CBSE Class 12 Accountancy 67/5/3 2024 Question Paper with Solutions

Time Allowed : 3 Hours	**Maximum Marks :** 80	**Total Questions :** 34

General Instructions

Read the following instructions very carefully and strictly follow them:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts Part A and Part B.
3. Part A is compulsory for all candidates.
4. Part – B has two options 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) 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.

Solution: The fixed capitals of Ridhima and Kavita are ₹1,50,000 and ₹2,00,000 respectively. The partnership deed allows interest on capital at 8% p.a.

$$\text{Interest on capital for Ridhima} = |1,50,000 \times \frac{8}{100} = |12,000$$

$$\text{Interest on capital for Kavita} = |2,00,000 \times \frac{8}{100} = |16,000$$

However, the net profit of the firm is ₹21,000, which is insufficient to fully pay the interest on capital (₹28,000). Hence, the available profit is distributed in the ratio of interest entitlements:

$$\text{Ratio of interest entitlement} = |12,000 : |16,000 = 3 : 4$$

$$\text{Adjusted interest for Ridhima} = |21,000 \times \frac{3}{7} = |9,000$$

$$\text{Adjusted interest for Kavita} = |21,000 \times \frac{4}{7} = |12,000$$

Quick Tip

When the profit is insufficient to pay the full interest on capital, it is distributed in the ratio of the interest entitlement of each partner.

(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
Solution: The total drawings at the end of each quarter = ₹9,000. The average period for quarterly drawings = 7.5 months (or 7.5/12 years).

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

$$\text{Interest} = |36,000 \times 6\% \times \frac{7.5}{12} = |810$$

Quick Tip

When calculating interest on periodic drawings, always use the correct average period. For end-of-quarter withdrawals, the average period is 7.5 months.

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2. 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, but Reason (R) is not the correct reason of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct reason of Assertion (A).
(C) Both Assertion (A) and Reason (R) are false.
(D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (B) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct reason of Assertion (A).
Solution: The Companies Act, 2013 specifies the purposes for which the Securities Premium Account can be utilized, such as issuing bonus shares, writing off preliminary expenses, and providing for premiums on redemption of preference shares and debentures. Loss on sale of a fixed asset does not fall under these specified purposes.

> Quick Tip
>
> Refer to Section 52 of the Companies Act, 2013 to understand permissible uses of the Securities Premium Account.

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3. 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
Solution: The total amount paid to Ganpati Ltd. is ₹28,60,000, and the face value of each share is ₹100. The issue price per share = ₹100 + 10% of ₹100 = ₹110.

$$\text{Number of shares issued} = \frac{\text{Total Amount}}{\text{Issue Price per Share}} = \frac{|28,60,000}{|110} = 26,000 \text{ shares.}$$

> Quick Tip
>
> When shares are issued at a premium, the issue price is the sum of the face value and the premium amount.

4.(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) ₹10,000

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

Correct Answer: (B) ₹1,00,000
Solution: The loss on issue of debentures arises due to the premium on redemption, which is charged to the Loss on Issue of Debentures account.

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

$$= (10,000 \times 10) - (10,000 \times 5)$$

$$= 1,00,000 - 0$$

$$= |1,00,000$$

Thus, the Loss on Issue of Debentures account will be debited by ₹1,00,000.

> **Quick Tip**
>
> Premium on redemption increases the cost of borrowing and is charged to the Loss on Issue of Debentures account, while premium on issue provides capital gain.

(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
Solution: The total debentures issued = 8,000 debentures of ₹100 each. The interest rate = 11%.

$$\text{Total Interest} = \text{Total Value of Debentures} \times \text{Interest Rate}$$

$$\text{Total Interest} = |(8,000 \times 100) \times \frac{11}{100} = |88,000$$

> **Quick Tip**
>
> To calculate the total interest on debentures, multiply the face value of the debentures by the interest rate, ignoring any premium or discount.

Keshav and Hitesh are partners sharing profits and losses in the ratio of 3:2. On 31st March, 2023 after division of profit of ₹15,000, their capitals were ₹55,000 and

₹45,000 respectively. During the year, Keshav's drawings were ₹1,500 at the beginning of each quarter and Hitesh withdrew ₹9,000 on 1st November, 2022. After the final accounts have been prepared, it was discovered that interest on capital @ 5% p.a. and interest on drawings @ 8% p.a. have not been taken into consideration.

