CBSE 12th 2024 Compartment Accountancy Set-3 (67/S/3) Solutions

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(Accounting for Partnership Firms and Companies)

Q.1. (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 , To determine the new profitsharing ratio between Anu and Bina after Roy's retirement, follow these steps:

1. Calculate Roy's Share:
   Roy's share in the firm is (1/6) (since the original ratio is 3:2:1, and the total is 6 parts).

2. Determine the Share Transferred to Anu:
   Since Roy's entire share is acquired by Anu, Anu will gain Roy's share, which is 1/6 .

3. Calculate the New Share of Anu:
   Anu's original share was \(\3/6/ \) or \(\1/2/ \).
   After acquiring Roy's share, Anu’s new share will be:

   Anu’s new share/ = \1/2/ + 1/6 = \3/6/ + \1/6/ = \4/6/ = \2/3/

4. Calculate Bina’s Share:
   Bina's original share was \(\2/6/ \) or \(\1/3/ \).
   Since Bina's share remains unchanged, it remains \(\1/3/ \).

5. Determine the New ProfitSharing Ratio:
   The new ratio between Anu and Bina is \(\2/3/ \) to \(\1/3/ \), which simplifies to \(2:1 \).

Therefore, the new profitsharing ratio between Anu and Bina after Roy's retirement is:
(D) 2:1

OR
(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.(B) 5:4 , To determine the new profit sharing ratio between Asha and Yug after Zubin's retirement, follow these steps:

1. Calculate Zubin’s Share:
   The original profit sharing ratio is 4:3:2. Thus, the total number of parts is (4 + 3 + 2 = 9).
Zubin's share is 2/9 (since Zubin's portion is 2 parts out of the total 9 parts).

2. Determine the Share Acquired by Asha and Yug:
   Zubin’s share of 2/9 is to be divided equally between Asha and Yug.
   Each of them will acquire 1/9 of Zubin’s share.

3. Calculate the New Share of Asha:
Asha's original share was 4/9.
After acquiring half of Zubin’s share, Asha’s new share is:

Asha’s new share = 4/9 + 1/9 = 5/9

4. Calculate the New Share of Yug:
Yug's original share was 3/9 .
After acquiring half of Zubin’s share, Yug’s new share is:
Yug’s new share = 3/9 + 1/9 = 4/9

5. Determine the New ProfitSharing Ratio:
The new ratio between Asha and Yug is 5/9 to 4/9 , which simplifies to 5:4.

Therefore, the new profit sharing ratio between Asha and Yug after Zubin's retirement is:
(B) 5:4

Q.2 (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.

.(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.4. 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.5 (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.

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

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 to a firm and brings in capital and goodwill, the existing goodwill in the books needs to be adjusted to reflect the change in the partnership. Here's how the process works:

1. Goodwill Adjustment:
   When a new partner is admitted, the existing goodwill in the firm's books must be written off among the old partners. This is done because the goodwill that was previously recorded in the books was based on the profitsharing arrangement that existed before the new partner joined.

2. Goodwill WriteOff:
   Since the goodwill is being adjusted due to the admission of a new partner, it should be written off among the old partners in the ratio of their original profitsharing ratio. This is because the new partner has not yet contributed to the goodwill that was previously in the books.

3. Old Partners' Sacrifice:
   The existing partners must bear the cost of the goodwill as they are the ones who had been sharing profits based on that goodwill. This writeoff is done in the old profitsharing ratio, as the goodwill was accumulated during their time.

4. Answer:
   The correct option is to write off the existing goodwill among the old partners in the ratio they were sharing profits before the new partner was admitted.

Therefore, the existing goodwill should be written off among:
(D) Old partners in 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.
Dheeraj's capital = $\frac{1}{5}$ 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.11.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.12 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

Q.13 (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 10 1 th share in the profits which she acquired equally from Renu and Trilok. The new profit sharing ratio after Hina's admission will be : 1
(A) 5 : 5 : 2 : 8
(B) 5 : 5 : 8 : 2
(C) 8 : 2 : 5 : 5
(D) 8 : 5 : 5 : 2

Solution.
1. Calculate the Total Share Available for Hina:
Hina is admitted for 1/10 of the profits.
This share is acquired equally from Renu and Trilok.

