

MH Board Class 12 BOOK-KEEPING & ACCOUNTANCY 2025

Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :35
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General Instructions

Important Instructions:

1. Each activity has to be answered in a full sentence/s. One word answers will not be given complete credit. Just the correct activity number written in case of options will not be given credit.
2. Web diagrams, flow charts, tables, etc. are to be presented exactly as they are with answers.
3. In point 2 above, just words without the presentation of the activity format, will not be given credit. Use of colour pencils/pens etc. is not allowed. (Only blue/black pens are allowed.)
4. Multiple answers to the same activity will be treated as wrong and will not be given any credit.
5. Maintain the sequence of the Sections/Question Nos./Activities throughout the activity sheet.

Q.1. All objective questions are compulsory:

(A) Select the correct option and rewrite the sentences:

(1) A ___ is an intangible asset.

(a) Goodwill

(b) Stock

(c) Cash

(d) Furniture

Correct Answer: (a) Goodwill

Solution:

Step 1: Recall the definition of intangible asset.

An intangible asset is a non-physical asset that has value due to its rights and privileges, such as patents, copyrights, and goodwill.

Step 2: Evaluate the options.

- Goodwill is an intangible asset, as it represents the value of a company's brand, customer relationships, and intellectual property. - Stock, Cash, and Furniture are tangible assets, not intangible.

Step 3: Conclusion.

Hence, the correct answer is Goodwill, which is an intangible asset.

Final Answer:

Goodwill

Quick Tip

Intangible assets like goodwill do not have a physical presence but contribute significantly to a company's value.

Q.2. Excess of income over expenditure in 'Not for Profit Concern' is termed as ____.

(a) Deficit

- (b) Profit
- (c) Surplus
- (d) Loss

Correct Answer: (c) Surplus

Solution:

Step 1: Recall the definition.

In a 'Not for Profit Concern', if the income exceeds the expenditure, it results in a surplus, unlike a profit in a profit-making organization.

Step 2: Evaluate the options.

- Deficit: Occurs when expenditure exceeds income. - Profit: A surplus in a for-profit organization. - Surplus: Correct answer, as it indicates excess income over expenditure in non-profit organizations. - Loss: Occurs when income is less than expenditure.

Step 3: Conclusion.

Therefore, the correct term is Surplus.

Final Answer:

Surplus

Quick Tip

In a 'Not for Profit Concern', the term Surplus refers to excess income over expenditure.

Q.3. Decrease in the value of assets should be ___ to Profit and Loss Adjustment account.

- (a) Debited
- (b) Credited
- (c) Added
- (d) Equal

Correct Answer: (a) Debited

Solution:

Step 1: Recall accounting principles.

When there is a decrease in the value of assets, it is treated as a loss and debited to the Profit and Loss Adjustment account.

Step 2: Evaluate the options.

- Debited: Correct answer, as a decrease in asset value is treated as a loss. - Credited: Would apply to an increase in asset value. - Added: Not applicable in this case. - Equal: Does not apply in this context.

Step 3: Conclusion.

Thus, the correct action is to debit the decrease in asset value.

Final Answer:

Debited

Quick Tip

A decrease in the value of assets is recorded as a debit to the Profit and Loss Adjustment account.

Q.4. Dissolution expenses are credited to ___ account.

- (a) Realisation
- (b) Cash/Bank
- (c) Capital
- (d) Loan

Correct Answer: (a) Realisation

Solution:**Step 1: Understand dissolution expenses.**

Dissolution expenses are incurred when closing or liquidating a business, and they are credited to the Realisation account.

Step 2: Evaluate the options.

- Realisation: Correct answer, as dissolution expenses are credited here. - Cash/Bank: These are used for paying dissolution expenses, not for crediting. - Capital: Would not be credited with dissolution expenses. - Loan: Not applicable for dissolution expense crediting.

Step 3: Conclusion.

Hence, the correct account is Realisation.

Final Answer:

Realisation

Quick Tip

Dissolution expenses are credited to the Realisation account during liquidation.

Q.5. Notary public is a ____.

- (a) Government officer
- (b) Drawer
- (c) Payee
- (d) Endorsee

Correct Answer: (a) Government officer

Solution:

Step 1: Understand the role of a notary public.

A notary public is an official appointed by the government to witness signatures on legal documents and administer oaths.

Step 2: Evaluate the options.

- Government officer: Correct answer, as a notary public is appointed by the government. - Drawer: A drawer is someone who writes a check or draft. - Payee: The person who receives the payment. - Endorsee: A person to whom a negotiable instrument is transferred.

Step 3: Conclusion.

Thus, a notary public is a government officer.

Final Answer:

Government officer

Quick Tip

A notary public is an official who verifies the authenticity of signatures on documents.

Q.6. Complete the sentences:

(1) Trading Account is prepared on the basis of ___ expenses.

Correct Answer: Direct

Solution:

Step 1: Recall the purpose of the Trading Account.

The Trading Account is used to calculate the gross profit or loss by comparing the sales and the cost of goods sold (which includes direct expenses like materials, labor, etc.).

Step 2: Evaluate the options.

- Direct expenses are related to the production of goods or services, so they are the basis for preparing the Trading Account. - Indirect expenses do not directly affect the production process and are accounted for in the Profit and Loss Account.

Step 3: Conclusion.

Hence, the correct answer is Direct expenses.

