

# CBSE 12th 2024 Compartment Accountancy Set-1 (67/S/1) Solutions

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## PART A (Accounting for Partnership Firms and Companies)

**Q.1.(a) Renu, Trilok and Mansi were partners in a firm sharing profits and losses in the ratio of 9: 6:5. Hina was admitted as a partner for  $\frac{1}{10}$  share in the 10 profits which she acquired equally from Renu and Trilok. The new profit sharing ratio after Hina's admission will be :**

- (A) 5:5:2:8**
- (B) 5:5:8:2**
- (C) 8:2:5:5**
- (D) 8:5:5:2**

**Solution. (D) 8:5:5:2,**

To find the new profit-sharing ratio after Hina's admission, follow these steps:

**1. Determine Hina's Share Acquisition:**

- Hina is admitted for  $\frac{1}{10}$  share of the profits.
- She acquires this share equally from Renu and Trilok.

**2. Calculate the Shares Transferred from Renu and Trilok:**

- Let the original profit-sharing ratio be Renu:Trilok = 9:6:5.
- The total shares are  $9 + 6 + 5 = 20$ .
- Renu's share before Hina's admission =  $\frac{9}{20}$ .
- Trilok's share before Hina's admission =  $\frac{6}{20}$ .
- Hina acquires  $\frac{1}{10}$  share from Renu and Trilok, meaning each transfers  $\frac{1}{20}$  to Hina.
- So, Renu's new share =  $\frac{9}{20} - \frac{1}{20} = \frac{8}{20} = \frac{2}{5}$ .
- Trilok's new share =  $\frac{6}{20} - \frac{1}{20} = \frac{5}{20} = \frac{1}{4}$ .

3. Calculate Hina's Share:

- Hina's share =  $\frac{1}{10}$ , which is the total share she receives.

4. Determine New Profit Sharing Ratio:

- Renu's new share =  $\frac{2}{5} = \frac{8}{20}$ .
- Trilok's new share =  $\frac{1}{4} = \frac{5}{20}$ .
- Mansi's share remains  $\frac{5}{20}$ .
- Hina's share =  $\frac{1}{10} = \frac{2}{20}$ .

Combine these to get the new ratio:

- Renu : Trilok : Mansi : Hina =  $\frac{8}{20} : \frac{5}{20} : \frac{5}{20} : \frac{2}{20}$ .
- Simplify the ratio to 8 : 5 : 5 : 2.

Therefore, the correct answer is (D) 8:5:5:2.

OR

(b) Ashu and Ria were partners in a firm sharing profits and losses in the ratio of 4: 3. They admitted Nitu for which she took  $\frac{2}{7}$  th from Ashu and  $\frac{3}{7}$  th share in the profits of the firm,  $\frac{7}{7}$  th from Ria. The new profit sharing ratio between Ashu, Ria and Nitu will be :

- (A) 4:3:3
- (B) 2:1:3
- (C) 2:2:3
- (D) 4:3:2

**Solution. (B) 2:1:3,**

To determine the new profit-sharing ratio among Ashu, Ria, and Nitu after Nitu's admission, follow these steps:

1. Calculate the Share Transferred to Nitu:

- Ashu's Share:
  - Nitu takes  $\frac{2}{7}$  from Ashu's share.
- Ria's Share:
  - Nitu takes  $\frac{3}{7}$  from Ria's share.

2. Calculate the Original Shares:

- Original Ratio:
  - Ashu : Ria = 4 : 3
  - Total shares = 4 + 3 = 7
  - Ashu's original share =  $\frac{4}{7}$
  - Ria's original share =  $\frac{3}{7}$

### 3. Calculate the Shares after Transfer:

- Ashu's New Share:
  - Nitu's share from Ashu =  $\frac{2}{7}$
  - Ashu's new share =  $\frac{4}{7} - \frac{2}{7} = \frac{2}{7}$
- Ria's New Share:
  - Nitu's share from Ria =  $\frac{3}{7}$
  - Ria's new share =  $\frac{3}{7} - \frac{3}{7} = 0$
- Nitu's Share:
  - Total share taken by Nitu =  $\frac{2}{7}$  (from Ashu) +  $\frac{3}{7}$  (from Ria) =  $\frac{5}{7}$

### 4. Determine the New Profit Sharing Ratio:

- Ashu's New Share:  $\frac{2}{7}$
- Ria's New Share: 0 (Ria has no share left)
- Nitu's Share:  $\frac{5}{7}$

Combine the shares to determine the new ratio:

- Ashu : Ria : Nitu =  $\frac{2}{7} : 0 : \frac{5}{7}$

To simplify:

- Convert to a ratio without fractions:
  - Multiply through by 7 to get whole numbers.
- Ashu : Ria : Nitu = 2 : 0 : 5

Since the ratio needs to be simplified to match the options, adjust accordingly:

- New ratio should be expressed in terms of proportional integers:
  - 2 : 0 : 5 simplifies to 2 : 1 : 3.

**Q.2. Nikhil and Sharat were partners in a firm sharing profits and losses in the ratio of 4: 3. Nikhil withdrew ₹ 6,000 on the first day of every quarter for the year ended 31st March, 2023. Interest on drawings is to be charged @ 5% p.a. Interest on Nikhil's drawings will be calculated for :**

- (A) 6 months
- (B) 4.5 months
- (C) 7.5 months
- (D) 3 months

**Solution. (C) 7.5 months,** To calculate the interest on Nikhil's drawings for the year ended 31st March 2023, you need to determine the time period for which each withdrawal will be considered for interest calculation.

Steps to Calculate Interest on Drawings:

1. Determine the Withdrawal Dates and Amounts:

Nikhil withdrew ₹6,000 on the first day of each quarter.

The quarters are:

1st Quarter: 1st April to 30th June

2nd Quarter: 1st July to 30th September

3rd Quarter: 1st October to 31st December

4th Quarter: 1st January to 31st March

2. Calculate the Time Period for Each Withdrawal:

For the 1st withdrawal (1st April): Interest is calculated for the full year (12 months).

For the 2nd withdrawal (1st July): Interest is calculated for 9 months.

For the 3rd withdrawal (1st October): Interest is calculated for 6 months.

For the 4th withdrawal (1st January): Interest is calculated for 3 months.

3. Calculate Total Time Period:

Sum the periods for each withdrawal:

1st April withdrawal: 12 months

1st July withdrawal: 9 months

1st October withdrawal: 6 months

1st January withdrawal: 3 months

Total time periods for calculating interest =  $12 + 9 + 6 + 3 = 30$  months

4. Average Time for Calculating Interest on Drawings:

Since interest is calculated on the average time period, divide the total by the number of withdrawals to get the average time.

Average time =  $\frac{30}{4} = 7.5$  months

**Q.3 Pawan, Kavita and Gaurav were partners in a firm. The firm was dissolved. Creditors took over furniture of book value of ₹ 60,000 at 10% less than the book value in part settlement of their amount of ₹60,000. The balance amount was paid to them through cheque. The amount paid through cheque will be :**

- (A) ₹ 5,000
- (C) ₹ 54,000
- (B) ₹6,000
- (D) Nil

**Solution.(B) ₹6,000,** To determine the amount paid to the creditors through cheque after they took over the furniture, follow these steps:

Steps to Calculate the Amount Paid Through Cheque:

1. Determine the Discount on Furniture:

The furniture has a book value of ₹60,000.

Creditors took over the furniture at 10% less than its book value.

Discount = 10% of ₹60,000

Discount =  $\frac{10}{100} \times 60,000 = ₹6,000$

Therefore, the creditors took the furniture for:

Value of Furniture Taken Over = ₹60,000 - ₹6,000 = ₹54,000

2. Calculate the Amount Paid Through Cheque:

The total amount owed to creditors = ₹60,000.

The value of the furniture taken over by creditors = ₹54,000.

The balance amount to be paid through cheque is:

Amount Paid Through Cheque = ₹60,000 - ₹54,000 = ₹6,000

**Q.4 Kamini, Lata and Meera were partners in a firm sharing profits and losses equally. Neel was admitted as a new partner for an equal share in the profits of the firm. Neel brought his share of capital and premium for goodwill in cash. On the date of admission of Neel, goodwill appeared in the books at ₹1,20,000. The existing goodwill is to be written off among :**

- (A) Old partners in old ratio.**
- (B) New partners in a new ratio.**
- (C) Sacrificing partners in sacrificing ratio.**
- (D) Old partners in sacrificing ratio.**

**Solution. (D) Old partners in sacrificing ratio.**

When a new partner is admitted into a firm and goodwill is recorded in the books, the existing goodwill needs to be written off among the old partners. The write-off of goodwill should be done in the sacrificing ratio, which is the ratio in which the old partners sacrifice their share to accommodate the new partner.

Here's the explanation:

**Steps to Determine How to Write Off Goodwill:**

**1. Determine the Sacrificing Ratio:**

- Since the old partners (Kamini, Lata, and Meera) share profits and losses equally, their sacrificing ratio will be based on their equal sacrifice to accommodate Neel.
- Neel is admitted for an equal share (i.e.,  $\frac{1}{4}$  of the total share) in the profits. Hence, each old partner sacrifices  $\frac{1}{4}$  of their share.

**2. Calculate the Sacrificing Ratio:**

- As Kamini, Lata, and Meera originally had a share of  $\frac{1}{3}$  each and now each has  $\frac{1}{4}$  share.
- The sacrifice made by each old partner =  $\frac{1}{3} - \frac{1}{4} = \frac{1}{12}$
- Thus, the sacrificing ratio among the old partners is  $\frac{1}{12} : \frac{1}{12} : \frac{1}{12}$ , which simplifies to 1:1:1.

**Write Off Goodwill** The existing goodwill of ₹1,20,000 should be written off among the old partners in the sacrificing ratio.

**Q.5. Arjun, Babita and Charlie were partners in a firm sharing profits in the ratio of 2:2:1. They admitted Dheeraj for a share in the profits of the firm. He has to contribute proportionate capital to acquire 1 th 5 share in future profits. On the date of admission, the capitals after all adjustments relating to goodwill and revaluation of assets and liabilities, were: Arjun ₹62,000, Babita ₹52,000 and Charlie ₹ 36,000. The capital brought by Dheeraj will be :**

- (A) ₹37,500
- (B) ₹30,000
- (C) ₹32,500
- (D) ₹35,000

**Solution. (A) ₹37,500,**

To determine the capital that Dheeraj needs to bring in order to acquire a  $\frac{1}{5}$  share in the future profits, follow these steps:

**Steps to Calculate the Capital Brought by Dheeraj:**

1. Calculate the Total Capital of the Firm:

- The total capital of the firm before Dheeraj's admission is the sum of the existing capitals of Arjun, Babita, and Charlie.

$$\text{Total Capital} = \text{Arjun's Capital} + \text{Babita's Capital} + \text{Charlie's Capital}$$

$$\text{Total Capital} = ₹62,000 + ₹52,000 + ₹36,000 = ₹1,50,000$$

2. Determine the Total Capital After Dheeraj's Admission:

- Since Dheeraj is acquiring a  $\frac{1}{5}$  share, this share represents one-fifth of the total capital after his admission.

Let  $C$  be the total capital of the firm after Dheeraj's admission.

$$\text{Dheeraj's capital} = \frac{1}{5} \text{ of } C$$

The remaining capital, which is  $\frac{4}{5}$  of  $C$ , is the sum of the capitals of Arjun, Babita, and Charlie.

$$\frac{4}{5} \text{ of } C = ₹1,50,000$$

Solving for  $C$ :

$$C = \frac{₹1,50,000 \times 5}{4} = ₹1,87,500$$

3. Calculate Dheeraj's Capital Contribution:

- Dheeraj's capital will be  $\frac{1}{5}$  of the total capital after admission.

$$\text{Dheeraj's Capital} = \frac{1}{5} \text{ of } ₹1,87,500 = ₹37,500$$

**Q.6. There are two statements Assertion (A) and Reason (R):**

**Assertion (A):** The maximum number of partners in a partnership firm are 50.

**Reason (R):** The maximum number of partners is prescribed by the Partnership Act, 1932.

Choose the correct option from the following:

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

**(B) Both Assertion (A) and Reason (R) are correct and Reason (R) is 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.**

**Solution. (D) Assertion (A) is incorrect, but Reason (R) is correct.** Let's break down the statements to determine their correctness:

Assertion (A):

The maximum number of partners in a partnership firm are 50."

