% Debentures of ₹100 each at a discount of 10%. The company had a balance of ₹50,000 in Securities Premium Account on the same date. Pass necessary Journal entries for issue of debentures and to write off discount on issue of debentures.

Correct Answer:

Solutions: Journal Entries:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Bank A/c. Dr.	3,60,000	
Discount on Issue of Debentures A/c. Dr.	40,000	
To 8% Debentures A/c.		4,00,000
Securities Premium A/c. Dr.	40,000	
To Discount on Issue of Debentures A/c.		40,000

Quick Tip

Always adjust the discount on issue of debentures against the Securities Premium Account balance, if available.

---

20. Sunny and Rohan were partners in a firm sharing profits and losses in the ratio of 2 : 1. Their books showed that the capital employed on 31st March, 2023 was ₹7,00,000. The average profits earned by the firm were ₹90,000. Calculate the value of goodwill on the basis of 5 years purchase of super profits assuming that the normal rate of return is 10%.

Solutions: Step 1: Calculate Normal Profits

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

$$= ₹7,00,000 \times \frac{10}{100} = ₹70,000$$

Step 2: Calculate Super Profits

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

$$= ₹90,000 - ₹70,000 = ₹20,000$$

Step 3: Calculate Goodwill

$$\text{Goodwill} = \text{Super Profits} \times \text{Years of Purchase}$$

$$= ₹20,000 \times 5 = ₹1,00,000$$

Quick Tip

Goodwill based on super profits measures the additional value generated over normal profits and is calculated by multiplying the super profits by the number of years of purchase.

---

21. Madhav, Raghav and Purav were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31st March, 2023 was as follows:

Balance Sheet of Madhav, Raghav and Purav as at 31st March, 2023	
Liabilities	**Amount (₹)**
Creditors	1,00,000
General Reserve	50,000
Capitals: Madhav Raghav Purav	 60,000 1,00,000 40,000
Total Liabilities	3,50,000
Assets	**Amount (₹)**
Bank	20,000
Stock	1,10,000
Investment	70,000
Furniture	35,000
Building	1,15,000
Total Assets	3,50,000

Purav died on 30th September, 2023. According to Partnership deed, his legal representatives are entitled to the following:
(i) Balance in his Capital Account.
(ii) Share of profit up to the date of death to be calculated on the basis of last year's profit.
(iii) Share of goodwill calculated on the basis of three years purchase of average profits of last four years.
(iv) Interest on capital @12% p.a.
Purav's share of profit was ₹3,000, and the average profit of the last four years was ₹50,000. Purav's drawings up to the date of death were ₹10,000. Prepare Purav's Capital Account to be rendered to his legal representatives.

Solutions:

Step 1: Goodwill Calculation Goodwill = Average Profits × 3 years purchase

$$|50,000 \times 3 = |1,50,000$$

Purav's share of goodwill (1/5 of total goodwill):

$$|1,50,000 \times \frac{1}{5} = |30,000$$

Step 2: Interest on Capital Interest on capital for 6 months:

$$|40,000 \times 12\% \times \frac{6}{12} = |2,400$$

Step 3: Purav's Share of Profit As per the last year's profit:

$$Purav'sShare = |3,000$$

Journal Entries:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
General Reserve A/c. Dr.	10,000	
To Purav's Capital A/c.		10,000
Profit and Loss Suspense A/c. Dr.	3,000	
To Purav's Capital A/c.		3,000
Madhav's Capital A/c. Dr.	18,000	
Raghav's Capital A/c. Dr.	6,000	
To Purav's Capital A/c.		30,000
Interest on Capital A/c. Dr.	2,400	
To Purav's Capital A/c.		2,400
Purav's Drawings A/c. Dr.	10,000	
To Purav's Capital A/c.		10,000

Purav's Capital Account:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
To Drawings 40,000	10,000	By Balance b/d
To Legal Representatives A/c. 10,000	75,400	By General Reserve
3,000		By Profit (up to death)
30,000		By Goodwill
2,400		By Interest on Capital

Quick Tip

When preparing a deceased partner's capital account, ensure all entitlements such as profit, goodwill, and interest on capital are credited, and deductions like drawings are debited.

---

22. On 1st April 2023, Khyati Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company invited applications for issuing 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, ₹8 per share were called and final call of ₹2 per share has not been made yet. Siya holding 2,000 shares and Piya holding 4,000 shares did not pay the first call of ₹2 per share. All the shares of Siya and Piya were forfeited after the first call.
Solutions:
Journal Entries:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Bank A/c. Dr.	13,60,000	
To Equity Share Capital A/c.		13,60,000
To Securities Premium A/c.		1,70,000
Calls-in-Arrears A/c. Dr.	12,000	
To Equity Share Capital A/c.		12,000
Equity Share Capital A/c. Dr.	48,000	
To Forfeited Shares A/c.		36,000
To Calls-in-Arrears A/c.		12,000

Balance Sheet of Khyati Ltd. as at 31st March 2023 (Schedule III, Part I, Companies Act, 2013):

Liabilities	**Amount (₹)**
Equity Share Capital	14,40,000
Forfeited Shares A/c.	36,000
Total	14,76,000
Assets	**Amount (₹)**
Bank A/c.	13,60,000
Calls-in-Arrears	12,000
Total	14,76,000

Quick Tip

When preparing a balance sheet, always include forfeited shares and calls-in-arrears as part of equity adjustments or receivables.