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

Correct Answer: (D) ₹52,000
Solution: We calculate Keshav's opening capital using the formula:

$$\text{Opening Capital} = \text{Closing Capital} - \text{Net Profit} + \text{Drawings} - \text{Interest on Drawings}$$

Given: - Closing Capital = ₹55,000 - Keshav's Share of Profit = $\frac{3}{5} \times |15,000 = |9,000$ - Drawings during the year = ₹1,500 × 4 = ₹6,000 - Interest on Drawings:

$$\text{Interest} = |6,000 \times 8\% \times \frac{6.5}{12} = |260$$

Now, applying the formula:

$$\text{Opening Capital} = |55,000 - |9,000 + |6,000 - |260$$

$$= |52,000$$

Thus, the correct answer is ₹52,000 (Option D).

Quick Tip

To calculate opening capital, adjust the closing capital by adding back drawings and subtracting profits.

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6. 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
Solution: Hitesh withdrew ₹9,000 on 1st November, 2022. Time period = 5 months (November to March).

$$\text{Interest on drawings} = \text{Amount withdrawn} \times \text{Rate} \times \text{Time}$$

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

> 💡 Quick Tip
>
> Interest on drawings is calculated for the time period between withdrawal and the closing of accounts.

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7. Isha and Manish were partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1^{st} 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. To Isha's Capital A/c.	30,000	 30,000
(B) April, 1	Isha's Capital A/c. Dr. To Manish's Capital A/c.	30,000	 30,000
(C) April, 1	Manish's Capital A/c. Dr. To Isha's Capital A/c.	3,000	 3,000
(D) April, 1	Isha's Capital A/c. Dr. To Manish's Capital A/c.	3,000	 3,000

Correct Answer: (A) Manish's Capital A/c. Dr. ₹30,000 To Isha's Capital A/c. ₹30,000
Solution: 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 (₹)
$Manish's Capital A/c. Dr.$	$30,000$	
$To Isha's Capital A/c.$		$30,000$

> 💡 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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8. 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
Solution: 1. Total profit of the firm = ₹1,10,000 2. Profit-sharing ratio (Mahi: Ruhi: Ginni) = 6:4:1 3. Distribution of profit as per the ratio:

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

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

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

4. Guaranteed profit for Ginni = ₹50,000. However, Ginni's share from the distribution is only ₹10,000. - Deficiency to be paid by Mahi = $50,000 - 10,000 = 40,000$. - This amount is deducted from Mahi's share.
5. Final share of Mahi after adjusting the guarantee:

$$\text{Mahi's final profit} = |60,000 - |40,000 = |20,000.$$

Thus, the correct answer is ₹20,000 (Option A).

> Quick Tip
>
> In a profit guarantee, the guaranteeing partner bears any shortfall in the guaranteed amount before distributing the remaining profit.

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9. 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
Solution:
1. Total amount received on reissue of 70 shares

$$= 70 \times |10 = |700$$

2. Total amount originally called up before reissue

$$= 70 \times |8 = |560$$

3. Gain on reissue calculation

$$\text{Gain on Reissue} = \text{Reissue Amount} - \text{Called-up Amount}$$

$$= |700 - |560 = |140$$

4. Forfeited amount per share before reissue The amount forfeited per share: - Total amount called up = ₹8 (excluding final call) - Paid by Ramesh = Application Money (₹3) - Unpaid by Ramesh = Allotment Money (₹5) - Premium amount (₹2) was included in allotment but not received (hence not part of forfeiture balance) - Amount forfeited per share = ₹3 - Total forfeited amount for 70 shares = $70 \times 3 = |210$

5. Final Gain on Reissue

$$\text{Total Gain} = \text{Reissue Gain} + \text{Forfeited Amount}$$

$$= |140 + |210 = |350$$

Thus, the correct answer is ₹350 (Option C).

> **Quick Tip**
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> In share forfeiture, the gain on reissue is calculated as the difference between the amount received on reissue and the amount due on the forfeited shares, plus any forfeited amount retained.

