# CBSE 12th 2024 Compartment Accountancy Set-2 (67/S/2) Solutions

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

**Q.1. Arjun, Babita and Charlie were partners in a firm sharing profits in the ratio of 2:2:1. They admitted Dheeraj for the share in the profits of the firm. He has to contribute proportionate capital to acquire the share in future profits. On the date 5 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. (B) ₹30,000,** To determine the capital to be brought in by Dheeraj, we need to follow these steps:

1. Determine the Total Capital of the Firm:
    - Total capital after adjustments = ₹62,000 (Arjun) + ₹52,000 (Babita) + ₹36,000 (Charlie)
    - Total capital = ₹150,000
2. Calculate the Share of Dheeraj in the Total Capital:
    - The existing profit-sharing ratio is 2:2:1. The total ratio parts are 2 + 2 + 1 = 5.
    - Therefore, the share of Dheeraj in the firm will be in proportion to his share of the total profit.
3. Determine the Share to be Acquired by Dheeraj:
    - Dheeraj's share = 1 part (from the total 5 parts) = 1/5 of the total capital

4. Calculate Dheeraj's Capital Contribution:
    - Dheeraj's share of the capital = 15×₹150,000\frac{1}{5} \times ₹150,00051×₹150,000
    - Dheeraj's capital contribution = ₹30,000

Thus, the capital to be brought in by Dheeraj is:

(B) ₹30,000

**Q.2. 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 are 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.

**Q.3 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 new ratio.**
**(C) Sacrificing partners in sacrificing ratio.**
**(D) Old partners in sacrificing ratio.**

**Solution.**When a new partner is admitted and the existing goodwill is required to be written off, it is done according to the sacrificing ratio of the existing partners. The sacrificing ratio reflects the portion of goodwill each old partner gives up to accommodate the new partner.

Here's how it works:

1. Goodwill Write-off: The existing goodwill in the books needs to be adjusted or written off among the old partners.

2.Sacrificing Ratio: This ratio represents the proportion in which the existing partners have sacrificed their share of profit to accommodate the new partner. In this case, since Kamini, Lata, and Meera were sharing profits equally, their sacrificing ratio is also equal.

Therefore, the existing goodwill of ₹1,20,000 should be written off among the old partners in their sacrificing ratio.

The correct option is:(D) Old partners in sacrificing ratio.

**Q.4.(a) Renu, Trilok and Mansi were partners in a firm sharing profits and losses 1 in the ratio of 9: 6:5. Hina was admitted as a partner for th 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.**

**(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 2 th from Ashu and 7 3 th share in the profits of the firm, 7 th from Ria. The new profit sharing 7 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.5.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 = {30}/{4} = 7.5 months

**Q.6 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 = {10}/{100}x 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

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

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

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

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

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. 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.10 (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.11.(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 × ₹100 = ₹6,00,000
- Discount = 10% of face value
- Total discount = ₹6,00,000 × 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.12.(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 :**

| | Journal | | |
|---|---|---|---|
| | **Particulars** | **Dr. Amount (₹)** | **Cr. Amount (₹)** |
| **(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 :**

| | | | |
|---|---|---|---|
| | **Journal** | | |

| | Particulars | Dr. Amount (₹) | Cr. Amount (₹) |
|---|---|---|---|
| (A) | Ron's Capital A/c Dr. | 20,000 | |
| | To Som's Capital A/c | | 20,000 |
| | Ron's Capital A/c Dr. | 60,000 | |
| | To Som's Capital A/c | | 60,000 |
| | Som's Capital A/c Dr. | 20,000 | |
| | To Ron's Capital A/c | | 20,000 |
| | Som's Capital A/c Dr. | 60,000 | |
| | To Ron's Capital A/c | | 60,000 |

**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.13. (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 4:32. 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.16 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.19. (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) × ₹30,000 = ₹15,000
Keshav: (3/10) × ₹30,000 = ₹9,000
Lalit: (2/10) × ₹30,000 = ₹6,000
For 2022-23:
Jatin: (1/3) × ₹30,000 = ₹10,000
Keshav: (1/3) × ₹30,000 = ₹10,000
Lalit: (1/3) × ₹30,000 = ₹10,000