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23. (a) Murari Ltd. invited applications for issuing 80,000 equity shares of ₹10 each at a premium of ₹4 per share. The amount per share was payable as follows: ₹5 on application and ₹9 (including premium) on allotment. Applications were received for 1,40,000 shares and allotment was made on pro-rata basis to all the applicants. Money overpaid on application was utilised towards sums due on allotment. The allotment money was duly received except from Sameer who had applied for 1,400 shares. His shares were forfeited. Pass the necessary journal entries in the books of Murari Ltd. to record the above transactions. Open calls-in-arrears account wherever required.

Solutions:

Journal Entries:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Bank A/c. Dr.	7,00,000	
To Share Application A/c.		7,00,000
Share Application A/c. Dr.	7,00,000	
To Equity Share Capital A/c.		4,00,000
To Share Allotment A/c.		3,00,000
Bank A/c. Dr.	6,40,000	
Calls-in-Arrears A/c. Dr.	12,600	
To Share Allotment A/c.		6,52,600
Equity Share Capital A/c. Dr.	14,000	
To Forfeited Shares A/c.		7,000
To Calls-in-Arrears A/c.		7,000

Quick Tip

Pro-rata adjustments for oversubscriptions require careful allocation of excess amounts to the subsequent calls or allotments.

---

23. (b) Kavya Ltd. invited applications for issuing 30,000 shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows: On application and allotment ₹7 per share, On first and final call ₹5 per share (including ₹2 premium). Applications were received for 33,000 shares. Applications for 3,000 shares were rejected, and money returned to the applicants. Applications for 30,000 shares were accepted in full. The application and allotment money was duly received. The first and final call was made and money received except from a shareholder holding 500 shares. His shares were forfeited. All these shares were re-issued to Kartik as fully paid for ₹8 per share. Pass necessary journal entries for the above transactions in the books of Kavya Ltd. Open calls-in-arrears account wherever required.

Solutions:

Journal Entries:

Particulars	Dr. Amount (₹)	Cr. Amount (₹)
Bank A/c. Dr.	2,31,000	
To Share Application A/c.		2,31,000
Share Application A/c. Dr.	2,31,000	
To Equity Share Capital A/c.		2,10,000
To Share Allotment A/c.		21,000
Bank A/c. Dr.	1,50,000	
To Share Allotment A/c.		1,50,000
Bank A/c. Dr.	2,25,000	
To Share Capital A/c.		2,25,000
Equity Share Capital A/c. Dr.	5,000	
To Forfeited Shares A/c.		3,000
To Calls-in-Arrears A/c.		2,000
Bank A/c. Dr.	4,000	
Forfeited Shares A/c. Dr.	1,000	
To Equity Share Capital A/c.		5,000

Quick Tip

Reissued shares must be accounted for at the actual reissue price. Any surplus in forfeited shares account is transferred to capital reserve.

---

24. (a) Arnav, Bhavi and Chavi were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of Arnav, Bhavi and Chavi as at 31st March, 2023	
Liabilities	**Amount (₹)**
Capitals: Arnav Bhavi Chavi	 1,80,000 1,60,000 1,00,000
Creditors	2,50,000
Total	6,90,000
Assets	**Amount (₹)**
Plant & Machinery	3,00,000
Furniture	20,000
Debtors	3,50,000
Less: Provision for Doubtful Debts	20,000
Cash in Hand	10,000
Profit & Loss Account	30,000
Total	6,90,000

Adjustments:

(i) Plant and Machinery to be valued at ₹4,30,000.

(ii) Provision for Bad Debts to be increased by 50%.

(iii) Chavi's share of Goodwill valued at ₹80,000, treated without opening goodwill

account.
(iv) Total amount payable to Chavi brought in by Arnav and Bhavi in their new profit-sharing ratio.
Prepare Revaluation Account and Partner's Capital Accounts.