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10. Assertion (A): In a 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.
Solution: In a partnership firm, the partners have unlimited liability, which means that in case the firm's assets are insufficient to pay off its debts, the personal assets of the partners can be used to settle the liabilities. However, the statement in Reason (R) is incorrect as the liability of the partners in a partnership firm is not limited; it is unlimited.

> **Quick Tip**
>
> In a partnership, partners have unlimited liability, unlike in a company where shareholders' liability is limited to their shareholding.

11. (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 the 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
Solution:
1. Annual Profit of the Firm = ₹4,50,000 2. Sukriti's Profit-Sharing Ratio = $\frac{2}{5}$

$$\text{Sukriti's Annual Share of Profit} = 4,50,000 \times \frac{2}{5} = |1,80,000$$

3. Profit for the Period from 1st April 2023 to 30th June 2023 (3 months): Since the profit is for one full year, we calculate Sukriti's share for 3 months (April–June):

$$\text{Sukriti's Profit for 3 months} = 1,80,000 \times \frac{3}{12}$$

$$= 1,80,000 \times \frac{1}{4} = |45,000$$

Thus, the amount credited to Sukriti's Capital Account = ₹45,000 (Option B).

Quick Tip

When a partner dies mid-year, their share of profit is calculated proportionally based on the time they were active in the firm.

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11. (b) Pawan, a partner, was appointed to look after the process of dissolution of the firm for which he was allowed a remuneration of ₹75,000. Pawan agreed to bear the dissolution expenses. Actual dissolution 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
Solution:
1. Pawan was allowed remuneration = ₹75,000 2. Pawan agreed to bear the dissolution expenses. 3. Actual dissolution expenses paid by Pawan = ₹60,000 4. Effect on Pawan's Capital Account: - Since Pawan was allowed a fixed remuneration of ₹75,000 for handling the dissolution, this amount must be credited to his capital account, irrespective of the actual expenses

incurred. - The actual expenses (₹60,000) were borne by him, but this does not affect the remuneration credited.
Thus, Pawan's capital account will be credited with ₹75,000 (Option A).

> Quick Tip
>
> If a partner is given a fixed remuneration for handling dissolution, their capital account is credited with the full agreed amount, regardless of actual expenses incurred.

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12. 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
Solution: 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
>
> The maximum number of partners in a partnership firm under the Companies Act, 2013, is 50 unless registered as a company.

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13. (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
Solution:
1. Workmen Compensation Fund in Balance Sheet = ₹1,50,000 2. Workmen Compensation

Claim = ₹1,20,000 3. Surplus Fund Available for Distribution

$$= |1,50,000 - |1,20,000 = |30,000$$

4. Nidhi's Share in the Surplus (Profit Sharing Ratio: 3:2:1)

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

Thus, the amount credited to Nidhi's Capital Account = ₹5,000 (Option C).

Quick Tip
When distributing a Workmen Compensation Fund upon a partner's retirement, first deduct the compensation claim, then distribute the remaining balance among the partners based on their profit-sharing ratio.

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13. (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
Solution:
1. Balance in Mohit's Capital Account after adjustments = ₹1,80,000 2. Total amount agreed to be paid in full settlement = ₹2,00,000 3. Mohit's Share of Goodwill Calculation:

$$\text{Mohit's Share of Goodwill} = \text{Final Settlement Amount} - \text{Capital Account Balance}$$

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

Thus, Mohit's share of goodwill in the firm is ₹20,000 (Option D).

Quick Tip
When a partner retires and receives an amount higher than their capital account balance, the difference represents their share of goodwill.

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14. A, B and C were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 3. D was admitted in the firm for $1/6^{th}$ 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
Solution: 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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15. (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
Solution: When forfeited shares are reissued, the balance remaining in the Forfeited Shares Account is transferred to the Capital Reserve Account. This is because any amount remaining after adjusting for the calls not paid on forfeited shares is considered capital profit and is transferred to the Capital Reserve.
Therefore, the balance left in the Forfeited Shares Account is transferred to the Capital Reserve Account.