Final Answer:

Direct

Quick Tip

Direct expenses are essential for determining the cost of goods sold and the gross profit in the Trading Account.

Q.B.2. Income and Expenditure Account is a ____.

Correct Answer: (a) Nominal Account

Solution:

Step 1: Define the type of account.

The Income and Expenditure Account is a type of Nominal Account because it deals with incomes and expenses, which are temporary in nature.

Step 2: Evaluate the options.

- Nominal Account: Correct, as it deals with incomes and expenditures. - Real Account: Deals with assets and liabilities. - Personal Account: Deals with individuals or entities. - Mixed Account: A combination of the above types.

Step 3: Conclusion.

Therefore, Income and Expenditure Account is a Nominal Account.

Final Answer:

Nominal Account

Quick Tip

Nominal Accounts relate to incomes, expenses, and losses, and are closed at the end of the period.

Q.B.3. Deceased partner's executor's account is shown on the ___ side of the balance sheet.

Correct Answer: (a) Debit

Solution:

Step 1: Understand the treatment of the deceased partner's account.

The deceased partner's executor's account is created to settle the financial affairs of the deceased partner, and it is treated as a liability of the partnership firm.

Step 2: Evaluate the options.

- Debit: Correct, as the account of the deceased partner's executor represents a liability. -
Credit: Does not apply in this case, as the balance would not be shown on the credit side.

Step 3: Conclusion.

Therefore, the deceased partner's executor's account is shown on the Debit side of the balance sheet.

Final Answer:

Debit

Quick Tip

Liabilities of the partnership, including the deceased partner's account, are shown on the debit side of the balance sheet.

Q.B.4. Fixed deposit account comes under ___ group.

Correct Answer: (d) Non-Current Assets

Solution:

Step 1: Understand the classification of fixed deposit accounts.

A fixed deposit is considered a non-current asset as it represents a long-term investment with a fixed maturity period.

Step 2: Evaluate the options.

- Non-Current Assets: Correct, as it is a long-term investment. - Non-Current Liabilities: Fixed deposits are not liabilities. - Current Liabilities: Does not apply here. - Current Assets: Fixed deposits are not part of the current assets category.

Step 3: Conclusion.

Hence, the fixed deposit account is classified under Non-Current Assets.

Final Answer:

Non – Current Assets

Quick Tip

Fixed deposits with a maturity period of more than one year are classified as non-current assets.

Q.B.5. If an asset is taken over by the partner, ___ account is debited.

Correct Answer: (a) Realisation

Solution:

Step 1: Understand the process of asset transfer in a partnership.

When an asset is taken over by a partner, the asset is debited to the Realisation account, as it is a part of the dissolution process.

Step 2: Evaluate the options.

- Realisation: Correct, as it reflects the transfer of assets and liabilities during dissolution. - Cash/Bank: Not applicable in this context. - Capital: Not the correct account for asset transfer. - Loan: Does not apply in asset transfer scenarios.

Step 3: Conclusion.

Thus, the correct account is Realisation.

Final Answer:

Realisation

Quick Tip

During the dissolution of a partnership, assets taken over by a partner are debited to the Realisation account.

Q.C. Find the odd one:

(1) Wages account, Salary account, Royalty account, Import duty account.

Correct Answer: (4) Import duty account

Solution:**Step 1: Analyze the accounts.**

- Wages, Salary, and Royalty are all related to expenses or incomes in the Profit and Loss Account, representing payments or receipts related to operational activities. - Import Duty, on the other hand, is related to a liability or a cost to be paid to the government for importing goods, making it different from the others.

Step 2: Conclusion.

Therefore, the odd one out is Import duty account, as it represents a different type of expense compared to the others.

Final Answer:*Import duty account***Quick Tip**

Accounts related to operational income and expenses are different from statutory payments such as import duty.

Q.C. (2) Machinery account, Furniture account, Computer account, Rent account.

Correct Answer: (4) Rent account

Solution:**Step 1: Analyze the accounts.**

- Machinery, Furniture, and Computer accounts represent assets that are tangible and are recorded as non-current assets on the balance sheet. - Rent, however, is an expense and is recorded in the Profit and Loss Account, not an asset.

Step 2: Conclusion.

Therefore, the odd one out is Rent account, as it is an expense while the other accounts represent assets.

Final Answer:*Rent account*

Quick Tip

Assets are recorded on the balance sheet, while expenses are recorded in the Profit and Loss Account.

Q.C. (3) General reserve account, Creditors account, Machinery account, Capital account.

Correct Answer: (2) Creditors account

Solution:

Step 1: Analyze the accounts.

- General reserve, Machinery, and Capital accounts represent long-term items (reserves and assets). - Creditors account represents a liability, which is a short-term obligation.

Step 2: Conclusion.

Therefore, Creditors account is the odd one out, as it represents a liability, whereas the others represent long-term items.

Final Answer:

Creditors account

Quick Tip

Liabilities like Creditors account differ from reserves and assets, which are long-term in nature.

Q.C. (4) Notary public, Drawer, Drawee, Payee.

Correct Answer: (1) Notary public

Solution:

Step 1: Analyze the terms.

- Drawer, Drawee, and Payee are all related to negotiable instruments (like cheques or bills of exchange). - Notary public, however, is a government-appointed official responsible for witnessing signatures and certifying documents.

Step 2: Conclusion.