Solutions:

Revaluation Account:

Particulars	**Dr. Amount (₹)**	**Cr. Amount (₹)**
Provision for Doubtful Debts	10,000	
To Plant and Machinery		1,30,000
To Profit Transferred: Arnav (3/5) Bhavi (2/5)		 72,000 48,000
Total	1,30,000	1,30,000

Partners' Capital Account:

Particulars	**Arnav (₹)**	**Bhavi (₹)**	**Chavi (₹)**
Balance b/d	1,80,000	1,60,000	1,00,000
Revaluation Profit	72,000	48,000	-
Goodwill Adjustment	(48,000)	(32,000)	80,000
To Bank A/c.	-	-	1,80,000
Total	2,04,000	1,76,000	-

Quick Tip

Adjustments for revaluation and goodwill should be properly allocated in the partners' capital accounts before preparing the final accounts.

---

24. (b) Divya and Ekta were partners in a firm sharing profits in the ratio of 3 : 1. On 31st March, 2023, they admitted Sona as a new partner for 1/4th share in the profits of the firm. Their Balance Sheet on that date was as follows:

Balance Sheet of Divya and Ekta as at 31st March, 2023	
Liabilities	**Amount (₹)**
Capitals: Divya Ekta	 10,00,000 7,00,000
General Reserve	3,20,000
Creditors	5,40,000
Total	25,60,000
Assets	**Amount (₹)**
Land and Building	5,00,000
Machinery	6,00,000
Stock	1,50,000
Debtors	4,00,000
Less: Provision for Doubtful Debts	30,000
Investments	5,00,000
Cash	4,40,000
Total	25,60,000

Adjustments:
(i) Goodwill of the firm valued at ₹2,40,000.
(ii) Land and Building valued at ₹7,12,000.
(iii) Provision for doubtful debts excess by ₹8,000.
(iv) Liability of ₹20,000 included in Creditors not likely to arise.
(v) Capitals of Divya and Ekta adjusted on the basis of Sona's capital by opening current accounts.
Prepare Revaluation Account and Partner's Capital Accounts.

Solutions:

Revaluation Account:

Particulars	**Dr. Amount (₹)**	**Cr. Amount (₹)**
Provision for Doubtful Debts	8,000	
Liabilities Written Back		20,000
To Land and Building		2,12,000
To Profit Transferred: Divya (3/4) Ekta (1/4)		 1,59,000 53,000
Total	2,20,000	2,20,000

Partners' Capital Account:

Particulars	**Divya (₹)**	**Ekta (₹)**	**Sona (₹)**
Balance b/d	10,00,000	7,00,000	-
Revaluation Profit	1,59,000	53,000	-
Goodwill Adjustment	(1,80,000)	(60,000)	2,40,000
To Current A/c.	9,79,000	6,93,000	-
Total	10,79,000	7,53,000	4,00,000

Quick Tip

Adjustments for revaluation and goodwill should reflect fair values, and capitals should be balanced in proportion to the new partner's contribution.

---

25. Pass the necessary journal entries for the following transactions on disSolutions of the firm of Avyan and Shruti after various assets (other than cash) and third-party liabilities have been transferred to Realisation Account:
(i) Sundry creditors amounting to ₹40,000 were settled at a discount of 10%.
(ii) An unrecorded computer of ₹50,000 was taken over by Shruti.
(iii) Creditors of ₹5,000 agreed to take over debtors of ₹8,000 in full settlement of their claim.
(iv) The firm had a debit balance of ₹42,000 in the Profit and Loss Account on the date of disSolutions.
(v) There was an old furniture with the firm which had been written off completely from the books. This was sold for ₹9,000.
(vi) Realisation expenses amounting to ₹11,000 were paid by Shruti.

Solutions:
Journal Entries:

Particulars	**Dr. Amount (₹)**	**Cr. Amount (₹)**
Realisation A/c. Dr.	36,000	
To Creditors A/c.		40,000
To Profit on Settlement A/c.		4,000
Shruti's Capital A/c. Dr.	50,000	
To Realisation A/c.		50,000
Creditors A/c. Dr.	5,000	
To Debtors A/c.		8,000
To Realisation A/c.		3,000
Profit & Loss A/c. Dr.	42,000	
To Realisation A/c.		42,000
Bank A/c. Dr.	9,000	
To Realisation A/c.		9,000
Realisation A/c. Dr.	11,000	
To Shruti's Capital A/c.		11,000

Quick Tip

When preparing journal entries for disSolutions, ensure all assets and liabilities are correctly transferred to the Realisation Account, and adjustments for any unrecorded items or expenses are accurately recorded.

---

26. Pass Journal entries relating to issue of debentures in the books of Novex Ltd. in each of the following cases:

(i) Issued 30,000, 10% Debentures of ₹100 each at a premium of 10%, redeemable at par.
(ii) Issued 4,000, 10% Debentures of ₹100 each at a premium of 15%, redeemable at a premium of 10%.
(iii) Issued 5,000, 10% Debentures of ₹100 each at a discount of 5%, redeemable at a premium of 10%.

