

CBSE Class 12 Accountancy (Set-3) Question Paper 2026 With Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :34
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General Instructions

Read the following instructions very carefully and strictly follow them:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts — Part A and Part B.
3. Part A is compulsory for all candidates.
4. Part B has two options. Candidates have to attempt only one of the given options.
Option I: Analysis of Financial Statements
Option II: Computerised Accounting
5. Questions number 1 to 16 (Part A) and Questions number 27 to 30 (Part B) are Multiple Choice Questions. Each question carries 1 mark.
6. Questions number 17 to 20 (Part A) and Questions number 31 and 32 (Part B) are Short Answer type questions. Each question carries 3 marks.
7. Questions number 21, 22 (Part A) and Question number 33 (Part B) are Long Answer type-I questions. Each question carries 4 marks.
8. Questions number 23 to 26 (Part A) and Question number 34 (Part B) are Long Answer type-II questions. Each question carries 6 marks.
9. There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.

PART A

(Accounting for Partnership Firms and Companies)

1. Munna and Sonu were partners in a firm sharing profits and losses in the ratio of 4 : 1. Their fixed capitals were Rs.40,00,000 and Rs.30,00,000 respectively. During the year ended 31st March, 2025, Munna withdrew Rs.50,000 for personal use. Interest on drawings was to be charged @ 6% p.a. The journal entry for charging interest on Munna's drawings will be:

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Interest on Drawings A/c Dr. To Munna's Capital A/c	1,500	1,500
(B)	Munna's Capital A/c Dr. To Interest on Drawings A/c	1,500	1,500
(C)	Interest on Drawings A/c Dr. To Munna's Current A/c	1,500	1,500
(D)	Munna's Current A/c Dr. To Interest on Drawings A/c	1,500	1,500

- (A) Interest on Drawings A/c Dr. 1,500 To Munna's Capital A/c 1,500
 (B) Munna's Capital A/c Dr. 1,500 To Interest on Drawings A/c 1,500
 (C) Interest on Drawings A/c Dr. 1,500 To Munna's Current A/c 1,500
 (D) Munna's Current A/c Dr. 1,500 To Interest on Drawings A/c 1,500

Correct Answer: (D) Munna's Current A/c Dr. 1,500 To Interest on Drawings A/c 1,500

Solution:

Step 1: Understanding the Concept:

This question involves two key accounting rules: the calculation of interest on drawings when the date of withdrawal is not specified, and the treatment of partner transactions under the Fixed Capital Method.

Step 2: Key Formula or Approach:

- Interest Calculation: When the date of withdrawal is not given, interest is calculated for an average period of 6 months.

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate}}{100} \times \frac{6}{12}$$

- Capital Method: Under the Fixed Capital Method, all adjustments (interest, salary, drawings, etc.) are recorded in the Partner's Current Account, not the Capital Account.

Step 3: Detailed Explanation:

Calculation:

$$\text{Interest} = 50,000 \times \frac{6}{100} \times \frac{6}{12} = 1,500$$

Since the capitals are fixed, the entry must debit the Current Account of the partner to reduce their balance and credit Interest on Drawings (an income for the firm). The entry is: Munna's Current A/c ...Dr 1,500 To Interest on Drawings A/c 1,500

Step 4: Final Answer:

The correct journal entry is Munna's Current A/c Dr. 1,500 To Interest on Drawings A/c 1,500.

 Quick Tip

Always check if capitals are "Fixed" or "Fluctuating". If "Fixed" is mentioned, use the Current Account for all adjustments except permanent capital changes.

2. Sujata and Laxmi were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2025, they admitted Raghu as a new partner for 1/5th share in the profits of the firm. On the date of Raghu's admission, it was found that the equipment is undervalued by Rs.90,000. After revaluation, the Balance Sheet of Sujata, Laxmi and Raghu showed equipment at Rs.3,00,000. The value of equipment shown in the books of the firm of Sujata and Laxmi before Raghu's admission was:

- (A) Rs.3,90,000
- (B) Rs.2,10,000
- (C) Rs.3,00,000
- (D) Rs.90,000

Correct Answer: (B) Rs.2,10,000

Solution:

Step 1: Understanding the Concept:

When a partner is admitted, assets are revalued. If an asset is "undervalued," it means its current book value is lower than its actual market value, and it needs to be increased (appreciated).

Step 3: Detailed Explanation:

Let the Book Value (old value) be X . The problem states the equipment was undervalued by Rs.90,000. This means the actual value (Revised Value) is Rs.90,000 more than the book value.

$$\text{Revised Value} = \text{Book Value} + \text{Undervaluation Amount}$$

Given: Revised Value = Rs.3,00,000 Undervaluation = Rs.90,000

$$3,00,000 = X + 90,000$$

$$X = 3,00,000 - 90,000$$

$$X = 2,10,000$$

Step 4: Final Answer:

The value of equipment in the books before Raghu's admission was Rs.2,10,000.

 Quick Tip

"Undervalued by" means the asset needs to be increased. "Valued at" or "Reduced to" indicates the new final value.

3. Universal Ltd. took over machinery of Rs.3,30,000, furniture of Rs.1,60,000 and liabilities of Rs.80,000 from Amol Ltd. for a purchase consideration of Rs.4,50,000. The payment to Amol Ltd. was made by issue of 10% Debentures of Rs.50 each at a discount of 10%. The number of debentures issued to Amol Ltd. was:

- (A) 1,000
- (B) 4,500
- (C) 45,000
- (D) 10,000

Correct Answer: (D) 10,000

Solution:

Step 1: Understanding the Concept:

This involves "Issue of Debentures for Consideration other than Cash." We must determine the Issue Price per debenture to find the total quantity issued to satisfy the purchase price.

Step 2: Key Formula or Approach:

$$\text{Number of Debentures} = \frac{\text{Purchase Consideration}}{\text{Issue Price per Debenture}}$$
$$\text{Issue Price} = \text{Face Value} - \text{Discount}$$

Step 3: Detailed Explanation:

1. Calculate Issue Price: Face Value = Rs.50 Discount = 10% of 50 = Rs.5 Issue Price = $50 - 5 = \text{Rs.}45$ 2. Calculate Number of Debentures: Purchase Consideration = Rs.4,50,000

$$\text{Number of Debentures} = \frac{4,50,000}{45} = 10,000$$

Step 4: Final Answer:

The number of debentures issued is 10,000.

 Quick Tip

Ignore the values of individual assets (machinery, furniture) and liabilities when the "Purchase Consideration" is already explicitly given.

4. At the time of forfeiture of shares, 'Share Capital Account' is debited with:

- (A) Paid-up amount on forfeited shares
- (B) Called-up amount on forfeited shares
- (C) Face value of shares forfeited
- (D) Unpaid amount on forfeited shares

Correct Answer: (B) Called-up amount on forfeited shares

Solution:

Step 1: Understanding the Concept:

Forfeiture occurs when a company cancels shares due to non-payment of dues. The accounting entry must reverse the amount that was previously credited to the Share Capital account during the calls.

Step 3: Detailed Explanation:

When shares are issued, the Share Capital account is credited with the amount "called up" by the company at each stage (Application, Allotment, Calls). Upon forfeiture, we must cancel only that part of the capital that was actually asked for (Called-up value). The "Paid-up" amount goes to the Share Forfeiture Account, and the "Unpaid" amount is used to close the Calls-in-Arrears.

Step 4: Final Answer:

The Share Capital Account is debited with the Called-up amount on forfeited shares.

 Quick Tip

Remember: Debit Called-up, Credit Paid-up (to Forfeiture A/c), and Credit Unpaid (to Arrears).

5. Tanay and Ishaan were partners in a firm and their capitals were Rs.4,00,000 and Rs.1,00,000 respectively. Normal rate of return in a similar business was 15% and goodwill of the firm was valued at Rs.1,00,000. If goodwill was calculated at two years purchase of super profits, the average profits of the firm were:

- (A) Rs.1,25,000
- (B) Rs.75,000
- (C) Rs.50,000
- (D) Rs.1,00,000

Correct Answer: (A) Rs.1,25,000

Solution:

Step 1: Understanding the Concept:

Goodwill under the Super Profit method is based on the excess of Average Profit over Normal Profit. We need to work backward from the Goodwill value to find the Average Profit.

Step 2: Key Formula or Approach:

1. $\text{Goodwill} = \text{Super Profit} \times \text{Number of Years Purchase}$
2. $\text{Super Profit} = \text{Average Profit} - \text{Normal Profit}$
3. $\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}$

Step 3: Detailed Explanation:

1. Calculate Capital Employed:

$$\text{Capital Employed} = \text{Tanay's Capital} + \text{Ishaan's Capital} = 4,00,000 + 1,00,000 = 5,00,000$$

2. Calculate Normal Profit:

$$\text{Normal Profit} = 5,00,000 \times 15\% = 75,000$$

3. Find Super Profit from Goodwill:

$$1,00,000 = \text{Super Profit} \times 2$$

$$\text{Super Profit} = 50,000$$

4. Find Average Profit:

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

$$50,000 = \text{Average Profit} - 75,000$$

$$\text{Average Profit} = 50,000 + 75,000 = 1,25,000$$

Step 4: Final Answer:

The average profits of the firm were Rs.1,25,000.

💡 Quick Tip

Capital Employed = Total Assets - External Liabilities OR Total Partners' Capital + Reserves.

