लेखाशास्त्र

ACCOUNTANCY

VOLUME-I

कक्षा 12

CLASS XII

2025-26

सामग्री संवर्धन, मूल्यांकन और अध्ययन कैप्सूल का विकास

CONTENT ENRICHMENT, ASSESSMENT AND DEVELOPMENT OF STUDY CAPSULES

केन्द्रीय विद्यालय संगठन, रायपुर सम्भाग

KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION

Our Patron

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Accountancy (Subject Code 055)
Class-XII (2025-26)

Theory: 80 Marks **3 Hou**

Project: 20 Marks

Units			Marks
Part A	**Accounting for Partnership Firms and Companies**		
	Unit 1. Accounting for Partnership Firms		36
	Unit 2. Accounting for Companies		24
			60
Part B	**Financial Statement Analysis**		
	Unit 3. Analysis of Financial Statements		12
	Unit 4. Cash Flow Statement		8
			20
Part C	**Project Work**		20
	Project work will include:		
	Project File	12 Marks	
	Viva Voce	8 Marks	
Or			
Part B	**Computerized Accounting**		
	Unit 4. Computerized Accounting		20
Part C	**Practical Work**		20
	Practical work will include:		
	Practical File 12 Marks		
	Viva Voce 8 Marks		

Part A: Accounting for Partnership Firms and Companies

Unit 1: Accounting for Partnership Firms

Units/Topics	Learning Outcomes
• Partnership: features, Partnership Deed. • Provisions of the Indian Partnership Act 1932 in the absence of partnership deed. • Fixed v/s fluctuating capital accounts. Preparation of Profit and Loss Appropriation account- division of profit among partners, guarantee of profits. • Past adjustments (relating to interest on capital, interest on drawing, salary and profit sharing ratio). • Goodwill: meaning, nature, factors affecting and methods of valuation - average profit, super profit and capitalization. ***Note:*** *Interest on partner's loan is to be treated as a charge against profits.* Goodwill: meaning, factors affecting, need for valuation, methods for calculation (average profits, super profits and capitalization), adjusted through partners capital/ current account. **Accounting for Partnership firms - Reconstitution and Dissolution.** • **Change in the Profit Sharing Ratio** among the existing partners - sacrificing ratio, gaining ratio, accounting for revaluation of assets and reassessment of liabilities and treatment of reserves, accumulated profits and losses. Preparation of revaluation account and balance sheet. • **Admission of a partner** - effect of admission of a partner on change in the profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re-assessment of liabilities, treatment of reserves, accumulated profits and losses,	**After going through this Unit, the students will be able to:** • state the meaning of partnership, partnership firm and partnership deed. • describe the characteristic features of partnership and the contents of partnership deed. • discuss the significance of provision of Partnership Act in the absence of partnership deed. • differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account. • develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits. • develop the understanding and skill of making past adjustments. • state the meaning, nature and factors affecting goodwill • develop the understanding and skill of valuation of goodwill using different methods. • state the meaning of sacrificing ratio, gaining ratio and the change in profit sharing ratio among existing partners. • develop the understanding of accounting treatment of revaluation assets and reassessment of liabilities and treatment of reserves and accumulated profits by preparing revaluation account and balance sheet. • explain the effect of change in profit sharing ratio on admission of a new partner. • develop the understanding and skill of

adjustment of capital accounts and preparation of capital, current account and balance sheet. • **Retirement and death of a partner:** effect of retirement / death of a partner on change in profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and reassessment of liabilities, adjustment of accumulated profits, losses and reserves, adjustment of capital accounts and preparation of capital, current account and balance sheet. Preparation of loan account of the retiring partner. • Calculation of deceased partner's share of profit till the date of death. Preparation of deceased partner's capital account and his executor's account. • **Dissolution of a partnership firm:** meaning of dissolution of partnership and partnership firm, types of dissolution of a firm. Settlement of accounts - preparation of realization account, and other related accounts: capital accounts of partners and cash/bank a/c (excluding piecemeal distribution, sale to a company and insolvency of partner(s)). **Note:** (i) If the realized value of tangible assets is not given it should be considered as realized at book value itself. (ii) If the realized value of intangible assets is not given it should be considered as nil (zero value). (ii) In case, the realization expenses are borne by a partner, clear indication should be given regarding the payment thereof.	treatment of goodwill as per AS-26, treatment of revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of capital, current account and balance sheet of the new firm. • explain the effect of retirement / death of a partner on change in profit sharing ratio. • develop the understanding of accounting treatment of goodwill, revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits, losses and reserves on retirement / death of a partner and capital adjustment. • develop the skill of calculation of deceased partner's share till the time of his death and prepare deceased partner's and executor's account. • discuss the preparation of the capital accounts of the remaining partners and the balance sheet of the firm after retirement / death of a partner. • understand the situations under which a partnership firm can be dissolved. • develop the understanding of preparation of realisation account and other related accounts.

Unit-3 Accounting for Companies

Units/Topics	Learning Outcomes
Accounting for Share Capital • Features and types of companies. • Share and share capital: nature and types.	**After going through this Unit, the students will be able to:** • state the meaning of share and share capital

• Accounting for share capital: issue and allotment of equity and preferences shares. Public subscription of shares - over subscription and under subscription of shares; issue at par and at premium, calls in advance and arrears (excluding interest), issue of shares for consideration other than cash. • Concept of Private Placement and Employee Stock Option Plan (ESOP), Sweat Equity. • Accounting treatment of forfeiture and re-issue of shares. • Disclosure of share capital in the Balance Sheet of a company. **Accounting for Debentures** • Debentures: Meaning, types, Issue of debentures at par, at a premium and at a discount. Issue of debentures for consideration other than cash; Issue of debentures with terms of redemption; debentures as collateral security-concept, interest on debentures (concept of TDS is excluded). Writing off discount / loss on issue of debentures. Note: Discount or loss on issue of debentures to be written off in the year debentures are allotted from Security Premium Reserve (if it exists) and then from Statement of Profit and Loss as Financial Cost (AS 16)	and differentiate between equity shares and preference shares and different types of share capital. • understand the meaning of private placement of shares and Employee Stock Option Plan. • explain the accounting treatment of share capital transactions regarding issue of shares. • develop the understanding of accounting treatment of forfeiture and re-issue of forfeited shares. • describe the presentation of share capital in the balance sheet of the company as per schedule III part I of the Companies Act 2013. • explain the accounting treatment of different categories of transactions related to issue of debentures. • develop the understanding and skill of writing of discount / loss on issue of debentures. • understand the concept of collateral security and its presentation in balance sheet. • develop the skill of calculating interest on debentures and its accounting treatment. • state the meaning of redemption of debentures.

Part B: Financial Statement Analysis

Unit 4: Analysis of Financial Statements

Units/Topics	Learning Outcomes
Financial statements of a Company: Meaning, Nature, Uses and importance of financial Statement. Statement of Profit and Loss and Balance Sheet in	**After going through this Unit, the students will be able to:** • develop the understanding of major headings and sub-headings (as per Schedule III to the

prescribed form with major headings and sub headings (as per Schedule III to the Companies Act, 2013) **Note:** *Exceptional items, extraordinary items and profit (loss) from discontinued operations are excluded.* • **Financial Statement Analysis: Meaning, Significance** Objectives, importance and limitations. • **Tools for Financial Statement Analysis:** Comparative statements, common size statements, Ratio analysis, Cash flow analysis. • **Accounting Ratios:** Meaning, Objectives, Advantages, classification and computation. • **Liquidity Ratios:** Current ratio and Quick ratio. • **Solvency Ratios:** Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio. Debt to Capital Employed Ratio. • **Activity Ratios:** Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade Payables Turnover Ratio, Fixed Asset Turnover Ratio, Net Asset Turnover Ratio and Working Capital Turnover Ratio. • **Profitability Ratios:** Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.	Companies Act, 2013) of balance sheet as per the prescribed norms / formats. • state the meaning, objectives and limitations of financial statement analysis. • discuss the meaning of different tools of 'financial statements analysis'. • develop the skill of preparation of preparation of comparative and common size statement, understand their uses and difference between the two. • state the meaning, objectives and significance of different types of ratios. • develop the understanding of computation of current ratio and quick ratio. • develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio. • develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover ratio and others. • develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.

Note: Net Profit Ratio is to be calculated on the basis of profit before and after tax.

Unit 5: Cash Flow Statement

Units/Topics	Learning Outcomes
• Meaning, objectives Benefits, Cash and Cash Equivalents, Classification of Activities and preparation (as per AS 3 (Revised) (Indirect Method only)	**After going through this Unit, the students will be able to:** • state the meaning and objectives of cash flow statement.

Note: ***(i)*** *Adjustments relating to depreciation and amortization, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.* ***(ii)*** *Bank overdraft and cash credit to be treated as short term borrowings.* ***(iii)*** *Current Investments to be taken as Marketable securities unless otherwise specified.*	• develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.

Note: *Previous years' Proposed Dividend to be given effect, as prescribed in AS-4, Events occurring after the Balance Sheet date. Current years' Proposed Dividend will be accounted for in the next year after it is declared by the shareholders.*

CHAPTER - 1
ACCOUNTING FOR PARTNERSHIP FIRM- FUNDAMENTALS

Meaning of Partnership

Partnership is an agreement between two or more persons to carry on legal business with profit motive carried on by all or any one of them acting for all.

What is a Partnership Deed?

The document that consists of terms of agreement for a partnership is called a partnership deed.

Accounting Rules in the Absence of Partnership Deed

(a) Profit and loss must be shared equally.
(b) Interest on capital will not be allowed.
(c) Interest on drawings will not be charged.
(d) Remuneration to partners will not be paid.
(e) Interest @ 6% per annum will be allowed on loan advanced by the partners to the firm.

Basis	**Fixed capital method**	**Fluctuating capital method**
No. off Accounts	Two accounts are prepared- Capital and Current account	Only one A/C is prepared - Capital A/C
Fixed balance	Balance of capital remains same	Balance of capital keeps on changing
Balance of capital	Capital A/C always have credit balance	Capital a/c can have debit and credit balance

A. FIXED CAPITAL METHOD

Dr. Partners' Capital A/C Cr.

Particulars	A	B	Particulars	A	B
To bank A/C (Permanent withdrawal) To bal c/d	**** **** —---------	**** **** —---------	By Bal b/d By cash A/C (Additional capital)	**** **** _________	**** **** __________ _

Dr. Partners' Current A/C Cr.

Particulars	A	B	Particulars	A	B
To bal b/d To drawing A/C To Interest on drawing a/c To bal c/d	—----- —----- —------ —------- ________-	—------- —------- —------ —------- __________	By bal b/d By IOC A/C By Partners' salary A/C By Partners' Commission A/C By profit & loss Appropriation A/C By balance c/d	—----- —------ —------- —------- —------- —------ ________	—------ —----- —------ —------ —------- —------- ____________

B. FLUCTUATING CAPITAL METHOD

Dr. Partners' capital A/C Cr

Particulars	A	B	Particulars	A	B
To bal b/d	—-----	—-------	By bal b/d	—-----	—------
			By cash A/C	—------	—-----
To bank A/C (Permanent withdrawal	—-----	—------- —------	(Additional capital)	—-------	—------
To drawing A/C	—------		By IOC A/C	—-------	—------
	—-------	—-------	By Partners' salary A/C	—-------	—-------
To Interest on drawing a/c		_	By Partners' Commission A/C	—------ ________	—------- _________
To bal c/d			By profit & loss Appropriation A/C		
	_______	_______	By balance c/d	_________	_________

<u>METHODS OF CALCULATING INTEREST ON DRAWINGS</u>

Unequal Amount	Equal Method
1. Simple method Amount of drawings × Rate/100 × No. of Months/12 2. Product method Total of Products × Rate/100 × 1/12	1. If date of withdrawals is not specified. Interest will be charged **for six months,** Total of drawings × Rate/100 × 6/12

Frequency of withdrawal	Average period (in months)		
	Time of withdrawal		
	At the beginning	In the middle	At the end
Monthly	$\frac{(12+1)}{2} = 6.5$	$\frac{(11.5+0.5)}{2} = 6$	$\frac{(11+0)}{2} = 5.5$
Quarterly	$\frac{(12+3)}{2} = 7.5$	$\frac{(10.5+1.5)}{2} = 6$	$\frac{(9+0)}{2} = 4.5$
Half-yearly	$\frac{(12+6)}{2} = 9$	$\frac{(9+3)}{2} = 6$	$\frac{(6+0)}{2} = 3$

What is Profit and Loss Appropriation Account?

Profit and Loss Appropriation Account is an extension of the Profit and Loss Account of the firm. It shows how the profits are appropriated or distributed among the partners.

All adjustments in respect of the partner's salary, partner's commission, interest on capital, interest on drawings, etc. are made through this account. It starts with the net profit/net loss as per the Profit and Loss Account

Profit and Loss Appropriation Account

Profit and Losses Appropriation Account

Particular	Rs	Particular	Rs
To P/L (if there is loss)	xxxx	By P/L	xxxx
To interest on capital	xxxx	(if there is profit)	xxxx
To salary to partner	xxxx	By interest on drawing	xxxx
To commission to partner	xxxx	By Partner's	xxxx
To Partner's capital/ current A/C	xxxx	Capital/Current A/c	xxxx
	xxxx		xxxx

Journal Entries

S.no.	Particulars		Debit	Credit
1	a) Interest on Partner's Loan A/c Dr. To Partner's Loan A/c b) Profit and Loss a/C Dr. To Interest on Partner's Loan A/c			
2.	If Profit and Loss shows a credit balance(net profit): Profit and Loss A/C Dr. To Profit and Loss Appropriation A/C			
3.	If Profit and Loss shows a debit balance (net loss):			

	Profit and Loss Appropriation A/C Dr. To Profit and Loss A/C			
4.	a. For Allowing interest on capital: Interest on capital A/c Dr. To Partner’s Capital/Current A/C			
5	For transferring interest on capital to Profit and Loss Appropriation A/C: Profit and Loss Appropriation A/c Dr. To interest on capital A/C			
6	For changing interest on drawing to partner’s capital account: Partner’s Capital/Current A/c Dr. To interest on drawing A/C			
7	For transferring interest on drawings to profit and loss appropriation account: Interest on drawing A/C Dr. To Profit and Loss Appropriation A/C			
8	For Allowing partner’s salary to partner’s capital account: Salary to Partner A/C Dr. To Partner’s Capital/ Current A/C			
9.	For transferring partner’s salary to Profit and Loss Appropriation A/C: Profit and Loss Appropriation A/C Dr. To Salary to Partner’s A/C			
10.	If crediting commission allowed to a partner's capital account: Commission to Partner A/C Dr. To Partner's Capital/Current A/C			
11.	If transferring commission allowed to partner to Profit and Loss Appropriation A/C: Profit and Loss Appropriation A/C Dr. To Commission to Partner's capital/current A/C			
12.	(a) If Profit: Profit and Loss Appropriation A/C Dr. To Partner's capital/current A/C			

13.	(b) If Loss: Partner's Capital /Current A/C Dr. To Profit and Loss Appropriation A/c			

CHAPTER-2

GOODWILL

Meaning of Goodwill

Over a period of time, a well - established business develops an advantage of good name, reputation and wide business connections.

Factors Affecting the Value of Goodwill

The main factors affecting the value of goodwill are as follows:

(i) Nature of business (ii) Location (iii) Efficiency of management

(iv) Market situation (v) Special advantages

There are 2 types of goodwill Purchased goodwill and self-generated goodwill. As per AS – 26, purchased goodwill is recorded in the books of accounts.

Need for Valuation of Goodwill In a partnership firm, goodwill needs to be valued in the following circumstances:

(i) Change in the profit-sharing ratio amongst the existing partners;

(ii) Admission of new partner; (iii) Retirement of a partner;

(iv) Death of a partner; and

(v) issolution of a firm involving sale of business as a going concern.

(vi) Amalgamation of partnership firm

Methods of Valuation of Goodwill

1. **Average Profits Method**

(a) Simple Average

Goodwill= Average Profit x Number of year's purchase.