Solutions:
Journal Entries:

Particulars	**Dr. Amount (₹)**	**Cr. Amount (₹)**
Case (i):		
Bank A/c. Dr.	33,00,000	
To 10% Debentures A/c.		30,00,000
To Securities Premium A/c.		3,00,000
Case (ii):		
Bank A/c. Dr.	4,60,000	
Loss on Redemption A/c. Dr.	40,000	
To 10% Debentures A/c.		4,00,000
To Securities Premium A/c.		60,000
Case (iii):		
Bank A/c. Dr.	4,75,000	
Discount on Issue A/c. Dr.	25,000	
Loss on Redemption A/c. Dr.	50,000	
To 10% Debentures A/c.		5,00,000
To Securities Premium A/c.		50,000

Quick Tip

For debenture issues, adjust for premiums, discounts, and redemption terms as per the problem requirements. Any loss on redemption should be charged to the appropriate account.

PART B
OPTION I
(Analysis of Financial Statements)

27. Which of the following is not a tool of Analysis of Financial Statements?
(A) Ratio Analysis
(B) Comparative Statement
(C) Statement of Profit & Loss
(D) Cash Flow Statement

Correct Answer: (C) Statement of Profit & Loss
Solutions: The Statement of Profit & Loss is a financial statement that reports a company's

financial performance, not a tool for analyzing financial statements. Tools such as Ratio Analysis, Comparative Statements, and Cash Flow Statements are specifically used for analysis.

Quick Tip

Financial analysis tools are designed to interpret and evaluate the financial data, whereas financial statements provide the raw data for analysis.

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28. (a) Total Assets — ₹3,00,000
Non-current Assets — ₹2,60,000
Non-current Liabilities — ₹80,000
Shareholders' Funds — ₹2,00,000
Current ratio calculated on the basis of the above information will be:
(A) 0.5 : 1
(B) 2 : 1
(C) 1.5 : 1
(D) 1 : 1

Correct Answer: (B) 2 : 1
Solutions:
Step 1: Calculate Current Assets:

$$\text{Current Assets} = \text{Total Assets - Non-current Assets}$$

$$\text{Current Assets} = ₹3{,}00{,}000 - ₹2{,}60{,}000 = ₹40{,}000.$$

Step 2: Calculate Current Liabilities:
The firm's total liabilities are derived as:

$$\text{Total Liabilities} = \text{Total Assets - Shareholders' Funds.}$$

$$\text{Total Liabilities} = ₹3{,}00{,}000 - ₹2{,}00{,}000 = ₹1{,}00{,}000.$$

Out of this, the non-current liabilities are ₹80,000. Hence:

$$\text{Current Liabilities} = ₹1{,}00{,}000 - ₹80{,}000 = ₹20{,}000.$$

Step 3: Calculate Current Ratio:
The current ratio is calculated as:

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

Substitute the values:

$$\text{Current Ratio} = \frac{|40,000}{|20,000} = 2 : 1.$$

Conclusion:
The current ratio calculated based on the given information is **2** : **1**.

> 💡 Quick Tip
>
> The current ratio indicates liquidity and is calculated by dividing current assets by current liabilities. A ratio of 2 : 1 is considered healthy.

---

28. (b) When Current Ratio is 4 : 1, Current Assets are ₹60,000 and Quick Ratio is 2.5 : 1, the amount of 'Inventory' will be:
(A) ₹22,500
(B) ₹37,500
(C) ₹15,000
(D) ₹25,000

Correct Answer: (A) ₹22,500
Solutions: The formula for Quick Ratio:

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

Using the Quick Ratio of 2.5 : 1 and Current Assets of ₹60,000:

$$\text{Quick Assets} = |60,000 - \text{Inventory}$$

$$\frac{\text{Quick Assets}}{\text{Current Liabilities}} = 2.5 : 1 \implies \frac{|60,000 - \text{Inventory}}{\text{Current Liabilities}} = 2.5$$

Using the Current Ratio:

$$\text{Current Liabilities} = \frac{|60,000}{4} = |15,000$$

Quick Assets:

$$|15,000 \times 2.5 = |37,500$$

Inventory:

$$|60,000 - |37,500 = |22,500$$

> 💡 Quick Tip
>
> Inventory is calculated by subtracting Quick Assets from Current Assets. Use both ratios effectively for such computations.

---

29. (a) Shyam Sunder Ltd. is a financing company. Under which of the following activity will the amount of 'Interest paid on loan' be shown:
(A) Investing activity
(B) Financing activity
(C) Both Financing & Operating activity
(D) Operating activity

Correct Answer: (D) Operating activity

Solutions: As per the AS-3 (Revised) guidelines, interest paid by a financing company is considered an operating activity because it directly relates to the core operations of the business.

> Quick Tip
>
> For non-financing companies, interest paid is classified as a financing activity. For financing companies, it falls under operating activities.