Therefore, the odd one out is Notary public, as it is not related to negotiable instruments.

Final Answer:

Notary public

Quick Tip

Drawer, Drawee, and Payee are terms related to negotiable instruments, while Notary public refers to an official role.

Q.C. (5) At par, At premium, At discount, At loan.

Correct Answer: (4) At loan

Solution:

Step 1: Analyze the terms.

- At par, At premium, and At discount refer to the terms used in the context of bonds, shares, or securities trading. - At loan refers to borrowing money, which is unrelated to the trading or valuation of securities.

Step 2: Conclusion.

Therefore, At loan is the odd one out, as it does not relate to the trading of securities.

Final Answer:

At loan

Quick Tip

Terms like "At par", "At premium", and "At discount" are used in securities trading, whereas "At loan" relates to borrowing.

Q.D. Do you agree or disagree with the following statements:

(1) Partnership firm is a trading concern.

Correct Answer: Agree

Solution:

Step 1: Understand the concept of a partnership firm.

A partnership firm can indeed be a trading concern, as it can operate with the purpose of conducting business activities, such as trading or providing services.

Step 2: Evaluate the statement.

Partnership firms are often established with the goal of running a trading business, which aligns with the notion of a "trading concern."

Step 3: Conclusion.

Therefore, the statement "Partnership firm is a trading concern" is correct, and I agree with it.

Final Answer:

Agree

Quick Tip
A partnership firm can operate as a trading concern, focused on business operations for profit.

Q.2. 'Not for profit concerns' do not have profit motive.

Correct Answer: Agree

Solution:

Step 1: Understand the nature of 'Not for profit concerns.'

'Not for profit concerns' are organizations formed with the objective of providing services or benefits rather than making a profit, such as charities or educational institutions.

Step 2: Evaluate the statement.

These organizations aim to use their income to further their mission, not to distribute profits to owners or shareholders.

Step 3: Conclusion.

Thus, the statement that 'Not for profit concerns do not have profit motive' is correct, and I agree with it.

Final Answer:

<i>Agree</i>

Quick Tip
Not-for-profit concerns focus on providing services or benefits without the aim of generating profit.

Q.3. Retiring partner is called an outgoing partner.

Correct Answer: Agree

Solution:**Step 1: Understand the term 'Retiring Partner.'**

A retiring partner is a partner who decides to leave the partnership, either by choice or by the terms of the partnership agreement.

Step 2: Evaluate the statement.

The retiring partner is commonly referred to as the outgoing partner, as they are exiting the partnership.

Step 3: Conclusion.

Thus, the statement that a retiring partner is called an outgoing partner is correct, and I agree with it.

Final Answer:

<i>Agree</i>

Quick Tip

The term 'outgoing partner' refers to a partner who is retiring or leaving the partnership.

Q.4. Gain ratio is calculated at the time of admission of a new partner.

Correct Answer: Agree

Solution:

Step 1: Understand the concept of Gain Ratio.

The gain ratio is the ratio in which the existing partners share the gain of the new partner's entry. It is calculated at the time of admission of a new partner to determine how much of the new partner's share is taken from the existing partners.

Step 2: Evaluate the statement.

The gain ratio is indeed calculated when a new partner joins to establish the terms for profit sharing.

Step 3: Conclusion.

Therefore, the statement that Gain ratio is calculated at the time of admission of a new partner is correct, and I agree with it.

Final Answer:

Agree

Quick Tip

The gain ratio determines how much of the new partner's share is taken from the existing partners during admission.

Q.5. Financial statement includes only balance sheet.

Correct Answer: Disagree

Solution:

Step 1: Understand the components of financial statements.

A financial statement includes not only the balance sheet but also the Income Statement (Profit and Loss Account) and other statements, such as cash flow statements.

Step 2: Evaluate the statement.

The statement that financial statements include only the balance sheet is incorrect, as it omits important financial reports like the Profit and Loss account.

Step 3: Conclusion.

Thus, I disagree with the statement.

Final Answer:

Disagree

Quick Tip

A complete financial statement includes the balance sheet, income statement, and other relevant financial reports.

Q.2. Mr. Deepak and Mr. Abhishek were in partnership sharing profits and losses in the proportion of 3:1 respectively. Their Balance Sheet as on 31st March 2019 stood as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Account:		Land and Building	32,000
Mr. Deepak	1,20,000	Plant and Machinery	60,000
Mr. Abhishek	40,000	Furniture	22,000
General Reserve	16,000	Stock	40,000
Sundry Creditors	80,000	Sundry Debtors	64,000
Bank Overdraft	42,000	Cash	80,000
Total:	2,98,000	Total:	2,98,000

They admitted Adinath into partnership on 1st April 2019 on the terms that:

- Adinath shall bring in ₹40,000 as his capital for a 1/5 share in future profits and ₹20,000 as his share of goodwill.
- Furniture to be depreciated by 20%.
- Stock should be appreciated by 10%.
- Building should be appreciated by 5%.
- A provision for 5% R.D.D. to be created on sundry debtors.
- Capital accounts of all partners be adjusted in their new profit-sharing ratio through cash account.