> Quick Tip
>
> When forfeited shares are reissued, the balance in the Forfeited Shares Account is usually transferred to the Capital Reserve Account.

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15. (b) Raghav Ltd. forfeited 100 shares of ₹10 each issued at a premium of 20% for non-payment of 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
Solution:
1. Face value of each share = ₹10 2. Premium on issue = ₹2 3. Total amount due per share (Face Value + Premium)

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

4. Total unpaid amount per share

$$= |3 \text{ (First Call)} + |1 \text{ (Final Call)} = |4$$

5. Forfeited amount per share

$$= \text{Total Due} - \text{Unpaid Amount} = |12 - |4 = |8$$

6. Minimum reissue price per share - The minimum price at which forfeited shares can be reissued must be at least equal to the forfeited amount per share. - The maximum discount allowed on reissue is the forfeited amount of ₹8. - The minimum price per share:

$$= \text{Face Value} - \text{Maximum Discount} = |10 - |6 = |4$$

Thus, the minimum price per share at which these shares can be reissued is ₹4 (Option A).

Quick Tip

The minimum reissue price of forfeited shares is determined by subtracting the maximum allowable discount (forfeited amount) from the face value.

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16. On dissolution 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
Solution:
1. Realisation expenses are usually paid out of the Realisation Account when borne by the firm. 2. However, if a partner is responsible for the realisation expenses and the firm pays on their behalf, then these expenses are debited to the Partner's Capital Account, reducing their capital balance. 3. This ensures that the burden of expenses remains with the designated partner instead of affecting the firm's accounts.
Thus, the correct answer is (B) Partner's Capital Account.

💡 Quick Tip

If a partner agrees to bear realisation expenses but the firm pays them instead, the amount is debited to the partner's capital account.

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17. Anvi, Vani, and Karan were partners in a firm sharing profits in the ratio of 2:2:1. Their fixed capitals were ₹4,00,000, ₹5,00,000, and ₹6,00,000 respectively. For the year ended 31st March, 2023, interest on capital was credited to the partners' capital accounts @ 6% p.a. instead of 10% p.a. Pass the necessary adjusting journal entry.

Solution: The correct interest on capital should be calculated at 10% p.a., but it was credited at 6% p.a. The difference needs to be adjusted.

$$\text{Difference in Interest on Capital} = \text{Fixed Capital} \times (10\% - 6\%)$$

$$\text{Anvi's Interest Adjustment} = |4,00,000 \times 4\% = |16,000$$

$$\text{Vani's Interest Adjustment} = |5,00,000 \times 4\% = |20,000$$

$$\text{Karan's Interest Adjustment} = |6,00,000 \times 4\% = |24,000$$

Adjusting journal entry:

Date	Particulars	Dr. (₹)	Cr. (₹)
31st March, 2023	Profit and Loss Adjustment A/c	60,000	–
	Anvi's Capital A/c	–	16,000
	Vani's Capital A/c	–	20,000
	Karan's Capital A/c	–	24,000

Narration: Adjustment for under-crediting of interest on capital for Anvi, Vani, and Karan.

💡 Quick Tip

In such adjustments, the difference in interest on capital is charged to the Profit and Loss Adjustment Account and credited to the partners' capital accounts.

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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:

Solution: 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.

---

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:

Solution: 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:

Solution: 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.

---

19. (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:
Solution: 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. Maira and Shreya were partners in a firm. They earned an average profit of ₹2,00,000 during the last few years. The normal rate of profit in the similar type of business is 10%. The value of assets and liabilities of the business were ₹18,00,000 and ₹3,00,000 respectively. Calculate the value of goodwill of the firm by super profit method if it is valued at 3 years purchase of super profit.
Solution: To calculate goodwill using the super profit method, follow these steps:
1. **Calculate the capital employed:**

$$\text{Capital Employed} = \text{Assets} - \text{Liabilities} = |18,00,000 - |3,00,000 = |15,00,000$$

2. **Calculate the normal profit:**

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

$$\text{Normal Profit} = |15,00,000 \times \frac{10}{100} = |1,50,000$$

3. **Calculate the super profit:**

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

$$\text{Super Profit} = |2,00,000 - |1,50,000 = |50,000$$

4. **Calculate the goodwill:**

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

$$\text{Goodwill} = |50,000 \times 3 = |1,50,000$$

Goodwill of the firm is ₹1,50,000.