Total Interest Due:
Jatin: ₹15,000 + ₹10,000 = ₹25,000
Keshav: ₹9,000 + ₹10,000 = ₹19,000
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
Interest = ₹60,000 × 10% = ₹6,000

Neena's Drawings: ₹50,000
Interest = ₹50,000 × 10% = ₹5,000

Ojas's Drawings: ₹40,000
Interest = ₹40,000 × 10% = ₹4,000

**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 = Purchase Consideration / Issue Price per Debenture

Number of debentures = ₹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. 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.25. (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 Stock 36,000 2,000 34,000 30,000 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:
Total Liabilities = Creditors + General Reserve + Investment Fluctuation Fund + Capital of Anshu + Capital of Vihu
   = ₹80,000 + ₹50,000 + ₹10,000 + ₹1,44,000 + ₹80,000
   = ₹3,64,000
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:

   ```
   Total Assets = Cash + Net Debtors + Stock + Plant and Machinery + Investments
   = ₹40,000 + ₹34,000 + ₹30,000 + ₹2,20,000 + ₹40,000
   = ₹3,64,000

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 Urvi Stock Debtors Cash 1,50,000 1,30,000 100% + 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):

Trisha's share of goodwill = ₹1,00,000 × (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:**

Urvi's share of goodwill = ₹50,000 × (2/5) = ₹20,000
Varsha's share of goodwill = ₹50,000 × (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.

**Q.26 (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
To Share Capital A/c ₹40,000
(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
Share First and Final Call A/c Dr. ₹1000
To Share Forfeiture A/c ₹6000
(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.

## PART B
## Option - I
## (Analysis of Financial Statements)

**Q.27. (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.28 (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.29. 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.30. 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.31. Classify the following items under major heads and sub-heads (if any) in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013 :**
**(a) Calls in Advance**
**(b) Creditors**
**(c) Securities Premium**

**Solution.** Under the Schedule III, Part I of the Companies Act, 2013, items in the Balance Sheet of a company are classified under major heads and sub-heads. Here's how you classify the given items:

1. Equity and Liabilities
   Shareholders' Funds

Share Capital: (This is where the Calls in Advance would be recorded, though Calls in Advance is a liability and is typically shown separately.)
Other Current Liabilities
Calls in Advance: This is classified under 'Other Current Liabilities' as it represents amounts received from shareholders for calls that are not yet due.
Shareholders' Funds
Reserves and Surplus
Securities Premium: This is classified under 'Reserves and Surplus'. It represents the amount received over and above the face value of shares issued.

2.Current Liabilities
Trade Payables
Creditors: This falls under 'Trade Payables' within the 'Current Liabilities' section. It represents the amounts payable to suppliers for goods or services received.

Summary of Classification:
1. Equity and Liabilities
Shareholders' Funds
Reserves and Surplus
Securities Premium
Current Liabilities
Trade Payables
Creditors
Other Current Liabilities
Calls in Advance

**Q.32. From the following information, calculate :**

**(a) Trade Receivables Turnover Ratio**
**(b) Operating Profit Ratio**

**Particulars** **Amount (₹)**

| | |
|---|---|
| **Credit Revenue from operations** | **55,00,000** |
| **Cash Revenue from operations** | **15,00,000** |
| **Debtors** | **12,50,000** |
| **Bills Receivable** | **7,50,000** |
| **Operating Expenses** | **7,00,000** |

**Gross Profit Ratio 20%**

## Solution.

### (a) Trade Receivables Turnover Ratio

**Formula:** $\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Trade Receivables}}$

1. **Calculate Net Credit Sales:**

Net Credit Sales = Credit Revenue from Operations $\text{Net Credit Sales} = ₹55,00,000$