Prepare:

- (a) Revaluation Account
- (b) Partners' Capital Account
- (c) New Balance Sheet of the firm

Solution : (a) Revaluation Account

Revaluation Account	Dr.		Cr.
heightTo Furniture (Depreciation)	₹4,400	By Stock (Appreciation)	₹4,000
To Provision for R.D.D.	₹3,200	By Building (Appreciation)	₹1,600
To Building (Appreciation)	₹1,600		
To Adinath's Capital Account (Goodwill)	₹20,000		
heightTotal	₹29,200	Total	₹29,200
height			

(b) Partners' Capital Account

Partners' Capital Account	Dr.	Cr.
heightTo Revaluation Account	₹4,400	By Balance b/d₹1,60,000
To Adinath's Capital Account	₹20,000	By Revaluation Account₹29,200
heightTotal	₹24,400	Total₹1,89,200
height		

(c) New Balance Sheet of the Firm

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Account:		Land and Building	33,600
Mr. Deepak	1,20,000	Plant and Machinery	60,000
Mr. Abhishek	40,000	Furniture	17,600
Adinath	40,000	Stock	44,000
General Reserve	16,000	Sundry Debtors	60,800
Sundry Creditors	80,000	Cash	80,000
Bank Overdraft	42,000		
Total:	2,98,000	Total:	2,98,000

Final Answer: The Revaluation Account shows adjustments for depreciation, appreciation, and goodwill, while the Partners' Capital Account reflects changes in capital after the new partner's admission. The new balance sheet presents the adjusted values for the firm's assets and liabilities post-admission.

Quick Tip

When admitting a new partner, adjustments like depreciation, appreciation, and goodwill are made, and capital accounts are rebalanced according to the new profit-sharing ratio.

OR

Q.2. Given below is a Balance Sheet of Aditya, Ajinkya, and Arun who were partners in a firm sharing profits and losses in the ratio 5:3:2. Their Balance Sheet as on 31st March 2020 was as follows:

On 1st April 2020, Arun retired on the following terms:

- Goodwill of the firm will be raised in the books at ₹10,000.
- Stocks to be reduced by 10%, Furniture by 5%, and Machinery by 10%.

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	10,450	Cash	3,800
Reserve Fund	7,500	Debtors	9,000
Capital Account:		Stock	8,750
Aditya	21,000	Machinery	50,000
Ajinkya	18,500	Furniture	2,500
Arun	16,600		
Total:	74,050	Total:	74,050

- A provision of 5% R.D.D. to be maintained on debtors.
- ₹100 to be written off from creditors.
- All the amount due to Arun will be transferred to his loan account.

Prepare:

- (a) Profit and Loss Adjustment Account
- (b) Partners' Capital Account
- (c) Balance Sheet of the new firm

Solution : (a) Profit and Loss Adjustment Account

Profit and Loss Adjustment Account		Cr.	
heightTo Goodwill (Arun's share)	₹2,000	By Stock (Reduction)	₹875
To Stock (Reduction)	₹875	By Furniture (Reduction)	₹1,250
To Machinery (Reduction)	₹5,000	By Machinery (Reduction)	₹5,000
To Provision for R.D.D. (5% of 90,000)	₹4,500	By Creditors (Written off)	₹100
heightTotal	₹8,325	Total	₹8,000
height			

(b) Partners' Capital Account

Partners' Capital Account	Dr.	Cr.	
To Arun's Capital Account	₹16,600	By Balance b/d (Ajinkya)	₹21,000

To Arun's Loan Account (Remaining) ₹14,600 By Balance b/d ₹18,500
 heightTotal ₹31,200 Total ₹39,500
 height

(c) New Balance Sheet of the Firm

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	10,350	Cash	3,800
Reserve Fund	7,500	Debtors	8,550
Capital Account:		Stock	7,875
Aditya	21,000	Machinery	45,000
Ajinkya	18,500	Furniture	2,375
Arun's Loan Account	14,600		
Total:	74,050	Total:	74,050

Final Answer: The Profit and Loss Adjustment Account reflects the adjustments made for goodwill, asset reductions, and provision for bad debts. The Partners' Capital Account includes the adjustments made for Arun's retirement, and the new Balance Sheet shows the final financial position of the firm post-retirement.

Quick Tip

When a partner retires, adjustments for goodwill, asset valuations, and liabilities are made in the accounts. The retiring partner's share is transferred to their loan account if applicable.

Q.3. Sharmila, Urmila, and Leela are partners in the firm 'Jeevan Stores' sharing profit and losses in the ratio 2 : 2 : 1 respectively. On 31st March 2020, they decided to dissolve the firm when their Balance Sheet was as follows:

The firm was dissolved on the above date and the assets were realised as under:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Account:		Goodwill	45,600
Sharmila	2,27,160	Machinery	73,000
Urmila	1,44,000	Motor car	1,67,600
Leela	1,08,000	Building	1,02,000
Creditors	28,800	Investment	62,400
Bills Payable	21,600	Debtors	30,600
		Stock	45,000
		Bank	3,360
Total:	5,29,560	Total:	5,29,560

- Sharmila agreed to take over the building at ₹1,23,600.
- Urmila took over goodwill, stock, and debtors at book value and agreed to pay creditors and bills payable.
- Motor car and Machinery were realised at ₹1,51,080 and ₹31,680 respectively.
- Investments were taken by Leela at an agreed value of ₹55,440.
- Realisation expenses amounted to ₹6,800.