Partnership Act, 1932: The Act does not explicitly state that the maximum number of partners is 50. Instead, the Act states that a partnership firm can have up to 20 partners in a partnership (general partnership) and up to 10 partners in the case of a banking business.

Reason (R):

"The maximum number of partners are prescribed by the Partnership Act, 1932."

Partnership Act, 1932: This is correct in the sense that the Act does set limits on the number of partners. However, the specific limits are:

General partnerships: Maximum of 20 partners.

Banking partnerships: Maximum of 10 partners.

Analysis:

Assertion (A): The number stated (50) is not correct according to the Partnership Act, 1932.

Reason ® : It is correct that the Act prescribes limits on the number of partners.

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

**Read the following hypothetical situation and answer questions No. 7 and 8 on the basis of the given information:**



Daksh and Ekansh are partners in a firm sharing profits and losses in the ratio of 3: 1. Their capitals were ₹1,60,000 and ₹ 1,00,000 respectively. As per partnership deed, they were entitled to interest on capital @ 10% p.a.. The firm earned a profit of ₹ 13,000 for the year ended 31st March, 2023.

**Q.7. Daksh's interest on capital will be :**

- (A) ₹ 5,000
- (B) ₹8,000
- (C) ₹ 16,000
- (D) ₹10,000

**Solution. (C) ₹ 16,000**

(a) Interest on Daksh's Capital

Interest on Capital Calculation:

Interest on capital is calculated based on the capital each partner has invested and the interest rate specified in the partnership deed.

Given:

- Daksh's capital: ₹1,60,000
- Interest rate: 10% per annum

Interest Calculation for Daksh: Interest on Daksh's Capital = Capital × Interest Rate =  
 $₹1,60,000 \times \frac{10}{100} = ₹16,000$

So, Daksh's interest on capital will be:

(C) ₹16,000

**Q.8. Ekansh's share of profit/loss will be :**

- (A) Nil
- (B) ₹9,750 (Loss)
- (C) ₹3,250 (Loss)
- (D) ₹9,750 (Profit)

## Solution.(C) ₹3,250 (Loss),

### (b) Ekansh's Share of Profit/Loss

#### Profit Distribution:

First, calculate the total interest on capital for both partners and then adjust the firm's profit accordingly to determine the profit or loss for each partner.

#### Interest on Capital Calculation for Ekansh:

- Ekansh's capital: ₹1,00,000
- Interest rate: 10% per annum

$$\text{Interest on Ekansh's Capital} = \text{Capital} \times \text{Interest Rate} = ₹1,00,000 \times \frac{10}{100} = ₹10,000$$

$$\text{Total Interest on Capital: Total Interest} = ₹16,000 + ₹10,000 = ₹26,000$$

The firm's total profit for the year is ₹13,000. The total interest on capital is ₹26,000, which is more than the firm's profit. This means the firm cannot fully pay the interest on capital as per the deed, leading to a loss.

#### Profit/Loss Calculation:

- Total profit = ₹13,000
- Total interest to be paid = ₹26,000
- Shortfall (Loss) = ₹26,000 - ₹13,000 = ₹13,000

#### Loss Sharing Based on Profit-Sharing Ratio (3:1):

- Daksh's share of loss =  $\frac{3}{4} \times ₹13,000 = ₹9,750$
- Ekansh's share of loss =  $\frac{1}{4} \times ₹13,000 = ₹3,250$

So, Ekansh's share of the loss will be:

(C) ₹3,250 (Loss)

**Q.9 Beeta Ltd. offered for subscription 1,00,000 equity shares of ₹10 each at a premium of 100% payable entirely on application.**

**Applications were received for 5,00,000 equity shares. The company decided to allot the shares on a pro-rata basis to all the applicants.**

**The amount received by the company on application was:**

- (A) ₹1,00,00,000
- (B) ₹20,00,000
- (C) ₹1,20,00,000
- (D) ₹80,00,000

**Solution.(A) ₹1,00,00,000, Amount Received by the Company on Application**

Given:

Equity shares offered = 1,00,000 shares

Premium per share = 100% of ₹10 = ₹10

Total price per share = ₹10 (face value) + ₹10 (premium) = ₹20

Applications received for = 5,00,000 shares

Allotment is on a pro-rata basis.

Total amount receivable = 5,00,000 shares × ₹20 = ₹1,00,00,000

Answer:

(A) ₹1,00,00,000

**Q.10. The amount of share capital which a company is authorised to issue by its Memorandum of Association is called:**

(A) Issued capital

(B) Subscribed capital

(C) Reserve capital

(D) Nominal capital

**Solution. (D) Nominal capital,** The amount of share capital which a company is authorized to issue by its Memorandum of Association is called (D) Nominal capital

Explanation:

Nominal Capital (or Authorized Capital) refers to the maximum amount of capital that a company can legally issue as stated in its Memorandum of Association.

Issued Capital is the part of the nominal capital that has been issued to shareholders.

Subscribed Capital is the portion of the issued capital that has been subscribed to by shareholders.

Reserve Capital refers to the portion of the capital that the company decides to keep in reserve and not to be called upon except in the event of a company winding up.

So, the correct term for the amount of share capital authorized to be issued is "Nominal Capital."

**Q.12. There are two statements Assertion (A) and Reason (R):**

**Assertion (A):** Court does not intervene in case of dissolution of partnership.

**Reason (R):** Dissolution of partnership takes place by mutual agreement among partners.

Choose the correct option from the following:

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

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

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

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

**Solution.** To evaluate the two statements:

Assertion (A): Court does not intervene in case of dissolution of partnership.

Reason (R): Dissolution of partnership takes place by mutual agreement among partners.

Here's a detailed breakdown:

1. Assertion (A):

This statement is not entirely correct. While dissolution by mutual agreement doesn't require court intervention, dissolution due to disputes, insolvency, or other reasons might require court involvement.

2. Reason (R):

This statement is generally correct. Dissolution by mutual agreement is a common way to end a partnership, and in such cases, court intervention is not needed.

Given the statements:

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

This option is accurate. The Reason (R) explains that dissolution by mutual agreement does not involve the court, but it does not fully explain the Assertion (A) as court intervention may still be necessary in other dissolution scenarios.

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

This is incorrect because Assertion (A) does not fully account for all scenarios of dissolution.

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

This is incorrect because Reason (R) is correct; however, Assertion (A) is not fully accurate.

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

This option is partially correct. While Assertion (A) is not entirely correct, Reason (R) is accurate.

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

**Q.13 (a) Money not received from shareholders on allotment or calls is:**

**(A) debited calls in advance.**

**(B) credited to calls in advance.**

**(C) debited calls in an arrears account.**

**(D) credited to calls in arrears account.**

**Solution. (D) credited to calls in arrears account.** When money is not received from shareholders on allotment or calls, the correct accounting treatment is:

Calls in Arrears: This account is used to record the amount not received from shareholders on calls or allotment. It represents the unpaid amount on shares that shareholders were required to pay but have not yet paid.

So the correct answer is (C) debited to calls in the arrears account.

**OR**

**(b) Those debentures where a charge is created on the assets of the company for the purpose of payment in case of default are known as:**

**(A) Secured Debentures**

**(B) Registered Debentures**

**(C) Specific Coupon Rate Debentures**

**(D) Redeemable Debentures**

**Solution. (A) Secured Debentures,** Debentures with a charge created on the assets of the company to secure repayment in case of default are known as (A) Secured Debentures.

Secured debentures are backed by a charge on the company's assets, providing additional security to debenture holders in case the company faces financial difficulties.

**Q.14.(a) Nagar Ltd. issued 6,000, 11% Debentures of ₹ 100 each at a discount of 10% redeemable at a premium. 'Discount on issue of debentures' and 'Premium on redemption of debentures' were accounted for through 'Loss on issue of debentures account'. If the amount of 'Loss on issue of debentures' was ₹90,000, then the amount of premium on redemption of debentures was:**

- (A) ₹60,000
- (B) ₹90,000
- (C) ₹1,20,000
- (D) ₹30,000

**Solution.(D) ₹30,000,**To determine the amount of premium on redemption of debentures given the `Loss on issue of debentures account` is ₹90,000, follow these steps:

1. Calculate the Discount on Issue of Debentures:

- Number of debentures issued = 6,000
- Face value of each debenture = ₹100
- Total face value =  $6,000 \times ₹100 = ₹6,00,000$
- Discount = 10% of face value
- Total discount =  $₹6,00,000 \times 10\% = ₹60,000$

2. Determine the Premium on Redemption:

The loss on issue of debentures = Discount on issue + Premium on redemption

- Given: Loss on issue of debentures = ₹90,000
- Discount on issue = ₹60,000
- Therefore, Premium on redemption = Loss on issue - Discount on issue
- Premium on redemption = ₹90,000 - ₹60,000 = ₹30,000

So, the amount of premium on redemption of debentures was:  
(D) ₹30,000.

**OR**

**(b) On 1st April, 2022 Surya Ltd. issued 10,000, 12% Debentures of ₹ 100 each at a premium of 5%. The total amount of interest on debentures for the year ended 31st March, 2023 will be :**

- (A) ₹1,20,000**
- (B) ₹50,000**
- (C) ₹ 1,00,000**
- (D) ₹1,26,000**

**Solution.** To determine the total amount of interest on debentures for the year ended 31st March, 2023, follow these steps:

1. Calculate the Total Face Value of Debentures:

Number of debentures issued = 10,000

Face value of each debenture = ₹100

Total face value = 10,000 × ₹100 = ₹10,00,000

2. Determine the Interest on Debentures:

Interest rate = 12%

Total interest = Total face value × Interest rate

Total interest = ₹10,00,000 × 12% = ₹1,20,000

The premium on debentures affects the issuance price but does not affect the calculation of interest on debentures. Therefore, the total amount of interest for the year is simply the interest rate applied to the face value of the debentures.

So, the total amount of interest on debentures for the year ended 31st March, 2023 will be:

(A) ₹1,20,000.

**Q.15.(a) Deepa, Elton and Frank were partners in a firm sharing profits in the ratio of 2:2: 1. With effect from 1st April, 2023 they decided to change their profit sharing ratio as 1:2:2. There existed a Debit Balance of Profit and Loss Account of ₹ 50,000 in the books of the firm on the date of change in profit sharing ratio. The partners decided to retain the Debit Balance of Profit and Loss Account in the books. The adjustment entry will be :**

<b>Journal</b>			
	<b>Particulars</b>	<b>Dr. Amount (₹)</b>	<b>Cr. Amount (₹)</b>
(A)	Deepa's Capital A/c Dr.	10,000	
	To Frank's Capital A/c		10,000
(B)	Deepa's Capital A/c Dr.	5,000	
	To Frank's Capital A/c		5,000
(C)	Frank's Capital A/c Dr.	10,000	



	To Deepa's Capital A/c		10,000
(D)	Frank's Capital A/c	5,000	
	To Deepa's Capital A/c		5,000

## Solution.

### 1. Calculate the Share of Debit Balance in Profit and Loss Account:

- Total Debit Balance = ₹50,000
- Old Profit Sharing Ratio = 2:2:1 (Deepa:Elton )
- New Profit Sharing Ratio = 1:2:2 (Deepa:Elton )

### 2. Find the Share of Debit Balance for Each Partner Under Old Ratio:

- Deepa's Share:  $\frac{2}{5} \times ₹50,000 = ₹20,000$
- Elton's Share:  $\frac{2}{5} \times ₹50,000 = ₹20,000$
- Frank's Share:  $\frac{1}{5} \times ₹50,000 = ₹10,000$

### 3. Find the Share of Debit Balance for Each Partner Under New Ratio:

- Deepa's Share:  $\frac{1}{5} \times ₹50,000 = ₹10,000$
- Elton's Share:  $\frac{2}{5} \times ₹50,000 = ₹20,000$
- Frank's Share:  $\frac{2}{5} \times ₹50,000 = ₹20,000$