---

29. (b) Tax paid during the year ended 31st March, 2023 was ₹15,000. While calculating Net Profit before Tax and Extra ordinary items, the amount of provision for tax to be added is: (b)

Particulars	1-4-2022	31-3-2023
Provision for Tax	|10, 000	|25, 000

(A) ₹30,000
(B) ₹25,000
(C) ₹10,000
(D) ₹15,000

Correct Answer: (A) ₹30,000
Solutions: Provision for tax at the beginning of the year was ₹10,000, and at the end of the year was ₹25,000. The total tax provision to be added:

$$|25,000 - |10,000 + |15,000 = |30,000$$

> Quick Tip
>
> Always adjust the tax provision changes with the tax paid during the year to calculate the total impact on net profit before tax.

---

30. Which of the following transaction will result in flow of cash?
(A) Cash withdrawn from bank ₹71,000
(B) Issue of 9% debentures of ₹1,00,000 to the vendors of Machinery
(C) Received from debtors ₹74,000
(D) Redeemed 10% debentures by converting into equity shares

Correct Answer: (C) Received from debtors ₹74,000
Solutions: Receiving money from debtors results in an inflow of cash. The other options either involve non-cash transactions or a transfer within accounts.

> Quick Tip
>
> Cash flow involves only those transactions that result in the inflow or outflow of actual cash, excluding non-cash transactions.

31. Under which major heads and sub-heads will the following items be placed in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013:
(i) Stores and Spares
(ii) Calls-in-Advance
(iii) Income received in advance

Solutions: (i) **Stores and Spares:** Major Head: **Current Assets** Sub-Head: **Inventories**

(ii) **Calls-in-Advance:** Major Head: **Equity and Liabilities** Sub-Head: **Other Current Liabilities**

(iii) **Income Received in Advance:** Major Head: **Equity and Liabilities** Sub-Head: **Other Current Liabilities**

> Quick Tip
>
> Ensure classification of items as per Schedule III guidelines, distinguishing between Current Assets, Non-Current Assets, and Liabilities.

---

32. From the following information of Ajanta Ltd., calculate 'Inventory Turnover Ratio':

Opening Inventory = ₹19,000, Closing Inventory = ₹21,000

Purchases = ₹80,000, Revenue from Operations = ₹80,000, Wages = ₹9,000

Carriage Inwards = ₹4,000, Carriage Outwards = ₹2,000, Return Outwards = ₹1,000, Rent Paid = ₹5,00

Solutions:
Formula:

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

Step 1: Calculate Cost of Goods Sold (COGS)

$$\text{COGS} = \text{Purchases} + \text{Carriage Inwards} - \text{Return Outwards} - \text{Closing Inventory} + \text{Opening Inventory}$$

$$\text{COGS} = |80,000 + |4,000 - |1,000 - |21,000 + |19,000 = |81,000$$

Step 2: Calculate Average Inventory

$$\text{Average Inventory} = \frac{\text{Opening Inventory + Closing Inventory}}{2}$$

$$\text{Average Inventory} = \frac{|19,000 + |21,000}{2} = |20,000$$

Step 3: Calculate Inventory Turnover Ratio

$$\text{Inventory Turnover Ratio} = \frac{|81,000}{|20,000} = 4.05 \text{ times}$$

Quick Tip

A higher inventory turnover ratio indicates efficient management of inventory in relation to sales.

---

33. (a) From the following Statement of Profit and Loss of Shikha Ltd., prepare Comparative Statement of Profit and Loss for the year ended 31st March, 2023:

Particulars	2022-23 (₹)	2021-22 (₹)
Revenue from Operations	32,00,000	20,00,000
Employee Benefit Expenses	9,60,000	6,00,000
Other Expenses	6,40,000	4,00,000

Solutions:
Comparative Statement of Profit and Loss:

Particulars	2022-23 (₹)	2021-22 (₹)	% Change
Revenue from Operations	32,00,000	20,00,000	60%
Employee Benefit Expenses	9,60,000	6,00,000	60%
Other Expenses	6,40,000	4,00,000	60%

Explanation:

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

For each item: 1. **Revenue from Operations:**

$$\frac{32,00,000 - 20,00,000}{20,00,000} \times 100 = 60\%$$

2. **Employee Benefit Expenses:**

$$\frac{9,60,000 - 6,00,000}{6,00,000} \times 100 = 60\%$$

3. **Other Expenses:**

$$\frac{6,40,000 - 4,00,000}{4,00,000} \times 100 = 60\%$$

Quick Tip

When preparing a comparative statement, calculate the percentage change for each item using the formula:

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

---

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

Particulars	A Ltd. (₹)	B Ltd. (₹)
Revenue from Operations	20,00,000	10,00,000
Other Income	3,00,000	80,000
Expenses	10,40,000	4,80,000
Tax Rate	40%	40%

Solutions:
Common Size Statement of Profit and Loss:

Particulars	A Ltd. (%)	B Ltd. (%)
Revenue from Operations	100%	100%
Other Income	15%	8%
Expenses	52%	48%
Profit Before Tax	33%	44%
Tax Expense (40%)	13.2%	17.6%
Profit After Tax	19.8%	26.4%

Explanation: Common size percentages are calculated by expressing each item as a percentage of Revenue from Operations: 1. **Other Income:**

$$\frac{\text{Other Income}}{\text{Revenue from Operations}} \times 100$$

For A Ltd:

$$\frac{3,00,000}{20,00,000} \times 100 = 15\%$$

For B Ltd:

$$\frac{80,000}{10,00,000} \times 100 = 8\%$$

2. **Expenses:**

$$\frac{\text{Expenses}}{\text{Revenue from Operations}} \times 100$$

For A Ltd:

$$\frac{10,40,000}{20,00,000} \times 100 = 52\%$$

For B Ltd:

$$\frac{4,80,000}{10,00,000} \times 100 = 48\%$$

3. **Profit Before Tax:**

Revenue - Other Income - Expenses (as a % of Revenue)

> Quick Tip
>
> For a Common Size Statement, express all figures as a percentage of Revenue from Operations to enable comparison across companies.

---

34. From the following Balance Sheet of Yogita Ltd., calculate 'Cash flows from Investing Activities' and 'Cash flows from Financing Activities'. Show your working properly.

Yogita Ltd. Balance Sheet as at 31st March, 2023

Yogita Ltd.

Balance Sheet as at 31st March, 2023

Particulars	**Note No.**	**31-3-2023 (₹)**	**31-3-2022 (₹)**
I. Equity and Liabilities :			
(1) Shareholders' Funds			
(a) Share Capital		4,00,000	2,00,000
(b) Reserves and Surplus	1	2,00,000	1,00,000
(2) Non-Current Liabilities			
(a) Long term borrowings	2	1,50,000	2,20,000
(3) Current Liabilities			
(a) Short term borrowings	3	1,00,000	–
(b) Trade payables		70,000	50,000
(c) Short term provisions	4	50,000	30,000
Total		**9,70,000**	**6,00,000**
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets (Property, plant and equipment and intangible assets)			
(i) Tangible Assets (Property, plant and equipment)	5	7,00,000	4,00,000
(2) Current Assets			
(a) Inventories		1,70,000	1,00,000
(b) Trade Receivables		1,00,000	50,000
(c) Cash & Cash equivalents		–	50,000
Total		**9,70,000**	**6,00,000**

Notes to Accounts :

Note No.	**Particulars**	**31-3-2023 ₹**	**31-3-2022 ₹**
1.	Reserves and Surplus		
	Balance in statement of Profit & Loss	1,50,000	80,000
	General Reserve	50,000	20,000
		2,00,000	**1,00,000**
2.	Long term borrowings		
	10% Bank Loan	1,50,000	2,20,000
		1,50,000	**2,20,000**
3.	Short term borrowings		
	Bank Overdraft	1,00,000	–
		1,00,000	–
4.	Short term provisions		
	Provision for tax	50,000	30,000
		50,000	**30,000**
5.	Tangible Assets (Property, plant & equipment)		
	Plant and Machinery	7,90,000	4,70,000
	Less : Accumulated depreciation	(90,000)	(70,000)
		7,00,000	**4,00,000**

Additional Information:

(i) ₹50,000 was charged as depreciation on Plant and Machinery. A machinery costing ₹60,000 (Book Value ₹45,000) was sold for ₹42,000.

(ii) Bank loan was repaid on 1st April, 2022.

Solutions:
Journal Entries:

Particulars	**Dr. Amount (₹)**	**Cr. Amount (₹)**
Bank A/c. Dr.	42,000	
Loss on Sale of Machinery A/c. Dr.	3,000	
To Machinery A/c.		45,000
Depreciation A/c. Dr.	50,000	
To Accumulated Depreciation A/c.		50,000
Machinery A/c. Dr.	3,25,000	
To Bank A/c.		3,25,000
Bank Loan A/c. Dr.	2,20,000	
To Bank A/c.		2,20,000
Share Capital A/c. Dr.	2,00,000	
To Bank A/c.		2,00,000

Cash Flow from Investing Activities:

$$\begin{aligned}\text{Proceeds from Sale of Machinery} &= |42,000\\ \text{Purchase of Machinery} &= |3,25,000\\ \text{Net Cash Flow from Investing Activities} &= |(3,25,000 - 42,000)\\ &= |(2,83,000)\ \text{(Outflow)}\end{aligned}$$

Cash Flow from Financing Activities:

$$\begin{aligned}\text{Proceeds from Share Capital} &= |2,00,000\\ \text{Repayment of Bank Loan} &= |2,20,000\\ \text{Net Cash Flow from Financing Activities} &= |(2,00,000 - 2,20,000)\\ &= |(20,000)\ \text{(Outflow)}\end{aligned}$$

Quick Tip

Ensure all transactions affecting cash flows are classified under the correct activity: Operating, Investing, or Financing. Use proper journal entries for any asset sales or liability settlements.