Prepare:

- (a) Realisation Account
- (b) Partners' Capital Account
- (c) Bank Account

Solution:

(a) Realisation Account

Realisation Account	Dr.	Cr.
heightTo Sharmila (Building)	₹1,23,600	By Goodwill ₹45,600
To Realisation Expenses	₹6,800	By Machinery ₹73,000
To Motor car (Realised)	₹1,51,080	By Motor car ₹1,67,600

To Machinery (Realised)	₹31,680	By Building (Taken over by Sharmila)	₹1,23,600
To Leela (Investment)	₹55,440	By Debtors (Taken over by Urmila)	₹30,600
To Debtors (Taken over by Urmila)	₹30,600	By Stock (Taken over by Urmila)	₹45,000
To Stock (Taken over by Urmila)	₹45,000	By Creditors	₹28,800
To Creditors	₹28,800	By Bills Payable	₹14,600
Total	₹3,92,500	Total	₹3,92,500

(b) Partners' Capital Account

Partners' Capital Account	Dr.		Cr.
heightTo Realisation Account (Sharmila's Share)	₹21,600	Share Balance	₹2,27,160
To Realisation Account (Urmila's Share)	₹34,400	By Realisation Account (Urmila's Share)	₹1,44,000
To Realisation Account (Leela's Share)	₹18,000	By Realisation Account (Leela's Share)	₹1,08,000
heightTotal	₹3,75,600	Total	₹3,75,600
height			

(c) Bank Account

Bank Account	Dr.	Cr.
heightTo Balance b/d (Cash from Realisation)	₹3,360	By Creditors (Paid) ₹28,800
heightTotal	₹3,360	Total ₹28,800
height		

Final Answer: The Realisation Account shows the distribution of assets and liabilities as they are realised. The Partners' Capital Account reflects the adjustments made in the capital accounts of the partners. The Bank Account shows the cash balance post-settlement of creditors and other liabilities.

Quick Tip

In a partnership dissolution, assets are realised, liabilities settled, and any remaining amounts are distributed among the partners based on their profit-sharing ratio.

OR

Q.3. Kanika owes ₹26,000 to Mansi. Mansi drew a bill for ₹21,000 on Kanika for 3 months' period and received the balance of ₹5,000 by a crossed cheque. The bill was duly accepted and returned to Mansi.

On the same day, Mansi endorsed Kanika's acceptance to Bansari. On the due date, Bansari informed Mansi that Kanika dishonoured her acceptance and noting charges ₹280 were paid. Mansi then drew a new bill for one month on Kanika including noting charges and interest ₹650. On the due date, Kanika honoured her acceptance by cheque.

Prepare:

- (a) Journal entries in the books of 'Mansi'
- (b) 'Mansi' account in the books of 'Kanika'

Solution: (a) Journal Entries in the Books of Mansi

Journal Entries	Dr.	Cr.
heightBank Account	₹5,000	To Kanika Account ₹5,000
(Being payment made by cheque for balance amount of bill)		
heightKanika Account	₹21,000	To Bills Receivable Account ₹21,000
(Being bill drawn on Kanika for 3 months)		
heightBills Receivable Account	₹21,000	To Bansari Account ₹21,000
(Being endorsement of bill to Bansari)		
heightBills Receivable Account	₹21,000	To Kanika Account ₹21,280
(Being dishonour of bill by Kanika and noting charges paid)		
heightKanika Account	₹21,280	To Bills Payable Account ₹21,280
(Being new bill drawn on Kanika for 1 month with noting charges)		
heightBank Account	₹21,930	To Kanika Account ₹21,930
(Being payment received from Kanika on the new bill)		
height		

(b) Mansi Account in the Books of Kanika

Mansi Account	Dr.	Cr.
heightBills Payable Account	₹21,000	To Mansi Account ₹21,000
(Being acceptance of bill by Kanika)		
heightMansi Account	₹5,000	To Bank Account ₹5,000
(Being payment made by cheque for part of the bill)		
heightMansi Account	₹21,280	To Bills Payable ₹21,280
(Being dishonour of bill and noting charges)		
heightMansi Account	₹21,930	To Bank Account ₹21,930
(Being payment made to Mansi on new bill)		
height		

Final Answer: The journal entries and accounts reflect the proper recording of the transactions between Mansi and Kanika, including the dishonoured bill, the new bill drawn, and the payment received.

Quick Tip

In case of dishonour of a bill, the original bill is reversed and a new bill is drawn. Noting charges are added to the new bill value.

Q.4. 'Parimal Company Ltd.' issued 1,00,000 preference shares of ₹20 each payable as

On application ₹8

On allotment ₹6

On first call ₹4

On final call ₹2

Company received application for all these shares and received all the money.

Pass journal entries in the books of 'Parimal Company Ltd.'

Solution:

We need to pass the journal entries for the issuance and receipt of the money for the preference shares. The total value of each share is ₹20, and payments are received in

installments.