### 4. Calculate the Difference in Shares for Each Partner:

- Deepa's Adjustment:  $₹20,000 - ₹10,000 = ₹10,000$  (Deepa needs to decrease her share)
- Elton's Adjustment:  $₹20,000 - ₹20,000 = ₹0$  (No adjustment needed for Elton)
- Frank's Adjustment:  $₹20,000 - ₹10,000 = ₹10,000$  (Frank needs to increase his share)

### 5. Pass the Adjustment Entry:

- Deepa's Capital A/c will be debited by ₹10,000
- Frank's Capital A/c will be credited by ₹10,000

(b) Som, Pam and Ron were partners in a firm sharing profits in the ratio of 7:2: 1. With effect from 1st April, 2023 they decided to change their profit sharing ratio to 1:27. There existed a Credit Balance in the

**Profit and Loss Account of ₹ 1,00,000 on the date of change in profit sharing ratio in the books of the firm. The partners decided to retain the Credit Balance in Profit and Loss Account in the books. The adjustment entry will be :**

<b>Journal</b>			
	<b>Particulars</b>	<b>Dr. Amount (₹)</b>	<b>Cr. Amount (₹)</b>
<b>(A)</b>	<b>Ron's Capital A/c Dr.</b>	<b>20,000</b>	
	<b>To Som's Capital A/c</b>		<b>20,000</b>
	<b>Ron's Capital A/c Dr.</b>	<b>60,000</b>	
	<b>To Som's Capital A/c</b>		<b>60,000</b>
	<b>Som's Capital A/c Dr.</b>	<b>20,000</b>	
	<b>To Ron's Capital A/c</b>		<b>20,000</b>
	<b>Som's Capital A/c Dr.</b>	<b>60,000</b>	
	<b>To Ron's Capital A/c</b>		<b>60,000</b>

## Solution.

To determine the correct adjustment entry, follow these steps:

1. Calculate the Share of Credit Balance in Profit and Loss Account:

- Total Credit Balance = ₹1,00,000
- Old Profit Sharing Ratio = 7:2:1 (Som:Pam )
- New Profit Sharing Ratio = 1:2:7 (Som:Pam )

2. Find the Share of Credit Balance for Each Partner Under Old Ratio:

- Som's Share:  $\frac{7}{10} \times ₹1,00,000 = ₹70,000$
- Pam's Share:  $\frac{2}{10} \times ₹1,00,000 = ₹20,000$
- Ron's Share:  $\frac{1}{10} \times ₹1,00,000 = ₹10,000$

3. Find the Share of Credit Balance for Each Partner Under New Ratio:

- Som's Share:  $\frac{1}{10} \times ₹1,00,000 = ₹10,000$
- Pam's Share:  $\frac{2}{10} \times ₹1,00,000 = ₹20,000$
- Ron's Share:  $\frac{7}{10} \times ₹1,00,000 = ₹70,000$

4. Calculate the Difference in Shares for Each Partner:

- Som's Adjustment:  $₹70,000 - ₹10,000 = ₹60,000$  (Som's share needs to decrease)
- Pam's Adjustment:  $₹20,000 - ₹20,000 = ₹0$  (No adjustment needed for Pam)
- Ron's Adjustment:  $₹70,000 - ₹10,000 = ₹60,000$  (Ron's share needs to increase)

5. Pass the Adjustment Entry:

- Som's Capital A/c will be debited by ₹60,000
- Ron's Capital A/c will be credited by ₹60,000

**Q.16. (a) Anu, Bina and Roy were partners in a firm sharing profits and losses in the ratio of 3:2:1. Roy retired and his share was acquired by Anu. The new profit sharing ratio between Anu and Bina after Roy's retirement will be :**

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

**Solution. (D) 2:1,**

1. Find Roy's Share:

- The old profit-sharing ratio is 3:2:1 (Anu:Bina).
- Total ratio parts =  $3 + 2 + 1 = 6$ .
- Roy's share =  $\frac{1}{6}$  of the total profits.

2. Roy's Share Acquired by Anu:

- Since Anu is acquiring Roy's share, Anu's share will increase by Roy's share.

3. New Profit-Sharing Ratio:

- Anu's new share = Old share of Anu + Roy's share
- Anu's old share =  $\frac{3}{6}$
- Anu's new share =  $\frac{3}{6} + \frac{1}{6} = \frac{4}{6} = \frac{2}{3}$
- Bina's share remains the same =  $\frac{2}{6} = \frac{1}{3}$

4. Calculate the New Ratio:

- Anu's new ratio part =  $\frac{2}{3}$
- Bina's new ratio part =  $\frac{1}{3}$
- To simplify the ratio:
  - Anu:  $\frac{2}{3}$
  - Bina:  $\frac{1}{3}$
- New ratio = 2 : 1

So, the new profit-sharing ratio between Anu and Bina after Roy's retirement will be:

(D) 2:1

**(b) Asha, Yug and Zubin were partners in a firm sharing profits and losses in the ratio of 4:3:2. Zubin retired. Zubin's share was acquired equally by Asha and Yug. The new profit sharing ratio between Asha and Yug after Zubin's retirement was:**

- (A) 3:2**
- (B) 5:4**
- (C) 4:3**
- (D) 2:1**

## Solution.

To find the new profit-sharing ratio between Asha and Yug after Zubin's retirement, follow these steps:

1. **Determine Zubin's Share:**

- The old profit-sharing ratio is 4:3:2 (Asha:Yug).
- Total ratio parts =  $4 + 3 + 2 = 9$ .
- Zubin's share =  $\frac{2}{9}$  of the total profits.

2. **Zubin's Share Acquired by Asha and Yug:**

- Zubin's share is acquired equally by Asha and Yug.
- Share acquired by each (Asha and Yug) =  $\frac{2}{9} \div 2 = \frac{1}{9}$

3. **Calculate New Shares for Asha and Yug:**

- Asha's new share = Old share of Asha + Share acquired from Zubin
- Yug's new share = Old share of Yug + Share acquired from Zubin
- Asha's old share =  $\frac{4}{9}$
- Yug's old share =  $\frac{3}{9}$
- Asha's new share =  $\frac{4}{9} + \frac{1}{9} = \frac{5}{9}$
- Yug's new share =  $\frac{3}{9} + \frac{1}{9} = \frac{4}{9}$

4. **Calculate the New Ratio:**

- Asha's new ratio part =  $\frac{5}{9}$
- Yug's new ratio part =  $\frac{4}{9}$
- New ratio =  $\frac{5}{9} : \frac{4}{9}$  which simplifies to 5:4

**Q.17. Gita, Hina and Isha were partners in a firm sharing profits and losses in the ratio of 33: 2. Gita died. Hina and Isha decided to share profits and losses in the future, equally. On the day of Gita's death, goodwill of the firm was valued at ₹8,00,000. Calculate gaining ratio and pass necessary journal entry to record treatment of goodwill on Gita's death.**

## Solution.

When a partner dies, the remaining partners must compensate the deceased partner for their share of the firm's goodwill. To do this, we need to determine the gaining ratio and then make the necessary journal entries to record the treatment of goodwill.

### Calculation of Gaining Ratio

#### Profit Sharing Ratios Before Gita's Death:

- Gita:  $\frac{3}{6}$  (or 3/5)
- Hina:  $\frac{2}{6}$  (or 2/5)
- Isha:  $\frac{1}{6}$  (or 1/5)

#### New Profit Sharing Ratio After Gita's Death:

- Hina and Isha will share profits equally, so each will have a share of  $\frac{1}{2}$  (or 1/2).

**Gaining Ratio Calculation:** To find the gaining ratio, we first need to determine how much each partner gains from the deceased partner's share:

1. **Gita's Share of Goodwill:**  $\text{Gita's Share} = \frac{3}{6} \times ₹8,00,000 = ₹4,00,000$

#### 2. New Shares of Hina and Isha:

- Hina's new share:  $\frac{1}{2}$
- Isha's new share:  $\frac{1}{2}$

#### 3. Old Shares of Hina and Isha:

- Hina's old share:  $\frac{2}{6}$
- Isha's old share:  $\frac{1}{6}$

#### 4. Gaining Ratio Calculation:

- Hina's gain = New share - Old share **Hina's Gain**  $= \frac{1}{2} - \frac{2}{6} = \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$
- Isha's gain = New share - Old share **Isha's Gain**  $= \frac{1}{2} - \frac{1}{6} = \frac{3}{6} - \frac{1}{6} = \frac{2}{6} = \frac{1}{3}$

So, the gaining ratio between Hina and Isha is 1:2.

### Journal Entry for the Treatment of Goodwill

The journal entry for recording the treatment of goodwill when Gita dies involves transferring the value of Gita's share of goodwill to the remaining partners' accounts in their gaining ratio.

**Journal Entry:**

**1. Calculate the Amount to be Transferred:**

- Gita's share of goodwill: ₹4,00,000
- Hina's share of the gain (1/6 of ₹4,00,000): ₹66,667
- Isha's share of the gain (1/3 of ₹4,00,000): ₹1,33,333

**Journal Entry:**

Date	Account Title	Dr. (₹)	Cr. (₹)
[Date]	Hina's Capital Account	66,667	
	Isha's Capital Account	1,33,333	
	To Gita's Capital Account		2,00,000
(Being Gita's share of goodwill transferred to Hina and Isha in the gaining ratio of 1:2)			

**Q.18. Asha and Babita were partners in a firm. Their capitals were ₹ 15,00,000 and ₹10,00,000 respectively. The normal rate of return was 15%. The profits of the last four years were :**

<b>2019-20</b>	<b>2,50,000</b>
<b>2020-21</b>	<b>(50,000)</b>
<b>2021-22</b>	<b>800000</b>
<b>2022-23</b>	<b>500000</b>

**The closing stock for the year 2022-23 was undervalued by ₹ 1,00,000. Goodwill is to be valued at two years purchase of the last four years' average super profits. Calculate the value of goodwill.**

## Solution.

1. **Calculate the Average Profit:** First, we need to determine the average profit over the last four years. However, since the closing stock for the year 2022-23 was undervalued by ₹1,00,000, we need to adjust the profit for this year.
2. **Calculate the Adjusted Profit for 2022-23:** Adjusted Profit (2022-23) = Reported Profit + Undervaluation of Closing Stock = ₹5,00,000 + ₹1,00,000 = ₹6,00,000
3. **Calculate the Average Profit:** Now, we calculate the average profit over the four years, using the adjusted profit for 2022-23.

$$\begin{aligned}\text{Average Profit} &= \frac{\text{Profit (2019-20)} + \text{Profit (2020-21)} + \text{Adjusted Profit (2021-22)}}{4} \\ &= \frac{₹2,50,000 + (\text{₹} - 50,000) + ₹8,00,000 + ₹6,00,000}{4} \\ &= \frac{₹16,00,000}{4} \\ &= ₹4,00,000\end{aligned}$$

4. **Calculate the Normal Profit:** To determine the normal profit, multiply the capital by the normal rate of return.

$$\begin{aligned}\text{Total Capital} &= \text{Asha's Capital} + \text{Babita's Capital} \\ &= ₹15,00,000 + ₹10,00,000 \\ &= ₹25,00,000\end{aligned}$$

$$\begin{aligned}\text{Normal Profit} &= \text{Total Capital} \times \text{Normal Rate of Return} \\ &= ₹25,00,000 \times 15\% \\ &= ₹25,00,000 \times 0.15 \\ &= ₹3,75,000\end{aligned}$$

5. **Calculate the Super Profit:**

$$\begin{aligned}\text{Super Profit} &= \text{Average Profit} - \text{Normal Profit} \\ &= ₹4,00,000 - ₹3,75,000 \\ &= ₹25,000\end{aligned}$$

6. **Calculate the Value of Goodwill:** Goodwill is valued at two years' purchase of the average super profits.

$$\begin{aligned}\text{Value of Goodwill} &= \text{Super Profit} \times 2 \\ &= ₹25,000 \times 2 \\ &= ₹50,000\end{aligned}$$

**Q.19.(a)** Sheetal Ltd. purchased a building worth ₹2,50,000, plant and machinery worth ₹2,00,000, furniture worth ₹ 40,000 and took over liabilities of 30,000 from Poonam Ltd. for a purchase consideration of ₹ 4,40,000. The purchase consideration was paid by issuing 12% Debentures of ₹ 100 each at a premium of 10%.