2. **Super Profit Method**

Normal Profit = Capital Employed x NRR /100
Super Profit = Average Profit - Normal Profit
Goodwill = Super profits x number of years 'purchase

(**a) Capitalisation of Average Profits:**

i) capitalised value of average profits = Average Profits x 100/Normal rate of Return
ii) Capital Employed/Net Assets = Total Assets (excluding goodwill) –Outside Liabilities
iii) Goodwill = Capitalised value - capital Employed

(b) Capitalisation of Super Profits:

i) Normal profit = Capital Employed X Normal Rate of Return/100 ii) Super profits = Average profits/Actual profit - normal profits iii) Goodwill = Super Profits × 100/ Normal Rate of

Journal entry: **Treatment of Goodwill if given in the Balance sheet**

S.no.	Particulars	L.F	Debit	Credit
	Old Partners' Capital/Current a/c………………Dr. (In Old profit sharing ratio) To Goodwill a/c (Being the existing goodwill is written off)			

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Multiple Choice Questions (1 mark each)

1.	Assertion: Partner's current accounts are opened when their capital are fluctuating. Reasoning: In case of Fixed capitals all the transactions other than Capital are done through Current account of the partner. (A) Both A and R are true and R is the correct explanation of A. (B) . Both A and R are true but R is not the correct explanation of A. (C) A is true but R is false (D) A is false but R is true
2.	If a partner draws a fixed amount on the first day of every month, then for what period the interest on total drawings is calculated? (A) 5.5 months (B) 6.5 months (C) 6 month (D) None of these
3.	Assertion (A): Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.Reason (R): It is defined in the Partnership Act, 1932. Alternatives: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation

	of Assertion (A). (B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true but Reason (R) is False (D) Both Assertion (A) and Reason (R) are not correct
4.	Persons who have entered into partnership with one another are individually called as : (A) Partners (B) Members (C) Firm (D) Owners
5.	Salary to a partner is _______ with respect to profit. (A) Charge (B) appropriation (C) Both a) and b) (D) None of these
6.	B and D were partners. According to the provisions of partnership deed, interest on B's capital for the year ended 31.03.2025 was calculated at Rs. 4,000. The necessary journal capital to Profit and Loss Appropriation Account will be : (A) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To B Capital A/c Rs. 4,000 (B) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To Interest on B's capital A/c Rs.4,000 (C) Capital A/c Dr. Rs. 4,000 To Profit and Loss Appropriation A/c Rs. 4,000 (D) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To B Current A/c Rs. 4,000
7.	K and L were partners in a firm. Their partnership deed provided that interest on partner's drawing will be charged at the rate of 12% p.a. Interest on L's drawing for the year ended 31.03.2024 calculated at Rs. 900. The necessary journal entry for charging interest on drawings will be : (A) Profit and Loss Appropriation A/c Dr. Rs. 900 To Interest on Drawings A/c Rs. 900 (B) Interest on Drawings A/c Dr. Rs. 900 To Profit and Loss Appropriation A/c Rs. 900 (C) L's Capital/current A/c Dr. Rs. 900 To Interest on Drawings A/c Rs.900 (D) Interest on Drawings A/c Dr. Rs.900

	To partners' capital/current A/c Rs. 900
8.	The liability of the partners in a partnership firm under Indian Partnership Act, 1932 is (A) Limited (B) unlimited (C) No liability (D) Depending on the situation
9.	In the absence of Partnership Deed, the interest is allowed on partner's capital: (A) @5% p.a. (B) @6% p.a. (C) @12% p.a. (D) No interest is allowed
10.	There are two statements Assertion (A) and Reason (R) : **Assertion (A):** The maximum numbers 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.
11.	**Assertion (A):** Salary and commission are payable to the working partners for their efforts. Reason (R): No partner shall be paid such remuneration as salary, commission, etc. If the partnership deed is silent on such a matter. Alternatives: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true but Reason (R) is False (D) Assertion (A) is false but Reason (R) is true
12.	In the absence of partnership deed, partners share profits or losses: (A) In the ratio of their capitals (B) In the ratio decided by the court (C) Equally (D) In the ratio of time devoted
13.	Calculate the value of goodwill at 3 years' purchase of Super Profit, when: Capital employed Rs.2,50,000; Average profit Rs.30,000 and normal rate of return is 10%. (A) Rs.3000 (B) Rs.25,000 (C) Rs.30,000 (D) Rs.1 5,000

Answers

1. D	2.B	3. A	4. A	5.B
6. B	7. C	8. B	9. D	10.B
11.A	12.C	13.D		

Short Answer question (3-4 marks)

1.	Ajay and prakash are partners sharing the profits and losses in the ratio of 2:3 with a capital of 2,00,000 and 1,00,000 respectively. Show the distribution of profits/losses for the year ended 31st March, 2025 by preparing the relevant accounts in each of the alternative cases: Case 1. If the Partnership Deed is silent as to the interest on capital and the profit for the year is 20,000. Case 2. If the Partnership Deed provides for interest on capital @ 6% p.a. and loss for the year is 15,000. Case 3. If the Partnership Deed provides for interest on capital @ 6% p.a. and the trading profit for the year is 21,000. **Answer** Case 1- profit distributed Ajay - 8000 , Prakash - 12000 Case 2 - loss distributed Ajay -6000 , Prakash - 9000 Case 3 - profit distributed Ajay - 1200 , prakash - 1800	3
2.	X and Y are partners in a firm. X is to get a commission of 10% of the net profits before charging any commission. Y is to get a commission of 10% on the net profits after charging all commissions. The net profits for the year ended 31st March, 2025, before charging any commission were 55,000. Find out the commission of X and Y. Also, show the distribution of profits. **Answer** X commission - 5500 Y commission - 4500 Profit distribution X - 22,500 , y - 22500	3
3.	A partner makes a drawing of 1,000 per month. Under the Partnership Deed, interest is to be charged @ 15% p.a. What is the interest that should be charged to the partner if the drawings are made: (i) in the beginning of the month,	3

	(ii) in the middle of the month or (iii) at the end of the month? **Answer** Case 1 - interest on drawing 1500 Case 2 - 900 Case 3- 1800	
4.	What entries will you pass to record the following transactions in the books of the firm of A and B before distributing the profits earned? (i) Commission of₹ 5,000 payable to B. (ii) Interest on Capital: A 8,000; B₹ 5,000. (iii) Salary payable to A- 20,000 p.a. (iv) Transfer to the General Reserve 25,000. (Hint : pass journal entries assuming capital account to be fluctuation) **Answer**	4

S.no	Particulars	LF	Debit	Credit
i)	C. Partners 's Commission A/C Dr. To B's Capital A/C D. Profit & loss Appropriation A/c Dr. To Partners' Commission I A/C		5000 5000	5000 5000
ii)	a) Interest On Capital A/C Dr. To A's Capital A/c To B's Capital A/C b) Profit & loss Appropriation A/C To Interest On capital A/C		13000 13000	8000 5000 13000
iii)	a) Partners' Salary A/C Dr. To A's Capital A/C b) Profit & Loss Appropriation A/C Dr. To Partners' Salary A/C		20000 20000	20000 20000
iv)	Profit & Loss Appropriation A/C Dr. To General Reserve A/C		25000	25000

5. Simran and Puneet are partners in a firm sharing profits and losses equally. On 1st April, 2024, the capitals of the partners were, Simran- 2,00,000 and Puneet 1,60,000. The Profit and Loss Account of the firm showed a net profit of Rs.3,00,000 for the year ended 31st March, 2025. Considering the following information, prepare the Profit and Loss Appropriation Account of the firm and the Partners' Capital Accounts: 4

(1) Interest on capital to be allowed @ 6% p.a.

(iii) Interest on drawings of partners @ 6% p.a.

Drawings being Simran- 40,000 and Puneet-₹30,000.

iii) Partners' Salary Rs 4000 per month

Answer.

Dr. Profit and Loss Appropriation A/c Cr.
For the year Ended 31 march 2025

Particulars	Amount	Particulars	Amount
To Interest on capital A/C Simran 12000 Puneet 9600	21600	By Net Profit A/C	3,00,000
To Partners' Salary A/C Simran 48000 Puneet 48000	96000	By Interest on drawing A/C Simran 1200 Puneet 900	2100
To Profit Transferred A/C Simran 92,250 Puneet 92,250			
	3,02,100		3,02,100

6. Mohan, Suhaan and Adit were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their fixed capitals were : Rs.2,00,000, Rs.1,00,000 and Rs. 1,00,000 respectively. For the year ended 31st March, 2023, interest on capital was credited to their accounts @ 8% p.a. instead of 5% p.a.

Pass necessary adjusting journal entry. Show your workings clearly.

Answer.

S.no	Particulars	Lf	Debit	Credit
1.	Adit's Current A/c Dr. To Suhaan's Current A/c		**1000**	**1000**

Working Notes:

Statement of Adjustment

Particulars	Mohan ₹	Suhaan ₹	Adit ₹
Interest on capital to be debited	(6,000)	(3,000)	(3,000)
Profit to be credited now (₹12,000 in 3:2:1)	6,000	4,000	2,000
Adjustment	-	1,000 Cr.	(1,000) Dr.

7. Average profits of a firm during the last few years are 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is ₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm.

Answer

Capital employed 50,000

8. The average profit earned by a firm is 75,000 which includes undervaluation of stock of ₹ 5,000 on an average basis. The capital invested in the business is 7,00,000 and the normal rate of return is 7%.
Calculate goodwill of the firm on the basis of 5 times the super profit.

Answer

Goodwill - 155000

(Hint : In case of Undervaluation of stock (75000+5000))

Long Answer question (6 marks)

1 Anmol & Yashraj are partners Sharing profits in the ratio of 3:2. Capital account showed balance of ₹1,50,000 and ₹2,00,000 respectively on 1st April 2024 Firm earned a net profit of ₹74,050. Layout of Partnership Deed Interest on Capital @8% p.a., Interest on Drawings Yashraj ₹2400 and Anmol ₹250. Partners have withdrawn amount on different dates. Anmol is entitled to get a Salary ₹1200 p.m. for three quarters. Yashraj is entitled to get a commission @10% . During the year firms record an surplus sale of ₹4,50,000 for which an extra commission @1% each the partners will get. Accounting year ends 31st March every year.

	Prepare Profit & Loss appropriation Account.

Answer

Profit and Loss Appropriation Account

Dr. For the Year ended 31st March 2025 Cr.

Particulars (Dr)	Amount (Rs.)	Particulars (Cr.)	Amount (Rs.)
To IOC A/c	28,000	By Profit and Loss A/c	74,050
To Anmol's Salary	10800	By IOD (2400+250)	2650
To Commission			
Anmol 4500			
Yashraj 4500+7405	16405		
To Profit transferred Anmol 12897 Yashraj 8598			
	76700		76700

2 A B and C entered into partnership on 1st April, 2024 to share profits and losses in the ratio of 5:3: 2. A guaranteed that C's share of profits, after charging interest on capital @ 5% p.a., would not be less than 15,000 in any year.

The capitals were provided as follows: A 1,60,000, B₹ 1,00,000 and C 80,000. The profits for the year ended 31st March, 2025 amounted to 79,500 before providing for interest on capital. Show the Profit and Loss Appropriation Account.

Answer

Interest on capital - A 8000, B - 5000 C - 4000

Profit distribution , A-28750 B - 12500, C - 2500

3. Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2: 2: 1. Their partnership deed provided the following

(i) A monthly salary of 15,000 each to Jay and Vijay

(ii) Karan was guaranteed a profit of₹ 5,00,000

Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3: 2.

Profits of the firm amounted to ₹ 15,00,000.

Showing your workings clearly prepare profit and loss appropriation account and the capital account of Jay, Vijay and Karan for the year ended 31st March, 2025

Answer

Particulars	Amount	Particulars	Amount
To partners' Salary Jay 180000 Vijay 180000	3,60,000	By profit and loss A/C	15,00,000

To Profit distributed Karan 2,28,000 Add: 2,72,000 —--------- 500,000 Vijay 4,56,000 Less (108,800) —--------3,48000 Jay 4,56,000 Less (1,63,200) —--------292800	1,140,000 —----------- 15,00,000		15,00,000

4.. The profit of the firm for the year ended 31st March, 2025, ₹90,000 which is distributed in the ratio of 3:2:1. Partnership deed provides

(a) A and B were entitled to a Salary of₹ 1,500 each p.a.

(b) B was entitled to a Commission of ₹ 4,500.

(c) A had been given guaranteed minimum profit of 35,000 p.a.

Pass the necessary Journal entry for the above adjustments in the books of the accounts.

Answer

S.No.	Particulars	Debit	Credit
1.	Partners' Salary A/C Dr To A 's Capital a/c To B's Capital a/c	36000	18000 18000
2	Partners's Commission A/C Dr. To B's Capital a/c	4500	4500
3	Profit and loss Appropriation A/C Dr. To Partners' Capital A/C To Partners' commission A/C	40500	36000 4500
4	Profit and loss Appropriation A/C Dr. To A capital A/C To B's Capital A/C	35000	35000 9667

		To C's capital A/C		4833

5. .	.A business has earned average profits of₹ 1,00,000 during the last few years and the normal rate of return in similar business is 10%. Find out the value of goodwill by (i) Capitalisation of super profit method. (ii) Super profit method, if the goodwill is valued at 3 years' purchase of super profit. (iii) average profit method (iv) capitalisation of average profit The assets of the business were ₹10,00,000 and its external liabilities 1,80,000. **Answer** I. 180000 II. 54000 III. 300000 IV. 180000

Topic : Fundamental of partnership and goodwill
Worksheet 1 (20 marks)

1	Persons who have entered into partnership with one another are individually called as : (CBSE 2023) (a) Partners (b) Members (c) Firm (d) Owners	1
2	B and D were partners. According to the provisions of partnership capital for the year ended 31.03.2022 was calculated at Rs.4,000. The necessary journal capital to Profit and Loss Appropriation Account will be : (CBSE 2023) (a) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To B Capital A/c Rs. 4,000 (b) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To Interest on B's capital A/c Rs.4,000 (c) Capital A/c Dr. Rs. 4,000 To Profit and Loss Appropriation A/c Rs. 4,000 (d) Profit and Loss Appropriation A/c Dr. Rs. 4,000 To B Current A/c Rs. 4,000	1
3	Assertion (A): Goodwill is an intangible asset. Reason (R): Goodwill is the value of the reputation of a firm in respect of profits expected in future, over and above the normal profits. Select the correct answer 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. (CBSE 2023)	1
4.	*K* and *L* were partners in a firm. Their partnership deed provided that interest on partner's drawing will be charged at the rate of 12% p.a. Interest on L's drawing for the year ended 31.03.2024 calculated at Rs. 900. The necessary journal entry for charging interest on drawings will be : (A) Profit and Loss Appropriation A/c Dr. Rs. 900 To Interest on Drawings A/c Rs. 900 (B) Interest on Drawings A/c Dr. Rs. 900 To Profit and Loss Appropriation A/c Rs. 900 (C) L's Capital/current A/c Dr. Rs. 900 To Interest on Drawings A/c Rs.900 (D) Interest on Drawings A/c Dr. Rs.900 (CBSE 2023)	1
5	The average profit earned by a firm is 75,000 which includes undervaluation of stock of₹ 5,000 on an average basis. The capital invested in the business is 7,00,000 and the normal rate of return is 7%.	3

	Calculate goodwill of the firm on the basis of 5 times the super profit. (CBSE 2024)	
6	Parul and Rajul were partners in a firm, sharing profits and losses in the ratio of 5 : 3. The balance in their fixed capital accounts on 1st April, 2023 were : Parul ₹ 6,00,000 and Rajul ₹ 8,00,000. The partnership deed provided for allowing interest on capital at 12% per annum. The net profit of the firm for the year ended 31st March, 2024 was ₹ 1,26,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. Show your working clearly. (CBSE 2025)	3
7	On 01.04.2024, Ravi, Kavi and Avi started a partnership firm with fixed capitals of Rs6,00,000, Rs.6,00,000 and Rs. 3,00,000 respectively. The partnership deed provided for the following : (i) Interest on capital @ 10% per annum. (ii) Interest on drawings @ 12% per annum. (iii) An annual salary of Rs. 1,20,000 to Avi. (iv) Profits and losses were to be shared in the ratio of their capitals. The net profit of the firm for the year ended 31.03.2024 was Rs. 3,08,000. Interest on partners drawing were ravi Rs. 4,800, Kavi Rs 4,200 and Avi Rs 3,000. Prepare Profit and Loss Appropriation Account of Ravi, Kavi and Avi for the year ended 31.03.2025. (CBSE 2023)	4
8	.A B and C entered into partnership on 1st April, 2024 to share profits and losses in the ratio of 5:3: 2. A guaranteed that C's share of profits, after charging interest on capital @ 5% p.a., would not be less than 15,000 in any year. The capitals were provided as follows: A 1,60,000, B₹ 1,00,000 and C 80,000. The profits for the year ended 31st March, 2025 amounted to 79,500 before providing for interest on capital. Show the Profit and Loss Appropriation Account. (CBSE Adapted)	6