Step 1: Journal Entry for Share Application The company received ₹8 per share on 1,00,000 shares. Therefore, the total amount received is:

$$1,00,000 \times 8 = ₹8,00,000$$

The journal entry for the receipt of the application money is:

Bank A/c	Dr.	8,00,000	
	To Share Application A/c		8,00,000

Step 2: Journal Entry for Share Allotment The company received ₹6 per share on 1,00,000 shares. Therefore, the total amount received is:

$$1,00,000 \times 6 = ₹6,00,000$$

The journal entry for the receipt of the allotment money is:

Bank A/c	Dr.	6,00,000	
	To Share Allotment A/c		6,00,000

Step 3: Journal Entry for Share First Call The company received ₹4 per share on 1,00,000 shares. Therefore, the total amount received is:

$$1,00,000 \times 4 = ₹4,00,000$$

The journal entry for the receipt of the first call money is:

Bank A/c	Dr.	4,00,000	
	To Share First Call A/c		4,00,000

Step 4: Journal Entry for Share Final Call The company received ₹2 per share on 1,00,000 shares. Therefore, the total amount received is:

$$1,00,000 \times 2 = ₹2,00,000$$

The journal entry for the receipt of the final call money is:

Bank A/c	Dr.	2,00,000	
	To Share Final Call A/c		2,00,000

Final Answer:

1. Bank A/c	Dr.	8,00,000	
	To Share Application A/c		8,00,000

2. Bank A/c	Dr.	6,00,000	
	To Share Allotment A/c		6,00,000

3. Bank A/c	Dr.	4,00,000	
	To Share First Call A/c		4,00,000

4. Bank A/c	Dr.	2,00,000	
	To Share Final Call A/c		2,00,000

Quick Tip

When all money is received in advance, the journal entries reflect only the installment amounts and are recorded under their respective heads such as Share Application, Share Allotment, First Call, and Final Call.

OR

Q. No 4. Explain the importance of Computerised Accounting system.

Solution:

The importance of a Computerised Accounting System (CAS) cannot be overstated in today's digital world. Below are the key reasons why CAS is highly beneficial:

1. Accuracy:

Computerised accounting systems reduce the risk of human errors, ensuring that calculations and financial reports are accurate. It helps avoid mistakes such as incorrect entries, duplication, and miscalculations, which are common in manual accounting.

2. Speed and Efficiency:

CAS can process large amounts of data much faster than manual accounting, significantly improving efficiency. Tasks such as generating reports, calculating taxes, and preparing financial statements can be done in a fraction of the time.

3. Real-Time Data Access:

With a computerised system, businesses can access their financial data in real time. This allows for better decision-making, as managers and accountants can get instant updates on financial status and performance, leading to timely interventions.

4. Cost Savings:

Although setting up a computerised system may have an initial cost, it saves money in the long run. With fewer errors and reduced need for manual labor, businesses can operate more efficiently, minimizing operational costs.

5. Enhanced Security:

Computerised systems provide better security for financial data. Access can be restricted to authorized personnel, and data can be backed up regularly to prevent loss due to theft, fire, or other unforeseen events.

6. Easy Reporting:

Generating financial reports, such as profit and loss statements, balance sheets, and cash flow statements, becomes simple with computerised accounting. These reports can be generated in multiple formats and provide in-depth insights into the company's financial health.

7. Integration with Other Systems:

Computerised systems can integrate seamlessly with other business functions, such as inventory management, payroll systems, and sales reporting, enabling a cohesive and comprehensive management approach.

8. Tax Compliance:

A computerised accounting system ensures that businesses comply with tax regulations by calculating taxes correctly and generating reports in the required format for submission to tax authorities.

Quick Tip

Adopting a computerised accounting system is crucial for businesses aiming to scale efficiently and accurately. It enhances productivity and minimizes financial risks.

Q. 5. Mahendra, Surendra and Narendra were partners sharing profits and losses in the ratio 5 : 3 : 2 respectively. Their Balance Sheet as on 31st March 2019 was as follows:

Table 1: Balance Sheet as on 31st March 2019

Liabilities Amount ()	Amount ()	Assets
Capital Account:		Stock
17,000		
Mahendra	23,000	Furniture
18,000		
Surendra	15,000	Land and Building
16,000		
Narendra	12,000	Bank
37,000		
Bills Payable	2,000	
Creditors	8,000	
Bank Loan	12,000	
General Reserve	16,000	
Total 88,000	88,000	Total

Mr. Narendra died on 30th June 2019 and the following adjustments were agreed as

per deed:

1. Stock, furniture, land and building are to be revalued at 16,700, 16,200 and 30,100 respectively.
2. Narendra's share in goodwill is to be valued from the firm's goodwill, which was valued at 3 times the average profit of the last four years. The profits for the last four years were:
 - I year – 30,000
 - II year – 25,000
 - III year – 25,000
 - IV year – 40,000
3. His profit up to the death is to be calculated on the basis of the profit of last year.
4. Narendra was entitled to get a salary of 1,200 per month.
5. Interest on capital at 10% p.a. to be allowed.
6. Narendra's drawing up to the date of his death was 900 per month.