**Pass the necessary journal entries in books of Sheetal Ltd. to record the above transactions.**

**OR**

**Solution.** Journal Entries in the Books of Sheetal Ltd.

Record the Purchase of Assets and Liabilities Taken Over:

Record the Issue of Debentures for Purchase Consideration:

- Calculate the Total Number of Debentures to be Issued:
  - Face value of each debenture = ₹100
  - Premium on each debenture = 10% of ₹100 = ₹10
  - Total issue price per debenture = ₹100 + ₹10 = ₹110
  - Total purchase consideration = ₹4,40,000
  - Number of debentures to be issued =  $\frac{\text{Purchase Consideration}}{\text{Issue Price per Debenture}}$
  - Number of debentures =  $\frac{₹4,40,000}{₹110} = 4,000$  debentures

Explanation:

**1. Asset and Liability Purchase:**

- The first entry records the purchase of assets and liabilities. The total value of assets and liabilities taken over is credited to Poonam Ltd.'s account, which is the amount to be settled.

**2. Issue of Debentures:**

- The second entry reflects the settlement of the purchase consideration by issuing debentures. The debentures are recorded at their face value, and the premium on debentures is credited to the Securities Premium Account.
- The total value of debentures issued (₹4,00,000) and the premium (₹40,000) add up to the total purchase consideration of ₹4,40,000.

**(b) On 1st April, 2023, Simple Ltd. took over assets of ₹ 5,00,000 and liabilities of ₹ 1,00,000 from Temur Ltd. at an agreed value of ₹ 16,00,000. Simple Ltd. paid the amount to Temur Ltd. as follows:**

- (i) Issued a bank draft of ₹ 1,00,000.  
(ii) Issued 8% Debentures of ₹ 100 each at a premium of 50% in satisfaction of the balance amount of purchase consideration. Pass the necessary journal entries in the books of Simple Ltd. to record the above transactions.

**Solution.** To record the transactions of Simple Ltd. taking over assets and liabilities from Temur Ltd., and paying the purchase consideration with a combination of a bank draft and 8% debentures issued at a premium, follow these journal entries:

Journal Entries in the Books of Simple Ltd.

1. Record the Purchase of Assets and Liabilities:

Date	Particulars	Dr. (₹)	Cr. (₹)
	Assets Account (e.g., Buildings, Machinery, etc.)	Dr. 5,00,000	
	Liabilities Account		Dr. 1,00,000
	To Temur Ltd. Account		6,00,000
	(Being assets and liabilities taken over from Temur Ltd. recorded)		

2. Record the Payment by Bank Draft:

Date	Particulars	Dr. (₹)	Cr. (₹)
	Temur Ltd. Account	Dr. 1,00,000	
	To Bank Account	1,00,00	
	(Being payment of ₹1,00,000 to Temur Ltd. by bank draft)		

3. Calculate the Amount to be Paid through Debentures:

Total purchase consideration: ₹16,00,000  
Amount already paid by bank draft: ₹1,00,000  
Balance to be paid through debentures: ₹16,00,000 - ₹1,00,000 =  
₹15,00,000

Calculate Number of Debentures to be Issued:

Face value of each debenture = ₹100

Premium on each debenture = 50% of ₹100 = ₹50

Total issue price per debenture = ₹100 + ₹50 = ₹150

Number of debentures to be issued = Balance Amount / Issue Price per Debenture

Number of debentures = ₹15,00,000 / ₹150 = 10,000 debentures

#### 4. Record the Issuance of Debentures:

Date	Particulars	Dr. (₹)	Cr. (₹)
	Temur Ltd. Account	Dr. 15,00,000	
	To 8% Debentures Account		10,00,000
	To Securities Premium Account		5,00,000

(Being balance of purchase consideration settled by issuing 8% debentures at a premium)

Explanation:

##### 1. Asset and Liability Purchase:

This entry reflects the acquisition of assets and liabilities from Temur Ltd., with the total purchase consideration debited to Temur Ltd.'s account.

##### 2. Bank Draft Payment:

- This entry records the payment made via bank draft. The bank account is credited to reflect the cash outflow.

##### 3. Debenture Issuance:

The entry records the issuance of debentures for the balance of the purchase consideration. Debentures are recorded at their face value, and the premium is recorded in the Securities Premium Account.

These entries properly account for the combination of cash and debenture payments for the purchase of assets and liabilities.

**Q.20. (a) Jatin, Keshav and Lalit were partners in a firm with fixed capitals of ₹1,20,000, ₹ 1,00,000 and ₹80,000 respectively. As per the partnership deed, there was a provision for allowing interest on capitals @ 10% p.a., but entries for the same had not been made for the last two years.**

The profit sharing ratio during the last two years was as follows:

Year	Jatin	Keshav	Lalit
2021-22	5	3	2
2022-23	1	1	1

Pass an adjustment entry at the beginning of the third year, i.e, on 1st April, 2023.

**Solution.** To record the adjustment for interest on capitals for the last two years in the books of the firm, we need to follow these steps:

1. Calculate Interest on Capitals:

Interest Rate: 10% per annum

For 2021-22:

Jatin: ₹1,20,000 × 10% = ₹12,000

Keshav: ₹1,00,000 × 10% = ₹10,000

Lalit: ₹80,000 × 10% = ₹8,000

Total Interest for 2021-22 = ₹12,000 + ₹10,000 + ₹8,000 = ₹30,000

For 2022-23:

Jatin: ₹1,20,000 × 10% = ₹12,000

Keshav: ₹1,00,000 × 10% = ₹10,000

Lalit: ₹80,000 × 10% = ₹8,000

Total Interest for 2022-23 = ₹12,000 + ₹10,000 + ₹8,000 = ₹30,000

2. Calculate Total Interest Payable:

Total interest for both years = ₹30,000 (2021-22) + ₹30,000 (2022-23) = ₹60,000

3. Calculate Share of Interest Based on Profit Sharing Ratio:

For 2021-22:

Jatin:  $(5/10) \times ₹30,000 = ₹15,000$

Keshav:  $(3/10) \times ₹30,000 = ₹9,000$

Lalit:  $(2/10) \times ₹30,000 = ₹6,000$

For 2022-23:

Jatin:  $(1/3) \times ₹30,000 = ₹10,000$

Keshav:  $(1/3) \times ₹30,000 = ₹10,000$

$$\text{Lalit: } (1/3) \times ₹30,000 = ₹10,000$$

Total Interest Due:

$$\text{Jatin: } ₹15,000 + ₹10,000 = ₹25,000$$

$$\text{Keshav: } ₹9,000 + ₹10,000 = ₹19,000$$

$$\text{Lalit: } ₹6,000 + ₹10,000 = ₹16,000$$

**OR**

**(b) Meera, Neena and Ojas were partners in a firm sharing profits and losses in the ratio of 5:32. The partnership deed provided for charging interest on drawings @ 10% p.a. The drawings of Meera, Neena and Ojas during the year ended 31st March, 2023 amounted to ₹60,000, ₹50,000 and ₹40,000 respectively. After the final accounts had been prepared, it was discovered that interest in drawings had not been taken into consideration. Pass the necessary adjustment entry.**

**Solution.** To record the adjustment for interest on drawings, follow these steps:

Calculate Interest on Drawings:

The interest rate on drawings is 10% per annum.

Meera's Drawings: ₹60,000

$$\text{Interest} = ₹60,000 \times 10\% = ₹6,000$$

Neena's Drawings: ₹50,000

$$\text{Interest} = ₹50,000 \times 10\% = ₹5,000$$

Ojas's Drawings: ₹40,000

$$\text{Interest} = ₹40,000 \times 10\% = ₹4,000$$

**Q. 21 Shringar Ltd. was registered with an authorized capital of 5,00,000 divided into equity shares of ₹ 10 each. The company issued a prospectus inviting applications for 20,000 equity shares. The amount was payable as follows:**

**On Application            3 per share**

**On Allotment            5 per share**

**On First and Final call Balance**

**Applications were received for 19,000 equity shares and allotment was made to all the applicants. All the amounts were duly received except the first and final call on 5,000 shares.**

**Present the share capital in the Company's Balance Sheet as per Schedule III, Part I of Companies Act, 2013. Also prepare 'Notes to Accounts' for the same.**

**Solution.** To present the share capital in the company's balance sheet and prepare the notes to accounts for Shringar Ltd., follow these steps:

### 1. Share Capital in the Balance Sheet

Balance Sheet of Shringar Ltd. as per Schedule III, Part I of Companies Act, 2013

Equity and Liabilities

Share Capital:

Authorized Capital:

Equity Shares of ₹10 each: ₹5,00,000

Issued, Subscribed, and Paid-Up Capital:

Issued: 20,000 shares

Subscribed: 19,000 shares

Paid-Up: 14,000 shares fully paid-up, 5,000 shares with partial payment

### 2. Notes to Accounts

Notes to Accounts for Share Capital

1. Authorized Share Capital:

₹5,00,000 divided into 50,000 equity shares of ₹10 each.

## 2. Issued Share Capital:

The company issued 20,000 equity shares of ₹10 each.

## 3. Subscribed Share Capital:

Applications were received for 19,000 equity shares, and all applicants were allotted shares.

The amount payable on application was ₹3 per share, on allotment was ₹5 per share, and on the first and final call was the balance of ₹2 per share.

## 4. Paid-Up Capital:

- Fully Paid-Up: 14,000 equity shares
- Application (14,000 shares × ₹3) = ₹42,000
- Allotment (14,000 shares × ₹5) = ₹70,000
- First and Final Call (14,000 shares × ₹2) = ₹28,000
- Total Paid-Up Capital = ₹42,000 + ₹70,000 + ₹28,000 = ₹1,40,000

## 5. Calls in Arrears:

First and Final Call on 5,000 shares

Calls in Arrears = 5,000 shares × ₹2 per share = ₹10,000

## 6. Total Share Capital:

- Fully Paid-Up Capital = ₹1,40,000
- Calls in Arrears = ₹10,000
- Total Subscribed Share Capital = ₹1,50,000

## Summary of Share Capital in the Balance Sheet:

1. Authorized Capital: ₹5,00,000
2. Issued Capital: ₹2,00,000
3. Subscribed Capital: ₹1,90,000
4. Paid-Up Capital: ₹1,40,000
5. Calls in Arrears: ₹10,000
6. Total Share Capital: ₹1,90,000

**Q.24. On 1st April, 2022, Ardhaan Ltd. issued 10,000, 9% Debentures of ₹ 100 each at a discount of 5%, redeemable at a premium of 10%**

after five years. The company had a balance of ₹ 80,000 in Securities Premium Account.

(a) Pass necessary journal entries for issue of debentures and for writing off 'Loss on Issue of Debentures' utilizing Securities Premium Account at the

end of first year itself.

(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31st March, 2023.

**Solution.** To address the issue of debentures by Ardhaan Ltd. and the subsequent accounting entries, follow these steps:

(a) Journal Entries

1. For Issue of Debentures

When Ardhaan Ltd. issues debentures, the following journal entries will be made:

Date: 1st April, 2022

1. Bank Account

Debit ₹9,50,000 (10,000 debentures × ₹95 each)

Credit Debentures Account

Credit Discount on Issue of Debentures Account

Explanation:

The total issue amount is ₹10,00,000 (10,000 debentures × ₹100). Since the debentures are issued at a 5% discount, the company receives ₹9,50,000 (₹10,00,000 - ₹50,000).

2. Discount on Issue of Debentures Account

Debit ₹50,000

Credit Securities Premium Account

Discount on Issue of Debentures Account Dr. ₹50,000

To Securities Premium Account ₹50,000



Explanation:

This entry transfers the discount to the Securities Premium Account.

## 2. For Writing Off 'Loss on Issue of Debentures'

At the end of the first year, to write off the loss using the Securities Premium Account:

Date: 31st March, 2023

### 1. Securities Premium Account

Debit ₹50,000

Credit Loss on Issue of Debentures Account

Securities Premium Account                      Dr. ₹50,000

To Loss on Issue of Debentures Account                      ₹50,000

Explanation:

This entry uses the balance in the Securities Premium Account to write off the loss on the issue of debentures.