ANSWERS

1	A)
2	B)
3	C)
4.	C)

<table>
<tr><td>5</td><td>Rs. 155000</td></tr>
<tr><td>6</td><td>

Books of Parul and Rajul
Profit and Loss Appropriation A/c
for the year ended 31st March 2024

<table>
<tr><td>Dr.</td><td></td><td></td><td>Cr.</td></tr>
<tr><th>Particulars</th><th>Amount (₹)</th><th>Particulars</th><th>Amount (₹)</th></tr>
<tr><td>To Interest on Capital:
Parul 54,000 ½
Rajul 72,000 ½</td><td>1,26,000</td><td>By Profit and Loss A/c
(Net Profit) ½</td><td>1,26,000</td></tr>
<tr><td></td><td>1,26,000</td><td></td><td>1,26,000</td></tr>
</table>

Interest on Capital @12% p.a.
Parul: ₹6,00,000 x 12/100 = ₹72,000
Rajul: ₹8,00,000 x 12/100 = ₹96,000
Ratio of Interest on Capital 3:4

Net Profit ₹1,26,000
Interest on Capital in the ratio 3:4 will be:
Parul: ₹1,26,000 x 3/7 = ₹54,000
Rajul: ₹1,26,000 x 4/7 = ₹72,000

</td></tr>
<tr><td>7</td><td>IOC : Ravi ;60000, Kavi 60000, Avi - 30000
Profit distributed :Ravi 20000 Kavi 20000, Avi 10000</td></tr>
<tr><td>8</td><td>Interest on capital - A 8000, B - 5000 C - 4000
Profit distribution , A-28750 B - 12500, C - 2500</td></tr>
</table>

Fundamental of partnership & Goodwill
Worksheet 2

(20 marks)

1	Ruchika and Harshita were partners in a firm. Ruchika had withdrawn ₹ 9,000 at the end of each quarter, throughout the year. The interest to be charged on Ruchika's drawings at 6% p.a. will be : (A) ₹ 540 (B) ₹ 2,160 (C) ₹ 1,080 (D) ₹ 810 (CBSE 2025)	1
2	There are two statements Assertion (A) and Reason (R) : *Assertion (A) :* Partnership is the result of an agreement between two or more persons to do business and share its profits and losses. *Reason (R) :* Partnership agreement should always be in written form. Choose the correct alternative from the following : (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is ***not*** the correct explanation of Assertion (A). (C) Assertion (A) is correct, but Reason (R) is incorrect. (D) Assertion (A) is incorrect, but Reason (R) is correct. (CBSE 2024)	1
3	**Assertion (A)** : In partnership firm, the private assets of the partners can also be used to pay off the firm's debts. **Reason (R) :** The liability of the partners for acts of the firm is limited. Choose the correct option from the following : (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is false, but Reason (R) is true. (D) Assertion (A) is true, but Reason (R) is false. (CBSE 2025)	1
4	Manoj, Dilip and Rajinder were partners in a firm sharing profits and losses in the ratio of 7 : 3 : 5. Their fixed capitals were ₹ 10,00,000, ₹ 8,00,000 and ₹ 6,00,000, respectively. The partnership deed provided for interest on partners' drawings @ 12% p.a. Which of the following accounts will be debited for charging interest on partners' drawings ? (E) Partners' Current / Capital A/C (CBSE 2024) (F) Interest on drawing A/C (G) Profit & loss Appropriation A/C (H) Profit & Loss A/C	1
5	Mohan, Suhaan and Adit were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their fixed capitals were : Rs2,00,000, ended 31 st Rs. 1,00,000 and Rs 1,00,000 respectively. For the year March, 2023, interest on capital was credited to their accounts @ 8% p.a. instead of 5% p.a. Pass necessary adjusting journal entry. Show your workings clearly. (CBSE 2024)	3

6	Sonia and Shruti were partners in a firm sharing profits and losses in the ratio of 5 : 3. On 1st April, 2023 the balance in their fixed capital accounts were 25,00,000 and 15,00,000 respectively. The profit of the firm for the year ended 31st March, 2024 was 24,00,000. Calculate their share of profit if : (i) the partnership deed is silent as to the payment of interest on capital. (ii) the partnership deed provides for interest on capital @ 10% per annum. (CBSE 2025)	3
7	Average profits of a firm during the last few years are 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm. (CBSE Adapted)	4
8	Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2: 2: 1. Their partnership deed provided the following (i) A monthly salary of 15,000 each to Jay and Vijay (ii) Karan was guaranteed a profit of₹ 5,00,000 Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3: 2. Profits of the firm amounted to ₹ 15,00,000. Showing your workings clearly prepare profit and loss appropriation account and the capital account of Jay, Vijay and Karan for the year ended 31st March, 2025 (CBSE Adapted)	6

ANSWERS

1	D)	1
2	C)	1
3	D)	1
4	A)	1
5	(see journal entry below)	3

S.no.	Particulars	L f	Debit	Credit
1	Aditi Current A/C Dr. To Suhaan Current A/C		1000	 1000

6	Ans.(i) Sonia's share of profit = 5/8 x 24,00,000 = `15,00,000 Shruti's share of profit = 3/8 x 24,00,000 = ` 9,00,000 (Note – No Interest on Capital will be provided) (ii) Sonia's share of profit = 5/8 x (24,00,000 – 4,00,000) = `12,50,000 Shruti's share of profit = 3/8 x (24,00,000 – 4,00,000) = ` 7,50,000 Working : Sonia's Interest on Capital = 10/100 x 25,00,000 = `2,50,000 Shruti's Interest on Capital = 10/100 x 15,00,000 = `1,50,000 `4,00,000	3
7	Capital Employed Rs.50000	4
8	Profit distributed Karan Rs 500,000 Vijay - 3,48,000 Jay - 292800	6

CHAPTER-3
RECONSTITUTION OF PARTNERSHIP-
CHANGE IN PROFIT SHARING RATIO AMONG THE EXISTING PARTNERS

Sacrificing ratio:- Old Ratio – New Ratio
Gaining ratio:- New Ratio- Old Ratio

	Effect on Accumulated reserve and surplus.	Reserve A/c Dr. To Partner's Cap / Current A/c (In old Ratio) In case of loss will be reversed entry
	If partners do not want to share reserve, accumulated profit, Workmen Compensation Reserve	Gaining Partners Cap / Current A/c Dr. To Sacrificing Partner's Cap / Current (In their gain / Sacrificing shares)
	If there is an existing goodwill in books it has to be written off	Partners Cap/ Current A/c Dr To Goodwill A/c

Treatment of Revaluation of Assets and Liabilities
Journal Entries :

1	**If there is increase in the value of assets:**	**If there is decrease in the value of assets:**
	Assets A/c Dr. To Revaluation Alc	Revaluation A/c Dr To Assets Alc.
2	**If there is an increase in liability:**	**If there is decrease in Liability:**
	Revaluation A/c Dr. To Liability A/c	Liability A/c Dr. To Revaluation A/c
3	**For unrecorded asset (if any):**	**For unrecorded liability (if any):**
	Unrecorded assets A/c Dr To Revaluation A/c	Revaluation A/c Dr. To unrecorded Liability
4	**In case of Profit on Revaluation**	**If there is a loss on revaluation:**
	Revaluation A/c To Partners Cap / Current A/c	Partners Cap / Current A/c To Revaluation A/c

MULTIPLE CHOICE QUESTIONS (1 Mark Each)

1.	Sacrificing ratio is the difference between: (A) New ratio and old ratio (B) Old ratio and new ratio (C) New ratio and gaining ratio (D) Old ratio and gaining ratio
2.	The ratio in which a partner receives a rise in his share of profits is known as: (A) New Ratio (B) Sacrificing Ratio (C) Capital Ratio (D) Gaining Ratio

3.	Assertion A: Whenever there a change in PSR the gaining partner should compensate the sacrificing partner in the value proportionate to the value of Firm's goodwill. Reason (R): In future the gaining partner is going to share higher profits of the firm to the extent of his gain. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.
4.	**Assertion (A):** In absence of a deed, a sleeping partner who contributed 75% of total capital would get 75% of the profit earned. **Reason (R):** A sleeping partner, in absence of a deed, gets equal share of profit, irrespective of his capital share. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true and R is not the correct explanation of A (C) A is true, but R is false (D) A is false, but R is true
5.	In case of change in profit-sharing ratio, the accumulated profits are distributed to the partners in (A) New ratio (B) Old ratio (C) Sacrificing ratio (D) Equal ratio
Ans.	

1	2	3	4	5
B	D	A	D	D

SHORT ANSWERS TYPE QUESTIONS (3-4 MARKS EACH)

1. A, B and C were partners sharing profits and losses in the ratio of 7:5:4. From 1st April,2024, they decided to share profits and losses in the ratio of 3:2:1. You are required to fill up the following journal entry:

A's Capital A/c Dr ------------

B's Capital A/c Dr ------------

To C's Capital A/c 7200

(Adjustment for goodwill due to change in Profit sharing ratio)

Solution:-

Date	Particulars	LF	Amount	Amount
2024 April 1	A's Capital A/c Dr.		5,400	
	B's Capital A/c Dr.		1,800	
	To C's Capital A/c			7,200

Working note:

Old ratio of A, B and C = 7:5:4, New ratio of A,B and C = 3:2:1

Sacrifice or Gain =

A = 7/16 – 3/6 = 3/48(gain)

B = 5/16-2/6 = 1/48(gain)

C= 4/16-1/16 = 4/48(sacrifice)

2. Nithya and Anand are partners in a firm sharing profits and losses equally. With effect from 1st April,2024, they decided to share profits in the ratio of 3:2. On the date of

change in the profit-sharing ratio, the profit and loss A/c had a credit balance of Rs.1,50,000.

Pass necessary journal entry for the distribution of the balance in the profit & loss A/c before the change in the profit-sharing ratio.

Solution:-

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
2024 April 1	Profit & Loss A/c Dr To Nithya's capital A/c To Anand's capital A/c		1,50,000	 75,000 75,000

3. Mohan and Sohan, two college friends started a restaurant business in partnership sharing profit and loss in the ratio of 3:2 in the year 2019. Mohan also had a family business of garments, which he took over after his father's death. As a result, he devoted less time to the restaurant. Sohan, being his best friend understood this and supported him fully. However, in the year 2020, due to Covid-19, the restaurant business slowed down Sohan approached Mohan and suggested that they share profits equally.

Mohan readily agreed to it.

The Goodwill of the firm was valued at Rs. 30,000. Also, there is a Workmen Compensation Reserve and General Reserve of Rs. 90,000 and Rs.12,000 respectively.

1. What adjusting entry will be passed for goodwill adjustment?
2. What journal entry will be passed in case there is a claim on Workmen Compensation Reserve of Rs. 45,000?
3. What journal entry will be used for General Reserve?

Solution:-

Date	**Particulars**	**LF**	**Amount (Dr)**	**Amount (Cr)**
1	Sohan's Capital A/c Dr To Sohan's Capital		3,000	 3,000
2	Workmen Compensation Reserve A/c Dr To Claim on WC Reserve To Mohan's Capital To Sohan's Capital		90,000	 45,000 27,000 18,000
3	General Reserve A/c Dr To Mohan's Capital To Sohan's Capital		12,000	 7,200 4,800

Long Answer Type Questions (6 Marks Each)

1. A, B and C are partners sharing profits and losses in the ratio 5:3:2. Their Balance Sheet as at 31st March,2022 stood as follows:

Balance Sheet of A,B and C
As at 31st March,2022

Liabilities	Amount	Assets	Amount
Capital A/c's		Land& Building	260000
A 350000		Machinery	350000
B 250000		Stock	90000
C 300000	900000	Bills Receivable	70000
General Reserve	20000	Debtors	100000
Workmen compensation		Cash in Hand	25000

Reserve Sundry Creditors	30000 50000	Cash at Bank	105000
	10,00,000		**10,00,000**

They agreed to share profits and losses in the ratio of 2:2:1 w.e.f. 1st April 2022. on the following terms.

(i) Land & Building be appreciated by 10%
(ii) Machinery be reduced by 15%
(iii) Stock be increased to Rs.1,00,000
(iv) Provision for doubtful debts be created @ 5% on sundry debtors
(v) A creditor of Rs.5000 is not to claim his dues
(vi) A claim on account of workmen compensation is Rs.10000
(vii) An expense of Rs.2000 was paid by the firm for getting the value of Land and Building certified from a Chartered Engineer.

Pass the journal entry

Solution:-

Date	Particulars	LF	Amount	Amount
	General Reserve A/c Dr To A's Capital A/c To B's Capital A/c To C's Capital A/c		20,000	 10,000 6,000 4,000
	Workmen Compensation Reserve A/c Dr To Workmen compensation claim A/c To A's capital A/c To B's capital A/c To C's capital A/c		30,000	 10,000 10,000 6,000 4,000
	Land & Building A/c Dr Stock A/c Dr To Revaluation A/c		26,000 10,000	 36,000
	Revaluation A/c Dr To Machinery A/c To Provision for doubtful debts A/c		57,500	 52,500 5,000
	Sundry Creditors A/c Dr. To Revaluation A/c		5,000	 5,000
	Revaluation A/c Dr. To Cash/ Bank A/C		2,000	 2,000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Revaluation A/c		9,250 5,550 3,700	 18,500

A, B and C were partners in a firm sharing profits in the ratio of 3:2:1. Their Balance Sheet as on 31st March,2015 was as follows:

Balance Sheet of A,B and C As at 31st March,2015

Liabilities	**Amount**	**Assets**	**Amount**

Sundry Creditors	100000	Land	100000
Bills Payable	40000	Building	100000
General Reserve	60000	Plant	200000
A's capital	200000	Stock	80000
B's capital	100000	Debtors	60000
C's capital	50000	Bank	10000
	550000		**550000**

A, B and C decided to share the future profits equally, w. e .f 1st April,2015.For this it was agreed that:

1. Goodwill of the firm be valued at Rs.300000
2. Land be revalued at Rs.1,60,000 and building be depreciated by 6%
3. Creditors of Rs.12,000 were not likely to be claimed and hence written off.

Prepare Revaluation A/c, Partner's Capital A/c.

Solution:

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Building A/c	6,000	By Land	60000
To Partner's capital A/c		By Creditors A/c	12000
A 33000			
B 22000			
C 11000	66,000		
	72000		72000

Partners Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To A's capital A/c	--	--	50000	By Balance c/d	200000	100000	50000
				By Revaluation	33000	22000	11000
To Balance C/d	313000	142000	21000	By General Reserve	30000	20000	10000
				By C's Capital	50000	----	----
	313000	142000	71000		313000	142000	71000

CHAPTER-4
ADMISSION OF A PARTNER

When new partner bring his share of goodwill in cash	Cash A/c Dr To Premium for Goodwill A/c
When goodwill shared in sacrificing ratio	Premium for Goodwill A/c Dr To Old Partner's Capital A/c
Goodwill withdrawn by old partners:	Sacrificing Partner's Capital A/c Dr To Cash A/c
Goodwill paid by the New Partner to the Old Partners privately:	No Entry
Goodwill already appears in the Balance Sheet:	Old Partners' Capital A/c Dr. (In Old Profit Sharing Ratio) To Goodwill A/c
When the Incoming or New Partner does not bring of his share of Goodwill.	New Partner's Current A/c Dr. To Sacrificing Partners Capital/Current A/c (In Sacrificing

Hidden Goodwill:

Required capital of the firm on the basis of new partner's capital - Actual capital of the firm

Q. NO.	Multiple Choice Questions (1 Mark Each)
1	On the admission of a new partner: (A) Old firm is dissolved (B) Old partnership is dissolved (C) Both old partnership and firm are dissolved (D) Neither partnership nor firm is dissolved
2.	When a new partner brings his share of goodwill in cash, the amount is debited to: (A) Goodwill A/c (B) Capital A/c of the new partner (C) Cash A/c (D) Capital A/c's of the old partners
3.	Goodwill of a firm of A and B is valued at books at Rs. 30,000. It is appearing in the books at Rs. 12,000. C is admitted for 1/4 share. What amount he is supposed to bring for goodwill? (A) Rs. 3,000 (B) Rs. 4,500 (C) Rs. 7,500 (D) Rs. 10,500
4.	**Assertion (A):** A new partner becomes entitled to share future profits of the firm and also becomes liable for past losses of the firm. **Reason (R):** A new partner acquires rights in the assets and also becomes liable to any

liability incurred by the firm after his admission.
(A) Both A and (R) are true, but (R) is not the correct explanation of A.
(B) Both A and (R) are true and (R) is the correct explanation of A.
(C) A is false but (R) is true.
(D) A is true but (R) is false.