6. (a) Guru and Prakash were partners in a firm sharing profits and losses in the ratio of 7 : 3. They admitted Anu as a new partner for $\frac{1}{4}$ th share in the profits of the firm. On the date of Anu's admission, the Profit and Loss Account of Guru and Prakash showed a credit balance of Rs.40,000. The necessary journal entry will be:

share in the Profit and Loss Account of balance of ₹ 40,000. The necessary journal entry will be :

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Profit and Loss A/c To Guru's Capital A/c To Prakash's Capital A/c To Anu's Capital A/c	Dr. 40,000	21,000 9,000 10,000
(B)	Profit and Loss A/c To Guru's Capital A/c To Prakash's Capital A/c	Dr. 40,000	28,000 12,000
(C)	Guru's Capital A/c Prakash's Capital A/c Anu's Capital A/c To Profit and Loss A/c	Dr. 21,000 Dr. 9,000 Dr. 10,000	40,000
(D)	Guru's Capital A/c Prakash's Capital A/c To Profit and Loss A/c	Dr. 28,000 Dr. 12,000	40,000

OR

(b) Samta, Mamta and Geeta were partners in a firm sharing profits and losses in the ratio of 11 : 5 : 4. On 31st March, 2025 Samta died. On Samta's death, the goodwill of the firm was valued at Rs.1,80,000. The necessary journal entry for the treatment of goodwill on Samta's death will be:

death will be :

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Samta's Capital A/c To Mamta's Capital A/c To Geeta's Capital A/c	Dr. 99,000	55,000 44,000
(B)	Mamta's Capital A/c Geeta's Capital A/c To Samta's Capital A/c	Dr. 1,00,000 Dr. 80,000	1,80,000
(C)	Samta's Capital A/c To Mamta's Capital A/c To Geeta's Capital A/c	Dr. 1,80,000	1,00,000 80,000
(D)	Mamta's Capital A/c Geeta's Capital A/c To Samta's Capital A/c	Dr. 55,000 Dr. 44,000	99,000

Correct Answer: (a) Option B (Modified as per accounting logic), (b) Option D

Solution:

Step 1: Understanding the Concept:

Part (a) deals with the distribution of accumulated profits at the time of admission of a new partner. These profits belong solely to the old partners. Part (b) deals with the adjustment of goodwill upon the death of a partner, where the gaining partners compensate the deceased partner.

Step 2: Key Formula or Approach:

1. For Accumulated Profits: Debit the Profit and Loss A/c (to close the credit balance) and Credit Old Partners' Capital A/cs in their Old Profit Sharing Ratio.
2. For Goodwill on Death: Debit Gaining Partners' Capital A/cs and Credit Deceased Partner's Capital A/c with their share of goodwill.

$$\text{Deceased Partner's Share} = \text{Total Goodwill} \times \text{Deceased Partner's Ratio}$$

Step 3: Detailed Explanation:

Analysis of (a): Accumulated profit = Rs.40,000. Old Ratio (Guru : Prakash) = 7 : 3. New partner (Anu) has no right over past profits.

$$\text{Guru's Share} = 40,000 \times \frac{7}{10} = 28,000$$

$$\text{Prakash's Share} = 40,000 \times \frac{3}{10} = 12,000$$

The entry is: Profit and Loss A/c Dr. 40,000 to Guru's Capital (28,000) and Prakash's Capital (12,000). (Note: There appears to be a typo in the user-provided options for 'A' and 'B'; the correct logic follows Option B's structure without the new partner).

Analysis of (b): Total Goodwill = Rs.1,80,000. Samta's share = $1,80,000 \times \frac{11}{20} = 99,000$. Since no new ratio is given, the gaining ratio between Mamta and Geeta is their old ratio: 5 : 4.

$$\text{Mamta's Gain} = 99,000 \times \frac{5}{9} = 55,000$$

$$\text{Geeta's Gain} = 99,000 \times \frac{4}{9} = 44,000$$

The entry is: Mamta's Capital A/c Dr. 55,000, Geeta's Capital A/c Dr. 44,000 To Samta's Capital A/c 99,000.

Step 4: Final Answer:

For (a), the accumulated profit is distributed only among old partners in 7:3 ratio. For (b), the journal entry is Mamta's Capital A/c Dr. 55,000, Geeta's Capital A/c Dr. 44,000 to Samta's Capital A/c 99,000.

💡 Quick Tip

Accumulated profits/losses and reserves are always distributed among Old Partners in their Old Ratio. New partners never get a share of old reserves!

7. Sushil and Sapna were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2025, the firm was dissolved. On the date of dissolution there existed a balance of Rs.1,20,000 in sundry creditors account. The sundry

creditors were payable after three months. They were paid immediately at a discount of 12% p.a. The amount paid to sundry creditors was:

- (A) Rs.1,20,000
- (B) Rs.1,23,600
- (C) Rs.1,16,400
- (D) Rs.1,34,400

Correct Answer: (C) Rs.1,16,400

Solution:

Step 1: Understanding the Concept:

During the dissolution of a firm, liabilities are settled. If a liability is paid before its due date, the firm may receive a "rebate" or discount. This discount is calculated based on the time remaining until the original due date.

Step 2: Key Formula or Approach:

$$\text{Discount} = \text{Amount} \times \frac{\text{Rate}}{100} \times \frac{\text{Months remaining}}{12}$$
$$\text{Amount Paid} = \text{Book Value} - \text{Discount}$$

Step 3: Detailed Explanation:

1. Calculate the discount: Amount = Rs.1,20,000 Rate = 12% p.a. Time = 3 months (since they were payable after 3 months but paid now)

$$\text{Discount} = 1,20,000 \times \frac{12}{100} \times \frac{3}{12} = 3,600$$

2. Calculate the final payment:

$$\text{Amount Paid} = 1,20,000 - 3,600 = 1,16,400$$

Step 4: Final Answer:

The amount paid to sundry creditors was Rs.1,16,400.

💡 Quick Tip

Always pay attention to the term "p.a." (per annum). It means the rate must be adjusted for the time period (3/12 in this case).

8. Anish, Neha and Bindu were partners in a firm sharing profits and losses in the ratio of 4 : 2 : 1. On 1st October, 2024 Anish advanced a loan of Rs.4,00,000 to the firm. In the absence of a partnership agreement, the amount of interest on loan due to Anish on 31st March, 2025 will be:

- (A) Rs.12,000
- (B) Rs.24,000
- (C) Rs.40,000
- (D) Rs.20,000

Correct Answer: (A) Rs.12,000

Solution:

Step 1: Understanding the Concept:

According to the Indian Partnership Act, 1932, if there is no agreement regarding interest on a partner's loan, the partner is entitled to interest at a fixed statutory rate.

Step 2: Key Formula or Approach:

Statutory Interest Rate = 6% per annum.

$$\text{Interest} = \text{Loan Amount} \times \frac{6}{100} \times \frac{\text{Period}}{12}$$

Step 3: Detailed Explanation:

1. Identify the values: Loan Amount = Rs.4,00,000 Rate = 6% (standard in absence of deed)
Period = From 1st October, 2024 to 31st March, 2025 = 6 months 2. Calculate the interest:

$$\text{Interest} = 4,00,000 \times \frac{6}{100} \times \frac{6}{12} = 12,000$$

Step 4: Final Answer:

The amount of interest on the loan due to Anish is Rs.12,000.

💡 Quick Tip

In the absence of a deed: 1. Interest on Loan = 6% p.a. 2. Interest on Capital/Drawings = Nil. 3. Profit Sharing = Equal.

9. Arora and Gurmeet were partners in a firm sharing profits and losses in the ratio of 3 : 2. Starting from 1st October, 2024 Arora withdrew Rs.30,000 at the

beginning of each quarter for his personal use. Interest on drawings was to be charged @ 12% per annum. Interest on Arora's drawings for the year ended 31st March, 2025 was:

- (A) Rs.1,800
- (B) Rs.2,700
- (C) Rs.450
- (D) Rs.3,600

Correct Answer: (B) Rs.2,700

Solution:

Step 1: Understanding the Concept:

Interest on drawings for quarterly withdrawals is calculated using the average period method. However, note that the drawings started only from 1st October, 2024 (mid-year).

Step 2: Key Formula or Approach:

$$\text{Average Period} = \frac{\text{Time left after 1st drawing} + \text{Time left after last drawing}}{2}$$

Step 3: Detailed Explanation:

1. Determine Total Drawings: Withdrawals start from Oct 1st. In the remaining 6 months, there are 2 quarters (Oct-Dec and Jan-Mar). Total Drawings = $30,000 \times 2 = \text{Rs.}60,000$.
2. Determine Average Period (for the 6-month period): 1st Drawing (Oct 1st): 6 months remaining. Last Drawing (Jan 1st): 3 months remaining. Average Period = $(6 + 3)/2 = 4.5$ months.
3. Calculate Interest:

$$\text{Interest} = 60,000 \times \frac{12}{100} \times \frac{4.5}{12} = 2,700$$

Step 4: Final Answer:

Interest on Arora's drawings for the year ended 31st March, 2025 was Rs.2,700.

💡 Quick Tip

When drawings are made for only a part of the year, do not use the standard whole-year average period (7.5 for quarter beginning). Recalculate based on the actual months.

10. There are two statements Assertion (A) and Reason (R):

Assertion (A): At the time of admission of a new partner in a partnership firm, the newly admitted partner brings an agreed amount of capital either in cash or in kind.

Reason (R): On admission, the new partner gets the right to acquire share in the assets and profits of the partnership firm.

Choose the correct option:

(A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is correct, but Reason (R) is incorrect.

(D) Assertion (A) is incorrect, but Reason (R) is correct.

Correct Answer: (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

Solution:

Step 1: Understanding the Concept:

Admission of a partner is the reconstitution of a firm where a new person enters as a co-owner. This requires a contribution toward the firm's resources in exchange for ownership rights.

Step 3: Detailed Explanation:

The Assertion is correct because a new partner must contribute capital to the firm to facilitate business operations. This capital can be brought in as cash or assets (in kind). The Reason is also correct because the primary reason a partner provides capital is to buy into the ownership of the firm. By becoming a partner, they gain two main rights: the right to share in future profits and the right to share in the assets of the firm. Since the acquisition of these rights (Reason) is why the capital is contributed (Assertion), the Reason correctly explains the Assertion.

Step 4: Final Answer:

Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

 Quick Tip

Think of "Capital" as the price paid for "Rights." If the reason mentions the rights gained, it is usually the explanation for why capital or premium for goodwill is brought in.

11. (a) Merak Ltd. forfeited 6,000 equity shares of Rs.10 each for non-payment of final call of Rs.3 per share. The minimum amount per share at which these shares can be reissued will be:

- (A) Rs.3
- (B) Rs.7
- (C) Rs.10
- (D) Rs.6

OR

(b) Nori Ltd. issued 20,000, 11% debentures of Rs.100 each at a premium of 10%, redeemable at a premium of 5%. Loss on issue of debentures account will be debited by:

- (A) Rs.20,00,000
- (B) Rs.1,00,000
- (C) Rs.3,00,000
- (D) Rs.2,00,000

Correct Answer: (a) (A) Rs.3; (b) (B) Rs.1,00,000

Solution:

Step 1: Understanding the Concept:

Part (a) focuses on the legal limit for discounts on the reissue of forfeited shares. A company can only grant a discount up to the amount already collected on those shares. Part (b) involves recording the future liability of "Premium on Redemption" at the time of issuing debentures.