2. **Calculate Average Trade Receivables:**

Trade Receivables = Debtors + Bills Receivable $\text{Trade Receivables} = ₹12,50,000 + ₹7,50,000 = ₹20,00,000$

Assuming the values given are year-end values and there's no beginning value provided, we will use this as the average:

$\text{Average Trade Receivables} = ₹20,00,000$

3. **Calculate the Trade Receivables Turnover Ratio:**

$\text{Trade Receivables Turnover Ratio} = \frac{₹55,00,000}{₹20,00,000} = 2.75$

So, the Trade Receivables Turnover Ratio is **2.75 times**.

### (b) Operating Profit Ratio

**Formula:** $\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$

1. **Calculate Net Sales:**

Net Sales = Credit Revenue from Operations + Cash Revenue from Operations $\text{Net Sales} = ₹55,00,000 + ₹15,00,000 = ₹70,00,000$

2. **Calculate Operating Profit:**

Given Gross Profit Ratio = 20%, so: $\text{Gross Profit} = \text{Gross Profit Ratio} \times \text{Net Sales}$
$\text{Gross Profit} = 20\% \times ₹70,00,000 = ₹14,00,000$

Operating Profit = Gross Profit - Operating Expenses $\text{Operating Profit} = ₹14,00,000 - ₹7,00,000 = ₹7,00,000$

3. **Calculate the Operating Profit Ratio:**

$\text{Operating Profit Ratio} = \frac{₹7,00,000}{₹70,00,000} \times 100 = 10\%$

So, the Operating Profit Ratio is **10%**.

**Q.33. (a) From the given Balance Sheet of Moonlight Ltd., prepare a Common Size Balance Sheet :**

**Balance Sheet of Moonlight Ltd.as at 31st March, 2023**

| Particulars | 31.03.2023 (₹) | 31.03.2022 (₹) |
|---|---|---|
| **I – Equity and Liabilities :** | | |
| 1. Shareholders' Funds | | |
| (a) Share Capital | 12,00,000 | 5,00,000 |
| 2. Non-Current Liabilities | | |
| (a) Long-term Borrowings | 2,00,000 | 3,00,000 |
| 3. Current Liabilities | | |
| (a) Trade Payables | 6,00,000 | 2,00,000 |
| **Total** | 20,00,000 | 10,00,000 |
| **II – Assets :** | | |
| 1. Non-Current Assets | | |
| (a) Fixed Assets/Property, Plant and Equipment and Intangible Assets | 14,00,000 | 7,00,000 |
| 2. Current Assets | | |
| (a) Trade Receivables | 4,00,000 | 2,50,000 |
| (b) Inventories | 2,00,000 | 50,000 |
| **Total** | 20,00,000 | 10,00,000 |

## Solution.

### Common Size Balance Sheet of Moonlight Ltd. as at 31st March, 2023

**Total Assets** = ₹20,00,000

**I – Equity and Liabilities**

1. **Shareholders' Funds**
   - **Share Capital**:

$$\frac{₹12,00,000}{₹20,00,000} \times 100 = 60\%$$

2. **Non-Current Liabilities**
   - **Long-term Borrowings**:

$$\frac{₹2,00,000}{₹20,00,000} \times 100 = 10\%$$

3. **Current Liabilities**
   - **Trade Payables**:

$$\frac{₹6,00,000}{₹20,00,000} \times 100 = 30\%$$

**Total Liabilities**:

- Sum of percentages:

$$60\% + 10\% + 30\% = 100\%$$

**II – Assets**

1. **Non-Current Assets**
   - **Fixed Assets/Property, Plant and Equipment and Intangible Assets**:

$$\frac{₹14,00,000}{₹20,00,000} \times 100 = 70\%$$

2. **Current Assets**
   - **Trade Receivables**:

$$\frac{₹4,00,000}{₹20,00,000} \times 100 = 20\%$$

   - **Inventories**:

$$\frac{₹2,00,000}{₹20,00,000} \times 100 = 10\%$$

Total Assets:

- Sum of percentages:

$$70\% + 20\% + 10\% = 100\%$$

## Summary of Common Size Balance Sheet for 31st March, 2023:

I – Equity and Liabilities:

- Shareholders' Funds:
  - Share Capital: 60%
- Non-Current Liabilities:
  - Long-term Borrowings: 10%
- Current Liabilities:
  - Trade Payables: 30%

II – Assets:

- Non-Current Assets:
  - Fixed Assets/Property, Plant and Equipment and Intangible Assets: 70%

**Current Assets:**

- **Trade Receivables**: 20%
- **Inventories**: 10%

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

| Particulars | Note No. | 2022 –23 (₹) | 2021 –22 (₹) |
|---|---|---|---|
| Revenue from operations | | 25,00,000 | 20,00,000 |
| Employee benefit expenses | | 5,00,000 | 4,00,000 |

| | | |
|---|---|---|
| **Other expenses** | **2,50,000** | **2,00,000** |

**Tax rate 50%**

**Solution.** To prepare a Comparative Statement of Profit and Loss for Accent Ltd. for the years ended 31st March, 2023 and 2022, we need to compare the financial performance of the two years side by side. This involves calculating the Gross Profit, Net Profit, and other relevant figures for each year and presenting them in a comparative format.

Comparative Statement of Profit and Loss