5. **Assertion (A):** In case of admission of a partner, the old firm is dissolved and a new firm comes into existence.
Reason (R): After admission of a new partner, old partners along with the new partner constitute the new firm. As such, the old firm is dissolved and a new firm comes into existence.
(A) Both A and (R) are correct and (R) is the correct reason for A.
(B) Both A and (R) are correct but (R) is not the correct reason for A.
(C) Only (R) is correct.
(D) Both A and (R) are wrong.

Ans. 1-B, 2-C, 3-C, 4-C, 5-D

Short Answer Type Questions (3-4 Marks Each)

1. Niti and Aditi were partners in a firm sharing profits and losses in the ratio of 2:3. They admitted John into partnership for 1/4th share in the profits of the firm, which he acquired equally from Niti and Aditi. John brought Rs. 5,00,000 as his capital and Rs. 1,00,000 as premium for goodwill. One-fourth of the goodwill was withdrawn by the old partners. Pass necessary journal entries for the above transactions in the books of the firm. Also calculate new profit-sharing ratios.

Solution:

Date	Particulars	LF	Amount	Amount
	Bank A/c Dr. To John's Capital A/c To Premium for Goodwill A/c		6,00,000	 5,00,000 1,00,000
	Premium for Goodwill A/c Dr. To Niti's Capital A/c To Aditi's Capital A/c		1,00,000	 50,000 50,000
	Niti's Capital A/c Dr. Aditi's Capital A/c Dr. To Bank A/c		12,500 12,500	 25,000

2. A and B are partners sharing profits and losses in the ratio of 3:2. They admitted C into partnership for ¼ share. Goodwill of the firm was to be valued at 3 years' purchase of super profits. Average net profits of the firm were Rs. 20,000. Capital invested in the business was Rs. 50,000 and Normal Rate of Return was 10%. Calculate the amount of goodwill C has to bring.

Solution:-

Super profit = Average Profit – Normal Profit.
Normal profit = 50,000 x 10% = 5,000
Super Profit = 20,000 – 5,000 = 15,000
Goodwill = super profit x No. of years' purchase = 15,000 x 3 = 45,000
C's share of goodwill = 45,000 x ¼ = Rs. 11,250

3. A and B are partners sharing profits in the ratio of 3:2. They admit C into the partnership with 1/4th share in future profits. The new profit- sharing ratio is 5:4:3. C brings into the

business Rs. 50,000 for his capital but could not bring any amount for goodwill. The firm's goodwill on C's admission was valued at Rs. 48,000. Pass journal entries.

Solution:-

Date	Particulars	LF	Amount	Amount
	Bank A/c Dr. To C's Capital A/c		50,000	 50,000
	C's Current A/c Dr. To A's Capital A/c To B's Capital A/c		12,000	 8,800 3,200

Calculations:

Value of total goodwill of the firm= Rs. 48,000

C's share of goodwill= 48,000 x 1/4 = Rs. 12,000

Calculation of Sacrificing ratio: Sacrifice Ratio = Old ratio – New Ratio

A= 3/5 – 5/12 = (36-25)/60 = 11/60

B= 2/5 – 4/12 = (24-20)/60 = 4/60

Sacrifice Ratio = 11:4

4. Rohit and Mohit were partners in a firm sharing profits and losses in the ratio of 3:2. Rahul was admitted into partnership for 1/3rd share in profits. Goodwill of the firm was valued at Rs. 3,00,000. Rahul brought Rs. 4,00,000 as capital and Rs. 70,000 out of his share of goodwill premium in cash. At the time of Rahul's admission, goodwill was appearing in the books of the firm at Rs. 1,50,000. Pass necessary journal entries for the above transactions in the books of the firm on Rahul's admission.

Ans:

Date	Particulars	LF	Amount	Amount
	Rohit's Capital A/c Dr. Mohit's Capital A/c Dr. To Goodwill A/c		90,000 60,000	 1,50,000
	Bank A/c Dr. To Rahul's Capital A/c To Premium for Goodwill A/c		4,70,000	 4,00,000 70,000
	Premium for Goodwill A/c Dr. Rahul's Current A/c Dr To Rohit's Capital A/c To Mohit's Capital A/c		70,000 30,000	 60,000 40,000

5. Leeta and Meeta were partners in a firm sharing profits and losses in the ratio of 5:3. On 1st April, 2024 they admitted Omi as a new partner. On the date of Omi's admission, the balance sheet of Leeta and Meeta showed a balance of Rs. 1,60,000 in General reserve and Rs. 2,40,000 (Cr.) in Profit and Loss Account. Record necessary journal entries for the treatment of these items on Omi's admission. The new profit-sharing ratio between Leeta, Meeta and Omi was 5:3:2.

Solution:-

Date	Particulars	LF	Amount	Amount
2024 April 1	General reserve A/c Dr. To Leeta's Capital A/c To Meeta's Capital A/c		1,60,000	 1,00,000 60,000

April 1	Profit & Loss A/c Dr.		2,40,000	
	To Leeta's Capital A/c			1,50,000
	To Meeta's Capital A/c			90,000

Long Answer Type Questions (6 Marks Each)

1. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2023 their Balance Sheet was as follows:

Balance sheet of Chander and Damini as of 31.03.2023

Liabilities	Amount	Assets	Amount
Sundry Creditors	1,04,000	Cash at Bank	30,000
		Bills Receivable	45,000
Capitals:		Debtors	75,000
Chander 2,50,000		Furniture	1,10,000
Damini 2,16,000	4,66,000	Land and Building	3,10,000
	5,70,000		**5,70,000**

On 01.04.2023, they admitted Elina as a new partner for 1/3rd share in the profits on the following conditions:

1. Elina will bring Rs. 3,00,000 as her capital and Rs. 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.
2. Debtors to the extent of Rs. 5,000 were unrecorded.
3. Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.
4. Value of land and building will be appreciated by 20%.
5. There being a claim against the firm for damages, a liability to the extent of Rs. 8,000 will be created for the same.
   Prepare Revaluation Account and Partners' Capital Accounts

Solution:-

REVALUATION ACCOUNT

Particulars	**Amt.**	**Particulars**	**Amt.**
To Furniture A/c	11,000	By Debtors A/c	5,000
To Provision for Doubtful debts A/c (On Debtors)	4,000	By Land & Building A/c	62,000
To Provision for Doubtful Debts A/c (On B/R	2,250		
To Claim For Damage A/c	8,000		
To Profit transferred to:			
Chander Capital's A/c	20875		
Damini capital's A/c	20875		
	67,000		**67,000**

PARTNER'S CAPITAL ACCOUNTS

Particulars	Chander (Rs.)	Damini (Rs.)	Elina (Rs.)	Particulars	Chander (Rs.)	Damini (Rs.)	Elina (Rs.)
To Bank A/c	12,500	12,500	-	By Balance b/d	2,50,000	2,16,000	-
To Balance c/d	2,83,375	2,49,375	3,00,000	By Bank A/c	-	-	3,00,000
				By Premium for Goodwill A/c	25,000	25,000	-
				By Revaluation A/c	20,875	20,875	
	2,95,875	2,61,875	3,00,000		2,95,875	2,61,875	3,00,000

2. Anikesh and Bhavesh are partners in a firm sharing profits in the ratio of 7:3. Their Balance Sh Books of Anikesh and Bhavesh eet as on 31st March, 2023 was as follows:

Balance Sheet of Anikesh and Bhavesh as on 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	60,000	Cash	36,000
Outstanding wages	9,000	Debtors 54000	
General Reserve	15,000	Less: Prov. For D/D 6,000	48000
Capitals:		Stock	60,000
Anikesh 1,20,000		Furniture	1,20,000
Bhavesh 1,80,000	3,00,000	Machinery	1,20,000
	3,84,000		**3,84,000**

On 1st April, 2023 Chahat was admitted for 1/4th share in the profits on the following terms:

(i) Chahat will bring Rs.90,000 as her capital and Rs.30,000 as her share of Goodwill premium.

(ii) Outstanding wages will be paid.

(iii) Stock will be reduced by 10%.

(iv) A creditor of Rs.6,300, not recorded in the books, was to be taken into account. Pass necessary Journal Entries for the above transactions in the books of the firm.

Ans. **Books of Anikesh and Bhavesh**

Journal

Date	Particulars	LF	Amt.	Amt.
	General Reserve A/c Dr To Anikesh's Capital A/c To Bhavesh's Capital A/c (General Reserve balance transferred to partners' capital account in old ratio)		15,000	 10,500 4,500
	Cash A/c or Bank A/c Dr To Chahat's Capital A/c To Premium for goodwill A/c (Amount brought in by Chahat as her capital and her share of goodwill)		1,20,000	 90,000 30,000

Premium for goodwill A/c Dr To Anikesh's Capital A/c To Bhavesh's Capital A/c (Goodwill premium brought in by new partner shared by old partners in their sacrificing ratio)		30,000	 21,000 9,000
Outstanding Wages A/c Dr To Cash or Bank A/c (Outstanding wages paid)		9,000	 9,000
Revaluation A/c Dr To Stock A/c To Creditors A/c (Decrease in the value of stock and increase in the value of creditors on revaluation recorded)		12,300	 6,000 6,300
Anikesh's Capital A/c Dr Bhavesh's Capital A/cDr To Revaluation A/c (Loss on revaluation of assets and reassessment of liabilities transferred to partners' capital account in old ratio)		8,610 3,690	 12,300

3. Sanju and Manju were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet on 31st March, 2023 was as follows:

Balance Sheet of Sanju and Manju as at 31st March, 2023:

Liabilities	Amount Rs.	Assets	Amount Rs.
Capitals: Sanju 1,40,000 Manju 1,20,000	 260000	Plant and Machinery Furniture Investments	80000 132000 60000
General Reserve	40000	Debtors 76000	
Creditors	180000	Less: PDD 4000	72000
		Cash at Bank	136000
	480000		**480000**

On 1st April, 2023, Uday was admitted into the firm for 1/4 th share in profits on the following terms**:**

i) Furniture was to be depreciated by Rs. 6,000.
ii) Investments were valued at Rs. 72,000.
iii) Plant and Machinery was taken over by Sanju and Manju in their profit sharing ratio.
iv) Uday will bring in proportionate capital and Rs. 10,000 as his share of goodwill premium in cash.

Prepare Revaluation Account and Partners' Capital Account.

Solution:-

Revaluation A/c

Particular	Amount	Particular	Amount

	Rs.		Rs.
To Furniture A/c To Profit transferred to Partners' Capital Accounts: Sanju 3,600 Manju 2,400	6000 6000	By Investments A/c	12000
	12000		**12000**

PARTNERS' CAPITAL A/C

Particular	Sanju Rs.	Manju Rs.	Uday Rs.	Particular	Sanju Rs.	Manju Rs.	Uday Rs.
Plant & Machine	48000	32000		By Bal b/d	140000	120000	
				By General Reserve	24000	16000	
Bal c/d	125600	110400	78667	By Cash			78667
				By PFG	6000	4000	
				By Reval.	3600	2400	
	173600	**142400**	**78667**		**173600**	**142400**	**78667**

Working notes:

Calculation of Uday's Capital:

Combined capital of Sanju and Manju= 1,25,600+ 1,10,400= Rs.2,36,000

Capital brought by Uday= 2,36,000 X 4/3 X 1/4 = Rs.78,667

4. Ashish and Vishesh were partners sharing profits and losses in the ratio of 3: 2. Their Balance Sheet as at 31st March, 2022 was as under:

Balance Sheet of Ashish and Vishesh as at 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	30,000	Cash at Bank	50,000
Outstanding electricity bill	20,000	Debtors. 80,000 Less: Prov for D/D . 2000	78,000
Capitals: Ashish 3,00,000 Vishesh 2,00,000	5,00,000	Stock	1,12,000
		Machinery	3,00,000
		Profit and Loss A/c	10,000
	5,50,000		**5,50,000**

On 1st April, 2022, Manya was admitted into the firm with 1/4th share in the profits on the following terms:

(i) Manya will bring Rs. 1,00,000 as her capital and Rs. 50,000 as her share of goodwill premium in cash.

(ii) Outstanding electricity bill will be paid off.

(iii) Stock was found over valued by 12,000.

Pass the necessary journal entries in the books of the firm on Manya's admission.

Ans.

Books of Ashish and Vishesh Journal

Date	Particulars	LF	Amt.	Amt.
	Cash or Bank A/c Dr. To Manya's Capital A/c To Premium for Goodwill A/c		1,50,000	 1,00,000 50,000
	Premium for Goodwill A/c Dr. To Ashish's Capital A/c To Vishesh's Capital A/c		50,000	 30,000 20,000
	Outstanding Electricity Bill A/c Dr. To Cash or Bank A/c		20,000	 20,000
	Revaluation A/c Dr. To Stock A/c		12,000	 12,000
	Ashish's Capital A/c Dr. Vishesh's Capital A/c Dr. To Revaluation A/c		7,200 4,800	 12,000
	Ashish's Capital A/c Dr. Vishesh's Capital A/c Dr. To Profit and Loss A/c		6,000 4,000	 10,000

5. A and B are partners sharing profits in the ratio 3:2.They admitted C into the firm for 1/6th share in the profit to be contributed equally by A and B.On the date of admission the Balance sheet of A and B was as follows:-

Liabilities	**Amt**	**Assets**	**Amt**
Capital A 300000 B 200000	 500000	Machiney Furniture Stock	260000 180000 100000
Reserve	40000	Debtors	80000
Bank Loan	120000	Cash	60000
Creditors	20000	Profit & Loss	4000
Workmen's Comp Reserve	4000		
	684000		**684000**

Terms of C's admission were as follows :

1. C will bring Rs. 250000 as his capital and necessary amount of goodwill in cash
2. Furniture is to revalued at Rs. 240000 and value of stock to be reduced by 20%
3. Provision for doubtful debt is 10%
4. Goodwill of the firm is to be valued at four year purchase of the average super profit of the last three years' average profit of the last three years are Rs. 210000, while the normal profit that can be earned on the capital employed are Rs. 120000.
5. Claim on Workmen Compensation 6000

Prepare Revaluation account, Partners' capital account after admission of C.

Solution:

Revaluation a/c

Particulars	Amt	Particulars	Amt
Stock Prov. For D.D. Cap a/c (Pt) : A 19200 B 12800	20000 8000 32000	Furniture	60000
	60000		**60000**

Partner's Capital a/c

Particulars	A	B	C	Particulars	A	B	C
WCR	1000	1000		Bal b/d	300000	200000	
P & L	2000	2000		Res Fund	20000	20000	
Bal c/d	366200	259800	250000	Prem for goodwill	30000	30000	
				Cash			250000
				Revalu a/c	19200	12800	
	369200	262800	250000		369200	262800	250000

WORKSHEET 1 **M.M. 20**

1.	AK, BK and CK are sharing profits in the ratio of 2:1:1. They have decided to share future profits in the ratio of 3:2:1. Find out the gainer partner. (A) Both AK is the gainer partner and CK is the gainer partner (B) CK is the gainer partner (C) BK is the gainer partner (D) AK is the gainer partner	1
2.	If at the time of admission, the revaluation A/c shows a loss, it should be– (A) Credited to old partners capital A/c in old ratio. (B) Credited to old partners capital A/c in sacrificing ratio. (C) Debited to old partners capital A/c in old ratio. (D) Debited to old partners capital A/c in sacrificing ratio	1
3.	On the reconstitution of a firm the value of furniture increased from Rs. 7,00,000 to Rs. 8,00,000 and stock reduced to Rs. 4,00,000 from Rs. 4,20,000. Gain or loss on revaluation will be : (a) Rs. 80,000 (b) Rs. 80,00 (c) Rs. 8,00,000 (d) Rs. 1,20,000	1
4.	Aksh and Naksh are partners sharing profits and losses in the ratio of 3/5 and 2/5 respectively. Daksh admitted into partnership and it was decided that New profit sharing ratio among Aksh, Naksh and Daksh will be 3: 4: 2. Daksh brought 1200000 as his capital and old partners' capital will be valued on the basis of Daksh's capital. What will be the capital all partners?	3

5.	RG and MK are the partners in the firm. Their capitals are 3, 00,000 and 2,00,000. They decided to share future profits in ratio of 2:3.During the year ended 31st March, 2025 the firm earned a profit of 1,50,000. Assuming that the normal rate of return is 20%. Calculate the value of goodwill of the firm by capitalization method and pass necessary journal entry.	4
6.	Pass the journal entries for following cases: **Case 1: Debtors Rs 50,000 and Provision for Bad Debt Rs 10,000** Adjustment: a. Bad debts Rs 5000 and maintain provision for Bad debt @ 5%. **Case 2: Debtors Rs 50,000 and Provision for Bad Debt Rs 10,000** Adjustment: a. Bad debts Rs 5000 and maintain provision for Bad debt @ 20%. **Case 3: Debtors Rs 50,000 and Provision for Bad Debt Rs 10,000** Adjustment: a. All debtors were good **Case 4: Debtors Rs 50,000** Adjustment: a. Bad debts Rs 5000 and maintain provision for Bad debt @ 10%.	4
7.	Uma and Umesh were partners in a firm sharing profits and losses in the ratio of 2 : 3. On 31st March, 2024, their Balance Sheet was as follows :	

Balance Sheet of Uma and Umesh as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Land and Building		10,00,000
Uma	5,00,000		Furniture		1,00,000
Umesh	7,50,000	12,50,000	Debtors	80,000	
			Less :		
Creditors		50,000	Provision for doubtful debts	5,000	75,000
General Reserve		75,000	Stock		40,000
Workmen Compensation Fund		25,000	Bank		1,95,000
Outstanding Electricity Bill		10,000			

	14,10,000		**14,10,000**	

On the above date, Daya was admitted as a new partner on the following terms :

(1) The new profit sharing ratio of Uma, Umesh and Daya will be 2 : 3 : 5.
(2) Daya will bring ₹ 10,00,000 as her capital and ₹ 2,00,000 as her share of goodwill premium.
(3) The value of Land and Building will be increased by ₹ 2,00,000.
(4) Furniture will be depreciated by 10%.
(4) ₹ 3,000 bad debts will be written off and a provision for bad and doubtful debts be created @ 5% of debtors.
(5) Outstanding electricity bill will be paid off.