Step 2: Key Formula or Approach:

1. **For (a):** Minimum Reissue Price = Face Value – Amount already forfeited (received) per share. 2. **For (b):** Loss on Issue of Debentures = Total Number of Debentures × Premium on Redemption per debenture.

Step 3: Detailed Explanation:

Case (a): Face Value = Rs.10. Unpaid amount = Rs.3. Amount already forfeited (paid by original holder) = $10 - 3 = Rs.7$. Since the maximum discount allowed is Rs.7, the company must charge at least the remaining amount.

$$\text{Minimum Reissue Price} = 10 - 7 = Rs.3$$

Case (b): Number of debentures = 20,000. Premium on Redemption = 5% of Rs.100 = Rs.5. The "Loss on Issue" account tracks the premium to be paid at redemption.

$$\text{Loss Amount} = 20,000 \times 5 = Rs.1,00,000$$

Step 4: Final Answer:

For (a), the minimum reissue price is Rs.3. For (b), the Loss on Issue of Debentures account is debited by Rs.1,00,000.

💡 Quick Tip

Remember that the discount on reissue can never exceed the balance in the "Forfeited Shares Account" for those specific shares.

12. On 1st April, 2024, MM Ltd. issued 4,000, 9% Debentures of Rs.50 each at a premium of 5%, redeemable at a premium of Rs.10 per debenture after five years. Interest on the debentures was to be paid on half-yearly basis on 30th September and 31st March. Interest on debentures for the year ended 31st March, 2025 will be:

- (A) Rs.10,000
- (B) Rs.20,000
- (C) Rs.18,000
- (D) Rs.9,000

Correct Answer: (C) Rs.18,000

Solution:

Step 1: Understanding the Concept:

Interest on debentures is an expense for the company. Crucially, it is always calculated on the Nominal (Face) Value of the debentures, regardless of the issue price (premium/discount) or redemption terms.

Step 2: Key Formula or Approach:

$$\text{Interest} = (\text{Number of Debentures} \times \text{Face Value per Debenture}) \times \text{Rate}$$

Step 3: Detailed Explanation:

Number of debentures = 4,000. Face Value per debenture = Rs.50. Total Face Value = $4,000 \times 50 = \text{Rs.}2,00,000$. Annual Interest Rate = 9%.

$$\text{Annual Interest} = 2,00,000 \times \frac{9}{100} = \text{Rs.}18,000$$

Even though payments are half-yearly, the total for the year remains Rs.18,000 (9,000 + 9,000).

Step 4: Final Answer:

The total interest on debentures for the year is Rs.18,000.

💡 Quick Tip

Ignore "Premium on Issue" (5%) and "Premium on Redemption" (Rs.10) when calculating interest. They are capital items, while interest is calculated on the face value.

13. (a) Reserve capital is that portion of the _____ capital that can be called only in the event of winding up of the company.

- (A) called-up
- (B) uncalled
- (C) paid-up
- (D) subscribed

OR

(b) The debentures which do not carry a specific rate of interest are known as:

- (A) Irredeemable debentures
- (B) Bearer debentures
- (C) Specific coupon rate debentures
- (D) Zero coupon rate debentures

Correct Answer: (a) (B) uncalled; (b) (D) Zero coupon rate debentures

Solution:

Step 1: Understanding the Concept:

This question explores the terminology of company capital structure and the classification of debt instruments based on their interest (coupon) characteristics.

Step 3: Detailed Explanation:

Analysis of (a): Reserve Capital refers to a portion of the uncalled capital that a company decides (via special resolution) to keep in reserve. It is not available for use during the normal course of business and is only "called up" to pay off creditors if the company goes into liquidation (winding up).

Analysis of (b): Zero Coupon Rate Debentures (also known as Deep Discount Bonds) do not pay regular interest. Instead, they are issued at a price significantly lower than their face value. The profit for the investor is the difference between the purchase price and the face value received at maturity.

Step 4: Final Answer:

(a) Reserve capital is a part of uncalled capital. (b) Debentures without a specific interest rate are Zero coupon rate debentures.

💡 Quick Tip

Don't confuse "Reserve Capital" with "Capital Reserve." Capital Reserve is created out of capital profits already earned, whereas Reserve Capital is money not yet collected.

14. (a) John, Honey and Racob were partners in a firm sharing profits and losses equally. On 31st July, 2025 John died. His share in the profits of the firm from the date of last balance sheet till the date of his death will be:

- (A) Debited to Profit and Loss Account
- (B) Credited to Profit and Loss Account
- (C) Debited to Profit and Loss Suspense Account
- (D) Credited to Profit and Loss Suspense Account

OR

(b) Shashi, Maya and Komal were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2025 Komal retired. The new profit sharing ratio between Shashi and Maya was decided as 3 : 5. The gain or sacrifice of Shashi and Maya on Komal's retirement was:

- (A) Shashi's sacrifice $\frac{1}{8}$; Maya's gain $\frac{13}{40}$
- (B) Shashi's gain $\frac{1}{8}$; Maya's sacrifice $\frac{13}{40}$
- (C) Shashi's sacrifice $\frac{1}{8}$; Maya's sacrifice $\frac{13}{40}$
- (D) Shashi's gain $\frac{1}{8}$; Maya's gain $\frac{13}{40}$

Correct Answer: (a) (C) Debited to Profit and Loss Suspense Account; (b) (A) Shashi's sacrifice $\frac{1}{8}$; Maya's gain $\frac{13}{40}$

Solution:

Step 1: Understanding the Concept:

Case (a) refers to the distribution of estimated profits when a partner dies mid-financial year. Case (b) involves calculating the "Gaining or Sacrificing Share" of continuing partners by comparing their new shares with their old shares.

Step 2: Key Formula or Approach:

1. **For (a):** If the profit-sharing ratio of surviving partners remains unchanged, the deceased partner's profit share is transferred via the Profit and Loss Suspense A/c. 2. **For (b):**

Gain or Sacrifice = New Share – Old Share. A negative result indicates a sacrifice, while a positive result indicates a gain.

Step 3: Detailed Explanation:

Analysis of (a): When a partner dies during the year, we cannot determine the actual profit until the end of the accounting period. Therefore, we debit the "Profit and Loss Suspense A/c" and credit the "Deceased Partner's Capital A/c" to provisionally record their share of profit up to the date of death.

Analysis of (b): Old Shares: Shashi = $\frac{5}{10}$, Maya = $\frac{3}{10}$. New Shares: Shashi = $\frac{3}{8}$, Maya = $\frac{5}{8}$. Calculation for Shashi:

$$\frac{3}{8} - \frac{5}{10} = \frac{15 - 20}{40} = -\frac{5}{40} = -\frac{1}{8} \text{ (Sacrifice)}$$

Calculation for Maya:

$$\frac{5}{8} - \frac{3}{10} = \frac{25 - 12}{40} = \frac{13}{40} \text{ (Gain)}$$

Step 4: Final Answer:

(a) The amount is debited to Profit and Loss Suspense Account. (b) Shashi's sacrifice is $\frac{1}{8}$ and Maya's gain is $\frac{13}{40}$.

💡 Quick Tip

If the profit-sharing ratio among the remaining partners changes, use the Gaining Partners' Capital A/cs instead of the P&L Suspense A/c for death-related profit adjustments.

15. (a) Sudama, Sharma and Varun were partners in a firm sharing profits and losses in the ratio of 6 : 4 : 3. Sharma retired from the firm on 31st March, 2025. The gaining ratio of Sudama and Varun will be:

- (A) 3 : 2
- (B) 2 : 1
- (C) 1 : 2
- (D) 2 : 3

OR

(b) Hari, Murari and Abhi were partners in a firm sharing profits and losses in the ratio of 8 : 7 : 4. Murari retired from the firm on 31st March, 2025. Hari and Abhi decided to share profits in the future in the ratio of 2 : 1. The gaining ratio of Hari and Abhi was:

- (A) 1 : 2
 (B) 8 : 7
 (C) 2 : 1
 (D) 7 : 4

Correct Answer: (a) (B) 2 : 1; (b) (C) 2 : 1

Solution:

Step 1: Understanding the Concept:

The gaining ratio identifies how the departing partner's share is divided among the remaining partners.

Step 2: Key Formula or Approach:

$$\text{Gaining Share} = \text{New Share} - \text{Old Share}$$

Step 3: Detailed Explanation:

Analysis of (a): In simple retirement cases where the new ratio is not provided, the remaining partners share the profit in their old relative ratio. Old Ratio = 6 : 4 : 3. Sharma (4) retires. Remaining ratio = 6 : 3, which simplifies to 2 : 1. This becomes both the new ratio and the gaining ratio.

Analysis of (b): Old Ratio: H = 8/19, A = 4/19. New Ratio: H = 2/3, A = 1/3. Hari's Gain:

$$\frac{2}{3} - \frac{8}{19} = \frac{38 - 24}{57} = \frac{14}{57}$$

Abhi's Gain:

$$\frac{1}{3} - \frac{4}{19} = \frac{19 - 12}{57} = \frac{7}{57}$$

Gaining Ratio = 14 : 7, which simplifies to 2 : 1.

Step 4: Final Answer:

The gaining ratio for both questions is 2 : 1.

💡 Quick Tip

To save time during exams, remember: if no new ratio is given for continuing partners, their Gaining Ratio is always their Old Ratio.

16. Shaurya, Morya and Gaurav were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2025, Shaurya retired. The balance in his capital account after making the necessary adjustments on account of reserves

and revaluation of assets and reassessment of liabilities was Rs.3,20,000. Shaurya was paid Rs.3,90,000 in full settlement of his claim. The value of goodwill of the firm on the date of Shaurya's retirement was:

- (A) Rs.1,40,000
- (B) Rs.70,000
- (C) Rs.3,20,000
- (D) Rs.3,90,000

Correct Answer: (A) Rs.1,40,000

Solution:

Step 1: Understanding the Concept:

This is an application of Hidden Goodwill. When the actual amount paid to a retiring partner exceeds their adjusted capital balance, the surplus is their share of goodwill.

Step 2: Key Formula or Approach:

1. Retiring Partner's Share of Goodwill = Amount Paid – Adjusted Capital. 2. Firm's Goodwill = Retiring Partner's Share of Goodwill $\times \frac{1}{\text{Retiring Partner's Share}}$.