2. Find the Share Given by Renu and Trilok:
Renu's share given = 1/20 (half of Hina's share).
Trilok's share given = 1/20 (half of Hina's share).

3. Calculate the New Shares for Renu, Trilok, and Mansi:
Renu's original share = 9/20.
Renu's new share = 9/20 1/20 = 8/20 = 2/5.

Trilok's original share = 6/20.
Trilok's new share = 6/20 1/20 = 5/20 = 1/4.

Mansi's share remains the same as she does not give any share to Hina.
Mansi's new share = 5/20 = 1/4.

Hina's share = 1/10.

4. Calculate the New Profit Sharing Ratio:
Renu's new share = \(\2/5\).
Trilok's new share = \(\1/4/\).
Mansi's new share = \(\1//4/\).
Hina's share = \(\1//10/\).

Convert these tions to a common denominator (20):

Renu's new share = \(\8//20/\).
Trilok's new share = \(\5//20/\).
Mansi's new share = \(\5//20/\).
Hina's share = \(\2//20/\).

Simplify the ratios:

Renu : Trilok : Mansi : Hina = \(8 : 5 : 5 : 2\).

Therefore, the new profitsharing ratio 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 a 7 3 th share in the profits of

the firm, which she took 7 2 th from Ashu and 7 1 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. To calculate the new profitsharing ratio after Nitu's admission:

1. Calculate the Total Share Available for Nitu:
   Nitu is admitted for \(\3//7/\) of the profits.
   This share is taken \(\2//7/\) from Ashu and \(\1//7/\) from Ria.

2. Find the Share Given by Ashu and Ria:
   Ashu’s share given = \(\2//7/\).
   Ria’s share given = \(\1//7/\).

3. Calculate the New Shares for Ashu and Ria:
   Ashu’s original share = \(\4//7/\).
   Ashu’s new share = \(\4//7/ \2//7/ = \2//7/\).

   Ria’s original share = \(\3//7/\).
   Ria’s new share = \(\3//7/ \1//7/ = \2//7/\).

   Nitu’s share = \(\3//7/\).

4. Calculate the New Profit Sharing Ratio:
   Ashu’s new share = \(\2//7/\).
   Ria’s new share = \(\2//7/\).
   Nitu’s share = \(\3//7/\).

   Therefore, the new profitsharing ratio is:
   (B) 2 : 2 : 3

Q.14 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.

Q.15 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 prorata 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 prorata basis.
Total amount receivable = 5,00,000 shares × ₹20 = ₹1,00,00,000
Answer:
(A) ₹1,00,00,000

Q.16. 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.17. Falak, Girdhar and Hemang were partners in a firm sharing profits and losses in the ratio of 6:31. Girdhar retired. Falak and Hemang decided to share profits in future in the ratio of 3: 2. On the day of Girdhar's retirement, goodwill of the firm was valued at ₹ 1,00,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill on Girdhar's retirement.

Solution. To handle the situation of Girdhar's retirement and the subsequent treatment of goodwill, follow these steps:

1. Calculation of Gaining Ratio

1.1. Calculate the Old Profit Sharing Ratios:
Falak: 6/10
Girdhar: 3/10
Hemang: 1/10

1.2. New Profit Sharing Ratio between Falak and Hemang:
Falak: 3/5
Hemang: 2/5

1.3. Calculate the Share of Girdhar to be Transferred:
Girdhar’s share = 3/10

1.4. Calculate the Gaining Ratio:
Falak’s Gain = Falak’s New Share Falak’s Old Share
\
\Falak’s Gain/ = \3//5/ \6//10/ = \3//5/ \3//5/ = 0
\

Hemang’s Gain = Hemang’s New Share Hemang’s Old Share
\
\Hemang’s Gain/ = \2//5/ \1//10/ = \4//10/ \1//10/ = \3//10/
\

Falak’s Gaining Ratio (No gain, so 0)
Hemang’s Gaining Ratio = \(\3//10/\)

2. Calculation of Gaining Ratio in Terms of Actual Shares:

Total Gained by Hemang = \(\3//10/\) (Girdhar’s share fully transferred to Hemang)
Gaining Ratio = Hemang’s share / Girdhar’s share = \(\3//10/\)