Pass necessary journal entries for the above transactions on Daya's

ANS. 1(c), 2 (C), 3 (A),
4.Hints Aksh s new capital = 5400000 X 3/9 = 1800000, Naksh's new capital = 5400000 X 4/9 = 2400000
5. RG gains and MK sacrifices

WORK SHEET 2 **M.M. 20**

1.	A, B and C were partners in a firm sharing profits and losses in the ratio of 5:3:2. They admitted D as a new partner for 1/5th share in the future profits. D agreed to contribute proportionate capital. On the date of admission, capitals of A, B and C after all adjustments were Rs. 1,20,000; Rs. 80,000 and Rs. 1,00,000 respectively. The amount of capital brought in by D will be: (A) Rs. 75,000 (B) Rs. 60,000 (C) Rs. 65,000 (D) Rs. 70,000	1
2.	On C's admission, Machinery appeared in the books of the firm at Rs.1,80,000 and Furniture at Rs.1,00,000. On revaluation, it was found that Machinery is overvalued by 20%. Net Loss on Revaluation is calculated at Rs.40,000. What will be the revalued value of Furniture? (A)Rs.24,000. (B) Rs.90000 (C) Rs.30,000. (D) Rs.50000	1
3.	**Assertion (A): If** there are Eight partners in a firm, a new partner cannot be admitted even if one partner does not agree to this. **Reason (R):** A new partner can be admitted if majority of partners agree on his admission. In the context of the above two statements, which of the following is correct? (A) (A) and (R) both are correct and (R) correctly explains (A). (B) Both (A) and (R) are correct but (R) does not explain (A). (C) Both (A) and (R) are incorrect. (D) (A) is correct but (R) is incorrect.	1
4.	Ram and Mohan were partners in a firm sharing profits in 3:2 ratio. On 1st April 2022, they admitted Sita and Radha as new partners. Ram sacrificed 1/3rd of his share in favour of Sita and Mohan sacrificed 1/2 of his share in favour of Radha. Profit of the firm for the year ended 31st March 2023 amounted to Rs.3,60,000. Pass necessary journal entries for distribution of profit	3
5.	Ram and Shyam are partners sharing profits and losses in the ratio of 3:2.They admit Mohan into the partnership, who gets 1/4th of his share from Ram and 3/16th share from Shyam.	4

	Calculate the new profit-sharing ratio and sacrificing ratio.	
6.	A, B and C are in partnership sharing profits and losses in the ratio of 5:4:1. Two new partners D and E are admitted. Profits are to be shared in the ratio of 3:4:2:2:1 respectively. D is to pay 30,000 for his share of goodwill but E is unable to pay for goodwill. Both the new partners Introduced Rs. 40,000 each as their capital. Pass necessary Journal entries.	4
7.	Sarah and Varsha were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2024 was as follows:	6

Balance Sheet of Sarah and Varsha as at 31st March, 2024

Liabilities	Amount Rs.	Assets	Amount Rs.
Capitals:		Plant & Machine	200000
Sarah 60000		Stock	30000
Varsha 50000	110000	Debtors 50000	
Provident Fund	120000	Less: PDD 5000	45000
Creditors	50000	Cash	25000
Workmen Compensation Fund	20000		
	300000		**300000**

On 1st April, 2023, they decided to admit Tasha as a new partner for 1/4th share in the profits of the firm on the following terms:

(i) Tasha brought Rs. 40,000 as her capital and Rs. 20000 as her share of premium for goodwill.

(ii) Plant and Machinery was valued at Rs. 1,90,000.

(iii) An item of Rs. 20,000, included in creditors, is not likely to be claimed and should be written off.

(iv) Capitals of the partners in the new firm are to be in the new profit sharing ratio on the basis of Tasha's capital, by bringing or paying off cash, as the case may be.

Prepare Revaluation Account and P Capital Accounts.

Hints: 1 (A), 2(B), 3(D),

5. New Profit sharing ratio of Ram, Shyam and Mohan is 43:17:20

Sacrificing ratio of Ram and Shyam is 1:3.

7. Profit On Revaluation 10,000 Capital Account Balance Sarah, 72000 Varsha, 48000 , Tasha 40000

CHAPTER-5
RETIREMENT & DEATH OF A PARTNER

- Retirement of a partner means a partner willingly moving out of a partnership firm.
- It is a case of Reconstitution of partnership hence all the provisions of Reconstitution will be applied here.
- When a partner retires from a firm, some adjustments are done as their economic relations have changed. The changes are:
  Calculation of New Profit-Sharing Ratio and Gaining Ratio
  Treatment of Goodwill as per AS-26
  Treatment of Accumulated Profits and Reserves
  Revaluation of Assets and Reassessment of Liabilities
  Preparation of partners' capital A/c and Balance Sheet
  Preparation of Retiring partner's Loan A/c
  Adjustment of Capitals.
- Gaining Ratio = New Ratio – Old Ratio
- When Either New Ratio is given or Gain of the remaining partners is given in the question, we calculate Gaining Ratio.
- If nothing of that type is discussed, Old Ratio will be the Gaining Ratio.
- Gaining Ratio is calculated in order to compensate the retiring partner, his share of Goodwill of the firm.
  Entry:

Date	Particulars	Amount	Amount
	Gaining Partners' Capital A/c …………….Dr. To Retiring Partner's Capital A/c		

- The treatment for Accumulated profits or Reserves will be done as they are done in Admission of a partner.
  Entry:
  For Accumulated Profits/reserves:

Date	Particulars	Amount	Amount
	General Reserves A/c …………….Dr. WCR A/c…………………………………Dr. IFR A/c …………………………………..Dr. Contingency Reserves A/c………Dr. Profit and Loss A/c …………………Dr. To Old Partners Capital A/c (Old ratio/Individually)		

For Accumulated Losses:

Date	Particulars	Amount	Amount
	Old Partners' Capital A/c…………Dr. (Old ratio/Individually) To Profit & Loss A/c To Advertisement Suspense A/c To Deferred Revenue expenditure A/c		

Revaluation of Assets and Reassessment od Liabilities is also done at the retirement of a partner.

- **Computation Of Amount Due to Retiring Partner**
- The amount due to a retiring partner is ascertained by preparing retiring partners' capital account, after taking into account the following:
- **Items to be Credited:**
- His share in the profit of revaluation account.
- His share of reserves and accumulated profits.
- His share of goodwill of the firm.
- His share of profit till the date of his retirement.
- Opening credit balance of capital and current account of retiring partner.
- His salary and/or interest on capital due to the him till the date of his retirement.
- **Items to be debited:**
- Opening debit balance of capital and account of retiring partner.
- Advance or loan taken by him from the firm if any.
- Drawing and interest thereon of the retiring partner.
- Share in the accumulated losses of past year/years.
- Share in the loss of revaluation account.

- **Settlement Of The Amount Due To The Retiring Partner**
- The amount due to the retiring partner is either paid off immediately or is transferred to his loan account. The retiring partner loan account will appear in the books of the new firm as a liability until it is paid off finally. The following journal entries are passed in this regard.
- Note:
- If the question is silent on payment to Retiring partner, the amount due to him is transferred to his `loan account'.
- **Format of Revaluation A/c:**

Revaluation A/c

Dr. Cr.

Particulars	**Amount**	**Particulars**	**Amount**
To Increase in Liabilities To Decrease in Assets To Unrecorded Liabilities To Gain on Revaluation (transferred to Capital A/c) A ……… B ……… C ………	………… ………… …………	By Increase in Assets By Decrease in liabilities By Unrecorded Assets By Loss on Revaluation (transferred to Capital A/c) A ……… B ……… C ………	………….. ………….. …………..
	…………		…………….

Format of Partners' Capital A/c:

Particulars	A	B	C	Particulars	A	B	C
To Retiring				By Balance b/d			
Partner's Capital				By Rev. A/c	……	……	……
A/c				By Gen. Res.	…..	…..	…..
To G/w(Existing)				By WCR	…..	…..	…..
To P&L A/c	…….		……..	By IFR	…..	…..	…..
To Advt.Susp.A/c	……	…….	…….	By P&L A/c	……	……	……
To Loan A/c				By Gaining Partners	…..	…..	…..
To Bank A/c	……	……..	……..	Capital A/c(Goodwill)			
		……...					
		………					
To Balance c/d						…….	
	…….		………				
	…….	…….	………		……..	……..	………

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	…….	Cash in Hand	……
Bills Payable	…….	Cash at Bank	……
Capital:		Stock	…..
X …….		Debtors	……
Y …….		Investment	……
Z …….	………..	Machine	……
		Building	……
	……….. ……		……… ………

Death of a Partner

The partnership comes to an end immediately, whenever a partner dies although the firm may continue with the remaining partners. The deceased partner is entitled to get his share in the firm as per the provision of a partnership agreement. His share in the firm is calculated in the same manner as in the case of a retiring partner.

Computation of Deceased Partner's Share of Profit up to date of death:

• On the basis of time:

If a partner dies on any date after the date of the balance sheet, then his share of profits is calculated from the beginning of the year to the date of death on the basis of time of sales.

Deceased Partners' share of profit till date of death = (Number of Days or Months from the Date of last balance Sheet to the Date of Death/365 Days or 12 Months)

× Previous Year's Profits or Average Profits of a given Number of Past Years × Profit Share

• On the Basis of Turnover Sales:

Deceased Partner's share of profit till date of death = (Sales from the Date of the Last Balance Sheet to the Date of Death/Previous Year's Sales or Average Sales of a Given Number of Past Years)

× Previous Year's Profits of Average Profits of a Given Number of Past Years × Profit Share

Accounting Treatment

- When new profit sharing ratio of continuing partners does not differ from their old profit sharing ratio.
- When new profit sharing ratio of continuing partners differs from their old profit sharing ratio.

In case of profit

Date	Particulars	Amount	Amount
	Profit and Loss Suspense A/c Dr. To Deceased Partner's Capital A/c		

In case of loss

Date	Particulars	Amount	Amount
	Deceased Partner's Capital A/c Dr. To Profit and loss Suspense A/c		

Deceased Partner's Capital Account

Particulars	**Amount**	**Particulars**	**Amount**
To Current A/c (Debit Balance) To Loan to Partner A/c To Revaluation A/c (Share in loss) To Share in Accumulated Losses To Drawings A/c To Profit and Loss Suspense A/c (Share of Loss for current year till death) To Goodwill A/c (Share in existing goodwill written off) To Deceased Partner's Executors' A/c (Transfer) (Balancing Figure)		By Balance b/d By Current A/c (Credit Balance) By Partner's Loan A/c By Profit and Loss Suspense A/c(Share in Profit for Current year till death) By Revaluation A/c (Share in Gain Profit) By Share in Accumulated Profit: - General Reserve A/c - Profit and Loss A/c By Interest on Capital A/c By Salary or Commission A/c	

Settlement Of Deceased Partner's Executor's Account

The payment to the executors of the deceased partner is made as is stated in the partnership deed or as agreed to by the remaining partners and the executors. The payment is made either in full in one instalment or more than one instalment.

Format of Deceased Partner's Executor's Loan A/c

Date	Particulars	Amount	Date	Particulars	Amount
	To Bank A/c (Instalment + Interest) To Bal c/d	……. …….		By Deceased Partner's Capital A/c By Interest O/s A/c(Int Unpaid)	……. …….
		…….			…….
	To Bank (Instalment + Interest) To Bal c/d	…… …..		By Bal b/d By Interest A/c By Interest O/s A/c	….. ….. …..
		……			…..

Multiple Choice Questions (1 Mark Each)

SL NO	**Questions**	**Marks**
1	Vimal, Bose and Ghosh were partners in a firm sharing profits and losses equally. On 1st April, 2024, Bose retired from the firm and the new profit retirement, the goodwill of the firm was valued at 2,10,000. It was decided to treat goodwill without opening goodwill account. What will be the correct entry for adjustment of goodwill: (A) Debit Vimal by 35,000, Debit Ghosh by 35,000 and Credit Bose by	**1**

	70,000 (B) Debit Vimal by 50,000, Debit Ghosh by 20,000 and Credit Bose by 70,000. (C) Credit Vimal, Bose and Ghosh by 70,000 each and Debit Goodwill A/c by 2,10,000. (D) Debit Vimal by 1,20,000, Debit Ghosh by A/c by 2,10,000.	
2	Hari, Chander, Prakash and Govind were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 1 : 1. On 1stApril, 2024, Hari retired and his share was acquired equally by Chander, Prakash and Govind. The new profit sharing ratio of Chander, Prakash and Govind will be: (A) 7 : 4 : 4. (B) 15 : 8 : 7 (C) 1 : 1 : 1 (D) 16 : 7 : 7	
3	Sharma, Verma, and Khan were partners in a firm, sharing profits and losses in a 2:2:1 ratio. The firm's accounting year ends on March 31st. Khan died on December 31, 2024. His share of profits until his death was to be calculated based on the previous year's profits. The profit for the year ended March 31, 2024, was ₹6,00,000. Which of the following is the correct entry: (A) Debit Sharma by 45,000 and Debit Verma by 45,000and Credit Khan by 90,000 (B) Debit Profit and Loss Suspense by 90,000 and Credit Khan by 90,000 (C) Debit Khan by 90,000 and Credit Profit and Loss by 90,000 (D) None of the above	
4	Sona, Mona and Raghav were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Raghav retired. The balance in his account after all the adjustments regarding revaluation, accumulated profits and reserves and capital was 2,20,000. Sona and Mona agreed to pay him 3,00,000 in full settlement of his claim. Raghav’s share in the firm’s Goodwill was: (A) 2,20,000 (B) 80,000 (C) 4,00,000 (D) 40,000	
5	Ravita, Savita, Kavita and Babita were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2 : 2,. On 1st April, 2024 Savita retired and her share was acquired equally by the remaining partners. The new profit sharing ratio between Ravita, Kavita and Babita will be : (A) 3 : 3 : 2 (B) 1 : 2 : 1 (C) 1 : 1 : 2 (D) 2 :1:1	
6	Tavish, Umesh and Varun were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Tavish retired. Umesh and Varun decided to share profits and losses in future in the ratio of 5 : 3. The gaining share of Umesh will be (A) 21/72 (B) 11/72 (C) 45/72 (D) 32/72	
7	Asit, Sonu and Hina were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Asit retired and the balance in his capital account after making necessary adjustments on account of reserves and revaluation of assets and liabilities was 40,00,000. Sonu and Hina agreed to pay him 45,00,000 in full settlement of his claim. The value of goodwill of the firm was : (A) 5,00,000 (B) 20,00,000 (C) 15,00,000 (D) 10,00,000	
8	Ajit, Biswas and Chitra were partners in a firm sharing profits and losses in	

	the ratio of 5 : 3 : 2. Biswas died on 30th September, 2024. The firm closes its books on 31st March every year. Biswas's share of profits till the date of death from the last Balance Sheet date, was to be calculated on the basis of sales. Sales for the year ended 31st March, 2024 amounted to 24,00,000 and that from 1st April, 2024 to 30th September, 2024 amounted to 15,00,000. The profits for the year ended 31st March, 2024 were 2,40,000. Biswas's share of profit till the date of his death was: (A) 11,250 (B) 70,000 (C) 45,000 (D) 22,500	
9	A, B and C are partners sharing profits in the ratio 5:3:2. On 31st March, 2024, C retired from the firm after serving a proper notice. On his retirement, General Reserves has a balance 20,000 and Advertisement Suspense 5,000. What will be the effect on C's capital Account after the entries passed : (A) Increased by 5,000 (B) Decreased by 15,000 (C) Increased by 15,000 (D) Decreased by 25,000	
10	Aaroh, Bhuvan and Charu were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 6. Charu died. Aaroh and Bhuvan acquired Charu's share in the ratio 2:1. The new profit sharing ratio between Aaroh and Bhuvan after Charu's death will be: (A) 2 : 1 (B) 1 : 2 (C) 5 : 4 (D) 4 : 5	
11	**Assertion (A):** At the time of retirement of a partner, the gaining ratio is calculated. **Reason (R):** Gaining ratio is used to calculate goodwill to be compensated by gaining partners. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true but R is not the correct explanation of A (C) A is true but R is false (D) A is false but R is true	
12	**Assertion (A):** Retirement of a partner results in dissolution of the partnership. **Reason (R):** Dissolution of a partnership firm and retirement of a partner are the same. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true but R is not the correct explanation of A (C) A is true but R is false (D) A is false but R is true	
13	**Assertion (A):** The amount due to the retiring partner appears on the debit side of his capital account. **Reason (R):** The capital account of the retiring partner is closed by transferring the amount due to his loan or bank account. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true but R is not the correct explanation of A (C) A is true but R is false (D) A is false but R is true	
14	**Assertion (A):** Deceased partner's capital account is settled only when the	

	firm is dissolved. **Reason (R):** A deceased partner's share cannot be transferred to legal heirs. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true but R is not the correct explanation of A (C) A is true but R is false (D) A is false but R is true	
15	**Assertion (A):** The share of profit till the date of death is credited to the deceased partner's capital account. **Reason (R):** The partner is entitled to profit earned by the firm during his lifetime. (A) Both A and R are true and R is the correct explanation of A (B) Both A and R are true but R is not the correct explanation of A (C) A is true but R is false (D) A is false but R is true	