For the years ended 31st March, 2023 and 2022

1.Revenue from Operations:
- 2022-23: ₹25,00,000
- 2021-22: ₹20,00,000
- Increase: ₹5,00,000 (25%)

2. Employee Benefit Expenses:
- 2022-23: ₹5,00,000
- 2021-22: ₹4,00,000
- Increase: ₹1,00,000 (25%)

3. Other Expenses:
- 2022-23: ₹2,50,000
- 2021-22: ₹2,00,000
- Increase: ₹50,000 (25%)

4. Total Expenses:
- 2022-23: ₹7,50,000 (Employee Benefit Expenses + Other Expenses)
- 2021-22: ₹6,00,000
- Increase: ₹1,50,000 (25%)

5. Gross Profit:

- 2022-23: ₹17,50,000 (Revenue - Total Expenses)
- 2021-22: ₹14,00,000
- Increase: ₹3,50,000 (25%)

6. Tax (50%):
- 2022-23: ₹8,75,000 (50% of Gross Profit)
- 2021-22: ₹7,00,000 (50% of Gross Profit)
- Increase: ₹1,75,000 (25%)

7. Net Profit:
- 2022-23: ₹8,75,000 (Gross Profit - Tax)
- 2021-22: ₹7,00,000
- Increase: ₹1,75,000 (25%)

This comparative statement helps in analyzing the financial performance over the two years, highlighting the changes in revenue, expenses, and profits.

**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** |

**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.** Calculation of Cash Flow from Investing Activities

1. Sale of Patents
   - Patents at the beginning (31.03.2022): ₹2,80,000
   - Patents at the end (31.03.2023): ₹1,60,000
   - Patents sold during the year: ₹1,20,000 (at book value)

2. Sale of Machinery
   - Book value of the machine sold: ₹80,000
   - Sale proceeds of the machine: ₹50,000
   - Loss on sale of machinery: ₹80,000 - ₹50,000 = ₹30,000 (not directly affecting cash flow, but indicates sale value)

3. Purchase of Machinery
   - Machinery at the beginning (31.03.2022): ₹10,20,000
   - Machinery at the end (31.03.2023): ₹12,40,000
   - Net addition to machinery: ₹12,40,000 - ₹10,20,000 = ₹2,20,000
   - Less: Book value of machinery sold: ₹80,000
   - Net purchase of machinery: ₹2,20,000 + ₹80,000 = ₹3,00,000

4. Investment Transactions
   - Investments at the beginning (31.03.2022): ₹60,000
   - Investments at the end (31.03.2023): ₹1,60,000
   - Net increase in investments: ₹1,60,000 - ₹60,000 = ₹1,00,000
   - Less: Purchase of investments during the year: ₹1,80,000
   - Profit on sale of investments: ₹20,000
   - Investments sold (adjusted for profit): ₹1,00,000 - ₹1,80,000 + ₹20,000 = ₹-60,000 (showing net outflow as actual cash spent on investments)

5. Interest Received on Investments
   - Interest received: ₹6,000

Summary of Cash Flow from Investing Activities

1. Proceeds from Sale of Patents: ₹1,20,000

2. Proceeds from Sale of Machinery: ₹50,000
3. Purchase of Machinery: ₹3,00,000 (outflow)
4. Net Purchase of Investments: ₹1,00,000 (outflow) - ₹1,80,000 purchase + ₹20,000 profit (adjusted)
5. Interest Received: ₹6,000

Cash Flow from Investing Activities Calculation

Cash Flow from Investing Activities=(Proceeds from Sale of Patents+Proceeds from Sale of Machinery−Purchase of Machinery−Net Purchase of Investments+Interest Received)

Cash Flow from Investing Activities=(1,20,000+50,000−3,00,000−1,00,000+6,000)

Cash Flow from Investing Activities=1,70,000−4,00,000+6,000

Flow from Investing Activities = 1,70,000 - 4,00,000 + 6,000Cash Flow from Investing Activities=1,70,000−4,00,000+6,000

Cash Flow from Investing Activities=−2,24,000

Cash Flow from Investing Activities = -2,24,000Cash Flow from Investing Activities=−2,24,000

## PART B

## OPTION – II

## (Computerised Accounting)

**Q.27. (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. (B) Numbers and letters are assigned in consecutive order**
In accounting and documentation, a sequential code is a method where (B) Numbers and letters are assigned in consecutive order.This means that documents or transactions are coded with numbers or letters that follow a sequential pattern, such as 001, 002, 003, etc., or A1, A2, A3, etc. This method helps in organizing and tracking documents in a systematic order, making it easier to retrieve and reference them.