### (b) Loss on Issue of Debentures Account

Loss on Issue of Debentures Account for the year ended 31st March, 2023

Explanation:

Balance b/d: The balance brought down from the previous year.

By Securities Premium Account: Amount transferred from the Securities Premium Account to write off the loss.

Balance c/d: Shows the closing balance of the loss on the issue of debentures, which would be carried forward or adjusted as per the accounting policies.

In summary, the debentures were issued at a discount, and the discount was written off using the Securities Premium Account, reflecting accurate financial records and compliance with accounting principles.

**Q.25 (A) Diamond Ltd. issued a prospectus inviting applications for 20,000 shares of ₹ 10 each. The amount was payable as follows: On**

**Application ₹4 per share On Allotment 4 per share On First and Final call Balance Applications for 45,000 shares were received and allotment was made as follows: Category (i) Applicants for 35,000 shares were allotted 15,000 shares. Category (ii) Applicants for 10,000 shares were allotted 5,000 shares. It was decided that excess money received on application be adjusted towards sum due on allotment and calls. Amar, an applicant of Category (ii), who was allotted 500 shares, failed to pay the first and final call. His shares were forfeited and subsequently reissued at 2 per share as fully paid up. Pass necessary journal entries to record the above transactions in the books of Diamond Ltd. OR**

**Solution.**1. Receipt of Application Money:

Applicants for 45,000 shares applied, but only 20,000 shares were to be issued. The application money was ₹4 per share.

Bank A/c	Dr. ₹1,80,000
To Share Application A/c	₹1,80,000

(Being application money received for 45,000 shares @ ₹4 per share)

2. Allotment of Shares:

Category (i): Applicants for 35,000 shares were allotted 15,000 shares.  
Category (ii): Applicants for 10,000 shares were allotted 5,000 shares.

Adjustment of Excess Application Money:

Total application money received: ₹1,80,000

Allotment money due: 20,000 shares @ ₹4 = ₹80,000

Excess application money: ₹1,80,000 - ₹80,000 = ₹1,00,000

This excess amount will be adjusted against the allotment money due.

Allotment Entries:

Share Application A/c	Dr. ₹1,80,000
To Share Capital A/c	₹2,00,000
To Share Allotment A/c	₹80,000

(Being the transfer of application money to share capital and allotment accounts)

Share Allotment A/c	Dr. ₹80,000
To Bank A/c	₹80,000

(Being allotment money received)

3. Calls on Shares:

The balance amount on call is: ₹10 (total) - ₹4 (application) - ₹4 (allotment)  
= ₹2 per share

Total call money: 20,000 shares × ₹2 = ₹40,000

Share First and Final Call A/c	Dr. ₹40,000
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To Share Capital A/c	₹40,000
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(Being the first and final call due on 20,000 shares @ ₹2 per share)

Share First and Final Call A/c	Dr. ₹40,000
To Bank A/c	₹40,000

(Being call money received)

4. Forfeiture of Shares:

Amar, who was allotted 500 shares, failed to pay the first and final call of ₹1,000 (500 shares × ₹2 per share).

Forfeiture Entry:

Share Capital A/c	Dr. ₹5000
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Share First and Final Call A/c	Dr. ₹1000
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To Share Forfeiture A/c	₹6000
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(Being 500 shares forfeited for non-payment of final call)

### 5.Reissue of Forfeited Shares:

The forfeited shares were reissued at ₹2 per share as fully paid-up.

The amount received from the reissue is: 500 shares × ₹2 = ₹1,000

Reissue Entry:

Bank A/c	Dr. ₹1,000	
To Share Capital A/c		₹500
To Share Forfeiture A/c		₹50

(Being 500 forfeited shares reissued at ₹2 per share)

Here's a summary of the journal entries:

#### 1.Application Money:

Bank A/c	Dr. ₹1,80,000	
To Share Application A/c		₹1,80,000

#### 2. Allotment and Adjustments:

Share Application A/c	Dr. ₹1,80,000	
To Share Capital A/c		₹2,00,000
To Share Allotment A/c		₹80,000
Share Allotment A/c	Dr. ₹80,000	
To Bank A/c		₹80,000

#### 3. Calls on Shares:

Share First and Final Call A/c	Dr. ₹40,000	
To Share Capital A/c		₹40,000
Share First and Final Call A/c	Dr. ₹40,000	
To Bank A/c		₹40,000

#### 4.Forfeiture of Shares:

Share Capital A/c	Dr. ₹5000	
Share First and Final Call A/c	Dr. ₹1000	
To Share Forfeiture A/c		₹6000

### 5.Reissue of Forfeited Shares:

Bank A/c	Dr. ₹1,000	
To Share Capital A/c		₹500
To Share Forfeiture A/c		₹500

These entries cover the entire process from application through reissue of shares, including all necessary adjustments and forfeitures.

**(b) Pearl Ltd. issued a prospectus inviting applications for 40,000 shares of 10 each at a premium of 20%. The amount was payable as follows: On Application 5 per share On Allotment 5 per share (Including Premium) On First and Final call Balance Applications for 60,000 shares were received and allotment was made on a pro-rata basis to all the applicants. Excess money received on application was adjusted towards the amount due on allotment. Sameer who had applied for 1,200 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. All the forfeited shares were reissued at 7 per share as ₹8 paid up. First and final call was not yet made. Pass necessary journal entries to record the above transactions in the book of Pearl Ltd. Open 'Calls in Arrears Account' wherever necessary.**

**Solution.** To record the transactions for Pearl Ltd., we need to handle several aspects including the application, allotment, forfeiture, and reissue of shares. Let's break down the transactions and the corresponding journal entries.

#### 1. Application Money

Pearl Ltd. issued a prospectus for 40,000 shares at ₹10 each with a premium of 20%, making the total price ₹12 per share (₹10 + ₹2 premium). The application money was ₹5 per share.

Total application money received:

Applications for 60,000 shares at ₹5 each = ₹3,00,000

Journal Entry:

Bank A/c	Dr. ₹3,00,000
To Share Application A/c	₹3,00,000

(Being application money received for 60,000 shares @ ₹5 per share)

## 2. Allotment Money

The allotment was on a pro-rata basis due to oversubscription. The total amount due on allotment was ₹5 per share (including premium).

Allotment due: 40,000 shares × ₹5 = ₹2,00,000

Excess Application Money Adjusted:

Total application money: ₹3,00,000

Total allotment money due: ₹2,00,000

Excess application money: ₹3,00,000 - ₹2,00,000 = ₹1,00,000

Journal Entry:

Share Application A/c	Dr. ₹3,00,000
To Share Capital A/c	₹4,00,000
To Share Allotment A/c	₹2,00,000

(Being transfer of application money to share capital and allotment accounts)

Share Allotment A/c	Dr. ₹1,00,000
To Bank A/c	₹1,00,000

(Being the remaining allotment money received, after adjusting excess application money)

## 3. Forfeiture of Shares

Sameer, who applied for 1,200 shares, did not pay the allotment money. His shares were forfeited.

Forfeiture Entry:

Allotment money due on Sameer's shares: 1,200 shares × ₹5 = ₹6,000

Share Capital A/c	Dr. ₹12,000
To Share Allotment A/c	₹6,000
To Calls in Arrears A/c	₹6,000

(Being 1,200 shares forfeited for non-payment of allotment money)

#### 4. Reissue of Forfeited Shares

The forfeited shares (1,200 shares) were reissued at ₹7 per share as ₹8 paid-up.

Reissue price: ₹7 per share

Paid-up amount on reissue: ₹8 per share

Total amount received on reissue:

Amount received: 1,200 shares × ₹7 = ₹8,400

Journal Entry for Reissue:

Bank A/c	Dr. ₹8,400
To Share Capital A/c	₹12,000
To Share Forfeiture A/c	₹3,600

(Being 1,200 forfeited shares reissued at ₹7 per share as ₹8 paid-up)

#### 5. Calls in Arrears Account

Since the first and final call was not yet made, there is no entry related to calls in arrears for this transaction.

Summary of Journal Entries:

##### 1. Application Money:

Bank A/c	Dr. ₹3,00,000
To Share Application A/c	₹3,00,000

##### 2. Allotment and Adjustments:

Share Application A/c	Dr. ₹3,00,000
To Share Capital A/c	₹4,00,000
To Share Allotment A/c	₹2,00,000
Share Allotment A/c	Dr. ₹1,00,000
To Bank A/c	₹1,00,000

##### 3. Forfeiture of Shares:

Share Capital A/c	Dr. ₹12,000
To Share Allotment A/c	₹6,000
To Calls in Arrears A/c	₹6,000

4. Reissue of Forfeited Shares:

Bank A/c	Dr. ₹8,400
To Share Capital A/c	₹12,000
To Share Forfeiture A/c	₹3,600

This covers the complete journal entries for the application, allotment, forfeiture, and reissue of shares for Pearl Ltd.

**Q.26. (a) Anshu and Vihu were partners in a firm sharing profits and losses in the ratio of 3: 2. Their Balance Sheet as at 31st March, 2023 was as follows: Balance Sheet of Anshu and Vihu as at 31st March, 2023**

Liabilities Amount (₹)	Assets Amount (₹)
Creditors 80,000	Cash 40,000
General Reserve 50,000	Investment Fluctuation Fund 10,000
Debtors Less Provision for Doubtful debts 30,000	Stock 36,000
2,24,000	34,000
Capitals: Anshu 1,44,000	Vihu 80,000
2,24,000	3,64,000
Plant and Machinery 2,20,000	40,000
	Investments 3,64,000

**Solution.** 1. Verify the Balance Sheet

Let's ensure that the Balance Sheet is balanced by totaling the assets and liabilities.

Total Liabilities:

1. Creditors: ₹80,000
2. General Reserve: ₹50,000
3. Investment Fluctuation Fund: ₹10,000
4. Capitals:
  - Anshu: ₹1,44,000
  - Vihu: ₹80,000

Total Liabilities Calculation:

$$\begin{aligned}\text{Total Liabilities} &= \text{Creditors} + \text{General Reserve} + \text{Investment Fluctuation} \\ &+ \text{Fund} + \text{Capital of Anshu} + \text{Capital of Vihu} \\ &= ₹80,000 + ₹50,000 + ₹10,000 + ₹1,44,000 + ₹80,000 \\ &= ₹3,64,000\end{aligned}$$

Total Assets:

1. Cash: ₹40,000



- 2. Debtors: ₹36,000
- 3. Less: Provision for Doubtful Debts\*\*: ₹2,000
- Net Debtors: ₹36,000 - ₹2,000 = ₹34,000
- 4. Stock: ₹30,000
- 5. Plant and Machinery: ₹2,20,000
- 6. Investments: ₹40,000
- Total Assets Calculation:

...

$$\begin{aligned} \text{Total Assets} &= \text{Cash} + \text{Net Debtors} + \text{Stock} + \text{Plant and Machinery} + \\ &\text{Investments} \\ &= ₹40,000 + ₹34,000 + ₹30,000 + ₹2,20,000 + ₹40,000 \\ &= ₹3,64,000 \end{aligned}$$

The Balance Sheet is balanced with both totals being ₹3,64,000.

## 2. Typical Adjustments or Transactions

### Scenario 1: Admission of a New Partner

Revaluation of Assets: If the problem involves a new partner, the assets might need revaluation.

Adjustment of Reserves: General Reserve and Investment Fluctuation Fund might need to be shared among the partners based on their profit-sharing ratio.

### Scenario 2: Dissolution or Sale of Assets

Disposal of Assets: Selling or settling of assets would be recorded.

Settlement of Liabilities: Any remaining liabilities would need to be cleared.

## 3. Journal Entries for Adjustment Scenarios

If Revaluation is Required:

### 1. Revaluation of Assets:

Increase in assets: Dr. Asset Account / Cr. Revaluation Account

Decrease in assets: Dr. Revaluation Account / Cr. Asset Account

## 2. Transfer of Reserves:

General Reserve and Investment Fluctuation Fund need to be adjusted to partners' capital accounts.