Step 3: Detailed Explanation:

1. Calculate Shaurya's Share of Goodwill: Amount Paid = Rs.3,90,000. Adjusted Capital = Rs.3,20,000.

$$\text{Shaurya's Share} = 3,90,000 - 3,20,000 = \text{Rs.}70,000$$

2. Calculate Firm's Total Goodwill: Shaurya's profit share was $3/6 = 1/2$.

$$\text{Total Goodwill} = 70,000 \times \frac{6}{3} = \text{Rs.}1,40,000$$

Step 4: Final Answer:

The total value of the firm's goodwill is Rs.1,40,000.

 Quick Tip

Be careful not to select Rs.70,000; the question asks for the goodwill of the firm, not just the retiring partner's share.

17. Namita, Narendra and Kunwar were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. The firm closes its books on 31st March every year. Kunwar died on 30th September, 2025. His share in the profits of the firm from 1st April, 2025 to 30th September, 2025 was calculated as per the provisions of the

partnership deed which amounted to Rs.15,600. On the date of Kunwar's death, the Balance Sheet of the firm showed General Reserve of Rs.40,000 and Profit and Loss Account (Dr.) Rs.80,000. Pass necessary journal entries on Kunwar's death in the books of the firm.

Correct Answer: (Journal Entries)

Solution:

Step 1: Understanding the Concept:

When a partner dies, the firm must settle their account by transferring their share of accumulated reserves, profits up to the date of death, and existing losses to their capital account before transferring the final balance to the deceased partner's executors.

Step 3: Detailed Explanation:

1. Share of Profit: As per the deed, the calculated profit share for Kunwar is Rs.15,600. Since the ratio of remaining partners is not changing, we use the Profit and Loss Suspense Account.
2. General Reserve: Kunwar's share is $\frac{1}{5}$ of Rs.40,000 = Rs.8,000.
3. Accumulated Loss (P&L Dr.): Kunwar's share is $\frac{1}{5}$ of Rs.80,000 = Rs.16,000.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Profit and Loss Suspense A/c Dr. To Kunwar's Capital A/c (Being Kunwar's share of profit till death credited)	15,600	15,600
General Reserve A/c Dr. To Namita's Capital A/c ($40,000 \times \frac{3}{5}$) To Narendra's Capital A/c ($40,000 \times \frac{1}{5}$) To Kunwar's Capital A/c ($40,000 \times \frac{1}{5}$) (Being General Reserve distributed among all partners)	40,000	24,000 8,000 8,000
Namita's Capital A/c Dr. ($80,000 \times \frac{3}{5}$) Narendra's Capital A/c Dr. ($80,000 \times \frac{1}{5}$) Kunwar's Capital A/c Dr. ($80,000 \times \frac{1}{5}$) To Profit and Loss A/c (Dr.) (Being accumulated loss debited to all partners)	48,000 16,000 16,000	80,000

Step 4: Final Answer:

The entries ensure Kunwar's Capital Account is adjusted for profit (Rs.15,600), reserve (Rs.8,000), and loss (Rs.16,000).

💡 Quick Tip

Profit and Loss Account with a "Dr." balance signifies a loss and must be shown on the Assets side of a Balance Sheet.

18. Jatin, Karan and Sia were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2025, their Balance Sheet was as follows:

Balance Sheet of Jatin, Karan and Sia as at 31 st March, 2025			
Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Patents	4,05,000
Jatin 3,20,000		Land and Building	4,95,000
Karan 3,90,000		Stock	1,85,000
Sia 5,00,000	12,10,000	Debtors	1,78,000
General Reserve	50,000	Cash at bank	27,000
Creditors	30,000		
	12,90,000		12,90,000

on the above date on the following terms:

(i) Goodwill of the firm was valued at Rs.3,00,000 and the same was to be treated without opening goodwill account. (ii) Revaluation of assets and reassessment of liabilities resulted in a loss of Rs.75,000. (iii) Amount payable to Jatin was transferred to his loan account.

Pass necessary journal entries for goodwill, general reserve and revaluation of assets and reassessment of liabilities on Jatin's retirement.

Correct Answer: (Journal Entries)

Solution:

Step 1: Understanding the Concept:

Retirement adjustments involve distributing existing reserves, recording revaluation results, and compensating the retiring partner for their share of goodwill using the Gaining Ratio.

Step 3: Detailed Explanation:

1. Goodwill: Firm's Goodwill = Rs.3,00,000. Jatin's share = $\frac{2}{5} \times 3,00,000 = \text{Rs.}1,20,000$. Gaining ratio (Karan : Sia) = 2 : 1. Karan pays: $1,20,000 \times \frac{2}{3} = \text{Rs.}80,000$. Sia pays: $1,20,000 \times \frac{1}{3} = \text{Rs.}40,000$. 2. Revaluation Loss: Shared in 2:2:1. Jatin = Rs.30,000, Karan = Rs.30,000, Sia = Rs.15,000. 3. General Reserve: Shared in 2:2:1. Jatin = Rs.20,000, Karan = Rs.20,000, Sia = Rs.10,000. 4. Jatin's Loan: Opening Balance (3,20,000) + Reserve (20,000) + Goodwill (1,20,000) - Revaluation Loss (30,000) = Rs.4,30,000.

Particulars		Dr. (Rs.)	Cr. (Rs.)
General Reserve A/c	Dr.	50,000	
To Jatin's Capital A/c			20,000
To Karan's Capital A/c			20,000
To Sia's Capital A/c			10,000
Jatin's Capital A/c	Dr.	30,000	
Karan's Capital A/c	Dr.	30,000	
Sia's Capital A/c	Dr.	15,000	
To Revaluation A/c			75,000
Karan's Capital A/c	Dr.	80,000	
Sia's Capital A/c	Dr.	40,000	
To Jatin's Capital A/c			1,20,000
Jatin's Capital A/c	Dr.	4,30,000	
To Jatin's Loan A/c			4,30,000

Step 4: Final Answer:

The entries transfer Rs.1,20,000 goodwill to Jatin, distribute the Rs.50,000 reserve, charge the Rs.75,000 loss, and move Jatin's final Rs.4,30,000 balance to his loan account.

💡 Quick Tip

"Without opening goodwill account" means you must adjust through the Partners' Capital Accounts using the Gaining/Sacrificing ratio.

19. (a) Kiara Ltd. purchased assets worth Rs.12,40,000 and took over liabilities of Rs.3,40,000 of Amrex Ltd. for a purchase consideration of Rs.11,00,000. Kiara Ltd. paid half the amount by cheque. The balance amount was settled by issuing 9% debentures of Rs.100 each at a premium of 10%. Pass necessary journal entries for the above transactions in the books of Kiara Ltd.

Correct Answer: (Journal Entries)

Solution:

Step 1: Understanding the Concept:

When purchasing a business, if the Purchase Consideration (PC) is higher than the Net Assets (Assets - Liabilities), the difference is Goodwill. If PC is lower, it is Capital Reserve.

Step 3: Detailed Explanation:

1. Net Assets: $12,40,000 - 3,40,000 = Rs.9,00,000$. 2. Goodwill: $PC(11,00,000) - NetAssets(9,00,000) = Rs.2,00,000$. 3. Payment: Half of 11,00,000 = Rs.5,50,000 (Bank). Balance = Rs.5,50,000. 4. Debentures: Issue Price = $100 + 10 = Rs.110$. Number of Debentures = $5,50,000 / 110 = 5,000$.

Particulars		Dr. (Rs.)	Cr. (Rs.)
Sundry Assets A/c	Dr.	12,40,000	
Goodwill A/c	Dr.	2,00,000	
To Sundry Liabilities A/c			3,40,000
To Amrex Ltd.			11,00,000
Amrex Ltd.	Dr.	11,00,000	
To Bank A/c			5,50,000
To 9% Debentures A/c (5,000 × 100)			5,00,000
To Securities Premium A/c (5,000 × 10)			50,000

Step 4: Final Answer:

Kiara Ltd. records a Goodwill of Rs.2,00,000 and issues 5,000 debentures at a 10% premium to settle the purchase.

 Quick Tip

Always calculate the number of debentures by dividing the amount due by the Issue Price (100 + Premium or 100 – Discount).

OR

19. (b) On 1st April, 2024, Zara Ltd. issued 8,000, 9% Debentures of Rs.100 each at a discount of 10%. The company had a balance of Rs.50,000 in the Securities Premium Account on the same date. Pass necessary journal entries for the issue of debentures and to write off discount on issue of debentures.

Correct Answer: (Journal Entries)

Solution:

Step 1: Understanding the Concept:

This question involves the accounting for the issue of debentures at a discount and the subsequent writing off of that discount. According to Section 52(2) of the Companies Act 2013 and accounting standards, any discount or loss on issue of debentures should be written off in the year it is incurred, first using the Securities Premium Account and then using the Statement of Profit and Loss.

Step 2: Key Formula or Approach:

1. **Total Discount** = Number of Debentures $\times$ Discount per Debenture. 2. **Writing Off Order:** First use Securities Premium, then use Statement of Profit and Loss.

Step 3: Detailed Explanation:

1. Calculate Total Discount: Number of debentures = 8,000. Discount per debenture = 10% of Rs.100 = Rs.10. Total Discount = $8,000 \times 10 = \text{Rs.}80,000$. 2. Writing Off Plan: Total Discount to be written off = Rs.80,000. Available Securities Premium = Rs.50,000. Balance to be charged to Statement of P&L = $80,000 - 50,000 = \text{Rs.}30,000$.

Step 4: Final Answer:

Zara Ltd. issues debentures at a total discount of Rs.80,000. This is written off by utilizing the entire Rs.50,000 from Securities Premium and the remaining Rs.30,000 from the Statement of Profit and Loss.

 Quick Tip

Always remember the sequence for writing off: 1. Securities Premium Account (if any).
2. Statement of Profit and Loss.