Answers:

Q-1	A	Q-2	A	Q-3	B	Q-4	B	Q-5	D
Q-6	A	Q-7	D	Q-8	C	Q-9	C	Q-10	C
Q-11	D	Q-12	C	Q-13	A	Q-14	C	Q-15	A

Short Answer Type Questions (3/4 Marks Each)

1	Diksha, Krish and Rajan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On 1st April, 2024, Rajan decided to retire from the firm. On that day, the balance in his capital account after making the necessary adjustments on account of reserves, revaluation of assets and reassessment of liabilities was 1,80,000. Diksha and Krish agreed to pay him 2,20,000 in full settlement of his claim. Calculate Rajan's share of Goodwill and pass the necessary journal entries for the same. **Solution:** Payment made to Rajan = 2,20,000 Payment due to him = 1,80,000 Extra amount (goodwill) paid to him = 40,000 Rajan's share of Goodwill = 40,000 Diksha's Capital A/c…………..Dr. 24,000 Krish's Capital A/c ……………...Dr. 16,000 To Rajan's Capital A/c 40,000	
2	Raj, Veer and Aryan are friends sharing profits in the ratio 3:2:1. On 31st July 2024, Aryan died. As per their deed, the deceased partner's share of profit up to date of his death is to be calculated on the basis of the average profit of previous three completed years. The profit of last three years were 80,000;90,000 and 1,00,000 respectively. Calculate Aryan's profit up to death and pass the necessary journal entry regarding profit if the firm closes its books on 31st March every year. **Solution:** Avg. Profit of last three years = (80,000+90,000+1,00,000)/3 = 90,000	

Aryan's share of profit up to death = 90,000*1/6*4/12
= 5,000

Entry:

Particulars		Dr.	Cr.
Profit and Loss Suspense A/c	Dr.	5,000	
To Aryan's Capital A/c			5,000

3 X, Y and Z are partners sharing profits in the ratio of 3 : 2 : 1. Y retired on 31st March,2024. On Y's retirement Workmen Compensation Reserve appears at 60,000. Pass the necessary journal entries in the following cases:

(a) If there is no claim for Workmen Compensation.
(b)If there is claim for Workmen Compensation 48,000.
(c)If there is claim for Workmen Compensation 60,000.
(d)If there is claim for Workmen Compensation 84,000.

Solution: Entries:

	Particulars		Dr.	Cr.
(a)	Workmen Compensation Reserve A/c	Dr.	60,000	
	To X's Capital A/c			30,000
	To Y's Capital A/c			20,000
	To Z's Capital A/c			10,000
(b)	Workmen Compensation Reserve A/c	Dr.	60,000	
	To Claim for Workmen Compensation			48,000
	To X's Capital A/c			6,000
	To Y's Capital A/c			4,000
	To Z's Capital A/c			2,000
(c)	Workmen Compensation Reserve A/c	Dr.		60,000
	To Claim for Workmen Compensation			60,000
(d)	Workmen Compensation Reserve A/c	Dr.	60,000	
	Revaluation A/c	Dr.	24,000	
	To Claim for Workmen Compensation			84,000
	X's Capital A/c	Dr.	12,000	
	Y's Capital A/c	Dr.	8,000	
	Z's Capital A/c	Dr.	4,000	
	To Revaluation A/c			24,000

4 Bat, Cat and Rat were partners sharing profits and losses in the ratio 5:3:2. Cat retired and on that date there was a balance of Investment of ₹ 4,00,000 and Investment Fluctuation Reserve of ₹ 1,00,000 was appearing in the balance sheet. Pass necessary journal entries for Investment Fluctuation reserve in the following cases.

(i) Market Value of Investments was ₹ 4,80,000.
(ii) Market Value of Investments was ₹ 3,80,000.
(iii) Market Value of Investments was ₹ 2,90,000

Solution: Entries:

1 (a) Investment Fluctuation Reserve A/c Dr. 1,00,000
To Bat's Capital A/c 50,000
To Cat's Capital A/c 30,000
To Rat's Capital A/c 20,000

(b) Investment a/c Dr. 80,000
To Revaluation A/c 80,000

(c) Revaluation A/c Dr. 80,000
To Bat's Capital A/c 40,000
To Cat's Capital A/c 24,000
To Rat's Capital A/c 16,000

2 Investment Fluctuation Reserve A/c Dr. 1,00,000
To Investment A/c 20,000
To Bat's Capital A/c 40,000
To Cat's Capital A/c 24,000
To Rat's Capital A/c 18,000

3 Investment Fluctuation Reserve A/c Dr. 1,00,000
Revaluation A/c Dr. 10,000
To Investment A/c 1,10,000

Bat's Capital A/c Dr. 5,000
Cat's Capital A/c Dr. 3,000
Rat's Capital A/c Dr. 2,000
To Revaluation A/c 10,000

5 Shobha, Kalyani and Kaveri were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. The firm closes its books on 31st March every year. On 30th June, 2024 Kalyani died. On that date, her capital account showed a credit balance of 3,00,000. On the same date the firm had a General Reserve of 1,20,000. The partnership deed provided for the following on the death of a partner:

(i) Balance in her capital account.
(ii) Interest on capital @ 12% p.a.
(iii) Her share in the profits of the firm till the date of her death is Calculated on the basis of previous year's profits. The Profit of the firm for the year ended 31st March, 2024 was 2,80,000.
(iv) Her share in the goodwill of the firm. The goodwill of the firm on Kalyani's death was valued at 4,00,000.

Prepare Kalyani's Capital Account to be rendered to her Executors.

Solution:

Kalyani's Capital A/c

Particulars	**Amount**	**Particulars**	**Amount**
To Kalyani's Executor's A/c	6,04,000	By Balance b/d By General Reserves A/c By Interest on Capital	3,00,000 60,000 9,000

		By Shobha's Capital A/c By Kaveri's Capital A/c By Profit Share (from P&L)	1,20,000 80,000 35,000
	6,04,000		**6,04,000**

6 Kanak, Kamal and Kanha are partners in a firm. Their fixed capitals were 5,00,000, ₹10,00,000 and ₹15,00,000 respectively. They share profits in the ratio of their fixed capitals. Firm closes its books of accounts on 31st March every year. Kanak died on 30th September, 2021. Kanak's share of profit till the date of death from the last Balance Sheet date, was to be calculated on the basis of sales. Sales and Profit for the year 2020-21 were 20,00,000 and 2,00,000 respectively. Sales from 1st April, 2021 to 30th September, 2021 were 6,00,000.

(i) Calculate Kanak's share of profit.

(ii) Pass necessary journal entry to record Kanak's share of profit.

Solution:

Previous Sales = 20,00,000
Previous Profits = 2,00,000
Sales upto death = 6,00,000
Profit upto death = 2,00,000*6,00,000/20,00,000
Profit upto death = 60,000
Kanak's share of profit upto death = 60,000*1/6 = 10,000

Profit and Loss Suspense A/c……..Dr. 10,000
To Kanak's Capital A/c 10,000

7 Shweta, Meenu and Asha were partners in a firm sharing profits and losses in the ratio of 3:5:2. Meenu retired on 1st April, 2022. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc., the capital accounts of Shweta and Asha showed credit balance of ₹ 3,00,000 and ₹ 1,00,000 respectively. It was decided to adjust the capitals of Shweta and Asha in their new profit sharing ratio.
Pass necessary journal entries for bringing in or withdrawal of the necessary amounts through their current accounts. Show your working clearly.

Solution:

Total Capital of the reconstituted firm = 3,00,000 +1,00,000 = 4,00,000
New Capital of Shweta = 4,00,000*3/5= 2,40,000
New Capital of Asha = 4,00,000*2/5= 1,60,000

(a) Shweta's Capital A/c Dr. 60,000
To Current A/c 60,000

(b) Current A/c Dr. 60,000
To Asha's Capital A/c 60,000

8 Hemant, Sumant and Kumar were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The firm closes its books on 31st March every year. On 1st August, 2024, Kumar died. The partnership deed provided that on the death of a partner, his executors will be entitled for :

	(i) Balance in his capital account less drawings. (ii) Interest on capital @ 12% p.a. (iii) His share of goodwill. (iv) His share in the profits of the firm till the date of his death calculated on the basis of average profit of the previous four years. The following information was obtained from the books of the firm on the date of Kumar's death: (a) Balance in his capital account on 1st April, 2024 was 4,00,000 and he had withdrawn 90,000 till that date for his treatment. (b) Goodwill of the firm was valued at 60,000. (c) Profits of the firm for the last four completed years were : 2,00,000, 2,20,000, 1,20,000 and 1,80,000. Prepare Kumar's Capital Account to be rendered to his Executors. **Solution:** **Kumar's Capital A/c**	

Particulars	Amount	Particulars	Amount
To Drawings To K's Executor's Account	90,000 3,62,400	By Balance b/d By Interest on Capital By H's Capital A/c By S's Capital A/c By Profit Share (from P&L)	4,00,000 12,400 6,000 4,000 30.000
	4,52,400		**4,52,400**

9	Ashok, Yogesh and Pushpendra are partners sharing profits and losses in the ratio 3:2:1. On 31st March, 2025 Pushpendra decided to retire from the firm. The remaining partners decided to share future profits equally. For this purpose Goodwill was valued at 60,000. Existing Goodwill appearing in the books of the firm at 18,000. Pass necessary journal entries in the books of the firm on Pushpendra's retirement for adjustment of Goodwill. **Solutions:** Ashok's Gain = (1/2) – (3/6) = 0 Yogesh's Gain = (1/2) – (2/6) =1/6 Goodwill = 60,000 Yogesh's Goodwill share = 60,000*1/6= 10,000 Entries: (a) Ashok's Capital A/c Dr. 9,000 Yogesh's Capital A/c Dr. 6,000 Pushpendra's Capital A/c Dr. 3,000 To Goodwill A/c 18,000 (b) Yogesh's Capital A/c Dr. 10,000 To Pushpendra's Capital A/c 10,000	
10	Tarun, Abhishek, Kamal and Vivek were partners in a firm sharing profits in the ratio	

of 5: 3: 2: 2. Kamal retired on 31st March, 2022. Tarun, Abhishek and Vivek decided to share future profits in 3:2:1. On Kamal's retirement goodwill of the firm was valued at 9,00,000.

Showing your working clearly, calculate gaining ratios and pass the necessary journal entry for treatment of goodwill on Kamal's retirement. It was decided not to show goodwill in the books of the firm.

Solution:

Tarun's Gaining ratio= (3/6)-(5/12)= 1/12

Abhishek's Gaining ratio = (2/6)-(3/12)=1/12

Vivek's Gaining ratio = (1/6)-(2/12) = 0

Goodwill of the firm = 9,00,000

Kamal's G/w= 9,00,000*2/12=1,50,000

Tarun's Capital A/c	Dr.	75,000	
Abhishek's Capital A/c	Dr.	75,000	
To Kamal's Capital A/c			1,50,000

Long Answer Type Questions:

1 Amar, Akbar and Anthony were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. On 31st March, 2024, their Balance Sheet was as follows :

Balance Sheet of Amar, Akbar and Anthony as at 31st March, 2024

Liabilities	Amount	Assets	Amount
Capitals:		Land and Building	9,50,000
Amar 2,00,000		Plant and Machinery	2,00,000
Akbar 3,00,000		Furniture	50,000
Anthony 5,00,000	10,00,000	Stock	70,000
General Reserves	80,000	Debtors 95,000	
Mrs. Amar's Loan	2,00,000	Less : Provision (5,000)	90,000
Creditors	1,50,000	Bank	70,000
	14,30,000		**14,30,000**

On the above date, Akbar retired from the firm on the following terms:

(i) Goodwill of the firm was valued at 1,20,000 and Akbar's share of the same was to be adjusted through the capital accounts of remaining partners.

(ii) Land and Building was to be increased by 50,000.

(iii) Plant and Machinery will be depreciated by 10%.

(iv) All debtors were found to be good, hence provision for bad debts was not required.

(v) Investments of 65,000 were unrecorded.

(vi) Amount payable to Akbar was transferred to his loan account.

Prepare Revaluation Account and Partners' Capital Accounts.

Solution:

Dr. **Revaluation Account** Cr.

Particulars	**Amount**	**Particulars**	**Amount**
To Plant and Machine To Gain on Revaluation Amar 30,000 Akbar 50,000 Anthony 20,000	 20,000 1,00,000	By Land & Building By Investment By Provision for Bad debts	50,000 65,000 5,000
	1,20,000		**1,20,000**

Dr. **Partner's Capital A/c** Cr.

Part.	**Amar**	**Akbar**	**Anthony**	**Part.**	**Amar**	**Akbar**	**Anthony**
To Akbar's Capital	36,000		24,000	By Balance b/d	2,00,000	3,00,000	5,00,000
To Akbar's Loan		4,50,000		By Rev. a/c	30,000	50,000	20,000
To Balance c/d	2,18,000		5,12,000	By Gen. Res.	24,000	40,000	16,000
				By Amar's capital		36,000	
				By Anthony's Capital		24,000	
	2,54,000	4,50,000	5,36,000		2,54,000	4,50,000	5,36,000

2 Ratan, Singh and Sharma were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows :

Balance Sheet of Ratan, Singh and Sharma as at31st March, 2024

Liabilities	**Amount**	**Assets**	**Amount**
Creditors	90,000	Bank	65,000
Outstanding Wages	10,000	Stock	1,50,000
General Reserve	3,00,000	Debtors 90,000 Less : Provision (5,000)	85,000
Capitals :		Plant and Machinery	2,50,000
		Land and Building	4,50,000
Ratan 3,60,000 Singh 2,40,000 Sharma 1,00,000	7,00,000	Profit and Loss A/c	1,00,000
	11,00,000		**11,00,000**

On 1st April, 2024 Sharma retired from the firm on the following terms:

(i) Plant and Machinery is revalued at 2,00,000.

(ii) Land and Building was to be appreciated by 49,500 and provision for bad debts will be maintained at 5% of the debtors.

(iii) Sharma's share in the Goodwill of the firm is valued at Rs. 60,000 and the retiring partner's share has to be adjusted through the capital accounts of remaining partners.