**(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.** The Accounting information sub-system that is linked with other subsystems to obtain information about cost and expenses is (B) Costing sub-system, The Costing sub-system integrates with various other sub-systems, such as inventory, production, and expense accounting, to gather detailed information on costs and expenses. This integration helps in accurate cost analysis and management.

**Q.28. 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.(A) More ,** To see all available shape styles of a chart, you would click(A) More In most chart tools, clicking the "More" button or similar options usually reveals additional styles and formatting options.

**Q.29 (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**

**OR**

**Solution.** A 'legend' can be repositioned on the chart:(D) Anywhere

Legends in charts are typically flexible and can be moved to various positions, including the right side, left side, top, bottom, or even within the chart area itself, depending on the charting software being used.

**(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.30. 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.31. State any three limitations of Computerised Accounting System.**

**Solution.** Three limitations of Computerized Accounting Systems:

1.System Failures and Data Loss: Computerized systems can be prone to technical failures, such as hardware malfunctions or software bugs. In such cases, there is a risk of data loss or corruption if proper backups are not maintained.

2. High Initial Costs: Implementing a computerized accounting system involves significant initial investment in software, hardware, and training. For small businesses, these costs can be a barrier to adoption.

3. Dependence on Technology and Expertise: The effectiveness of computerized accounting systems depends on having the right technology and skilled personnel. Inadequate training or lack of technical support can lead to inefficiencies and errors in the accounting process.

**Q.32. State the steps to freeze a formula so that the present value is maintained in the given cell and recalculation is prevented.**

**Solution.** To freeze a formula in Excel so that the present value is maintained and recalculation is prevented, follow these steps:

1. Calculate the Current Value: Ensure that the formula cell displays the value you want to freeze.

2. Copy the Cell: Click on the cell with the formula, and press `Ctrl + C` (or right-click and select `Copy`).

3. Paste as Values: Right-click on the same cell or another cell where you want to keep the frozen value. From the context menu, choose `Paste Special`, and then select `Values` from the options. This action replaces the formula with the calculated value.

4. Confirm: Click `OK` or `Paste` to complete the process. The cell now contains the static value and will no longer update with changes in other cells.

By following these steps, you effectively freeze the current value and prevent any further recalculation of the formula in that cell.

**Q.33. (a) State steps to be taken in preparation of a chart.**

**Solution.** To prepare a chart effectively in Excel or similar spreadsheet software, follow these steps:

1. Organize Your Data:
Ensure your data is organized in rows or columns with clear labels for each series and category. This makes it easier to select and visualize the data accurately.

2. Select the Data Range:
Highlight the range of data you want to include in the chart. This should include both the labels (categories) and the numerical data.

3. Insert the Chart:
Go to the Insert tab on the toolbar.
Choose the type of chart that best suits your data (e.g., bar, line, pie) from the Charts section.

4. Choose a Specific Chart Type:
Click on the desired chart type to insert it. For example, if you select a "Bar Chart," you'll see different styles like clustered bar, stacked bar, etc. Pick the style that fits your data presentation needs.

5. Customize the Chart:
Chart Title: Click on the default chart title to edit it or add a new title that accurately describes the data.
Axes Titles: Add or edit axis titles to clarify what each axis represents.
Legend: Adjust the position or format of the legend to ensure it clearly explains the data series.