Particulars		Dr. (Rs.)	Cr. (Rs.)
Bank A/c	Dr.	7,20,000	
To Debenture Application & Allotment A/c			7,20,000
(Being application money received on 8,000 debentures @ Rs.90)			
Debenture Application & Allotment A/c	Dr.	7,20,000	
Discount on Issue of Debentures A/c	Dr.	80,000	
To 9% Debentures A/c			8,00,000
(Being 8,000 debentures issued at 10% discount)			
Securities Premium A/c	Dr.	50,000	
Statement of Profit and Loss	Dr.	30,000	
To Discount on Issue of Debentures A/c			80,000
(Being discount on issue written off)			

20. Diksha, Raj and Amit were partners in a firm sharing profits and losses in the ratio of 6 : 3 : 1. On 1st April, 2025 Amit retired. On the date of Amit's retirement, there existed a balance of Rs.90,000 in Workmen's Compensation Fund. Pass the necessary journal entries for treatment of Workmen's Compensation Fund on Amit's retirement in each of the following cases: (i) Claim on account of Workmen's Compensation was estimated at Rs.1,00,000. (ii) Claim on account of Workmen's Compensation was estimated at Rs.70,000. (iii) Claim on account of Workmen's Compensation was estimated at Rs.90,000.

Correct Answer: (Journal Entries for Cases i, ii, and iii)

Solution:

Step 1: Understanding the Concept:

Workmen's Compensation Fund (WCF) is a reserve created out of profits. If a claim exists, the fund is first used to meet that claim. Any excess fund is distributed among all partners in their old ratio. If the claim exceeds the fund, the difference is debited to the Revaluation Account.

Step 2: Detailed Explanation:

Case (i): Claim (Rs.1,00,000) ; Fund (Rs.90,000) The excess claim of Rs.10,000 is a loss charged to the Revaluation A/c and then distributed among partners.

Particulars		Dr. (Rs.)	Cr. (Rs.)
Workmen's Compensation Fund A/c	Dr.	90,000	
Revaluation A/c	Dr.	10,000	
To Provision for Workmen's Compensation Claim A/c			1,00,000
Diksha's Capital A/c (6/10)	Dr.	6,000	
Raj's Capital A/c (3/10)	Dr.	3,000	
Amit's Capital A/c (1/10)	Dr.	1,000	
To Revaluation A/c			10,000

Case (ii): Claim (Rs.70,000) ; Fund (Rs.90,000) The surplus of Rs.20,000 is distributed among partners in 6:3:1.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Workmen's Compensation Fund A/c Dr.	90,000	
To Provision for Workmen's Compensation Claim A/c		70,000
To Diksha's Capital A/c (12,000); Raj's (6,000); Amit's (2,000)		20,000

Case (iii): Claim (Rs.90,000) = Fund (Rs.90,000) The entire fund is transferred to the provision; nothing is left for partners.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Workmen's Compensation Fund A/c Dr.	90,000	
To Provision for Workmen's Compensation Claim A/c		90,000

Step 4: Final Answer:

The entries vary based on whether the fund is sufficient to cover the claim. Excess liabilities are shared as losses, while surplus funds are shared as profits.

💡 Quick Tip

Remember: "Provision for Claim" is a liability shown in the new Balance Sheet, while "Fund/Reserve" is an internal equity item to be closed.

21. Pass necessary journal entries for issue of debentures for the following transactions: (i) KL Ltd. issued 80,000, 9% Debentures of Rs.100 each at a premium of 10%, redeemable at a premium of 5%. (ii) UH Ltd. issued 40,000, 9% Debentures of Rs.100 each at par, redeemable at a premium of 10%.

Correct Answer: (Journal Entries for KL Ltd. and UH Ltd.)

Solution:

Step 1: Understanding the Concept:

When debentures are redeemable at a premium, that premium is a loss provided for at the time of issue. It is debited to "Loss on Issue of Debentures A/c" and credited to "Premium on Redemption of Debentures A/c".

Step 3: Detailed Explanation:

Transaction (i) - KL Ltd.: Issue Price = $100 + 10 = Rs.110$. Total received = $80,000 \times 110 = Rs.88,00,000$. Redemption Premium = 5% of 100 = Rs.5. Total Loss = $80,000 \times 5 = Rs.4,00,000$.

Transaction (ii) - UH Ltd.: Issue Price = Rs.100. Total received = $40,000 \times 100 = Rs.40,00,000$. Redemption Premium = 10% of 100 = Rs.10. Total Loss = $40,000 \times 10 =$

Particulars		Dr. (Rs.)	Cr. (Rs.)
Bank A/c	Dr.	88,00,000	
To Debenture App. and Allotment A/c			88,00,000
Debenture App. and Allotment A/c	Dr.	88,00,000	
Loss on Issue of Debentures A/c	Dr.	4,00,000	
To 9% Debentures A/c (Face Value)			80,00,000
To Securities Premium A/c (Issue Prem.)			8,00,000
To Premium on Redemption of Debentures A/c			4,00,000

Rs.4,00,000.

Particulars		Dr. (Rs.)	Cr. (Rs.)
Bank A/c	Dr.	40,00,000	
To Debenture App. and Allotment A/c			40,00,000
Debenture App. and Allotment A/c	Dr.	40,00,000	
Loss on Issue of Debentures A/c	Dr.	4,00,000	
To 9% Debentures A/c			40,00,000
To Premium on Redemption of Debentures A/c			4,00,000

Step 4: Final Answer:

For both cases, the future premium on redemption is recognized as a loss today and recorded as a liability.

💡 Quick Tip

"Premium on Redemption" is a liability, whereas "Securities Premium" (on issue) is an equity reserve. Never confuse the two!

22. (a) Jain and Gupta were partners in a firm sharing profits and losses in the ratio of 3 : 1. On 1st April, 2024, Agarwal was admitted as a new partner for 1/5th share in the profits of the firm with a minimum guaranteed amount of Rs.75,000. Any deficiency arising out of this account will be borne by Jain and Gupta in the ratio of 1 : 3. During the year ended 31st March, 2025, the firm earned a net profit of Rs.3,00,000. Prepare Profit and Loss Appropriation Account of Jain, Gupta and Agarwal for the year ended 31st March, 2025.

OR

(b) Annu, Bandhu, Sheelu and Golu were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2 : 1. On 1st April, 2025, they decided to share the future profits equally. For this purpose the goodwill of the firm was valued at Rs.4,00,000. Calculate gain or sacrifice of the partners on change in profit sharing ratio and pass a single adjustment journal entry for the treatment of goodwill.

Correct Answer: (b) Gaining Partners: Sheelu (Rs.20,000) and Golu (Rs.60,000); Sacrificing Partners: Annu (Rs.60,000) and Bandhu (Rs.20,000).

Solution:

Step 1: Understanding the Concept:

When there is a change in the profit-sharing ratio among existing partners, the gaining partners must compensate the sacrificing partners for the share of goodwill they have acquired. This is done through a single adjustment entry involving their capital accounts.

Step 2: Key Formula or Approach:

1. Sacrifice or Gain = Old Share – New Share 2. Adjustment Amount = Firm's Goodwill × Gained/Sacrificed Share

Step 3: Detailed Explanation:

1. Calculate the Change in Share: Old Ratio = 4 : 3 : 2 : 1 (Total 10) New Ratio = 1 : 1 : 1 : 1 (Total 4)

Annu: $\frac{4}{10} - \frac{1}{4} = \frac{16-10}{40} = \frac{6}{40}$ (Sacrifice) Bandhu: $\frac{3}{10} - \frac{1}{4} = \frac{12-10}{40} = \frac{2}{40}$ (Sacrifice) Sheelu: $\frac{2}{10} - \frac{1}{4} = \frac{8-10}{40} = -\frac{2}{40}$ (Gain) Golu: $\frac{1}{10} - \frac{1}{4} = \frac{4-10}{40} = -\frac{6}{40}$ (Gain)

2. Calculate Goodwill Adjustment: Total Goodwill = Rs.4,00,000. Annu (Sacrifice): $4,00,000 \times \frac{6}{40} = Rs.60,000$ Bandhu (Sacrifice): $4,00,000 \times \frac{2}{40} = Rs.20,000$ Sheelu (Gain): $4,00,000 \times \frac{2}{40} = Rs.20,000$ Golu (Gain): $4,00,000 \times \frac{6}{40} = Rs.60,000$

Particulars	Dr. (Rs.)	Cr. (Rs.)
Sheelu's Capital A/c Dr.	20,000	
Golu's Capital A/c Dr.	60,000	
To Annu's Capital A/c		60,000
To Bandhu's Capital A/c		20,000
(Being adjustment entry for goodwill passed on change in PSR)		

Step 4: Final Answer:

The gaining partners (Sheelu and Golu) are debited for a total of Rs.80,000, and the sacrificing partners (Annu and Bandhu) are credited for the same amount based on their respective changes in share.

💡 Quick Tip

To remember the entry: **"Gaining Partners to Sacrificing Partners."** The partner whose share increased is buying the share from the partner whose share decreased.

23. (a) Ajanta Ltd. invited applications for issuing 30,000 equity shares of Rs.10 each at a premium of Rs.5 per share. The amount was payable as follows: On Application and Allotment – Rs.10 per share (including premium); On first and

final call – Balance. Applications for 50,000 shares were received. Applications for 10,000 shares were rejected and their application money was refunded. Pro-rata allotment was made to the remaining applicants. Excess money received with application was adjusted towards sums due on first and final call. Sonu, an applicant of 4,000 shares, paid his entire share money with application. Vedika, to whom 300 shares were allotted, failed to pay the first and final call. After giving her the mandatory notice, her shares were forfeited. Pass necessary journal entries for the above transactions in the books of Ajanta Ltd.

OR

(b) (i) Rao Ltd. forfeited 750 equity shares of Rs.10 each for non-payment of first call of Rs.3 per share (including premium of Rs.1 per share). The second and final call of Rs.3 per share was not yet made. Of the forfeited shares, 500 were re-issued for Rs.2,500, Rs.7 per share paid-up. Pass necessary journal entries for the above transactions in the books of Rao Ltd.

(ii) Lily Ltd. forfeited 2,000 equity shares of Rs.10 each for non-payment of first and final call of Rs.2 per share. 750 of the forfeited shares were reissued to Ashok for Rs.10,000 as fully paid-up. The remaining shares were reissued to Sudha at Rs.9 per share fully paid-up. Pass necessary journal entries for the above transactions in the books of Lily Ltd.

Correct Answer: (b)(ii) Capital Reserve = Rs.14,750 (Profit on re-issue).

Solution:

Step 1: Understanding the Concept:

Forfeiture occurs when a shareholder fails to pay the required calls. Upon reissue, any remaining balance in the "Forfeited Shares Account" related to the reissued shares represents a capital profit and must be transferred to the Capital Reserve.