3. Pass the Journal Entry for Goodwill

Value of Goodwill = ₹1,00,000
Girdhar’s Share of Goodwill = \(\3//10/ \times ₹1,00,000 = ₹30,000\)

3.1. Calculate the Amount of Goodwill to be Adjusted:
Falak's Share = \(\6//10/ \times ₹30,000 = ₹18,000\)
Hemang's Share = \(\4//10/ \times ₹30,000 = ₹12,000\)

3.2. Journal Entry to Record Goodwill Adjustment:

Debit: Girdhar's Capital Account ₹30,000 (Girdhar's share of goodwill)
Credit: Falak's Capital Account ₹18,000
Credit: Hemang's Capital Account ₹12,000

4. Journal Entry:

```plain
 Dr. Girdhar's Capital Account                ₹30,000
      Cr. Falak's Capital Account                   ₹18,000
      Cr. Hemang's Capital Account                  ₹12,000
 (Being the adjustment of goodwill on retirement of Girdhar)
```

Q.18. Piyush and Rishabh were partners in a firm with a combined capital of ₹ 4,00,000. The normal rate of return was 15%. The profits of the last four years were :

201920	**60,000**
202021	**90,000**
202122	**80,000**
202223	**60,000**

The closing stock for the year 202223 was undervalued by ₹ 10,000. Calculate goodwill of the firm based on capitalisation of average profit.

Solution. To calculate the goodwill of the firm based on the capitalisation of average profit method, follow these steps:

1. Calculate the Average Profit

1.1. Adjust the Profit for Undervaluation of Closing Stock:
Undervaluation of Closing Stock for 202223: ₹10,000
Adjusted Profit for 202223: ₹60,000 + ₹10,000 = ₹70,000

1.2. Compute the Average Profit:

\
\Average Profit/ = \\Sum of Adjusted Profits//\Number of Years//
\

Sum of Adjusted Profits = ₹60,000 (201920) + ₹90,000 (202021) + ₹80,000 (202122) + ₹70,000 (202223)

\
\Sum of Adjusted Profits/ = ₹60,000 + ₹90,000 + ₹80,000 + ₹70,000 = ₹3,00,000
\

Number of Years = 4

\
\Average Profit/ = \₹3,00,000/4/ = ₹75,000
\

2. Calculate the Capitalised Value of the Firm

2.1. Compute the Capitalisation Value Using the Formula:

\
\Capitalisation Value/ = \\Average Profit//\Normal Rate of Return//
\

Normal Rate of Return = 15% or 0.15

\
\Capitalisation Value/ = \₹75,000/0.15/ = ₹5,00,000
\

3. Determine the Goodwill

3.1. Compute Goodwill Using the Formula:

\
\Goodwill/ = \Capitalisation Value/ \Total Capital/
\

Total Capital = ₹4,00,000

\
\Goodwill/ = ₹5,00,000 ₹4,00,000 = ₹1,00,000
\

Summary:

Average Profit: ₹75,000
Capitalisation Value: ₹5,00,000
Goodwill of the Firm: ₹1,00,000

So, the goodwill of the firm based on the capitalisation of average profit is ₹1,00,000.

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.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
202122	5	3	2
202223	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 202122:
Jatin: ₹1,20,000 × 10% = ₹12,000
Keshav: ₹1,00,000 × 10% = ₹10,000
Lalit: ₹80,000 × 10% = ₹8,000
Total Interest for 202122 = ₹12,000 + ₹10,000 + ₹8,000 = ₹30,000
For 202223:
Jatin: ₹1,20,000 × 10% = ₹12,000
Keshav: ₹1,00,000 × 10% = ₹10,000
Lalit: ₹80,000 × 10% = ₹8,000
Total Interest for 202223 = ₹12,000 + ₹10,000 + ₹8,000 = ₹30,000

2. Calculate Total Interest Payable:
Total interest for both years = ₹30,000 (202122) + ₹30,000 (202223) = ₹60,000

3.Calculate Share of Interest Based on Profit Sharing Ratio:
For 202122:
Jatin: (5/10) × ₹30,000 = ₹15,000
Keshav: (3/10) × ₹30,000 = ₹9,000
Lalit: (2/10) × ₹30,000 = ₹6,000
For 202223:
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. 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 PaidUp Capital:
Issued: 20,000 shares
Subscribed: 19,000 shares
PaidUp: 14,000 shares fully paidup, 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. PaidUp Capital:
   Fully PaidUp: 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 PaidUp 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 PaidUp 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. PaidUp Capital: ₹1,40,000
5. Calls in Arrears: ₹10,000
6. Total Share Capital: ₹1,90,000