6. Format the Chart:

Use formatting tools to change colors, fonts, and styles. Access these options through the Chart Tools on the Ribbon, including Design and Format tabs.

7. Adjust Chart Elements: Add or remove elements like data labels, gridlines, or trend lines as needed. You can find these options under Chart Elements or by right-clicking on the chart and selecting from the context menu.

8. Resize and Position:
Drag the edges or corners of the chart to resize it. Move the chart to the desired location on your worksheet by clicking and dragging.

9. Review and Refine:
Check the chart for accuracy and clarity. Make sure it effectively communicates the intended information.

10.Save Your Work:
Save the worksheet to ensure your chart and data are preserved.
By following these steps, you can create a well-organized and visually appealing chart that effectively conveys your data.

**OR**
**(b) What are the uses of 'Error Alert tab' ?**

**Solution.** The 'Error Alert' tab in Excel is a feature used in Data Validation to provide feedback when users enter incorrect data into a cell. Here are the key uses of the 'Error Alert' tab:

1. Display Custom Error Messages:
You can set up a custom error message that appears when the data entered does not meet the validation criteria. This message helps guide the user on what type of data is expected.

2. Control User Input:

It helps control the type of data entered into a cell by preventing invalid data from being entered. For example, if a cell only accepts numbers between 1 and 100, the error alert will notify the user if they enter data outside this range.

3.Provide Instructions:
The error message can include specific instructions or examples to help users understand the correct format or value. This can improve data accuracy and consistency.

4. Specify Error Alert Styles:
You can choose different styles for the error alert:
Stop: Prevents the user from entering invalid data and requires them to correct it before proceeding.
Warning: Alerts the user to the potential error but allows them to continue with the invalid data if they choose to.
Information: Provides an informational message without blocking the entry of invalid data.

5.Enhance Data Validation:
The error alert feature is integral to data validation rules. It helps ensure that only valid data is entered, which is crucial for maintaining data integrity in spreadsheets.
By using the 'Error Alert' tab, you can ensure that users follow the correct data entry procedures, which enhances the accuracy and reliability of your data.

**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 in a spreadsheet (such as Excel) means combining two or more adjacent cells into a single larger cell. This is often done to create a more organized layout or to center text across multiple cells. When cells are merged, the content of the upper-left cell is preserved, and the content of the other cells in the range is discarded.

How to Merge Cells:

1. Select the Cells:
Click and drag to select the range of cells you want to merge.

2. Access the Merge Option:
Go to the Home tab on the Ribbon.
Look for the Merge & Center button in the Alignment group.

3. Choose a Merge Option:
Click on the Merge & Center button to merge the cells and center the content.
Alternatively, click the dropdown arrow next to the button to choose from other options:
Merge & Center: Merges cells and centers the content.
Merge Across: Merges cells in each row individually.
Merge Cells: Merges the selected cells without centering the content.
Unmerge Cells: Splits previously merged cells back into their original state.
Steps to Split a Merged Cell:

1. Select the Merged Cell:
Click on the merged cell you want to split.

2. Unmerge the Cells:
Go to the Home tab on the Ribbon.
Click the dropdown arrow next to the Merge & Center button in the Alignment group.
Select Unmerge Cells from the dropdown menu.

3. Check the Result:
The merged cell will be split back into its original individual cells. Any content that was in the merged cell will be retained in the upper-left cell of the original range.