(iv) Sharma was paid in cash brought by Ratan and Singh in such a way so as to make their capitals proportionate to their new profit sharing ratio. Journalise and prepare Partners' Capital Accounts and Balance Sheet of new firm.

3 Prakash, Aakash and Vikas were partners in a business sharing profits in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2022 was as follows:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Creditors	2,00,000	Bank	40,000
General Reserve	1,00,000	Stock	60,000
Capitals:		Debtors	1,60,000
Prakash	1,20,000	Investments	1,40,000
Aakash	2,00,000	Furniture	70,000
Vikas	80,000	Building	2,30,000
Total	**7,00,000**	**Total**	**7,00,000**

Vikas died on 30th September, 2022. On the death of a partner the partnership deed provided for the following:

1. Deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.
2. His share in the Goodwill of the firm, calculated on the basis of 3 years' purchase of average profits of last four years. Profits for last four years ended 31st March were as follows:
   - 2018 – 19, ₹ 1,60,000
   - 2019 – 20, ₹ 1,00,000
   - 2020 – 21, ₹ 80,000
   - 2021 – 22, ₹ 60,000
3. Drawings of the deceased partner up to the date of death were ₹ 20,000.
4. Interest on capital was allowed @ 12% per annum.

Prepare Vikas's Capital account to be rendered to his executors.

Solution: **Vikas' Capital A/c**

Particular	**Amount**	**Particular**	**Amount**
To Drawings	20,000	By Balance b/d	80,000
		By General Reserve	20,000
To Vikas's Executor A/c		By Prakash's Capital	30,000
	1,50,800	By Aakash's Capital	30,000
		By P&L suspense A/c	
		By Int. on Capital	6,000
			4,800
	1,70,800		**1,70,800**

4 Anna, Bina and Teena were partners sharing profits and losses in the ratio of 5: 3 : 2. Their Balance Sheet on 315¢ March, 2022 was as follows :

Balance Sheet of Anna, Bina and Teena as at 315t March, 2022

Liabilities	Amount	Assets	Amount
Creditors Bills Payable Capitals : — Anna 2,00,000 Bina 2,00,000 Teena 1,00,000	66,000 59,000 5,00,000	Furniture Stock Debtors2,80,000 Less: provision for Bad debt. (7,000) Cash	1,12,000 1,77,000 2,73,000 63,000
	6,25,000		**6,25,000**

On the above date, Anna retired on the following terms :
(1) Goodwill of the firm was valued at = 60,000 and Anna's share of Goodwill was adjusted through the capital accounts of remaining Partners.
(2) Furniture was depreciated by = 10,000.
(3)Anna was to be paid through cash brought in by Bina and Teena in Such a way as to make their capitals proportionate to their new Profit sharing ratio of 1: 1.
Pass necessary journal entries for the above transactions.

Solution: **Journal Entries:**

Revaluation A/c Dr. 10,000
To Furniture A/c. 10,000

Anna's Capital A/c Dr. 5,000
Bina's Capital A/c Dr. 3,000
Teena's Capital A/c Dr. 2,000
To Revaluation A/c 10,000

Bina's Capital A/c Dr. 12,000
Teena's Capital A/c Dr. 18,000
To Anna's Capital A/c 30,000

Bank A/c Dr. 2,25,000
To Bina's Capital A/c 60,000
To Teena's Capital A/c 1,65,000

Anna's Capital A/c Dr. 2,25,000
To Bank A/c 2,25,000

5 P, Q and R were partners in a water dispenser manufacturing firm. They were sharing profits and losses in the ratio of 2:2:1. On 31st March, 2022, their Balance Sheet was as follows:

Balance Sheet of P, Q and R as on 31st March, 2022

Liabilities	Amount	Assets	Amount
Capitals: P Q R General Reserve Sundry Creditors	 50,000 1,25,000 1,00,000 1,25,000 25,000	Plant and Machinery Land and Building Debtors Stock Cash at Bank	1,25,000 1,50,000 40,000 35,000 75,000

	4,25,000		**4,25,000**

Q died on 30th June, 2022. According to the partnership deed, his legal representatives were entitled to:

(i) Interest on capital @ 12% p.a.

(ii) 12,000 for his share of Goodwill.

(iii) His share of profit till the date of death was to be calculated on the basis of sales. The sales from 1st April, 2022 to 30th June, 2022 were 62,500. The sales and profits of the firm for the year ending 31st March, 2022 was ₹ 5,00,000 and 1,25,000 respectively.

Pass necessary journal entries in the books of the firm.

Solution: **Entries**

Int. on Capital A/c	Dr.	3,750	
To Q's Capital A/c			3,750
P's Capital A/c	Dr.	8,000	
R's Capital A/c	Dr.	4,000	
To Q's Capital A/c			12,000
Profit &Loss Suspense A/c	Dr.	6,250	
To Q's Capital A/c			6,250
General Reserve A/c	Dr.	50,000	
To Q's Capital A/c			50,000

6 Kamal, Rahul and Neeraj were partners in a firm sharing profits and losses in the ratio of 5:32. On 31st March, 2022, their Balance Sheet was as under:

Balance Sheet of Kamal, Rahul and Neeraj as on 31st March, 2022

Liabilities	Amount	Assets	Amount
Capitals:		Land and Building	1,70,000
Kamal	1,20,000	Plant and Machinery	2,60,000
Rahul	1,20,000	Stock	3,60,000
Neeraj	1,20,000	Debtors	80,000
General Reserve	1,20,000	Cash	50,000
Sundry Creditors	1,80,000		
	6,60,000		**6,60,000**

On the above date, Rahul retired and following terms were agreed upon:

(i) Goodwill of the firm was valued at 3,50,000.

(ii) An item of 10,000 included in Sundry creditors is not likely to be claimed and hence written off. Stock was valued at 90,000.

(iii) Capital of the new firm was fixed at 2,10,000 and the same will be adjusted in the profit sharing ratio of the remaining partners. For this purpose the required cash will be brought in or paid off as the case may be.

(iv) Amount payable to Rahul will be transferred to his loan account.

Prepare Revaluation Account and Partners' Capital Accounts on Rahul's retirement.

7 Eram, Aiman and Taiyab are parners in a firm sharing profit and losses in the ratio 5:3:2. On 31st March, 2025, Taiyab decided to retire from the firm. On his retirement, the amount due to him was calculated as 3,26,000. He was given a cheque of 26,000 immediately and the balance was paid in three equal annual installment carrying interest @10% p.a.

Prepare his loan account till it is settled.

Taiyab's Loan Account

Date	Particulars	Amount	Date	Particulars	Amount
31-Mar-2025 **31 March 2026**	To Bank A/c (Cheque) **To Bank A/c (1,00,000+30,000)** **To Bal c/d**	26,000 1,30,000 2,00,000	31-Mar-2025 31 March 2026	By Capital A/c By Interest	3,26,000 **30,000**
31 March 2027	**To Bank A/c (1,00,000+20,000)** **To Bal c/d**	**1,20,000** **1,00,000**	**1 April 2026** **31 March 2026**	**By Bal b/d** **By Interest**	**2,00,000** **20,000**
31 March 2028	**To Bank A/c (1,00,000+10,000)**	**1,10,000**	**1 April 2027** **31 March 2028**	**By Bal b/d** **By Interest**	**1,00,000** **10,000**
		1,10,000			**1,10,000**

8 X, Y and Z are partners sharing profit and losses in the ratio 2:2:1. Z died on 1st October, 2024. Amount due to his executors was 1,12,000. His executor was given a cheque of 12,000 immediately and balance to be paid in two equal annual installment carrying interest @ 10% p.a. Prepare Z's executor's Account till it is fully settled.

Solution:

Z's Executor's Account

Date	Particulars	Amount	Date	Particulars	Amount
01-Oct-2024 31 March **2025**	To Bank A/c (immediate payment) **To Bal c/d**	12,000 1,05,000	01-Oct-2024 31st March 2025	By Z's Capital A/c By Interest O/s	1,12,000 5,000
		1,17,000			1,17,000
01-Oct-2025 31 Mar	To Bank A/c (1st installment) To Bal c/d	60,000 **52,500**	**April 1** **Oct 1** **31 march 2026**	**By Bal b/d** **By Interest** **By Interest o/s**	**1,05,000** **5,000** **2,500**

ch 202 6					
		1,12,500			**1,12,500**
01-Oct-2026	To Bank A/c (2nd installment)	55,000	**April 1** **1 Oct**	**By Bal b/d** **By Interest**	**52,500** **2,500**
		55,000			**55,000**

9 Radhika, Ridhima and Rupanshi were partners in a firm sharing profits and losses in the ratio of 3:5:2. On 31st March, 2022, their balance sheet was as follows:

Balance Sheet of Radhika, Ridhima and Rupanshi as on 31.3.2022

Liabilities	Amount	Assets	Amount
Sundry Creditors	60,000	Cash	50,000
General Reserve	40,000	Stock	80,000
Capitals:		Debtors	40,000
Radhika	3,00,000	Investments	30,000
Ridhima	2,00,000	Buildings	5,00,000
Rupanshi	1,00,000		
	7,00,000		**7,00,000**

Ridhima retired on the above date and it was agreed that:

(i) Goodwill of the firm be valued at 3,00,000.

(ii) Building was valued at 6,20,000.

(iii) Capital of the new firm was fixed at 5,00,000, which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation Account and Partners' Capital Accounts on Ridhima's Retirement.

Dr. **Revaluation Account** **Cr.**

Particulars	Amount	Particulars	Amount
To Profit trans. To Capital A/c Radhika 36,000 Ridhima 60,000 Rupanshi 24,000	1,20,000	By Building	1,20,000
	1,20,000		**1,20,000**

Partners' Capital A/c

Particulars	Radhika	Ridhima	Rupanshi	Particulars	Radhika	Ridhima	Rupanshi
To Ridhima (Goodwill)	90,000		60,000	By Balance	3,00,000	2,00,000	1,00,000
To Ridhima (Bal. c/d / Retired)		3,10,000		By Revaluation Profit	36,000	60,000	24,000
To Current A/c (Dr.) (balancing fig.)	6,000		4,000	By Radhika (Goodwill)		90,000	
				By Rupanshi (Goodwill)		60,000	
	3,36,000	3,10,000	1,24,000		3,36,000	3,10,000	1,24,000

******************************End**********************************

WORKSHEET 1
RETIREMENT AND DEATH

TIME: 40 MINS **MM:20**

S No.	QUESTIONS	MARKS
1	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 : 1 (A) 3 : 2 (B) 5 : 4 (C) 4 : 3 (D) 2 : 1 (CBSE COMP 2024)	1

<table>
<tr><td>2</td><td>Raju, Raja and Ram were partners sharing profit and loss in the ratio 3:2:1. On 30th June, 2024, Raja died and the remaining partners decided their new ratio 2:1. What is the gaining ratio of Raju and Ram:
(A)2:3 (B) 4:3 (C) 4:1 (D) 1:1</td><td>1</td></tr>
<tr><td>3</td><td>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</td><td>1</td></tr>
<tr><td>4</td><td>Anju, Manju and Sanju are partners sharing profits and losses in the ratio 2:2:1. Sanju retired from the business on 31st March, 2025. The Workmen Compensation Reserve appears at 80,000 and the claim for the same is 35,000. The amount credited to Sanju on account of WCR in her Capital Account:
(A) 9,000 (B) 7,000 (C) 16,000 (D) None of the Above</td><td>1</td></tr>
<tr><td>5</td><td>Falak, Girdhar and Hemang were partners in a firm sharing profits and losses in the ratio of 6 : 3 : 1. 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. (CBSE COMP. 2024)</td><td>3</td></tr>
<tr><td>6</td><td>A, B and C are partners sharing profits and loss in the ratio 5:3:2. B died on 31st July, 2024. As per their deed, Deceased partner's share in profits up to date of death is to be calculated on the basis of previous sales and previous profit. The previous sales and profit were 20,00,000 and 4,00,000. The profit for the intervening period was 8,00,000.
Find B's share of profit up to date of his death and pass journal entries regarding profit.</td><td>3</td></tr>
<tr><td>7</td><td>Manu, Naresh and Paras were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31st March, 2023 was as follows :
Balance Sheet of Manu, Naresh and Paras as at 31st March, 2023
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Creditors
General Reserve
Capitals :
Manu 90,000
Naresh 80,000
Paras 70,000</td><td>60,000
60,000

2,40,000</td><td>Bank
Stock
Debtors
Fixed Assets</td><td>60,000
90,000
1,10,000
1,00,000</td></tr>
<tr><td></td><td>3,60,000</td><td></td><td>3,60,000</td></tr>
</table>
Paras died on 31st January, 2024. It was agreed between his executors and remaining partners that :
(i) Goodwill be valued at ₹ 30,000 at 3 years purchase of average profits of the previous three years.
(ii) Share of profit up to the date of death on the basis of average profits of the previous three years. Paras's share of profit amounted to ₹ 48,000.
(iii) Interest on capital is to be provided @ 12% p.a.
(iv) Half the amount due to Paras is to be paid immediately.</td><td>4</td></tr>
</table>

	Prepare Paras's Capital Account and Paras's Executor's Account. (CBSE 2024 COMP.)	
8	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 :	6

Balance Sheet of Trisha, Urvi and Varsha as at 31st March, 2023

Liabilities	Amount	Assets	Amount
Capitals: Trisha 2,00,000 Urvi 1,30,000 Varsha 1,00,000 General Reserve Creditors	 4,30,000 1,50,000 2,70,000	Fixed Assets Stock Debtors Cash	4,00,000 1,00,000 1,50,000 2,00,000
	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) 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.

(iv) New profit sharing ratio between the remaining partners was agreed at 2: 3.

(v) Trisha was paid ₹ 50,000 on retirement and the balance was transferred to her loan account.

Pass necessary journal entries in the books of the firm on Trisha's retirement.

(CBSE 2024 COMP.)

Marking Scheme

1	B	1
2	D	1
3	D	1
4	A	1
5	Gaining share = New Share - Old Share……½ Falak's gaining share 3/5- 6/10 = Nil ……………………………………..… ½ Hemang's gaining share 2/5 – 1/10 = 3/10 (Gain)………………………….. ½ Only Hemang gains 3/10 share Hemang's Capital A/c Dr. 30,000 To Girdhar's Capital A/c 30,000 (Goodwill adjusted to capital account of gaining partner on change in profit sharing ratio)	3
6	Solution: Previous Sales = 20,00,000 Previous Profit = 4,00,000 Sales up to death = 8,00,000 Profit up to Death = (4,00,000*8,00,000)/20,00,000 = 1,60,000 B's share of profit up to death = 1,60,000*3/10	3

= 48,000

Profit and Loss Suspense A/c Dr 48,000

To B's Capital A/c 48,000

(Being P&L Suspense amount credited to B's Capital A/c)

7 **Solution:** 4

Dr. Paras's Capital A/c Cr.

Particulars	**Amount**	**Particulars**	**Amount**
To Paras's Executor's A/c	1,55,000	By Balance b/d ½ By General Reserve A/c 1 By Manu's Capital A/c (goodwill) ½ By Naresh's Capital A/c (goodwill) ½ By Profit &Loss Suspense A/c 1 By Interest on Capital A/c ½	70,000 20,000 5,000 5,000 48,000 7,000
	1,55,000		**1,55,000**

Dr. Paras's Executor's A/c Cr.