Quick Tip

In the super profit method, goodwill is calculated as the super profit (difference between average and normal profit) multiplied by the number of years of purchase.

---

21. 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. Prepre the share capital in Balance Sheet of Khyati Ltd. as per Schedule III, Part I of Companies Act, 2013 and also prepare 'Notes to Accounts' for the same.

Solution:

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.

---

22. 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.

Solution:
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.

---

23. (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.

Solution:

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.

---

23. (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

Sona will bring ₹4,00,000 as her capital and her share of goodwill in cash. It was agreed that:
(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.

Solution:

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.

---

24. (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.

Solution:

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.

---

24. (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.

Solution:

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.

---

25. Pass the necessary journal entries for the following transactions on the dissolution of the firm of Radha and Sudha after various assets (other than cash) and third-party liabilities have been transferred to Realisation Account:

(i) Nitish, an old customer, whose account for ₹11,000 was written off as bad debt in the previous year, paid 70% of the amount.
(ii) Sundry creditors amounting to ₹40,000 were settled at a discount of 20%.
(iii) Radha took over investments worth ₹23,000 at ₹20,000.
(iv) Profit and Loss Account showed a debit balance of ₹18,000.
(v) Sudha's loan amounting to ₹15,000 was paid.
(vi) Machinery of the book value of ₹1,00,000 was given to a creditor of ₹85,000 in full settlement.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Realisation A/c *(70% recovery of bad debts from Nitish)*	7,700 –	– 7,700
	Realisation A/c Dr. To Sundry Creditors A/c *(Creditors settled at a 20% discount)*	40,000 –	– 40,000
	Radha's Capital A/c Dr. To Realisation A/c *(Investments taken over by Radha at agreed value)*	20,000 –	– 20,000
	Partners' Capital A/c Dr. To Profit and Loss A/c *(Debit balance transferred to partners' capital accounts)*	18,000 –	– 18,000
	Realisation A/c Dr. To Bank A/c *(Payment of Sudha's loan)*	15,000 –	– 15,000
	Realisation A/c Dr. To Machinery A/c To Bank A/c *(Machinery given to creditors in full settlement)*	85,000 1,00,000 –	– – 85,000

Quick Tip

In dissolution, all third-party liabilities and realizable assets are transferred to the Realisation Account. Any recovery, payment, or takeover is recorded through adjusting journal entries.

---

26. Pass Journal entries relating to the issue of debentures in the books of Unicorn Ltd. in each of the following cases:
(i) Issued 20,000, 8% Debentures of ₹100 each at a premium of 10%, redeemable at a premium of 5%.
(ii) Issued 8,000, 8% Debentures of ₹100 each at a discount of 10%, redeemable at a premium of 10%.
(iii) Issued 3,000, 8% Debentures of ₹100 each at par, redeemable at a premium of 10%.
Solution:

Journal Entries:

Date	Particulars	Dr. (₹)	Cr. (₹)
–	Bank A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Securities Premium A/c *(Debentures issued at a premium of 10% and redeemable at a premium of 5%)*	22,00,000 1,00,000 – –	– – 20,00,000 2,00,000
–	Bank A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Securities Premium A/c *(Debentures issued at a discount of 10% and redeemable at a premium of 10%)*	7,20,000 1,60,000 – –	– – 8,00,000 80,000
–	Bank A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Securities Premium A/c *(Debentures issued at par and redeemable at a premium of 10%)*	3,00,000 30,000 – –	– – 3,00,000 30,000

Quick Tip

When issuing debentures at a discount or redeemable at a premium, the difference is transferred to the "Loss on Issue of Debentures" account, which is amortized over the life of the debentures.

PART B
OPTION I
(Analysis of Financial Statements)

27. (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
Solution:
1. Interest paid on loans is classified differently for financing and non-financing companies. 2. For a financing company (like Shyam Sunder Ltd.), interest paid on loans is considered an operating expense since earning and paying interest is part of its core business operations. 3.