Step 3: Detailed Explanation for (ii):

1. Forfeiture: Shares = 2,000. Face Value = Rs.10. Unpaid = Rs.2. Paid = Rs.8. 2. Reissue to Ashok: 750 shares fully paid-up for Rs.10,000. Amount required $(750 \times 10) = \text{Rs.}7,500$. Since Rs.10,000 was received, there is a premium of Rs.2,500 $(10,000 - 7,500)$. Discount on reissue = Nil. 3. Reissue to Sudha: 1,250 shares $(2,000 - 750)$ @ Rs.9 (fully paid-up). Discount = Rs.1 per share $(10 - 9)$. Total discount = $1,250 \times 1 = \text{Rs.}1,250$. 4. Capital Reserve: Total Forfeited Amount = $2,000 \times 8 = \text{Rs.}16,000$. Profit on 750 shares = $750 \times 8 = \text{Rs.}6,000$. (Discount = 0). Profit on 1,250 shares = $(1,250 \times 8) - 1,250 = \text{Rs.}8,750$. Total Capital Reserve = $6,000 + 8,750 = \text{Rs.}14,750$.

Step 4: Final Answer:

The total amount transferred to Capital Reserve is Rs.14,750, consisting of the full forfeited amount from Ashok's reissued shares and the net forfeited amount after discount from Sudha's reissued shares.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Share Capital A/c Dr.	20,000	
To Calls-in-Arrear A/c		4,000
To Forfeited Shares A/c (2,000 × 8)		16,000
Bank A/c Dr.	10,000	
To Share Capital A/c (750 × 10)		7,500
To Securities Premium A/c		2,500
Bank A/c Dr.	11,250	
Forfeited Shares A/c Dr.	1,250	
To Share Capital A/c (1,250 × 10)		12,500
Forfeited Shares A/c Dr.	14,750	
To Capital Reserve A/c		14,750

💡 Quick Tip

If shares are reissued for **more** than their face value (like Ashok's shares), the excess is credited to "Securities Premium," and the entire forfeited amount on those shares goes to the Capital Reserve.

24. (a) Promil, Kamlesh and Ritika were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2025 they decided to share future profits in the ratio of 2 : 3 : 5. On 31st March, 2025, their Balance Sheet was as follows:

Balance Sheet of Promil, Kamlesh and Ritika as at 31st March, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	3,00,000	Bank	1,80,000
General Reserve	1,60,000	Sundry Debtors	1,20,000
Capitals :		Stock	2,40,000
Promil 2,80,000		Land and Building	5,60,000
Kamlesh 2,20,000			
Ritika 1,40,000	6,40,000		
	11,00,000		11,00,000

It was agreed that: (i) Land and Building will be valued at Rs.6,62,000. (ii) A provision of 5% on debtors will be made for bad and doubtful debts. (iii) Goodwill of the firm will be valued at Rs.1,80,000 and the same will be treated without opening goodwill account. (iv) The value of stock will be reduced to Rs.2,00,000. Showing your working clearly, pass necessary journal entries for the above transactions in the books of the firm.

OR

(b) Mr. Rinku and Mrs. Pinky were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2025, their balance sheet was as follows:

31 st March, 2025			
Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	86,000	Cash at Bank	43,000
Mrs. Rinku's Loan	20,000	Stock	20,000
Pinky's Husband's Loan	30,000	Investments	30,000
Investment Fluctuation Fund	12,000	Debtors	50,000
General Reserve	30,000	Less :	
Capitals :		Provision for doubtful debts	5,000
Mr. Rinku	1,00,000	Building	3,40,000
Mrs. Pinky	2,00,000		
	3,00,000		
	4,78,000		4,78,000

On the above date the firm was dissolved:

- Mr. Rinku agreed to pay Mrs. Rinku's loan and took away stock for Rs.16,000.
- Mrs. Pinky took half of the investments at 10% less. Debtors realised Rs.44,000, Building realised Rs.4,00,000, Creditors were paid Rs.5,000 less and the remaining investments were sold for Rs.19,000. An old furniture not recorded in the books was taken over by Mrs. Pinky for Rs.18,000. Realisation expenses amounted to Rs.6,000. Prepare Realisation Account.

Correct Answer: (b) Realisation Profit = Rs.83,500.

Solution:

Step 1: Understanding the Concept:

Dissolution involves closing all asset and external liability accounts by transferring them to the Realisation Account. Assets are recorded at book value on the debit side, and liabilities on the credit side. The final balance represents profit or loss on dissolution.

Step 2: Key Calculations for (b):

1. Mrs. Pinky Investment: Half of Rs.30,000 = Rs.15,000. Taken at 10% less: $15,000 - 1,500 = \text{Rs.}13,500$. 2. Creditors Paid: $86,000 - 5,000 = \text{Rs.}81,000$. 3. Total Cash Realised: Debtors (44,000) + Building (4,00,000) + Remaining Inv. (19,000) = Rs.4,63,000.

Step 3: Detailed Explanation (Realisation Account):

Step 4: Final Answer:

The Realisation Account shows a total profit of Rs.83,500, shared between Rinku and Pinky.

💡 Quick Tip

Provisions (like Provision for Doubtful Debts) and I.F.F. are transferred to the credit of Realisation A/c but are **never paid out** in cash.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Stock A/c	20,000	By Creditors A/c	86,000
To Investments A/c	30,000	By Mrs. Rinku's Loan A/c	20,000
To Debtors A/c	50,000	By Pinky's Husband's Loan A/c	30,000
To Building A/c	3,40,000	By Provision for Doubtful Debts	5,000
To Rinku's Capital (Loan)	20,000	By I.F.F. (Reserve)	12,000
To Bank (Creditors)	81,000	By Rinku's Capital (Stock)	16,000
To Bank (Husband's Loan)	30,000	By Pinky's Capital (Inv + Furn)	31,500
To Bank (Expenses)	6,000	By Bank (Assets Realised)	4,63,000
To Profit transferred to:			
Rinku (3/5): 50,100			
Pinky (2/5): 33,400	83,500		
Total	6,60,500	Total	6,60,500

25. Diwan Ltd. was registered with an authorised capital of Rs.1,00,00,000, divided into 1,00,000 equity shares of Rs.100 each. The company invited applications for issuing 50,000 shares. The amount was payable as follows:

On Application and Allotment – Rs.30 per share

On First call – Rs.40 per share

On Second and Final call – balance

The issue was fully subscribed. All amounts were duly received except from Nawal, a shareholder holding 700 shares, who failed to pay the second and final call. His shares were forfeited.

On the basis of the above information, answer the following questions:

(i) The Registered capital of Diwan Ltd. is:

(A) Rs.1,00,00,000 (B) Rs.1,00,000 (C) Rs.50,00,000 (D) Rs.50,000

(ii) The Issued capital of Diwan Ltd. is:

(A) Rs.1,00,00,000 (B) Rs.1,00,000 (C) Rs.50,00,000 (D) Rs.50,000

(iii) Calls in arrears of the company amounted to:

(A) Rs.21,000 (B) Rs.70,000 (C) Nil (D) Rs.49,000

(iv) 'Share Forfeiture Account' will appear in the 'Notes to Accounts' at:

(A) Rs.21,000 (B) Rs.70,000 (C) Nil (D) Rs.49,000

(v) The amount of 'Share Capital' presented in the Balance Sheet of Diwan Ltd. will be:

(A) Rs.49,30,000 (B) Rs.50,00,000 (C) Rs.49,79,000 (D) Rs.49,49,000

(vi) If all the forfeited shares are reissued at Rs.30 per share, fully paid-up, the amount transferred to 'Capital Reserve' will be:

(A) Rs.49,000 (B) Rs.70,000 (C) Rs.21,000 (D) Nil

Correct Answer: (i) (A); (ii) (C); (iii) (A); (iv) (D); (v) (C); (vi) (D)

Solution:

Step 1: Understanding the Concept:

This comprehensive question tests the classification of share capital in the Balance Sheet and the mathematical impact of forfeiture and reissue on the company's financial records.

Step 2: Key Formula or Approach:

1. **Final Call Value:** Total Face Value – (Application + First Call). 2. **Subscribed Capital (Forfeited shares):** (Shares held by public × Face Value) + Share Forfeiture balance.

Step 3: Detailed Explanation:

- **(i) Registered Capital:** This is the Authorised Capital mentioned in the Memorandum of Association ($1,00,000 \times 100 = \text{Rs.}1,00,00,000$).
- **(ii) Issued Capital:** The portion offered to the public ($50,000 \times 100 = \text{Rs.}50,00,000$).
- **(iii) Calls in Arrears:** Nawal failed to pay the final call. Final call = $100 - (30 + 40) = \text{Rs.}30$. Arrears = $700 \times 30 = \text{Rs.}21,000$.
- **(iv) Share Forfeiture Account:** This contains the amount already paid by the defaulting member. Nawal paid Application (30) and First Call (40) = Rs.70 per share. Total = $700 \times 70 = \text{Rs.}49,000$.
- **(v) Balance Sheet Presentation:** Total shares issued were 50,000. After forfeiting 700, remaining shares are 49,300. Capital = $(49,300 \times 100) + \text{Forfeiture A/c balance } (49,000) = 49,30,000 + 49,000 = \text{Rs.}49,79,000$.
- **(vi) Capital Reserve:** If reissued at Rs.30 as *fully paid-up*, the company gives a discount of Rs.70 ($100 - 30$). Since the amount forfeited was also Rs.70 per share, the profit is exactly offset by the discount ($70 - 70 = 0$).

Step 4: Final Answer:

The correct sequence of answers based on the calculations above is (i) A, (ii) C, (iii) A, (iv) D, (v) C, (vi) D.

💡 Quick Tip

The "Maximum Discount" a company can give on the reissue of shares is exactly equal to the amount already forfeited on those specific shares.

26. Asha and Indra were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet on 31st March, 2025 was as following:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Plant and Machinery	4,05,000
Asha 4,00,000		Furniture	1,20,000
Indra 3,00,000	7,00,000	Debtors 80,000	
General Reserve	50,000	Less :	
Creditors	20,000	Provision for doubtful debts 4,000	76,000
		Stock	1,54,000
		Cash at bank	15,000
	7,70,000		7,70,000

On 1st April, 2025, Suraj was admitted for 1/4th share in the profits of the firm on the following terms:

(i) Suraj will bring capital proportionate to his share in the profits of the firm. (ii) Goodwill of the firm was valued at Rs.1,00,000 and Suraj will bring his share of goodwill premium in cash. (iii) Furniture was taken over by Asha at Rs.1,00,000. (iv) A liability of Rs.5,000 included in creditors was not likely to arise. (v) Plant and Machinery was revalued at Rs.4,35,000. Prepare Revaluation Account and Partners' capital accounts on Suraj's admission. Show the calculation of proportionate capital clearly.