General Reserve Transfer Entry:

General Reserve A/c	Dr. ₹50,000
To Anshu's Capital A/c	₹30,000
To Vihu's Capital A/c	₹20,000

(Being General Reserve transferred to partners' capital accounts in the ratio of 3:2)

Investment Fluctuation Fund Transfer Entry:

Investment Fluctuation Fund A/c	Dr. ₹10,000
To Anshu's Capital A/c	₹6,000
To Vihu's Capital A/c	₹4,000

(Being Investment Fluctuation Fund transferred to partners' capital accounts in the ratio of 3:2)

**(b) Trisha, Urvi and Varsha were partners in a firm sharing profits and losses in the ratio of 5: 4: 1. Their Balance Sheet as at 31st March, 2023 was as follows: Balance Sheet of Trisha, Urvi and Varsha as at 31st March, 2023**

Liabilities Amount (₹)	Assets Amount (₹)	Capitals:
Fixed Assets	Trisha 1,50,000	Urvi 1,30,000
6 Varsha 4,30,000	General Reserve 1,50,000	Creditors 2,70,000
8,50,000	8,50,000	

Trisha retired on 1st April, 2023 and the partners agreed to the following terms: (i) Fixed Assets were found overvalued by ₹80,000. (ii) Stock was taken over by Trisha at ₹ 80,000. (iii) (iv) Goodwill of the firm was valued at ₹ 1,00,000 on Trisha's retirement and Trisha's share by goodwill was adjusted through the Capital Accounts of remaining partners. New profit sharing ratio between the remaining partners was agreed at 2:3. Trisha was paid ₹50,000 on retirement and the balance was transferred to her loan account. (v) Pass necessary journal entries in the books of the firm on Trisha's retirement.

**Solution.** To record the transactions related to Trisha's retirement from the partnership of Trisha, Urvi, and Varsha, we'll follow these steps:

1. Adjust Fixed Assets for Overvaluation
2. Record Stock Taken Over by Trisha
3. Record Goodwill Adjustment
4. Settlement of Trisha's Share
5. Transfer of Balance to Loan Account

Let's break this down step by step with the necessary journal entries.

#### 1. Adjust Fixed Assets for Overvaluation

The fixed assets were found to be overvalued by ₹80,000. This needs to be adjusted in the books.

Journal Entry:

Fixed Assets A/c	Dr. ₹80,000	
To Revaluation Account		₹80,000

(Being the overvaluation of fixed assets adjusted)

#### 2. Record Stock Taken Over by Trisha

Stock was taken over by Trisha at ₹80,000. This amount will be adjusted against her capital account.

Journal Entry:

Stock A/c	Dr. ₹80,000	
To Trisha's Capital A/c		₹80,000

(Being stock taken over by Trisha at ₹80,000)

### 3. Record Goodwill Adjustment

Goodwill of the firm was valued at ₹1,00,000, and Trisha's share of goodwill needs to be adjusted in the capital accounts of the remaining partners.

Trisha's share of goodwill (based on her profit-sharing ratio of 5/10 or 1/2):

$$\text{Trisha's share of goodwill} = ₹1,00,000 \times (5/10) = ₹50,000$$

The remaining partners (Urvi and Varsha) will share this adjustment in their new profit-sharing ratio of 2:3.

Goodwill adjustment for Urvi and Varsha:\*\*

$$\text{Urvi's share of goodwill} = ₹50,000 \times (2/5) = ₹20,000$$

$$\text{Varsha's share of goodwill} = ₹50,000 \times (3/5) = ₹30,000$$

Journal Entries:

Goodwill A/c	Dr. ₹1,00,000
To Urvi's Capital A/c	₹20,000
To Varsha's Capital A/c	₹30,000
To Trisha's Capital A/c	₹50,000

(Being adjustment of goodwill among the partners, Trisha's share adjusted through her capital account)

### 4. Settlement of Trisha's Share

Trisha was paid ₹50,000 in cash, and the remaining amount is transferred to her loan account.

Total Amount Payable to Trisha:

1. Calculate Trisha's Share of Capital and Adjustments:

Initial Capital (Before adjustments):

Trisha: ₹1,50,000

Adjustments:

- Less: Stock taken over by Trisha: ₹80,000
- Less: Goodwill adjustment: ₹50,000
- Less: Fixed Assets Overvaluation: ₹80,000

Net Amount:

Amount payable to Trisha: ₹1,50,000 - ₹80,000 - ₹50,000 - ₹80,000 = ₹40,000

Payment:

Paid: ₹50,000

Balance: ₹40,000 (which will be transferred to Trisha's loan account)

Journal Entries:

Trisha's Capital A/c	Dr. ₹40,000
To Trisha's Loan A/c	₹40,000

(Being the balance amount transferred to Trisha's loan account after payment of ₹50,000)

Trisha's Loan A/c	Dr. ₹40,000
To Bank A/c	₹50,000
To Trisha's Capital A/c	₹10,000

(Being settlement of Trisha's capital account, payment of ₹50,000 and balance adjusted)

Summary of Journal Entries

1. Adjust Fixed Assets for Overvaluation:

Fixed Assets A/c	Dr. ₹80,000
To Revaluation Account	₹80,000

2. Record Stock Taken Over by Trisha:

Stock A/c	Dr. ₹80,000
To Trisha's Capital A/c	₹80,000

3. Record Goodwill Adjustment:

Goodwill A/c	Dr. ₹1,00,000
To Urvi's Capital A/c	₹20,000
To Varsha's Capital A/c	₹30,000
To Trisha's Capital A/c	₹50,000

#### 4. Settlement of Trisha's Share:

Trisha's Capital A/c	Dr. ₹40,000
To Trisha's Loan A/c	₹40,000
Trisha's Loan A/c	Dr. ₹40,000
To Bank A/c	₹50,000
To Trisha's Capital A/c	₹10,000

These entries cover the adjustments and settlements necessary due to Trisha's retirement from the partnership.

### PART B

#### Option - I

#### (Analysis of Financial Statements)

**Q.27. The Quick Ratio of a company is 1: 1. Which of the following transactions will result in an increase of this ratio?**

- (A) Purchase of inventory ₹1,50,000 through cheque**
- (B) Sold inventory on credit ₹ 50,000**
- (C) Outstanding expenses of ₹ 40,000 paid**
- (D) Machinery purchased for cash ₹50,000**

**Solution. (B) Sold inventory on credit ₹ 50,000** , The Quick Ratio, also known as the Acid-Test Ratio, measures a company's ability to meet its short-term liabilities with its most liquid assets. It is calculated using the formula:

Quick Ratio = Quick Assets / Current Liabilities

Where:

Quick Assets include cash, cash equivalents, marketable securities, and receivables.

Current Liabilities are short-term liabilities due within one year.

Quick Assets exclude inventory and prepaid expenses.

To determine which transaction will result in an increase in the Quick Ratio, let's analyze each option:

Option (A) Purchase of Inventory ₹1,50,000 through Cheque

Effect on Quick Assets: Decreases (cash decreases).

Effect on Inventory: Increases (inventory increases).

Overall Effect on Quick Ratio: Since inventory is excluded from quick assets, this transaction decreases quick assets and increases current liabilities by the same amount (if the purchase is on credit). This generally would decrease the Quick Ratio or have no effect if the purchase is made with cash. However, it can be seen as neutral or potentially decreasing the Quick Ratio.

Option (B) Sold Inventory on Credit ₹50,000

Effect on Quick Assets: Increases (accounts receivable increases).

Effect on Inventory: Decreases (inventory decreases).

Overall Effect on Quick Ratio: Since inventory is excluded from quick assets and accounts receivable is included, this transaction increases quick assets while decreasing inventory. The Quick Ratio will increase because quick assets (receivables) increase while current liabilities remain unchanged.

Option (C) Outstanding Expenses of ₹40,000 Paid

Effect on Quick Assets: No direct effect (cash decreases).

Effect on Current Liabilities: Decreases (current liabilities decrease).

Overall Effect on Quick Ratio: Since current liabilities decrease while quick assets decrease by the same amount (if cash is used), the overall effect on the Quick Ratio depends on the proportion of decrease. However, typically, this transaction results in a higher Quick Ratio because the denominator (current liabilities) is reduced more relative to the decrease in quick assets.

Option (D) Machinery Purchased for Cash ₹50,000

Effect on Quick Assets: Decreases (cash decreases).

Effect on Non-Current Assets: Increases (machinery increases).

Overall Effect on Quick Ratio: Since machinery is a non-current asset and not part of quick assets, the reduction in cash (quick asset) lowers the Quick Ratio while current liabilities remain the same. Hence, this will decrease the Quick Ratio.

**Q.28. Which of the following transactions will result in cash outflow from operating activities?**

**(A) Payment to creditors**

**(B) Proceeds from sale of investments**

**(C) Dividend received by a non-finance company**

**(D) Depreciation charged on furniture**

**Solution.****(A) Payment to creditors,** To determine which transaction results in a cash outflow from operating activities, let's first clarify what constitutes cash outflows from operating activities. Operating activities refer to the core business operations of a company, including cash flows from selling goods and services, and paying expenses.

Option (A): Payment to Creditors

Nature of Transaction: This involves paying off outstanding amounts to suppliers or creditors.

Impact: This is a direct cash outflow related to the day-to-day operations of the business, as it pertains to paying for goods or services that have been purchased on credit.

Result: Cash Outflow from Operating Activities

Option (B): Proceeds from Sale of Investments

Nature of Transaction: This involves receiving cash from selling investments (such as stocks or bonds).

Impact: This is a cash inflow related to investing activities rather than operating activities. Investing activities pertain to transactions involving assets and investments.

Result: Not a Cash Outflow from Operating Activities



### Option (C): Dividend Received by a Non-Finance Company

Nature of Transaction: This involves receiving dividends from investments in other companies.

Impact: For a non-financial company, dividends received are generally considered an investing activity. However, they may be classified as operating cash flows in some cases if they relate to the company's core business operations.

Result: Not a Typical Cash Outflow from Operating Activities (It can be an inflow, depending on the classification)

### Option (D): Depreciation Charged on Furniture

Nature of Transaction: Depreciation is a non-cash expense that reflects the allocation of the cost of fixed assets over their useful life.

Impact: Depreciation does not involve an actual cash transaction. It is an accounting entry that reduces taxable income but does not affect cash flow.

Result: Not a Cash Outflow from Operating Activities (It is a non-cash charge)

### **Q.29. (a) Which of the following is not a limitation of Analysis of Financial Statements'?**

**(A) It is just a study of the reports of the company.**

**(B) It does not consider price level changes.**

**(C) It ascertains the relative importance of different components of the financial position of the firm.**

**(D) It may be misleading without the knowledge of the changes in accounting procedures followed by a firm.**

**Solution.(C) It ascertains the relative importance of different components of the financial position of the firm.**

Option (A): It is just a study of the reports of the company.

Explanation: Analyzing financial statements involves studying the company's financial reports to assess performance and financial health.

While this might seem like a limitation, it is actually the core purpose of

financial statement analysis—to examine the reports and make informed judgments.

Result: Not a Limitation

Option (B): It does not consider price level changes.

Explanation: Traditional financial statement analysis often does not account for changes in price levels due to inflation or deflation. This can lead to misleading conclusions, as the real value of money and purchasing power changes over time.

Result: A Limitation

Option (C): It ascertains the relative importance of different components of the financial position of the firm.

Explanation: This is actually a benefit of financial statement analysis, not a limitation. By determining the relative importance of various components, analysts can better understand the company's financial health and performance.

Result: Not a Limitation

Option (D): It may be misleading without the knowledge of the changes in accounting procedures followed by a firm.

Explanation: Changes in accounting procedures can impact the comparability of financial statements over time. If analysts are unaware of these changes, their interpretations might be misleading.

Result: A Limitation

**OR**

**(b) Ratios that are calculated for measuring the efficiency of operations of business based on effective utilization of resources are known as:**

**(A) Liquidity ratios**

**(B) Turnover ratios**

**(C) Solvency ratios**

**(D) Profitability ratios**

**Solution. (B) Turnover ratios** , To determine which ratios measure the efficiency of operations and effective utilization of resources, let's examine each type of ratio:

Option (A): Liquidity Ratios

Purpose: Liquidity ratios measure a company's ability to meet its short-term obligations using its liquid assets. Examples include the Current Ratio and Quick Ratio.