According to AS-3 (Cash Flow Statements), interest paid is classified as: - Operating Activity for financial institutions and banks. - Financing Activity for non-financial firms. 4. Since Shyam Sunder Ltd. is a financing company, the interest paid on loans will be classified under operating activities in the cash flow statement.
Thus, the correct answer is: (D) Operating activity.

> Quick Tip
>
> For financial companies, interest paid and received are classified under Operating Activities, whereas for non-financial companies, interest paid falls under Financing Activities.

---

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

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
Solution:
1. Given Data: - Provision for tax on 1st April 2022 = ₹10,000 - Provision for tax on 31st March 2023 = ₹25,000 - Tax paid during the year = ₹15,000
2. Formula to Calculate Provision for Tax to be Added:

$$\text{Provision to be added} = \text{Tax paid} + \text{Increase in provision}$$

3. Increase in Provision:

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

4. Total Provision to be Added:

$$= |15,000 + |15,000 = |30,000$$

Thus, the amount of provision for tax to be added is ₹30,000 (Option A).

> Quick Tip
>
> While calculating Net Profit before Tax, always add both the tax paid during the year and the increase in provision for tax to get the correct value.

---

28. 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
Solution: Analysis of Financial Statements involves tools like ratio analysis, comparative statements, and cash flow statements. The Statement of Profit Loss, while important for financial reporting, is not a tool for analysis itself. Therefore, the correct answer is (C).

Quick Tip
Financial analysis uses ratios, comparative statements, and cash flow analysis, but the Statement of Profit Loss is simply a report.

---

29. (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
Solution:
1. Calculate Current Assets

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

$$= |3,00,000 - |2,60,000 = |40,000$$

2. Calculate Current Liabilities

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

$$= (\text{Total Assets} - \text{Shareholders' Funds}) - \text{Non-current Liabilities}$$

$$= (|3,00,000 - |2,00,000) - |80,000 = |20,000$$

3. Current Ratio Calculation

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

$$= \frac{|40,000}{|20,000} = 2:1$$

Thus, the correct Current Ratio is 2 : 1 (Option B).

Quick Tip

The current ratio is calculated as:

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

Subtract non-current assets from total assets to determine current assets, and compute current liabilities accordingly.

(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
Solution:

- **Quick Assets = Current Assets - Inventory:**

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

- **Quick Ratio = Quick Assets / Current Liabilities:** Using the given quick ratio of 2.5 : 1:

$$\text{Quick Assets} = 2.5 \times \text{Current Liabilities}$$

- **Current Liabilities:** From the current ratio of 4 : 1:

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

- **Quick Assets:**

$$\text{Quick Assets} = 2.5 \times |15,000 = |37,500$$

- **Inventory:**

$$\text{Inventory} = \text{Current Assets} - \text{Quick Assets} = |60,000 - |37,500 = |22,500$$

Quick Tip

To find inventory, subtract quick assets from current assets. Quick assets are calculated using the quick ratio formula: Quick Ratio = Quick Assets ÷ Current Liabilities.

---

30. Which of the following transactions will result in a 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
Solution:

- Cash withdrawn from the bank does not result in a flow of cash since it is an internal transfer.
- Issue of debentures to vendors of machinery is a non-cash transaction.
- Receipt of cash from debtors results in a cash inflow and is thus a flow of cash.
- Redemption of debentures by converting them into equity shares is also a non-cash transaction.

> Quick Tip
>
> A transaction results in a flow of cash only when there is an actual movement of cash into or out of the business.

---

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) Patents
(ii) Capital Reserve
(iii) Prepaid Rent

Solution:

- (i) Patents - Non-current Assets (Intangible Assets)
- (ii) Capital Reserve - Shareholders' Funds (Reserves and Surplus)
- (iii) Prepaid Rent - Current Assets (Other Current Assets)
- Patents, as intangible assets, fall under Non-current Assets.
- Capital Reserve is part of Reserves and Surplus under Shareholders' Funds.
- Prepaid Rent, being a short-term asset, falls under Current Assets as Other Current Assets.

> Quick Tip
>
> Refer to Schedule III, Part I of the Companies Act, 2013 for the classification of assets and liabilities in the Balance Sheet.