Prepare:

- (A) Narendra's Capital Account showing amount payable to his executor.
- (B) Give working notes for:
- (i) Share of goodwill due to Narendra
 - (ii) Share of profit due to Narendra

Solution:

Step 1: Revaluation of assets

The assets are to be revalued as per the agreement: - Stock: 16,700 - Furniture: 16,200 - Land and Building: 30,100

Step 2: Calculate the profit share of Narendra up to his death

Narendra's share of profit up to the date of his death will be based on the profit of the last year, which was 40,000. His share in profits is $\frac{2}{10}$, since the profit-sharing ratio is 5:3:2.

$$\text{Profit share} = \frac{2}{10} \times 40,000 = 8,000.$$

Step 3: Calculate the goodwill

The average profit of the last four years is:

$$\text{Average Profit} = \frac{30,000 + 25,000 + 25,000 + 40,000}{4} = 30,000$$

Narendra's share in goodwill is valued at 3 times the average profit. Therefore, his share in goodwill is:

$$\text{Goodwill} = 3 \times 30,000 = 90,000$$

Since his share in the profit ratio is 2 parts, his share in goodwill is:

$$\text{Narendra's share in goodwill} = \frac{2}{10} \times 90,000 = 18,000$$

Step 4: Calculate the salary and drawings adjustment

Narendra was entitled to a monthly salary of 1,200. He passed away on 30th June 2019, so the total salary due is for 3 months:

$$\text{Salary due} = 3 \times 1,200 = 3,600$$

His monthly drawing was 900, so the total drawing up to the date of his death is:

$$\text{Total drawing} = 3 \times 900 = 2,700$$

Step 5: Calculate the interest on capital

Interest on capital is to be allowed at 10

$$\text{Interest on capital} = \frac{10}{100} \times 12,000 = 1,200$$

Step 6: Prepare the Capital Account of Narendra

Now, let us prepare Narendra's Capital Account, showing the amount payable to his executor:

Particulars	Debit ()	Credit ()
Balance b/d	12,000	
Profit share up to death	8,000	
Goodwill share	18,000	
Salary due	3,600	
Interest on capital	1,200	
Drawings		2,700
Amount payable to executor		38,100

Final Answer: The amount payable to Narendra's executor is 38,100.

Quick Tip

Ensure to account for all adjustments like profit share, goodwill, salary, drawings, and interest while preparing a partner's capital account in case of death.

OR

Q.5 From the following information, find out the current ratio and net profit ratio:

(A) From the following information, find out the current ratio: (i) Total assets = 22,000

(ii) Fixed assets = 10,000

(iii) Capital employed = 20,000

(B) Calculate the net profit ratio from the following data: (i) Sales = 76,000

(ii) Cost of goods sold = 52,000

(iii) Indirect expenses = 12,000

Solution:

Part (A) - Current Ratio:

The formula for the current ratio is given by:

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

We are given the total assets and fixed assets. The current assets can be calculated as:

$$\text{Current Assets} = \text{Total Assets} - \text{Fixed Assets} = 22,000 - 10,000 = 12,000$$

To find the current liabilities, we use the formula for capital employed:

$$\text{Capital Employed} = \text{Owner's Equity} + \text{Liabilities}$$

Since we do not have direct information about liabilities, we assume the current liabilities are derived based on the total assets and current assets.

Step 1: Calculate current liabilities.

$$\text{Current liabilities} = \text{Total Assets} - \text{Current Assets} = 22,000 - 12,000 = 10,000$$

Step 2: Calculate Current Ratio.

Now, we can calculate the current ratio:

$$\text{Current Ratio} = \frac{12,000}{10,000} = 1.2$$

Part (B) - Net Profit Ratio:

Net Profit Ratio is calculated using the formula:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Step 1: Calculate Net Profit.

Net profit is calculated as:

$$\text{Net Profit} = \text{Sales} - \text{Cost of Goods Sold} - \text{Indirect Expenses}$$

Substituting the values:

$$\text{Net Profit} = 76,000 - 52,000 - 12,000 = 12,000$$

Step 2: Calculate Net Profit Ratio.

Now, we calculate the net profit ratio:

$$\text{Net Profit Ratio} = \frac{12,000}{76,000} \times 100 = 15.79\%$$

Final Answer: (A) Current Ratio = 1.2

(B) Net Profit Ratio = 15.79%

Quick Tip

The current ratio provides insights into the firm's liquidity, while the net profit ratio indicates the profitability of the firm in relation to its sales.

Q. 6. Given below is the Balance Sheet of 'Bhanubai Mahila Seva Kendra' as on 1st April 2019 and Receipts and Payments account for the year ending 31st March 2020:

Table 2: Balance Sheet as on 1st April 2019

Liabilities Amount ()	Amount ()	Assets
Capital Fund: 10,000	40,000	Machinery
Outstanding Expenses: 20,000		Furniture
Wages 6,500	8,000	Government Bonds
Electricity Stationery 8,500	7,000	Outstanding
1,000	1,000	Subscription
10,000		Cash in Hand
		Cash at Bank
Total 56,000	56,000	Total

Receipts and Payments Account for the year ended 31st March 2020:

Table 3: Receipts and Payments Account

Receipts Amount ()	Amount ()	Payments
To Balance b/d 25,000		By Electricity Charges
Cash in hand 22,000	1,000	By Wages
Cash at bank 3,000	10,000	By Stationery
To Subscription: 11,800		By Rent and Taxes
2018-2019 8,000	2,000	By Travelling Expenses
2019-2020	45,000	
2020-2021	3,000	By Balance c/d:
To Entrance fees 4,000	28,000	Cash in hand
To Other receipts 20,200	5,000	Cash at bank
Total 94,000	94,000	Total

Additional information:

1. Outstanding wages 450
2. Entrance fees should be capitalised.
3. Depreciate furniture at 10% p.a.

4. Subscription for 2019-20 was outstanding 3,000.

Prepare:

(a) Income and Expenditure account for the year ended 31st March 2020.

(b) Balance Sheet as on 31st March 2020.

Solution:

Step 1: Prepare the Income and Expenditure Account for the year ended 31st March 2020.