Q.24. On 1st April, 2022, Suvlan Ltd. issued 25,000, 8% Debentures of ₹ 100 each at a discount of 10%, redeemable at par after five years. The company has a balance of ₹1,70,000 in Securities Premium Account.
(a) Record necessary journal entries for the issue of debentures.
(b) Record necessary journal entries for writing off 'Discount on Issue of Debentures' utilising Securities Premium Account at the end of the first year itself.

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

Solution. (a) Journal Entries for the Issue of Debentures

1. On the Date of Issue (1st April 2022):

Entry for the Issue of Debentures:

$$
\begin{array}{lll}
\text{Bank Account} & \text{Dr.} & ₹22,50,000 \\
\text{Discount on Issue of Debentures Account} & \text{Dr.} & ₹2,50,000 \\
\quad \text{To Debentures Account} & \text{Cr.} & ₹25,00,000
\end{array}
$$

Narration: Being the issue of 25,000, 8% Debentures of ₹100 each at a discount of 10%.

Entry for Discount on Issue of Debentures:

$$
\begin{array}{lll}
\text{Discount on Issue of Debentures Account} & \text{Dr.} & ₹2,50,000 \\
\quad \text{To Bank Account} & \text{Cr.} & ₹2,50,000
\end{array}
$$

Narration: Being the amount received on issue of debentures after allowing discount.

2. On Redemption of Debentures (End of 5 years, 31st March 2027):

Entry for Redemption of Debentures:

$$
\begin{array}{lll}
\text{Debentures Account} & \text{Dr.} & ₹25,00,000 \\
\quad \text{To Bank Account} & \text{Cr.} & ₹25,00,000
\end{array}
$$

\

Narration: Being the redemption of 25,000 Debentures at par.

(b) Journal Entries for Writing Off 'Discount on Issue of Debentures' Using Securities Premium Account

At the end of the first year, write off the discount using the balance in the Securities Premium Account:

Entry for Writing Off Discount Using Securities Premium Account:

Securities Premium Account/ \quad \Dr./ \quad ₹2,50,000 \\
To Discount on Issue of Debentures Account/ \quad \Cr./ \quad ₹2,50,000

Narration: Being the discount on issue of debentures written off using Securities Premium Account.

(c) Discount on Issue of Debentures Account for the Year Ended 31st March 2023

1. Opening Balance (1st April 2022): ₹2,50,000 (Debit)

2. Write Off the Discount (31st March 2023): ₹2,50,000 (Credit)

Discount on Issue of Debentures Account

Date	Particulars	Debit (₹)	Credit (₹)
1st April 2022	To Bank Account (Issue of Debentures)	2,50,000	
31st March 2023	By Securities Premium Account (Written Off)		2,50,000
Balance (31st March 2023)		Nil	Nil

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	
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 nonpayment of final call)

5.Reissue of Forfeited Shares:
The forfeited shares were reissued at ₹2 per share as fully paidup.
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 prorata 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 prorata 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 nonpayment of allotment money)

4. Reissue of Forfeited Shares
The forfeited shares (1,200 shares) were reissued at ₹7 per share as ₹8 paidup.
Reissue price: ₹7 per share
Paidup 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 paidup)
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 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 profitsharing 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 profitsharing 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 profitsharing 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.

PART B
Option I
(Analysis of Financial Statements)

Q.27. (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. The sale of patents is classified under investing activities in the cash flow statement because it involves the disposal of a longterm asset.

So, the sale of patents for ₹50,00,000 will result in:

(D) Cash inflow of ₹50,00,000 from investing activities
Explanation: When a company sells a longterm asset such as patents, it receives cash or cash equivalents, which is recorded as an inflow in the investing activities section of the cash flow statement.