Correct Answer: Revaluation Profit = Rs.15,000; Suraj's Capital = Rs.2,45,000.

Solution:

Step 1: Understanding the Concept:

Admission of a partner requires revaluing assets and liabilities and adjusting existing partners' capitals for reserves and goodwill. "Proportionate Capital" means the new partner's capital is calculated based on the total capital of the firm after all adjustments are made for the old partners.

Step 2: Key Formula or Approach:

- Revaluation Profit/Loss:** Difference between new values and book values of assets/liabilities.
- Suraj's Share of Goodwill:** $1,00,000 \times \frac{1}{4} = \text{Rs.}25,000$. Distributed in Sacrificing Ratio (3:2).
- Proportionate Capital:** Total Adjusted Capital of Old Partners $\times \frac{\text{Reciprocal of Remaining Share}}{\times}$ New Partner's Share

Step 3: Detailed Explanation:

1. Revaluation Account:

- Gain on Plant & Machinery: $4,35,000 - 4,05,000 = \text{Rs.}30,000$.
- Gain on Creditors (Liability reduced): Rs.5,000.
- Loss on Furniture (Book Value 1,20,000 - Taken over at 1,00,000): Rs.20,000.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Furniture A/c (Loss)	20,000	By Plant & Machinery	30,000
To Profit transferred to:		By Creditors	5,000
Asha (3/5): 9,000			
Indra (2/5): 6,000	15,000		
Total	35,000	Total	35,000

2. Partners' Capital Accounts (Adjustments):

- General Reserve:** Asha: Rs.30,000, Indra: Rs.20,000.
- Premium for Goodwill:** Asha: Rs.15,000, Indra: Rs.10,000.
- Furniture taken by Asha:** Debited Rs.1,00,000 to Asha's Capital.

Particulars	Asha	Indra	Suraj	Particulars	Asha	Indra	Suraj
To Furniture	1,00,000	-	-	By Bal b/d	4,00,000	3,00,000	-
				By Gen. Res.	30,000	20,000	-
				By Reval. (P)	9,00,000	6,000	-
				By Prem.	15,000	10,000	-
				GW			
To Bal c/d	3,54,000	3,36,000	2,30,000	By Bank (Cap)	-	-	2,30,000

3. Calculation of Suraj's Capital:

- Adjusted Capital of Asha = $4,00,000 + 30,000 + 9,000 + 15,000 - 1,00,000 = \text{Rs.} 3,54,000$.
- Adjusted Capital of Indra = $3,00,000 + 20,000 + 6,000 + 10,000 = \text{Rs.} 3,36,000$.
- Total Adjusted Capital for $3/4$ share $(1 - 1/4) = 3,54,000 + 3,36,000 = \text{Rs.} 6,90,000$.
- Total Capital of Firm = $6,90,000 \times 4/3 = \text{Rs.} 9,20,000$.
- Suraj's Capital** = $9,20,000 \times 1/4 = \text{Rs.} 2,30,000$.

Step 4: Final Answer:

Revaluation profit is Rs.15,000. After all adjustments, Asha's capital is Rs.3,54,000, Indra's is Rs.3,36,000, and Suraj brings in Rs.2,30,000 as proportionate capital.

💡 Quick Tip

When an asset is taken over by a partner, it is debited to their Capital Account at the **agreed value**, not the book value. Any difference between book value and agreed value goes to the Revaluation Account.

PART B (Option – I)

(Analysis of Financial Statements)

27. Statement I: In case of non-financial enterprises, payment of interest and dividend are classified as financing activities.

Statement II: In case of financial enterprises, payment of interest and dividend are classified as investing activities.

Choose the correct option:

- (A) Both the statements are true.
- (B) Both the statements are false.
- (C) Statement I is true, but Statement II is false.
- (D) Statement I is false, but Statement II is true.

Correct Answer: (C) Statement I is true, but Statement II is false.

Solution:

Step 1: Understanding the Concept:

Cash flows are classified based on the nature of the business. For non-financial firms, borrowing and capital raising are financing activities. For financial firms (like banks), dealing with interest is part of their main business operations.

Step 2: Key Formula or Approach:

Financing Activities: Activities that result in changes in the size and composition of owner's capital and borrowings. Operating Activities: Principal revenue-producing activities.

Step 3: Detailed Explanation:

1. Statement I is True: For a regular (non-financial) company, paying interest on loans and dividends to shareholders is related to how the company is funded (Financing). 2. Statement II is False: In a financial enterprise, **payment of interest** is an **Operating Activity** because lending and borrowing is their primary business. However, **payment of dividend** is still a **Financing Activity** for them as it relates to their own equity capital.

Step 4: Final Answer:

Statement I correctly identifies financing activities for non-financial firms, but Statement II is incorrect because interest paid is an operating activity for financial firms.

💡 Quick Tip

Dividend Paid is **always** a Financing Activity, regardless of whether the company is financial or non-financial.

28. (a) During the year ended 31st March, 2025, H.P. Ltd. paid an interim dividend of Rs.50,00,000. From the following, choose the correct option for the purpose of preparing 'Cash Flow Statement':

- (A) Rs.50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and added back to net profit to calculate cash flows from operating activities.
- (B) Rs.50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and deducted from net profit to calculate cash flows from operating activities.
- (C) Rs.50,00,000 paid as interim dividend during the year will be shown as cash outflow from financing activities only.
- (D) Rs.50,00,000 paid as interim dividend during the year will be added back to net profit to calculate cash flows from operating activities only.

OR

(b) Which of the following is a financing activity for the purpose of preparing a Cash Flow Statement?

- (A) Interest received
- (B) Dividend received
- (C) Royalties received
- (D) Interest paid on debentures

Correct Answer: (a) (A); (b) (D)

Solution:

Step 1: Understanding the Concept:

Accounting for dividends and interest requires a two-fold adjustment in the Indirect Method: one to show the actual cash movement and one to adjust the Net Profit which was reduced by these non-operating/financing items.

Step 3: Detailed Explanation:

For (a): Interim dividend is an appropriation of profit. 1. It is **added back** to the Net Profit in the Operating section to arrive at "Net Profit before Tax and Extraordinary Items." 2. It is shown as an **outflow** in the Financing section because it is a cost of raising equity capital.

For (b): Interest/Dividend received = Investing Activity. Royalties received = Operating Activity. **Interest paid on debentures** = Financing Activity (as debentures are borrowings).

Step 4: Final Answer:

Option (A) is correct for interim dividend as it affects both Operating (non-cash/non-operating adjustment) and Financing (actual cash flow) sections.

💡 Quick Tip

If an item is "added back" in the Operating section (Indirect Method), it usually appears as an "outflow" in Investing or Financing.

29. The following information is obtained from the books of Devdutt Ltd.:

Working capital – Rs.4,00,000

Trade Payables – Rs.50,000

Other Current liabilities – Rs.1,00,000

Current assets of Devdutt Ltd. are:

- (A) Rs.2,50,000
- (B) Rs.4,50,000
- (C) Rs.5,00,000
- (D) Rs.5,50,000

Correct Answer: (D) Rs.5,50,000

Solution:

Step 1: Understanding the Concept:

Working Capital represents the difference between a company's Current Assets and its Current Liabilities. It indicates the liquidity available for day-to-day operations.

Step 2: Key Formula or Approach:

$$\text{Working Capital (WC)} = \text{Current Assets (CA)} - \text{Current Liabilities (CL)}$$

Step 3: Detailed Explanation:

1. **Find Total Current Liabilities (CL):** $CL = \text{Trade Payables} + \text{Other Current Liabilities}$
 $CL = 50,000 + 1,00,000 = \text{Rs.}1,50,000$
2. **Apply the Working Capital Formula:** $4,00,000 = CA - 1,50,000$
3. **Solve for CA:** $CA = 4,00,000 + 1,50,000 = \text{Rs.}5,50,000$

Step 4: Final Answer:

The Current Assets of Devdutt Ltd. amount to Rs.5,50,000.

 Quick Tip

"Other Current Liabilities" are separate from "Trade Payables"; always sum all sub-heads to find the total Current Liabilities before calculating Current Assets.

30. (a) From the following information obtained from the books of accounts of Ananda Ltd., calculate 'Quick Ratio' of the company: Total Current Assets (including stock and prepaid expenses) Rs.2,00,000; Stock Rs.20,000; Prepaid expenses Rs.10,000; Current liabilities Rs.1,70,000.

- (A) 20 : 17
- (B) 1 : 1
- (C) 18 : 17
- (D) 19 : 17

OR

(b) 'Analysis of financial statements is useful and significant to different users.' Which of the following users is concerned with a firm's long-term solvency and survival?

- (A) Labour unions
- (B) Trade payables
- (C) Finance manager
- (D) Lenders

Correct Answer: (a) (B) 1 : 1; (b) (D) Lenders

Solution:

Step 1: Understanding the Concept:

Quick Ratio (or Acid Test Ratio) measures the ability of a firm to meet its current liabilities using its most liquid assets. Solvency analysis, on the other hand, helps stakeholders understand if the firm can sustain itself and pay back long-term debts.

Step 2: Key Formula or Approach:

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

$$\text{Quick Assets} = \text{Current Assets} - (\text{Stock} + \text{Prepaid Expenses})$$

Step 3: Detailed Explanation:

For (a): 1. Calculate Quick Assets: Quick Assets = 2,00,000 – (20,000 + 10,000) Quick Assets = 2,00,000 – 30,000 = Rs.1,70,000 2. Calculate Quick Ratio: Ratio = 1,70,000/1,70,000 = 1 : 1

For (b): Lenders (like banks or debenture holders) provide long-term funds and are primarily interested in the firm's ability to pay interest and principal over a long period. Trade payables are concerned with short-term liquidity.

Step 4: Final Answer:

For part (a), the ratio is 1:1. For part (b), Lenders is the correct user category.

💡 Quick Tip

Quick assets are those current assets that can be converted into cash almost immediately. Stock is excluded because it takes time to sell, and prepaid expenses are excluded because they cannot be converted back to cash.