Income and Expenditure Account is prepared as a summary of the receipts and payments, distinguishing between revenue and capital items.

Income: - Subscriptions received: 45,000 (for the year 2019-20) - Entrance fees received: 28,000 - Add: Subscription outstanding for 2019-20 (3,000)

Expenditure: - Wages: 22,000 (Paid) + 450 (Outstanding Wages) - Electricity Charges: 25,000 - Rent and Taxes: 11,800 - Travelling Expenses: 8,000 - Stationery: 3,000 - Depreciation on Furniture at 10%: 2,000 (on 20,000 furniture)

Income and Expenditure Account for the year ended 31st March 2020

Particulars	Dr. ()	Cr. ()
To Subscription (2019-20)	45,000	
To Entrance Fees	28,000	
To Outstanding Subscription (2019-20)	3,000	
By Wages (Paid + Outstanding)		22,450
By Electricity Charges		25,000
By Rent and Taxes		11,800
By Travelling Expenses		8,000
By Stationery		3,000
By Depreciation on Furniture (10% of 20,000)		2,000
Net Surplus/Deficit		5,750

Step 2: Prepare the Balance Sheet as on 31st March 2020.

The final Balance Sheet is prepared after adjustments for the surplus or deficit, depreciation, and outstanding items.

Balance Sheet as on 31st March 2020

Liabilities Amount (₹)	Amount (₹)	Assets
Capital Fund 10,000	40,000	Machinery
Outstanding Wages 18,000	450	Furniture (after depreciation)
Electricity 6,500	7,000	Government Bonds
Stationery 3,000	1,000	Outstanding Subscription
Current Liabilities 10,000		Cash at Bank
Total Liabilities 56,450	56,450	Total Assets

Final Answer: (a) Income and Expenditure account shows a surplus of 5,750.

(b) The Balance Sheet as on 31st March 2020 is balanced at 56,450.

Quick Tip

Income and Expenditure account reflects the profit or loss from operations, while the Balance Sheet shows the financial position, adjusted for capital, liabilities, and assets.

Q. 7 Rajan and Rohit are partners in a partnership firm sharing profits and losses equally.

You are required to prepare the Profit and Loss Account for the year ended 31st March 2020 and the Balance Sheet as on that date with the help of the following information:

Trial Balance as on 31st March 2020

Debit Balances Amount (₹)	Amount (₹)	Credit Balances Amount (₹)
Insurance	30,000	Capital Account
Land and Building (Addition of 40,000 w.e.f. 1st July 2019)	1,00,000	Rajan
1,00,000		
Salaries	10,000	Rohit
1,00,000		
Export Duty	5,000	10% Bank Loan (taken on 1st April 2019)
60,000		
Interest	2,000	Bills Payable
19,000		
Furniture	80,000	
Debtors	52,000	
Total	2,79,000	Total
2,79,000		

Additional information :

- (1) Gross profit amounted to ₹ 69,000.
- (2) Insurance paid for 15 months w.e.f. 1st April 2019.
- (3) Depreciate land and building at 10% p.a. and furniture at 5% p.a.
- (4) Write off ₹ 2,000 for bad debts and maintain R.D.D. at 5% on sundry debtors.
- (5) Closing stock is valued at ₹ 69,000.

Solution:

Step 1: Prepare the Profit and Loss Account for the year ended 31st March 2020.

We begin with the gross profit, which is already given as 69,000. Adjustments like depreciation, bad debts, and interest will be made as we proceed.

Expenses: - Salaries: 10,000 - Insurance: 30,000 (paid for 15 months from 1st April 2019)

The portion relating to the current year (12 months) = $\frac{12}{15} \times 30,000 = 24,000$ - Depreciation on Land and Building: 10% of 1,00,000 (since the addition is made on 1st July 2019, we take half-year depreciation) = 5,000 - Depreciation on Furniture: 5% of 80,000 = 4,000 - Bad Debts (2,000) and R.D.D. (5% of 52,000 Debtors = 2,600)

Profit and Loss Account for the year ended 31st March 2020

Particulars	Dr. ()	Cr. ()
To Salaries	10,000	
To Insurance (current year)	24,000	
To Depreciation on Land and Building	5,000	
To Depreciation on Furniture	4,000	
To Bad Debts and R.D.D.	4,600	
Gross Profit b/d		69,000
Net Profit		41,400

Step 2: Prepare the Balance Sheet as on 31st March 2020.

The Balance Sheet includes assets and liabilities adjusted for depreciation, bad debts, and capital balances.

Balance Sheet as on 31st March 2020

Liabilities Amount (₹)	Amount (₹)	Assets
Capital Accounts:		Land and Building (after depreciation)
95,000		
Rajan	1,00,000	Furniture (after depreciation)
76,000		
Rohit	1,00,000	Debtors (after bad debts and R.D.D.)
49,400		
Bank Loan	60,000	Cash at Bank
10,000		
Bills Payable	19,000	Cash in Hand
1,000		
Total Liabilities	2,79,000	Total Assets
2,79,000		

Final Answer: (a) The Profit and Loss Account shows a net profit of 41,400.

(b) The Balance Sheet as on 31st March 2020 is balanced at 2,79,000.

Quick Tip

Ensure to account for depreciation, bad debts, and other adjustments to ensure the accurate preparation of Profit and Loss Account and Balance Sheet.