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 under:
(A) Operating activities
Explanation: In the cash flow statement, income tax paid is considered an operating activity because it pertains to the core business operations and is related to the cash flows generated from operating activities. It is included in the cash flow from operating activities section as it affects the net income and is part of the routine operating expenses of a company.

Q.28. 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. To determine which transaction will result in an increase in the Quick Ratio, we need to understand that the Quick Ratio (also known as the AcidTest Ratio) is calculated using the formula:

\ \Quick Ratio/ = \\Current Assets/ \Inventory//\Current Liabilities// \

Since the Quick Ratio excludes inventory from current assets, transactions that affect inventory or current liabilities directly will impact the ratio.

Here's how each transaction affects the Quick Ratio:

(A) Purchase of inventory ₹1,50,000 through cheque:
This transaction increases inventory but decreases cash (current asset) by the same amount. There is no change in current liabilities. Thus, the numerator (current assets inventory) remains the same, but inventory increases, which will decrease the Quick Ratio.

(B) Sold inventory on credit ₹50,000:
Selling inventory on credit converts inventory into accounts receivable, which is included in the numerator. Since inventory decreases and accounts receivable (a part of quick assets) increases, the Quick Ratio will increase.

(C) Outstanding expenses of ₹40,000 paid:
Paying outstanding expenses decreases cash and decreases current liabilities by the same amount. Since the numerator decreases (because cash decreases) and the denominator decreases (because current liabilities decrease), the Quick Ratio might remain unchanged or increase depending on the relative amounts.

(D) Machinery purchased for cash ₹50,000:
Purchasing machinery affects noncurrent assets (machinery) and decreases cash (current asset). Since this does not impact the inventory or current liabilities, it does not directly affect the Quick Ratio.

Conclusion:
The transaction that will result in an increase in the Quick Ratio is:

(B) Sold inventory on credit ₹50,000

Q.29. 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 nonfinance company
(D) Depreciation charged on furniture

Solution. (A) Payment to creditors, To identify which transaction results in a cash outflow from operating activities, we need to understand that operating activities involve cash flows from the core business operations,

including cash received from customers and cash paid to suppliers and employees.

Here's how each transaction affects cash flow:

(A) Payment to creditors:
This is a cash outflow related to operating activities. It involves paying off amounts owed to suppliers, which decreases cash.

(B) Proceeds from sale of investments:
This results in a cash inflow from investing activities, not operating activities. It involves cash received from selling investments.

(C) Dividend received by a nonfinance company:
Dividends received are typically considered cash inflows from investing activities for nonfinance companies. For finance companies, it might be considered as operating cash flow.

(D) Depreciation charged on furniture:
Depreciation is a noncash expense. It affects the calculation of net income but does not directly result in a cash flow. It is adjusted in the operating activities section of the cash flow statement.

Conclusion:
The transaction that results in cash outflow from operating activities is:

(A) Payment to creditors

Q.30 (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 shortterm obligations using its liquid assets. Examples include the Current Ratio and Quick Ratio.
Focus: They focus on the company's shortterm 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 longterm financial stability and its ability to meet longterm obligations. They measure the company's capital structure and longterm 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.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) Bank Balance
(b) Public Deposits
(c) Bank Overdraft

Solution. To classify the items under the major heads and subheads in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013, you would categorize them as follows:

(a) Bank Balance
Major Head: Current Assets
SubHead: Cash and Cash Equivalents

Reasoning: Bank balances represent cash and cash equivalents, which are part of current assets.

(b) Public Deposits
Major Head: NonCurrent Liabilities
SubHead: Other Longterm Liabilities

Reasoning: Public deposits are usually a form of longterm borrowing, and they are classified under noncurrent liabilities as they are generally repayable after a year.

(c) Bank Overdraft
Major Head: Current Liabilities
SubHead: Shortterm Borrowings

Reasoning: Bank overdrafts are shortterm borrowings and represent an immediate liability, hence classified under current liabilities.

Here's a summary for clarity:

Bank Balance: Current Assets → Cash and Cash Equivalents
Public Deposits: NonCurrent Liabilities → Other Longterm Liabilities
Bank Overdraft: Current Liabilities → Shortterm Borrowings

Q.32. From the following information, calculate Inventory Turnover Ratio: Amount (₹) Revenue from Operations Gross Profit Ratio 25% Opening Inventory Closing Inventory is 2 times more than the Opening Inventory.