31. The following information was extracted from the Statement of Profit and Loss of Chaman Ltd. for the year ended 31st March, 2025:

Particulars	Note No.	31.3.2025 (₹)	31.3.2024 (₹)
Revenue from operations		40,00,000	32,00,000
Employee Benefit Expenses		20,00,000	16,00,000
Other Expenses		2,00,000	4,00,000
Tax Rate 50%			

Prepare a Comparative Statement of Profit and Loss.

Correct Answer: (Comparative Statement Table)

Solution:

Step 1: Understanding the Concept:

A Comparative Statement of Profit and Loss shows the horizontal analysis of each item of revenue and expense over two years, calculating the absolute change and the percentage change.

Step 3: Detailed Explanation (Comparative Statement):

Particulars	2023-24 (A)	2024-25 (B)	Abs. Change (C)	% Change
I. Revenue from Ops	32,00,000	40,00,000	8,00,000	25.00%
II. Total Revenue	32,00,000	40,00,000	8,00,000	25.00%
III. Expenses:				
(a) Employee Benefits	16,00,000	20,00,000	4,00,000	25.00%
(b) Other Expenses	4,00,000	2,00,000	(-) 2,00,000	(-) 50.00%
Total Expenses	20,00,000	22,00,000	2,00,000	10.00%
IV. Profit before Tax	12,00,000	18,00,000	6,00,000	50.00%
V. Less: Tax (50%)	6,00,000	9,00,000	3,00,000	50.00%
VI. Profit after Tax	6,00,000	9,00,000	3,00,000	50.00%

Step 4: Final Answer:

The Net Profit after tax increased by Rs.3,00,000, representing a 50% growth compared to the previous year.

 Quick Tip

$$\text{Percentage Change} = \frac{\text{Absolute Change (C)}}{\text{Previous Year (A)}} \times 100.$$

32. Under which major head and sub-heads (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013? (i) Demand deposits with banks (ii) Long-term loans (iii) Livestock

Correct Answer: (Classification Table)

Solution:

Step 1: Understanding the Concept:

Schedule III provides a strict format for presenting assets and liabilities. Assets are divided into Non-Current and Current, with specific sub-categories for clarity and standardization.

Step 3: Detailed Explanation:

Item	Major Head	Sub-head
(i) Demand deposits	Current Assets	Cash and Cash Equivalents
(ii) Long-term loans	Non-Current Liabilities	Long-term borrowings
(iii) Livestock	Non-Current Assets	Property, Plant and Equipment and Intangible Assets

Note: Livestock is specifically classified under 'Property, Plant and Equipment' (Fixed Assets).

Step 4: Final Answer:

1. Demand Deposits: Current Asset → Cash & Cash Equivalents. 2. Long-term Loans: Non-Current Liability → Long-term Borrowings. 3. Livestock: Non-Current Asset → PPE.

💡 Quick Tip

"Demand deposits" are bank balances that can be withdrawn anytime, hence they are treated as cash equivalents.

33. (a) 'Net Asset Turnover' ratio of a company is 2 times. State with reason whether the following transactions will increase, decrease or not affect the ratio:
(i) Cash sales Rs.3,00,000 (ii) Issue of equity shares Rs.10,00,000 (iii) Issue of 9% debentures Rs.5,00,000 (iv) Credit purchase of goods Rs.50,000.

OR

(b) From the following information, calculate 'Proprietary Ratio' and 'Debt-to-Equity Ratio': Equity Share Capital Rs.3,00,000; Preference Share Capital Rs.1,00,000; Reserves and Surplus Rs.1,00,000; Plant and Machinery Rs.3,50,000; Non-Current Investments Rs.1,00,000; Current Assets Rs.2,00,000; Long-term Borrowings Rs.1,50,000.

Correct Answer: (b) Proprietary Ratio = 0.77 : 1; Debt-to-Equity Ratio = 0.3 : 1.

Solution:

Step 1: Understanding the Concept:

Proprietary Ratio measures the proportion of total assets funded by shareholders' funds. Debt-to-Equity Ratio measures the relationship between long-term external debts and shareholders'

funds.

Step 2: Key Formula or Approach:

1. Proprietary Ratio = $\frac{\text{Shareholders' Funds}}{\text{Total Assets}}$ 2. Debt-to-Equity Ratio = $\frac{\text{Long-term Debt}}{\text{Shareholders' Funds}}$ 3. Shareholders' Funds = Eq. Cap + Pref. Cap + Reserves 4. Total Assets = Non-Current Assets + Current Assets

Step 3: Detailed Explanation (for b):

1. **Calculate Shareholders' Funds:** $3,00,000 + 1,00,000 + 1,00,000 = \text{Rs.}5,00,000$ 2. **Calculate Total Assets:** $3,50,000(\text{P\&M}) + 1,00,000(\text{Inv}) + 2,00,000(\text{CA}) = \text{Rs.}6,50,000$ 3. **Proprietary Ratio:** $5,00,000/6,50,000 \approx 0.769$ or $0.77 : 1$ 4. **Debt-to-Equity Ratio:** Long-term Debt = Rs.1,50,000 Ratio = $1,50,000/5,00,000 = 0.3 : 1$

Step 4: Final Answer:

The Proprietary Ratio is $0.77 : 1$, indicating a strong equity base, and the Debt-to-Equity Ratio is $0.3 : 1$, showing low reliance on long-term debt.

💡 Quick Tip

"Total Assets" must include all assets (Current + Non-current). If Current Liabilities are not given, do not assume they are zero unless the Balance Sheet totals match.

34. From the following information obtained from the books of 'Sawera Ltd.', calculate Cash from Operations:

Net Profit for the year ended 31st March, 2025 after charging depreciation of Rs.80,000 and after writing off goodwill Rs.2,000 was Rs.5,40,000.

Particulars	31.3.2024 (₹)	31.3.2025 (₹)
Commission received in advance	10,000	4,000
Accrued interest	60,000	80,000
Outstanding rent	40,000	30,000
Trade receivables	3,24,000	3,43,000
Trade payables	2,30,000	2,97,000
Inventories	54,000	79,000
Other current assets	27,000	24,700

Correct Answer: Cash Flow from Operating Activities = Rs.5,86,700.

Solution:

Step 1: Understanding the Concept:

Cash from operations is calculated by taking the Net Profit and adding back non-cash expenses (like depreciation) and non-operating items, then adjusting for changes in working capital (Current Assets and Current Liabilities).

Step 3: Detailed Explanation:

Particulars	Amount (Rs.)	Amount (Rs.)
Net Profit as per P&L A/c		5,40,000
Add: Non-cash/Non-operating items:		
- Depreciation	80,000	
- Goodwill written off	2,000	82,000
Operating Profit before Working Capital Changes		6,22,000
Adjustments for Working Capital:		
Add: Increase in Trade Payables	67,000	
Add: Decrease in Other Current Assets (27,000 – 24,700)	2,300	
Less: Decrease in Commission received in advance	(6,000)	
Less: Increase in Accrued Interest	(20,000)	
Less: Decrease in Outstanding Rent	(10,000)	
Less: Increase in Trade Receivables	(19,000)	
Less: Increase in Inventories	(25,000)	(10,700)
Cash Flow from Operating Activities		6,11,300

Note: Let's re-verify the net adjustment: $(67,000 + 2,300) - (6,000 + 20,000 + 10,000 + 19,000 + 25,000) = 69,300 - 80,000 = (-)10,700$. Final : $6,22,000 - 10,700 = 6,11,300$.

Step 4: Final Answer:

Net cash generated from operating activities is Rs.6,11,300.

💡 Quick Tip

Remember: **Increase in Current Liability** and **Decrease in Current Asset** are added to the operating profit because they represent cash staying in or coming into the business.

PART B (Option – II)

(Computerised Accounting)

27. How is navigation conducted from the first to the last cell in a cluster of data in a column by skipping all the cells in between?

- (A) END + Down arrow (↓)
- (B) HOME + Page down
- (C) HOME + Down arrow (↓)
- (D) CTRL + Down arrow (↓) successively

Correct Answer: (D) CTRL + Down arrow (↓) successively

Solution:

Step 1: Understanding the Concept:

In electronic spreadsheets (like Excel), navigation shortcuts allow users to move quickly through large datasets without manual scrolling. The "CTRL + Arrow" combination is designed to jump to the edge of the current data region.

Step 2: Key Formula or Approach:

CTRL + Arrow Key: Jumps to the start or end of a continuous range of data. END Key: While often used in combination, it typically requires a subsequent arrow key press to navigate to the boundary of data.

Step 3: Detailed Explanation:

1. CTRL + Down Arrow: If you are at the top of a column with data, pressing these keys will take you directly to the last cell containing data before an empty cell. 2. Successively: If there are multiple "clusters" (groups of data separated by empty cells), pressing the combination repeatedly allows you to jump from cluster to cluster. 3. Other Options: Option (B) and (C) usually relate to moving the cursor to cell A1 (Home) or scrolling down by a full page (Page Down), which does not skip to specific data boundaries.

Step 4: Final Answer:

Navigation from the first to the last cell in a data cluster is efficiently done using CTRL + Down arrow (↓).

 Quick Tip

To select all the cells while jumping, hold down the **SHIFT** key as well (CTRL + SHIFT + Down Arrow).

28. (a) Which of the following is not a feature of Tailored accounting software?

- (A) Designed specially for large enterprises
- (B) Requires minimal or no support from system
- (C) Requires special training before use
- (D) Needs technical installation efforts

Correct Answer: (B) Requires minimal or no support from system

Solution:

Step 1: Understanding the Concept:

Accounting software is generally classified into Ready-to-use, Customized, and Tailored. Tailored software is built from scratch or heavily modified to meet the specific requirements of a large organization.

Step 3: Detailed Explanation:

1. High Complexity: Because it is designed for large enterprises (Option A), it is complex and requires significant technical installation (Option D). 2. Special Training: Due to its unique nature and specialized features, users cannot simply "plug and play"; they need formal training (Option C). 3. Support Requirements: Tailored software actually requires heavy and continuous support from developers or IT teams because it is unique to the firm and any bugs or updates must be handled by specialists. Therefore, saying it requires "minimal or no support" is incorrect.

Step 4: Final Answer:

The feature that does **not** belong to tailored software is (B), as these systems actually require extensive ongoing technical support.

 Quick Tip

Think of "Tailored" software like a custom-made suit; it fits perfectly but requires professional maintenance and adjustments over time.