---

32. From the following information, calculate the Working Capital Turnover Ratio:
Gross Profit Ratio - 25%
Gross Profit - ₹5,00,000

Shareholders' Funds - ₹25,00,000
Non-current Liabilities - ₹8,00,000
Non-current Assets - ₹23,00,000

Solution:

- **Sales = Gross Profit / Gross Profit Ratio:**

$$\text{Sales} = \frac{5,00,000}{25\%} = 20,00,000$$

- **Working Capital = Current Assets - Current Liabilities:**

  Working Capital = $(Shareholders'Funds+Non-currentLiabilities)-Non-currentAssets$

$$\text{Working Capital} = (25,00,000 + 8,00,000) - 23,00,000 = 10,00,000$$

- **Working Capital Turnover Ratio = Sales / Working Capital:**

$$\text{Working Capital Turnover Ratio} = \frac{20,00,000}{10,00,000} = 2 \text{ times}$$

> Quick Tip
>
> Working Capital Turnover Ratio measures how efficiently the company uses its working capital to generate sales. Formula: Sales ÷ Working Capital.

---

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

Solution:
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%

Solution:
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.

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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

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.

Solution:

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

(A) Row

(B) Column

(C) Range

(D) Cell

Correct Answer: (D) Cell

Solution: In spreadsheets, a value, function, or arithmetic expression is recorded in a cell, which is the intersection of a row and a column.

Quick Tip

A cell is the fundamental unit in a spreadsheet where values, functions, or formulas are stored.

---

28. (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
Solution: Depreciation is directly related to fixed assets, and thus is generated from the fixed assets accounting sub-system, which tracks the asset's acquisition, depreciation, and disposal.

Quick Tip

Depreciation is calculated based on the cost and useful life of fixed assets, and is managed through the Fixed Assets Accounting Sub-System.

---

28. (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
Solution:
1. Generic software is suitable for organizations where the volume of transactions is low and adaptability is high. 2. It is pre-designed, easy to implement, and cost-effective, making it ideal for small businesses or startups. 3. Tailored software is usually meant for businesses with specific needs and may not be necessary for organizations with low transaction volumes. 4. ERP software is designed for large organizations with high transaction volumes, making it unsuitable for this case.
Thus, the correct answer is (D) Generic.

Quick Tip

Generic software is ideal for businesses with low transaction volumes and high adaptability as it provides ready-to-use solutions without heavy customization costs.

---

29. Which chart has depth axis?

(A) 2D chart
(B) 3D chart
(C) Radar chart
(D) Doughnut chart

Correct Answer: (B) 3D chart
Solution: A 3D chart has a depth axis, which gives it a three-dimensional appearance. The depth axis allows the chart to represent additional data on the z-axis.

> Quick Tip
>
> 3D charts are effective for showing data in multiple dimensions, helping to illustrate complex relationships.

---

30. (a) Which of the following is not a limitation of the 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
Solution: While computerised accounting systems have limitations such as data corruption, hacking, and unprogrammed report generation, the statement that data is made available to everyone is not a limitation.

> Quick Tip
>
> Computerised systems enhance data security, but unprotected data can be prone to hacking, and system interruptions can cause data loss.

---

30. (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
Solution: A business must maintain internal controls to safeguard its assets, optimize resources, and prevent fraud or errors. Internal controls are essential for efficient operations and protection of assets.

Quick Tip

Internal controls help ensure the security of assets and the efficiency of business operations.

---

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

Solution: 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.

Solution: 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.
Solution: 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.
Solution: 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	*Tarandeep*	99	52	66	217
2	*William*	33	87	65	185
3	*Margaret*	37	62	88	187
4	*Ram*	89	46	56	191
5	*Lewis*	67	53	65	185
6	*Afreen*	88	49	49	186
7	*Mehrunisha*	66	77	59	202
8	*Abid*	100	51	79	230

(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

Solution:

VLOOKUP Syntax	**Error**	**Reason**
(i) `=VLOOKUP(B5, C3:F10, 2, 0)`	Error: `#N/A`	The lookup value `B5` (Ram) is not 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` (Margaret) 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) exceeds the number of columns in the range `B3:F10`, which has 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.