Solution. To calculate the Inventory Turnover Ratio, follow these steps based on the given information:

Information Provided
1. Revenue from Operations: ₹25,00,000
2. Gross Profit Ratio: 25%
3. Closing Inventory is 2 times more than the Opening Inventory

StepbyStep Calculation

1. Calculate Gross Profit and Cost of Goods Sold (COGS):
   Gross Profit Ratio is 25%. This means Gross Profit is 25% of Revenue from Operations.

   Gross Profit = 25% of ₹25,00,000
   Gross Profit = ₹6,25,000

COGS can be found using the formula:
COGS = Revenue from Operations Gross Profit
COGS = ₹25,00,000 ₹6,25,000
COGS = ₹18,75,000

2. Determine Opening and Closing Inventory:
Let the Opening Inventory be \(x \).
Closing Inventory is 2 times the Opening Inventory: \(2x \).

The formula for COGS is:
COGS = Opening Inventory + Purchases Closing Inventory

Since purchases are not provided, we use the simplified formula:
COGS = Opening Inventory + Purchases Closing Inventory

Rearranging to find Purchases:
Purchases = COGS + Closing Inventory Opening Inventory
Purchases = ₹18,75,000 + 2x x
Purchases = ₹18,75,000 + x

3. Find the Average Inventory:
Average Inventory = \(\\Opening Inventory/ + \Closing Inventory//2/\)
Average Inventory = \(\x + 2x/2/\)
Average Inventory = \(\3x/2/\)

4. Calculate Inventory Turnover Ratio:
Inventory Turnover Ratio = \(\\COGS//\Average Inventory//\)
Substitute the values:
Inventory Turnover Ratio = \(\₹18,75,000/\3x/2//\)
Inventory Turnover Ratio = \(\₹18,75,000 \times 2/3x/\)
Inventory Turnover Ratio = \(\₹37,50,000/3x/\)

To calculate the exact Inventory Turnover Ratio, you need the value of the Opening Inventory \(x \). However, without the specific value of \(x \), this

formula provides a way to determine the ratio based on available information.

If you have further details, you can plug them into the formula to get a precise value.

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:
   202223: ₹25,00,000
   202122: ₹20,00,000
   Increase: ₹5,00,000 (25%)

2. Employee Benefit Expenses:
   202223: ₹5,00,000
   202122: ₹4,00,000
   Increase: ₹1,00,000 (25%)

3. Other Expenses:
   202223: ₹2,50,000
   202122: ₹2,00,000
   Increase: ₹50,000 (25%)

4. Total Expenses:
   202223: ₹7,50,000 (Employee Benefit Expenses + Other Expenses)
   202122: ₹6,00,000
   Increase: ₹1,50,000 (25%)

5. Gross Profit:

202223: ₹17,50,000 (Revenue Total Expenses)
202122: ₹14,00,000
Increase: ₹3,50,000 (25%)

6. Tax (50%):
202223: ₹8,75,000 (50% of Gross Profit)
202122: ₹7,00,000 (50% of Gross Profit)
Increase: ₹1,75,000 (25%)

7. Net Profit:
202223: ₹8,75,000 (Gross Profit Tax)
202122: ₹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. 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, you should click the Chart Tool button.

Here's why:

Chart Tool: This option includes various settings and formatting options for the chart, including shape styles. When you access Chart Tools, you typically have access to a range of style and formatting options for your chart elements.

The other options do not specifically pertain to chart formatting:
More: Generally refers to additional options but not specifically for chart shapes.
Picture: Relates to image insertion and editing, not chart formatting.
Custom: This might pertain to custom styles but doesn't specifically target chart shape styles.

So the correct choice is:

(B) Chart Tool

Q.28. (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 ,
A sequential code refers to a system where items or documents are assigned numbers or letters in a consecutive order. This is useful for organizing and tracking documents systematically.