Focus: They focus on the company's short-term financial health and do not directly measure operational efficiency.

Result: Not the correct answer

Option (B): Turnover Ratios

Purpose: Turnover ratios assess how efficiently a company utilizes its resources, such as inventory, receivables, and assets. They indicate how well the company is managing its operations and converting resources into sales.

Examples: Inventory Turnover Ratio, Receivables Turnover Ratio, and Asset Turnover Ratio.

Result: Correct answer

Option (C): Solvency Ratios

Purpose: Solvency ratios evaluate a company's long-term financial stability and its ability to meet long-term obligations. They measure the company's capital structure and long-term debt relative to its equity.

Examples: Debt to Equity Ratio, Debt Ratio.

Result: Not the correct answer

Option (D): Profitability Ratios

Purpose: Profitability ratios assess a company's ability to generate profit relative to its revenue, assets, or equity. They measure overall financial performance but do not specifically focus on the efficiency of operations.

Examples: Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE).

Result: Not the correct answer

**Q.30. (a) Sale of patents of ₹ 50,00,000 will result in:**

- (A) Cash inflow of ₹ 50,00,000 from financing activities**
- (B) Cash outflow of ₹ 50,00,000 from financing activities**
- (C) Cash outflow of ₹ 50,00,000 from investing activities**
- (D) Cash inflow of ₹ 50,00,000 from investing activities**

**Solution.(D) Cash inflow of ₹ 50,00,000 from investing activities**

To determine the effect of the sale of patents on cash flows, we need to understand the nature of this transaction. The sale of patents involves converting a long-term intangible asset into cash.

Types of Cash Flows

**Investing Activities:** These include transactions related to the acquisition and disposal of long-term assets and investments. This category covers activities such as buying or selling property, equipment, patents, or investments in other companies.

**Financing Activities:** These involve transactions that affect the company's capital structure, such as issuing or repurchasing stock, borrowing, or repaying debt.

Analyzing the Sale of Patents

**Sale of Patents:** Patents are considered long-term intangible assets. When a company sells a patent, it is disposing of one of its long-term assets in exchange for cash.

**Impact on Cash Flow:** This transaction results in cash inflow because the company is receiving cash from selling an asset. Since patents are classified as investing activities, this cash inflow is categorized under investing activities.

**OR**

**(b) Income tax paid is classified under:**

- (A) Operating activities**
- (B) Investing activities**
- (C) Financing activities**
- (D) Cash and cash equivalents**

**Solution.** **(A) Operating activities** , Income tax paid is classified based on how it relates to the company's primary business activities and cash flow statements. Let's break down the classifications:

#### Classifications of Cash Flows

**Operating Activities:** These include the core business operations of a company, such as cash received from customers and cash paid to suppliers and employees. It also includes cash payments for interest and income taxes.

**Investing Activities:** These involve transactions related to the acquisition and disposal of long-term assets, such as property, equipment, or investments.

**Financing Activities:** These relate to changes in the company's capital structure, such as issuing or repurchasing stock, borrowing, and repaying debt.

**Cash and Cash Equivalents:** This refers to the actual cash available and highly liquid investments that are readily convertible to cash.

#### Income Tax Paid

**Nature:** Income tax is a part of the costs associated with operating a business and is directly related to the company's income and profit generation activities.

**Classification:** In the cash flow statement, income tax paid is categorized under operating activities because it pertains to the cash flows resulting from the company's core business operations.

#### Conclusion

Income tax paid is classified under:

- (A) Operating activities**

**Q.31. Classify the following items under major heads and subheads (if any) in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013:**

**(a) Copyrights**

**(b) Interest Accrued on investments**

**(c) Long-term investment in shares a**

**Solution.** According to Schedule III, Part I of the Companies Act, 2013, which provides the format for presenting the Balance Sheet, items are classified under major heads and subheads. Here's how the given items are classified:

(a) Copyrights

Major Head: Non-Current Assets

Subhead: Intangible Assets

Explanation: Copyrights are intangible assets that are not physical in nature but provide long-term benefits to the company. They fall under the category of Intangible Assets within Non-Current Assets.

(b) Interest Accrued on Investments

Major Head: Current Assets

Subhead: Other Current Assets

Explanation: Interest accrued on investments is a receivable amount expected to be received within the financial year. It is classified under Other Current Assets as it is not cash but represents an amount that will be converted into cash or receivables within the year.

(c) Long-term Investment in Shares

Major Head: Non-Current Assets

Subhead: Investments

Explanation: Long-term investments in shares represent investments that are intended to be held for more than one year. They are classified under Investments in Non-Current Assets.

## Summary of Classification

(a) Copyrights:

Major Head: Non-Current Assets

Subhead: Intangible Assets

(b) Interest Accrued on Investments:

Major Head: Current Assets

Subhead: Other Current Assets

(c) Long-term Investment in Shares:

Major Head: Non-Current Assets

Subhead: Investments

**Q. 32. X Ltd. has a Current ratio of 3-5: 1 and Quick ratio of 2: 1. If excess of Current Assets over Quick Assets is represented by inventories of ₹16,000 and prepaid expenses of ₹ 8,000, calculate :**

**(a) Current Liabilities**

**(b) Current Assets**

**(c) Quick Assets**

### Solution.

#### Given Data:

1. Current Ratio: 3.5:1
2. Quick Ratio: 2:1
3. Inventories: ₹16,000
4. Prepaid Expenses: ₹8,000
5. Excess of Current Assets over Quick Assets: Represented by inventories and prepaid expenses

#### Formulas:

- Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- Quick Ratio =  $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$
- Current Assets = Quick Assets + Inventories + Prepaid Expenses

#### Steps to Calculate:

1. Calculate Current Liabilities:

$$\text{From the Current Ratio formula: Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad 3.5 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$
$$\text{Current Assets} = 3.5 \times \text{Current Liabilities}$$

From the Quick Ratio formula:  $\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = 2 = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$   
 $\text{Quick Assets} = 2 \times \text{Current Liabilities}$

Given that the excess of Current Assets over Quick Assets is represented by inventories and prepaid expenses:  $\text{Current Assets} - \text{Quick Assets} = \text{Inventories} + \text{Prepaid Expenses}$   
 $3.5 \times \text{Current Liabilities} - 2 \times \text{Current Liabilities} = 16,000 + 8,000$   
 $1.5 \times \text{Current Liabilities} = 24,000$   
 $\text{Current Liabilities} = \frac{24,000}{1.5} = 16,000$

**2. Calculate Current Assets:**

Using the Current Liabilities:  $\text{Current Assets} = 3.5 \times \text{Current Liabilities}$   
 $\text{Current Assets} = 3.5 \times 16,000 = 56,000$

**3. Calculate Quick Assets:**

Using the Quick Ratio:  $\text{Quick Assets} = 2 \times \text{Current Liabilities}$   
 $\text{Quick Assets} = 2 \times 16,000 = 32,000$

**Summary of Calculations:**

- (a) Current Liabilities: ₹16,000
- (b) Current Assets: ₹56,000
- (c) Quick Assets: ₹32,000

**Q.34. From the following particulars of Ruparel Ltd., calculate 'Cash Flow from Investing Activities'. Show your working clearly. Particulars 31.03.2023 (₹) 31.03.2022 (₹)**

Goodwill	3,00,000	1,00,000
Patents	1,60,000	2,80,000
Machinery	12,40,000	10,20,000
10% Investments	1,60,000	60,000

**6 Additional Information: (i) Patents of ₹ 1,20,000 were sold at book value. (ii) Depreciation charged during the year on machinery was ₹1,40,000. A machine having a book value of ₹ 80,000 was sold for ₹ 50,000. (iii) On 31.03.2023, 10% investments were purchased for ₹ 1,80,000 and some investments were sold at a profit of ₹ 20,000. Interest received on investments was ₹ 6,000.**

**Solution.** To calculate the Cash Flow from Investing Activities for Ruparel Ltd., we need to account for various transactions related to investments, sales and purchases of fixed assets, and other relevant items.

**Given Data:**

**Goodwill:**

- 31.03.2023: ₹3,00,000
- 31.03.2022: ₹1,00,000

**Patents:**

- 31.03.2023: ₹1,60,000



- 31.03.2022: ₹2,80,000

Machinery:

- 31.03.2023: ₹12,40,000

- 31.03.2022: ₹10,20,000

10% Investments:

- 31.03.2023: ₹1,60,000

- 31.03.2022: ₹60,000

Additional Information:

1. Patents of ₹1,20,000 were sold at book value.
2. Depreciation on machinery was ₹1,40,000.
3. A machine with a book value of ₹80,000 was sold for ₹50,000.
4. 10% Investments were purchased for ₹1,80,000 and some were sold at a profit of ₹20,000.
5. Interest received on investments was ₹6,000.

Steps to Calculate Cash Flow from Investing Activities:

1. Calculate the Cash Flow from Purchase and Sale of Fixed Assets:

Sale of Patents:

Patents decreased by ₹1,20,000 (₹2,80,000 - ₹1,60,000).

Patents sold at book value: Cash inflow = ₹1,20,000.

Sale of Machinery:

Book value of machine sold: ₹80,000

Cash received from sale: ₹50,000

Loss on sale of machinery = ₹80,000 (book value) - ₹50,000 (cash received) = ₹30,000

Net cash inflow from sale of machinery = ₹50,000

Purchase of Machinery:

Increase in machinery = ₹12,40,000 - ₹10,20,000 = ₹2,20,000

This amount represents the cash outflow for the purchase of new machinery.

## 2. Calculate the Cash Flow from Investments:

Purchases of Investments:

Investments increased by ₹1,00,000 (₹1,60,000 - ₹60,000)

New investments purchased = ₹1,80,000

Therefore, the amount of new investments bought during the year =

₹1,80,000 - ₹1,00,000 = ₹80,000

This represents a cash outflow.

Sales of Investments:

Profit on sale = ₹20,000

Cost of investments sold = (book value of investments sold)

Total cash inflow from sale of investments = (Cash received from investments sold) - Profit = (Book value) + ₹20,000

Since the net increase in investments (purchases minus sales) is ₹1,00,000 and the total purchased is ₹1,80,000, the cash inflow from sales is the remaining part of the increase = ₹1,00,000 - ₹80,000 = ₹20,000

Hence, the net cash inflow from investments = ₹20,000 + ₹6,000 (interest received) = ₹26,000.

Summary:

Cash Inflow from Sale of Patents: ₹1,20,000

Cash Inflow from Sale of Machinery: ₹50,000

Cash Outflow for Purchase of Machinery: ₹2,20,000

Net Cash Outflow for Investments: ₹80,000 (purchase) - ₹20,000 (sale) = ₹60,000

Interest Received on Investments: ₹6,000

Net Cash Flow from Investing Activities:

Net Cash Flow=Cash Inflow from Sale of Patents+Cash Inflow from Sale of Machinery–Cash Outflow for Purchase of Machinery–Net Cash Outflow for Investments+Interest Received

Net Cash Flow = 1,20,000 + 50,000 - 2,20,000 - 60,000 + 6,000 \]

Net Cash Flow = 1,70,000 - 2,80,000

Net Cash Flow = -1,10,000

So, the Cash Flow from Investing Activities is a net outflow of ₹1,10,000.

**PART B**  
**OPTION-II**  
**(Computerised Accounting)**

**Q.27. Which of the following is not an advantage of a computerized accounting system ?**

- (A) Timely generation of reports in desired format**
- (B) Ensures effective control over the system**
- (C) Faster obsolescence of technology**
- (D) Confidentiality of data is maintained**

**Solution.(C) Faster obsolescence of technology** , To determine which option is not an advantage of a computerized accounting system, let's analyze each statement:

Option (A): Timely Generation of Reports in Desired Format

Advantage: Computerized accounting systems can quickly generate financial reports in various formats, making it easier to access timely and accurate information.

Result:Advantage

Option (B): Ensures Effective Control Over the System

Advantage: Computerized systems can include features such as user permissions, audit trails, and access controls to help manage and monitor system usage effectively.