PART B
OPTION II
(Computerised Accounting)

27. Which chart has depth axis?
(A) 2D chart
(B) 3D chart
(C) Radar chart

(D) Doughnut chart

Correct Answer: (B) 3D chart
Solutions: A 3D chart provides a depth axis in addition to the X and Y axes, allowing representation of data in three dimensions.

> Quick Tip
>
> Use 3D charts to visualize data that requires depth as an additional dimension for better interpretation.

---

28. (a) Which of the following is not a limitation of computerized accounting system?
(A) Data may be lost or corrupted due to power interruptions.
(B) Data are prone to hacking.
(C) Data is made available to everybody.
(D) Unprogrammed and unspecific reports cannot be generated.

Correct Answer: (C) Data is made available to everybody.
Solutions: Computerized accounting systems provide restricted access to data through authentication measures. Availability of data to everybody is not a limitation.

> Quick Tip
>
> Always ensure proper data security measures are implemented to safeguard against unauthorized access in computerized accounting.

---

28. (b) To safeguard assets and optimize the use of resources a business ....
(A) Only tries to earn sufficient revenue.
(B) Only ensures accuracy in accounting records.
(C) Keeps internal controls.
(D) Only protects its assets.

Correct Answer: (C) Keeps internal controls.
Solutions: Internal controls are essential for safeguarding assets and ensuring efficient use of resources. They help prevent errors and fraud while optimizing operations.

> Quick Tip
>
> Implementing strong internal controls enhances operational efficiency and reduces risks related to assets and resources.

---

29. "A value or function or an arithmetic expression is recorded in ...."

(A) Row
(B) Column
(C) Range
(D) Cell

Correct Answer: (D) Cell
Solutions: In spreadsheet software, a cell is the intersection of a row and column where values, functions, or arithmetic expressions are recorded.

Quick Tip

Understanding the structure of a spreadsheet (cells, rows, columns) is key to using functions and performing calculations efficiently.

---

30. (a) Depreciation is generated from which of the following Accounting information system?
(A) Tax accounting sub-system
(B) Expense accounting sub-system
(C) Final accounts sub-system
(D) Fixed assets accounting sub-system

Correct Answer: (D) Fixed assets accounting sub-system
Solutions: Depreciation is related to the reduction in value of fixed assets over time, and it is calculated and tracked in the fixed assets accounting sub-system.

Quick Tip

Ensure accurate depreciation calculations in the fixed assets accounting sub-system for compliance with accounting standards.

---

30. (b) Which type of software package is suitable for an organization where the volume of accounting transactions is very low and adaptability is very high?
(A) Specific
(B) Tailored
(C) ERP Software
(D) Generic

Correct Answer: (D) Generic
Solutions: A **Generic** software package is suitable for organizations where the volume of transactions is low and adaptability is high because these software Solutionss are designed to cater to general requirements without customization. They are cost-effective, easy to implement, and sufficient for basic accounting needs in such cases.

> 💡 Quick Tip
>
> When selecting software, consider both the volume of transactions and the level of customization required. Generic software is ideal for low complexity and adaptable use cases.

---

31. How can #DIV/0! error be corrected?

Solutions: The #DIV/0! error in Excel occurs when a formula attempts to divide a number by zero or when the denominator is a blank cell. It can be addressed using the following methods: 1. **Validate Input Data:** Ensure that the cell used as the denominator contains a valid numeric value and is not blank.

2. **Using IF Function:** Add a condition to prevent division by zero:

=IF(B1=0, "Error", A1/B1)

This formula returns "Error" when the denominator is zero or blank.

3. **Using IFERROR Function:** Use the `IFERROR` function to handle errors gracefully:

=IFERROR(A1/B1, "Invalid Operation")

This replaces the error with a custom message or alternative value.

4. **Conditional Formatting:** Highlight potential problem cells (e.g., cells containing zero in the denominator) using conditional formatting rules to quickly identify and correct them.

5. **Data Validation:** Use Excel's Data Validation feature to restrict inputs to valid values only, avoiding blank or zero entries in denominator cells.

6. **Check Formula References:** Ensure that all referenced cells in the formula are correctly linked and contain appropriate values.

By proactively managing inputs, using error-handling functions, and validating data, the occurrence of #DIV/0! errors can be minimized.

> 💡 Quick Tip
>
> Use the `IFERROR` function for a simpler approach to handle errors in Excel formulas. It helps maintain clean, user-friendly outputs without displaying errors.

---

32. Explain various 'Data tables' used in Pivot Table.

Solutions: Data tables in Pivot Tables allow dynamic analysis of data by varying input values and observing their impact on outputs. The two main types of data tables are:

1. **Single-variable data tables:** - Used to evaluate how changes in a single input affect the outcome of a formula. - For example, testing the impact of varying interest rates on loan repayments while keeping other variables constant.