So, the correct answer is:
(B) Numbers and letters are assigned in consecutive order

(b) Name the Accounting information subsystem which is linked with other subsystems for obtaining information about cost and expenses:
(A) Cash and Bank subsystem
(B) Costing subsystem
(C) Expense accounting subsystem
(D) Final accounts subsystem

Solution. The accounting information subsystem that is linked with other subsystems to obtain information about cost and expenses is the Costing subsystem. This subsystem specifically focuses on collecting and analyzing costrelated data, which is crucial for budgeting, cost control, and financial analysis.So, the correct answer is (B) Costing subsystem

Q.29. 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

This option is not an advantage of a computerized accounting system. In fact, faster obsolescence of technology is a disadvantage because it means that the system or software can become outdated quickly, requiring frequent upgrades or replacements. The other options—timely generation

of reports, effective control over the system, and confidentiality of data—are advantages of a computerized accounting system.

Q.30 (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 xaxis

(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.31. Explain the advantages of using a Graph.

Solution. Using graphs has several advantages that make them valuable tools for presenting and analyzing data. Here are some key benefits:

1. Visual Clarity: Graphs provide a clear visual representation of data, making it easier to understand complex information quickly. By transforming numbers and into visual formats, such as bars, lines, or pie slices, graphs can simplify the interpretation of trends and relationships.

2. Immediate Insight: With graphs, patterns, trends, and outliers become immediately visible. For instance, a line graph can show how data changes

over time, while a bar chart can compare different categories side by side. This immediate visibility aids in quick decisionmaking and analysis.

3. Effective Communication: Graphs are excellent tools for communicating information to an audience. They can make presentations and reports more engaging and less heavy, which helps in conveying messages more effectively. This is especially useful in business meetings, academic presentations, and public reports.

4. Comparison of Data: Graphs facilitate the comparison of multiple data sets. For example, a bar chart can compare sales figures across different years, or a scatter plot can show the correlation between two variables. This comparative view helps in identifying trends, correlations, and discrepancies.

5. Highlighting Key Information: Graphs can emphasize important data points, such as peaks, troughs, or outliers. By focusing on these key elements, graphs help to highlight significant findings and draw attention to areas that may require further investigation or action.

6. Data Summary: Graphs can summarize large amounts of data succinctly. Instead of wading through extensive tables of figures, a welldesigned graph provides a snapshot of the information, making it easier to grasp the overall picture at a glance.

7. Enhanced Retention: Visual representations of data are often easier to remember than raw numbers. Graphs can improve the retention of information by presenting it in a visually appealing and memorable format.

In summary, graphs are powerful tools that enhance data analysis, communication, and decisionmaking by providing clear, immediate, and engaging visual insights.

Q.32. What is meant by Num_digit? State the situations where it can be used.

Solution. Num_digit usually denotes the number of digits that should appear in a numeric value. This can apply in various cons, such as formatting numbers, calculating the number of digits in a number, or setting display preferences for numeric data.

Situations Where Num_digit Can Be Used

1. Formatting Numbers in Spreadsheets:
    - Purpose: To ensure that numbers are displayed with a consistent number of digits.
    - Example: In Excel, you can use formatting options to display numbers with a fixed number of decimal places. For instance, if you want to display numbers with exactly two decimal places, you would use the Num_digit parameter in a custom format like `0.00`.
2. Calculating the Number of Digits in a Number:
    - Purpose: To find out how many digits are in a given number, which can be useful for data analysis or validation.
    - Example: In programming, you might write a function to determine the number of digits in an integer. For instance, in Python, you can calculate the number of digits in a number by converting it to a string and measuring its length.
3. Rounding Numbers:
    - Purpose: To round numbers to a specified number of significant digits or decimal places.
    - Example: In Excel, the `ROUND` function can use a Num_digit parameter to round numbers. For instance, `ROUND(123.456, 2)` will round the number to `123.46`.
4. Ensuring Data Consistency:
    - Purpose: To standardize numeric data in reports or databases by setting a fixed number of digits.

    - Example: When generating a report, you may need to ensure that all monetary values are displayed with exactly two decimal places for consistency.
5. Formatting in Programming:
    - Purpose: To format numeric output in a program according to specific requirements.
    - Example: In languages like Python, you might format a number to ensure it displays with a certain number of digits. For example, `format(123.456, '.2f')` will format the number with two digits after the decimal point.

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 rightclicking on the chart and selecting from the con 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 wellorganized 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 across multiple cells. When cells are merged, the content of the upperleft 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 upperleft cell of the original range.