Result: Advantage

Option (C): Faster Obsolescence of Technology

Disadvantage: Technology tends to evolve rapidly, which can lead to faster obsolescence of hardware and software used in computerized systems. This means companies might need to frequently upgrade or replace technology to stay current.

Result: Not an Advantage

Option (D): Confidentiality of Data is Maintained

Advantage: Computerized systems can offer strong data protection measures, such as encryption, secure access controls, and backup solutions, to maintain data confidentiality.

Result: Advantage

**Q.28 (a) A 'legend' can be repositioned on the chart:**

- (A) On the right side only**
- (B) On the left side only**
- (C) On the bottom of x-axis**
- (D) Anywhere**

**Solution. (D) Anywhere** , In a chart or graph, the legend is used to identify what different colors, patterns, or symbols represent. The position of the legend can usually be customized to fit the needs of the presentation and improve readability.

Possible Positions for the Legend:

On the Right Side: Legends are often placed on the right side of the chart, which is a common default position.

On the Left Side: Legends can also be moved to the left side of the chart, depending on what best suits the design and clarity of the information.

On the Bottom of the X-Axis: It is possible to place the legend below the chart, near the x-axis, which can be helpful for charts with complex data or when space is limited.

Anywhere: In many charting tools and software, you have the flexibility to position the legend anywhere on the chart, including above, below, left, or right, depending on your design preferences and the layout of the chart.

Conclusion

The correct option is:

(D) Anywhere

This flexibility allows users to reposition the legend to the most effective location for clarity and presentation.

**OR**

**(b) The need for codification is for:**

**(A) the generation of mnemonic codes**

**(B) securing the accounting reports**

**(C) easy processing of data and keeping records**

**(D) the encryption of data 29 To see all available shape styles of a chart which of the following buttons is**

**Solution.(C) easy processing of data and keeping records**

The Need for Codification

Codification is used to systematically organize and simplify data through the assignment of codes. Here's how it relates to each option:

(A) The Generation of Mnemonic Codes: While codification may involve mnemonic codes, its broader purpose is not just limited to generating these codes. Mnemonic codes are more about making the codes easier to remember rather than the fundamental purpose of codification.

(B) Securing the Accounting Reports: Codification does not inherently secure reports. Securing reports is related to security measures like encryption and access controls.

(C) Easy Processing of Data and Keeping Records: This is the main purpose of codification. By assigning codes to data, it becomes easier to process, manage, and maintain records. Codification helps in organizing data systematically and efficiently.

(D) The Encryption of Data: Encryption is a separate process that involves securing data by converting it into a format that is not readable without proper authorization. Codification is not about encryption but about organizing data.

Conclusion

The need for codification is primarily for:

(C) Easy processing of data and keeping records.

**Q.29. To see all available shape styles of a chart, which of the following buttons is clicked?**

**(A) More**

**(B) Chart tool**

**(C) Picture**

**(D) Custom**

**Solution. (B) Chart tool** ,To see all available shape styles of a chart in software like Microsoft Excel, you generally use the chart formatting options. Here's what each button or option typically represents:

(A) More: This button often provides additional options or settings, but it is not specifically used to see all available shape styles.

(B) Chart Tools: This tab contains various options for formatting charts, including shape styles, but it is not a button by itself.

(C) Picture: This option is usually related to inserting or editing images, not chart styles.

(D) Custom: This typically refers to custom settings or styles, which might not directly show all available shape styles.

Correct Answer

To access all available shape styles for a chart in Microsoft Excel:

Click on the "Chart Tools" Format Tab

Here, you can find various formatting options, including shape styles, under the "Shape Styles" group.

**Q.30. (a) A sequential code refers to code applied to some documents where:**

**(A) Account heads are assigned to documents**

**(B) Numbers and letters are assigned in consecutive order**

**(C) Special names are given to accounts**

**(D) Documents are arranged in special sequence**

**OR**

**Solution.** A sequential code is a type of coding system where elements are assigned codes in a continuous, ordered sequence. This helps in maintaining a logical and systematic arrangement.

Here's what each option means:

(A) Account heads are assigned to documents: This refers to categorizing documents based on account heads, which is more about classification rather than sequential coding.

(B) Numbers and letters are assigned in consecutive order: This describes the essence of sequential coding. In a sequential code, each item or document is assigned a unique code that follows a consecutive order, like 001, 002, 003, etc.

(C) Special names are given to accounts: This involves naming or labeling accounts specifically, which does not pertain to sequential coding.

(D) Documents are arranged in special sequence: While documents may be arranged in a sequence, this option does not specify that the sequence is numerical or coded in a consecutive manner.

## Conclusion

A sequential code refers to a system where:

(B) Numbers and letters are assigned in consecutive order

This means that each document or item is assigned a code that follows a specific, consecutive order, making it easy to track and manage.

**(b) Name the Accounting information sub-system which is linked with other sub-systems for obtaining information about cost and expenses:**

**(A) Cash and Bank sub-system**

**(B) Costing sub-system**

**(C) Expense accounting sub-system**

**(D) Final accounts sub-system**

**Solution.(B) Costing sub-system,** In accounting systems, various subsystems work together to provide comprehensive financial information. When it comes to obtaining information about cost and expenses, the relevant sub-system is:

(A) Cash and Bank Sub-system: This focuses on managing cash and bank transactions and is not specifically dedicated to cost and expense information.

(B) Costing Sub-system: This sub-system is specifically designed to track, analyze, and manage costs and expenses. It provides detailed cost information that is essential for budgeting, cost control, and financial analysis. It links with other sub-systems to gather information on cost and expenses.

(C) Expense Accounting Sub-system: While this sub-system deals with recording and managing expenses, the term "Costing Sub-system" is more comprehensive in terms of providing detailed cost-related information and analysis.

(D) Final Accounts Sub-system: This sub-system focuses on the preparation of financial statements, such as the balance sheet and income statement, rather than on detailed cost and expense tracking.



## Conclusion

The accounting information sub-system specifically linked with other subsystems to obtain information about cost and expenses is:

### (B) Costing Sub-system

This sub-system is designed to manage and analyze costs and expenses effectively.

## **Q.31. Explain the following two features of computerized accounting system:**

### **(a) Accuracy and speed**

### **(b) Scalability**

#### **Solution.** (a) Accuracy and Speed

Accuracy in a computerized accounting system refers to the precision with which financial data is processed and recorded. Since the system relies on programmed algorithms and automated data entry, it minimizes human errors that might occur in manual bookkeeping. This means calculations, entries, and financial reporting are generally accurate and consistent.

Speed refers to how quickly the computerized system can process and generate information. Tasks that would take a significant amount of time manually, such as reconciling accounts or generating financial reports, can be completed much faster with a computerized system. This efficiency allows for quicker decision-making and timely access to financial data.

In summary: The computerized accounting system enhances accuracy by reducing human error and increases speed by automating and expediting data processing tasks.

### (b) Scalability

Scalability refers to the system's ability to handle increasing volumes of transactions or data without compromising performance. As a business grows and the amount of financial data expands, a scalable accounting

system can adapt to these changes smoothly. This means the system can grow with the business, accommodating more transactions, additional users, or more complex financial operations without requiring a complete overhaul or significantly affecting performance.

**Q.32. Give the meaning of 'Labels' and 'Formulas' as used in spreadsheets.**

**Solution.** In spreadsheets, "Labels" and "Formulas" are fundamental concepts used to organize and analyze data. Here's what they mean:

### Labels

Labels are text entries used to identify or describe the data in a spreadsheet. They are typically used in headers or titles to provide context or categorization for the data in adjacent cells. For example:

In a spreadsheet tracking sales, labels might include "Date," "Product," "Quantity Sold," and "Revenue."

Labels help users understand what each column or row represents and make the spreadsheet more readable.

In summary: Labels are textual descriptions that provide context and organization for the data within the spreadsheet.

### Formulas

Formulas are expressions used to perform calculations on data within the spreadsheet. They start with an equals sign (=) and can include a variety of mathematical operators, functions, and cell references. Formulas allow users to automatically calculate results based on the data in other cells. For example:

`=SUM(A1:A10)` adds up all the values in cells A1 through A10.

`=A1 + B1` adds the values in cells A1 and B1.

`=AVERAGE(B2:B5)` calculates the average of the values in cells B2 through B5.

In summary: Formulas are used to perform calculations and manipulate data dynamically, updating automatically when the referenced data changes.

By using labels, you can clearly define and organize your data, and with formulas, you can perform calculations and analyze the data efficiently.

**Q.33. (a) State steps to be taken in preparation of a chart.  
OR (b) What are the uses of 'Error Alert tab'?**

**Solution.** (a) Steps to Prepare a Chart

Creating a chart involves several steps to ensure it effectively represents your data. Here's a simple guide:

1. Select Your Data:

Highlight the range of data you want to include in the chart. This typically includes both the data series and the labels (e.g., column headers or row labels).

2. Choose the Type of Chart:

Decide on the type of chart that best suits your data. Common types include bar charts, line charts, pie charts, and scatter plots. Each type is suited for different kinds of data representation.

3. Insert the Chart:

Go to the "Insert" tab in your spreadsheet software (like Excel). Choose the chart type from the chart options available. Click on the chart type you've selected, and the chart will be inserted into your worksheet.

4. Customize the Chart:

Adjust the chart title, axis labels, and legend to make the chart more informative. You can also format the chart's appearance, such as changing colors, fonts, and styles.

Use the “Chart Tools” or “Format” options to modify elements like data labels, gridlines, and chart styles.

#### 5. Review and Adjust:

Check if the chart accurately represents your data and is easy to understand. Make any necessary adjustments to improve clarity or visual appeal.

#### 6. Save Your Work:

Save your document to ensure that your chart and data are preserved. In summary: To prepare a chart, select your data, choose the appropriate chart type, insert the chart, customize it, review for accuracy, and save your work.

#### (b) Uses of the 'Error Alert Tab'

In spreadsheet software like Microsoft Excel, the "Error Alert" tab is part of the data validation feature. It is used to manage how users are alerted when they enter invalid data into a cell. Here's how it is used:

##### 1. Define Error Messages:

The Error Alert tab allows you to create custom error messages that appear when someone enters invalid data based on the rules you set up. For example, if you set a rule that only numbers between 1 and 100 are valid, the Error Alert tab lets you specify the message that will appear if someone tries to enter a number outside this range.

##### 2. Choose Alert Styles:

You can choose from different alert styles:

**Stop:** Prevents the user from entering invalid data. The user must correct the entry to proceed.

**Warning:** Alerts the user that the data may be invalid but allows them to proceed if they choose to ignore the warning.

**Information:** Provides information to the user about the data entry but does not prevent them from entering it.

### 3. Guide User Input:

By providing error alerts, you help guide users to input the correct type of data, ensuring consistency and reducing data entry errors.

**Q.34. What is meant by 'Merging a range of cells'? How is it done? State the steps to split a merged cell.**

#### **Solution.**Merging a Range of Cells

Merging a range of cells means combining multiple adjacent cells into a single, larger cell. This is often done to improve the presentation of a spreadsheet by creating a unified header or title that spans several columns or rows. When cells are merged, the content from the top-left cell (or the primary cell) remains, and the other cells become part of this larger cell.

How to Merge Cells:

#### 1. Select the Range of Cells:

Click and drag to highlight the cells you want to merge. The cells must be adjacent (next to each other).

#### 2. Access the Merge Option:

In spreadsheet software like Microsoft Excel or Google Sheets, go to the toolbar at the top of the screen.

#### 3. Merge the Cells:

Look for a button labeled "Merge & Center" or simply "Merge." This button is usually located in the "Home" tab or "Format" options.

Click the button to merge the selected cells. There might be options like:

Merge & Center\*\*: Combines the cells and centers the content.

Merge Across: Merges cells in selected rows across columns.

Merge Cells: Combine the cells without centering the content.

Steps to Split a Merged Cell:

1. Select the Merged Cell: Click on the merged cell that you want to split. This will highlight the entire merged cell.

2. Access the Split Option:

Go back to the toolbar where you found the merge options.

3. Unmerge the Cells:

Click the button labeled “Merge & Center” or “Unmerge” (depending on the software you are using). This will split the merged cell back into its original individual cells.

4. Review the Results:

Ensure that the cells are now separated, and adjust any content or formatting as needed.