2. **Two-variable data tables:** - Analyze the combined effect of two different variables on a formula. - For instance, examining the impact of varying both interest rates and loan amounts on monthly installments.

Key Features of Data Tables: - Automatically update results when input values or the linked formula changes. - Provide a structured format to visualize multiple scenarios. - Simplify sensitivity analysis for decision-making processes.

Advantages of Data Tables: - Useful in "What-If" analysis to model different scenarios efficiently. - Help users make informed decisions by comparing outcomes under varying assumptions. - Time-saving for repetitive calculations, as they eliminate the need to create multiple individual formulas.

> Quick Tip
>
> Use data tables in financial modeling to perform sensitivity analysis and compare multiple scenarios with minimal effort.

---

33. (a) List the points of nomenclature used in Excel for charts/graphs.
Solutions: The nomenclature for charts/graphs in Excel includes the following:
1. **Chart Title:** Represents the overall purpose of the chart.
2. **Axis Titles:** Describes the X-axis (horizontal) and Y-axis (vertical).
3. **Legend:** Indicates the data series represented in the chart.
4. **Data Points:** Represents individual values plotted in the chart.
5. **Gridlines:** Help in reading the values on axes.
6. **Data Labels:** Display specific values for each data point.
7. **Plot Area:** The region where data is charted.

These components help in making charts clear and easy to interpret.

> Quick Tip
>
> Always use a meaningful chart title and clear axis labels to ensure your charts convey the intended message effectively.

---

33. (b) Explain the steps to define 'Print area' using Dialog box.
Solutions: To define the 'Print area' in Excel using the dialog box, follow these steps:
Step 1. Select the range of cells you want to set as the print area.
Step 2. Go to the **Page Layout** tab in the Ribbon.
Step 3. Click on the **Print Area** drop-down in the Page Setup group.
Step 4. Choose **Set Print Area**. This defines the selected cells as the area to be printed.
Step 5. To modify the print area, select additional cells and add them using **Add to Print Area**.
Step 6. To remove the defined area, choose **Clear Print Area** from the same menu.
These steps ensure only the required data is printed, saving paper and providing clarity.

> Quick Tip
>
> Preview the print area using the Print Preview option to ensure the selected range appears as intended before printing.

---

34. From the given 'VLOOKUP' syntax, find out the error and its reason using

the worksheet:

S. No.	Name	Maths	English	Science	Total
1	*Vipul*	38	58	66	162
2	*Ram*	88	92	74	254
3	*Kiara*	57	77	91	225
4	*Kian*	82	56	45	183
5	*Kabir*	75	51	57	183
6	*Yuvaan*	89	75	51	215
7	*Vishnu*	89	78	66	233
8	*Neha*	70	58	84	212

(i) = VLOOKUP(B5, C3:F10, 2, 0)
(ii) = SQRT(VLOOKUP(B3, B3:F10, 2, 0) - 100)
(iii) = VLOOKUP(B2, B3:F10, 5, 0)
(iv) = VLOOKUP(B3, B3:B10, 2, 0)
(v) = VLOOKUP(B6, B3:F10, 0, 0)
(vi) = VLOOKUP(B6, B3:F10, 2, 0)/0

Solutions:

VLOOKUP Syntax	**Error**	**Reason**
(i) `=VLOOKUP(B5, C3:F10, 2, 0)`	Error: `#N/A`	The lookup value `B5` (Kabir) is not present in the first column of the range `C3:F10`. The first column of the range must contain the lookup value.
(ii) `=SQRT(VLOOKUP(B3, B3:F10, 2, 0) - 100)`	Error: `#N/A`	The lookup value `B3` (Kiara) is not in the first column of the range `B3:F10`, causing the VLOOKUP to fail.
(iii) `=VLOOKUP(B2, B3:F10, 5, 0)`	Error: `#REF!`	The column index (5) is invalid as the range `B3:F10` contains only 4 columns.
(iv) `=VLOOKUP(B3, B3:B10, 2, 0)`	Error: `#VALUE!`	The column index (2) exceeds the number of columns in the range `B3:B10`, which has only 1 column.
(v) `=VLOOKUP(B6, B3:F10, 0, 0)`	Error: `#VALUE!`	The column index (0) is invalid. It must be a positive integer greater than or equal to 1.
(vi) `=VLOOKUP(B6, B3:F10, 2, 0)/0`	Error: Division by zero	The formula attempts to divide the result of `VLOOKUP` by zero, which is undefined.

Quick Tip

Quick Tip:

- Ensure the lookup value is in the first column of the table array.
- Use a valid column index that corresponds to the structure of the table array.
- Avoid dividing by zero or referencing incorrect ranges in formulas.