Particulars	**Amount**	**Particulars**	**Amount**
To Bank A/c To Paras's Executor's Loan A/c	77,500 77,500	By Paras 's Capital A/c	1,55,000
	1,55,000		**1,55,000**

8 Solution: 6

Books of Trisha, Urvi and Varsha

Date	**Particulars**	**L F**	**Amount**	**Amount**

		2023 April 1	General Reserve A/c Dr. To Trisha's Capital A/c To Urvi's Capital A/c To Varsha 's Capital A/c (General Reserve transferred to partners' capital accounts in old ratio)		1,50,000	75,000 60,000 15,000		
		"	Revaluation A/c Dr. To Fixed Assets A/c To Stock A/c (Fixed Assets and Stock revalued)		1,00,000	80,000 20,000		
		"	Trisha's Capital A/c Dr. Urvi's Capital A/c Dr. Varsha's Capital A/c Dr. To Revaluation A/c (Loss on revaluation transferred to partners' capital accounts in old ratio)		50,000 40,000 10,000	1,00,000		
		"	Trisha's Capital A/c Dr. To Stock A/c (Stock taken over by Trisha)		80,000	80,000		
		"	Varsha's Capital A/c Dr. To Trisha's Capital A/c (Trisha's share of goodwill adjusted to capital account of the gaining partner)		50,000	50,000		
			Trisha's Capital A/c Dr. To Cash A/c To Trisha's Loan A/c (Part payment made to Trisha and the balance transferred to her loan account)		1,95,000	50,000 1,45,000		

WORKSHEET 2
RETIREMENT AND DEATH

TIME: 40 MINS **MM:20**

S	QUESTIONS	MARKS

No.		
1	Vimal, Bose and Ghosh were partners in a firm sharing profits and losses equally. On 1stApril, 2024, Bose retired from the firm and the new profit SHARING RATIO BETWEEN Vimal And Ghosh decided at 4:3. On Bose's retirement, the goodwill of the firm was valued at 2,10,000. It was decided to treat goodwill without opening goodwill account. By what amount will the partners' Capital accounts be debited or credited for the treatment of Goodwill on Bose's Retirement? (A) 70,000, Credit Vimal and Ghosh by 50,000 and 20,000, respectively. (B) Debit Vimal by 50,000, Debit Ghosh by 20,000 and Credit Bose by 70,000. (C) Credit Vimal, Bose and Ghosh by 70,000 each and Debit Goodwill A/c by 2,10,000. (D) Debit Vimal by 1,20,000, Debit Ghosh by 90,000 and Credit Bose by 2,10,000 (CBSE2025)	1
2	Hari, Chander, Prakash and Govind were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 1 : 1. On 1stApril, 2024, Hari retired and his share was acquired equally by Chander, Prakash and Govind. The new profit sharing ratio of Chander, Prakash and Govind will be : (A) 7 : 4 : 4 (B) 15 : 8 : 7 (C) 1 : 1 : 1 (D) 16 : 7 : 7 (CBSE2025)	1
3	Which of the following will not result in compulsory dissolution of a partnership firm ? (A) When all partners or all but one partner become insolvent. (B) When the business of the firm becomes illegal. (C) When some event has taken place which makes it unlawful for the partners to carry on the business of the firm in partnership. (D) When a partner dies. (CBSE2025)	1
4	Diksha, Krish and Rajan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On 1st April, 2024, Rajan decided to retire from the firm. On that day, the balance in his capital account after making the necessary adjustments on account of reserves, revaluation of assets and reassessment of liabilities was 1,80,000. Diksha and Krish agreed to pay him 2,20,000 in full settlement of his claim. (CBSE2025)	3
5	Hans, Sohan and Kishore were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The firm closes its books on 31st March every year. On 1st August, 2024, Kishore died. The partnership deed provided that on the death of a partner, his executors will be entitled for : (i) Balance in his capital account less drawings. (ii) Interest on capital @ 12% p.a. (iii) His share of goodwill. (iv) His share in the profits of the firm till the date of his death calculated on the basis of average profit of the previous four years. The following information was obtained from the books of the firm on the date of Kishore's death: (a) Balance in his capital account on 1st April, 2024 was 4,00,000 and he had withdrawn 90,000 till that date for his treatment. (b) Goodwill of the firm is valued at 60,000. (c) Profits of the firm for the last four completed years were : 2,00,000, 2,20,000, 1,20,000 and 1,80,000. Prepare Kishore's Capital Account to be rendered to his Executors'. (CBSE2025)	4
6	Rohit, Mohit and Sandeep were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2020, Rohit retired. On the date of retirement 6,00,000 were	4

	due to him. Mohit and Sandeep agreed to pay Rohit in four equal yearly instalments plus interest @ 9% p.a. on the unpaid balance starting from 31st March, 2021. The firm closes its books on 31st March every year. Prepare Rohit's Loan A/c till it is fully paid.	
7	Arti, Bharti and Gayatri were partners in a firm sharing profits and losses in ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2024 was a follows :	6

Balance Sheet of Arti, Bharti and Gayatri as at 31st March, 2024

Liabilities	Amount	Liabilities	Amount
Creditors	1,50,000	Cash at Bank	1,30,000
General reserves	1,30,000	Debtors	70,000
Employees Provident Fund	25,000	Stock	1,05,000
Workmen Compensation Fund	75,000	Machinery	1,40,000
Capitals:		Building	2,00,000
Arti 2,00,000		Patent	5,000
Bharti 1,00,000		Profit and Loss A/c	80,000
Gayatri 50,000	3,50,000		
	7,30,000		**7,30,000**

On the above date, Arti retired from the firm on the following terms :

(i) Goodwill of the firm was valued at 3,00,000.
(ii) A provision of 5% for doubtful debts was to be created on debtors.
(iii) Machinery was to be depreciated by 10% and building was to be appreciated by 22,500.
(iv) Patents were considered as valueless and hence had to be written off.
(v) A claim of 15,000 was admitted for workmen compensation.

Prepare Revaluation A/c and Partners' capital A/c on Arti's retirement.

Marking Scheme

1	(B) Debit Vimal by ₹50,000, Debit Ghosh by ₹20,000 and Credit Bose by ₹70,000.	1
2	(A) 7:4:4	1
3	(D) When a partner dies.	1
4	Solution: Calculation of Rajan's share of Goodwill:- (₹) Amount agreed to be paid in full settlement = 2,20,000 Less: Rajan's share (after all adjustments) = (1,80,000) 40,000	1

In the books of Diksha, Krish and Rajan Journal

Date	Particulars	LF	Amount	Amount
2024 April 01	Diksha's Capital A/c Dr.		24,000	
	Krish's Capital A/c Dr.		16,000	
	To Rajan's Capital A/c			40,000
	(Rajan's share of goodwill adjusted in continuing partners' capital account in their gaining ratio)			

5	**Solution:**	3

Dr. **Kishore's Capital A/c** **Cr.**

Particulars	Amount	Particulars	Amount
To Drawings A/c	90,000	By Balance b/d	4,00,000
To Kishore's Executor's A/c	3,46,000	By Interest on Capital A/c……1	16,000
		By Hans's Capital A/c…….. ½	6,000
		By Sohan's Capital A/c……½	4,000
		By Profit & Loss Suspense A/c 1	10,000
	4,36,000		**4,36,000**

6 **Solution:** 3

Dr. **Rohit's Loan A/c** **Cr.**

Date	Particulars	Amt.	Date	Particulars	Amt.
2021 March 31	To Bank A/c	2,04,000	2020 April1	By Rohit's Capital A/c	6,00,000
March 31	To Balance c/d	4,50,000	2021 March 31	By Interest A/c	54,000
		6,54,000			6,54,000
2022 March 31	To Bank A/c	1,90,500	2021 April1	By Balance b/d	4,50,000
March 31	To Balance c/d	3,00,000	2022 March 31	By Interest A/c	40,500
		4,90,500			4,90,500
2023 March 31	To Bank A/c	1,77,000	2022 April1	By Balance b/d	3,00,000
March 31	To Balance c/d	1,50,000	2023 March 31	By Interest A/c	27,000
		3,27,000			3,27,000

2024 March 31	To Bank A/c	1,63,500	2023 April1 2024 March 31	By Balance b/d By Interest A/c	1,50,000 13,500
		1,63,500			**1,63,500**

7 **Solution:** 4

Dr. **Revaluation A/c** **Cr.**

Particulars	**Amount**	**Particulars**	**Amount**
To Provision for doubtful debts A/c (½) To Machinery A/c (½) To Patents A/c (½)	3,500 14,000 5,000	By Building A/c (½)	22,500
	22,500		**22,500**

Dr. **Partners' Capital A/c** **Cr.**

Part.	**Arti**	**Bharti**	**Gayatri**	**Part.**	**Arti**	**Bharti**	**Gayatri**
To Profit & Loss A/c (½)	40,000	24,000	16,000	By Balance b/d (½)	2,00,000	1,00,000	50,000
To Aarti's Capital A/c (½)	-	90,000	60,000	By Bharati's Capital A/c	90,000	-	-
To Aarti's Loan A/c (½)	4,05,000	-	-	By Gayatri's Capital A/c (½)	60,000	-	-
To Balance c/d (½)	-	43,000	12,000	By General Reserve (½)	65,000	39,000	26,000
				By Workmen Compensation Fund (½)	30,000	18,000	12,000
	4,45,000	**1,57,000**	**88,000**		**4,45,000**	**1,57,000**	**88,000**

CHAPTER –6

DISSOLUTION OF A PARTNERSHIP FIRM

MEANING- Dissolution of firm means business of the firm is closed and the firm is wound up.
It differs from dissolution of Partnership which means reconstitution of partnership but the firm Continues.

Modes of Dissolution of a firm-

1. By mutual agreement
2. Compulsory Dissolution
3. By Notice
4. Dissolution by court
5. On happening of an event

Settlement of accounts (section 48)

Treatment of Losses: Loss, including deficiencies of capital, is paid first out of profit, then out of capital and lastly, if necessary, by the partners individually in the ratio in which they share profits.

Application of Assets: Assets of the firm, including amount contributed by the partners to make up deficiencies of capital, are applied in the following order:
(a)In paying firm's debts to the third parties, i.e., outside parties;
(b) In paying to each partner ratably what is due to him on account of loans or advances,
(c) In paying to each partner ratably what is due to him on account of capital; and
(d) The residue, if any, is distributed among the partners in their profit-sharing ratio.

Accounting on dissolution of partnership firm-

1. Realization account
2. Partner's capital account
3. Bank / cash account
4. Loan account- 1. loan given by partner to firm (liabilities side)
   2. loan given by firm to partner (assets side)

Format of realization account (nature nominal account)

Particulars	Amount	Particulars	Amount
Step 1 **To all assets** (from balance sheet) except these 8 items- cash, bank, capital account, current account, drawings of partners acc, loan to partner, P&L(dr.), fictitious assets (deferred revenue expenditure) **Step 4** From additional information **To Bank/ Cash a/c** (amount paid to liabilities) **To Bank/Cash a/c** (unrecorded liabilities paid) **To Bank/Cash a/c** (expenses on realization) **To Partner's capital a/c** (any liability paid by partner or expenses on realization) **To Partner's capital a/c** (profit transferred) (bal. fig.)		**Step 2** By provision for d. debt By investment fluctuation reserve By depreciation fund **Step 3** **By all liabilities** (from balance sheet) Except these items- capital account, current account, P&L (cr.), reserves, loan from partners **Step 5** From additional information **By Bank/Cash a/c** (assets sold, amount received from recorded/ unrecorded assets) **By partner's capital a/c** (assets taken by partner) **By partner's capital a/c** (loss transferred) (bal. fig.)	
	xxxx		**xxxx**

An illustration for the placement of Balance Sheet items into its respective ledgers to close the books of accounts on dissolution of a partnership firm.

Balance Sheet (As on March 31st 2016) 5:3:2

Liabilities	(₹)	Assets	(₹)
Creditors	30,000	Buildings	1,40,000
Bills Payable	30,000	Machinery	40,000
Bank Loan	1,20,000	Stock	1,60,000
Sonia's Husband's Loan	1,30,000	Bills Receivable	1,20,000
Investment Fluctuation Fund	2,000	Furniture	80,000
Workmen Compensation Fund	15,000	Debtors	40,000
Bank Overdraft	5,000	Goodwill	15,000
Provision for doubtful debts	4,000	Investments	20,000
Rohit's Loan	20,000	Udit's Current A/c	10,000
General Reserve	80,000	**Cash at Bank**	60,000
Profit & Loss A/c	5,000		
Sonia's Current A/c	10,000		
Capitals:	2,34,000		
Sonia 60,000			
Rohit 80,000			
Udit 94,000			
	6,81,000		6,81,000

Realization Account

Particulars	(₹)	Particulars	(₹)
Buildings	1,40,000	Creditors	30,000
Machinery	40,000	Bills Payable	30,000
Stock	1,60,000	Bank Loan	1,20,000
Bills Receivable	1,20,000	Sonia's Husband's Loan	1,30,000
Furniture	80,000	Investment Fluctuation Fund	2,000
Debtors	40,000	Workmen Compensation Fund	15,000
Goodwill	15,000	Bank Overdraft	5,000
Investments	20,000	Provision for doubtful debts	4,000

Capital Account

Particulars	Sonia	Rohit	Udit	Particulars	Sonia	Rohit	Udit
Current A/c	----	----	10,000	Balance b/d	60,000	80,000	94,000
				General Reserve	40,000	24,000	16,000
				Profit & Loss A/c	2,500	1,500	1,000
				Current A/c	10,000	-----	-----

Once, the above transfer entries are completed then there will be four maximum account existed:

(1) Realization Account (2) Capital Account of partners (3) Bank Account
(4) Partner's Loan Account (if any)

Points to remember-

1. If the realized value of tangible assets is not given it should be considered as realized at book value itself.
2. If the realized value of intangible assets is not given it should be considered as nil (zero value).

Journal Entries

Sr. no.	Journal entries	Journal entries
1.	**when assets released**	**Assets taken by a partner**
	Case I: Realized by firm Realized from sundry assets ₹ 2,10,000. Bank Dr.	**Case I: Partner X took over an asset (book value ₹ 9,000) at 80%.**

	2,10,000 To Realization A/c 2,10,000 **Case II**: Realized through broker **Realized through broker 2,40,000 and he charged commission @ 2%.** Bank A/c Dr. 2,35,200 To Realization A/c 2,35,200	X's Capital A/c Dr. 7,200 To realisation a/c 7200 **Case II**: **Took over for cash. Partner Z took over an unrecorded asset (estimated value ₹ 6,000) at ₹ 4,500 for cash**. Bank A/c Dr. 4,500 To Realization A/c 4,500
	Assets taken by a creditor	
	Case I: Taken for full settlement A **creditor of ₹ 15,000 (out of ₹ 75,000) took over furniture (book value ₹ 20,000) in full settlement of his account**. Sol.: Realization A/c Dr. 60,000 To Bank A/c 60,000 (Being balance of creditors paid) **Case II: Taken at less than the claim** A creditor of ₹ 20,000 (out of ₹ 80,000) took over an unrecorded asset (estimated value ₹ Zero) at ₹ 5,000. Sol.: Realization A/c Dr. 75,000 To bank account 75,000 (Being balance of creditors paid)	**Case III:** Taken at more than the claim **A creditor of ₹ 25,000 (out of ₹ 1,00,000) took over half of stock (book value ₹ 30,000) at 10% less.** Sol.: Bank A/c Dr. 2,000 To Realization A/c 2,000 (Being excess value of taken asset received) Realization A/c Dr. 75,000 To Bank A/c 75,000 (Being balance of creditors paid)
	When asset is given to pay liability No Entry	
2.	**When liability is paid**	**When a partner is agreed to pay liability**
	Realization account Dr To bank account	Realization a/c Dr. To partner's capital a/c
3.	**When partner's loan is paid off**	**When less amount is paid to partner in full settlement of loan**
	Loan by partner's a/c Dr. To Bank a/c	Loan by partner a/c Dr To bank a/c To realization a/c
4.	**When profit on realization is transferred to partner's capital a/c**	**When loss on realization is distributed**
	Realization a/c Dr. To partner's capital a/c	Partner's capital a/c Dr. Realization account
5.	**When firm decide to pay remuneration to partner**	
	Realization a/c Dr. To partner's capital a/c	

Treatment of debtors, provision for d. debt and bad debt

Balance Sheet
As at…..

Liabilities	Amount	Assets	Amount
		Debtors 60,000 Less: provision 2,000	58,000

Additional info. Case I. debtors realized full
Case II. Debtors realized at 80%
Case III. Bad debts amounted rs 8,000
Case IV: Silent about realize from debtors

Realization account

Particulars	Amount	Particulars	Amount
To Debtors	60,000	By provision for d. debt Case I By bank/ cash (debtors) Case II By Bank/ cash(debtors) Case III By Bank/ cash(debtors) Case IV By Bank/Cash (only tangible*)	2,000 60,000 48,000 52,000 60,000

TREATMENT OF REALISATION EXPENSES

CASE I		CASE II		
Expenses borne/ met by the firm **Or** **If question is silent who is going to borne the expenses. It will be borne by the firm**		**Expenses borne/ met by partner (Ram)** **Or** **Expenses paid by firm on behalf of partner**		
Expenses paid by firm Realisation a/c Dr. To Bank a/c	**Expenses paid by partner** Realisation a/c Dr To partner's capital a/c	**Expenses paid by firm** Partner's capital a/c dr To Bank a/c	**Expenses paid by partner** NO ENTRY	**Expenses paid by other partner** Ram's capital a/c Dr. To Mohan's capital a/c

PASS JOURNAL ENTRIES FOR FOLLOWING

1	Realisation expenses were Rs. 10,000 Realisation a/c Dr. 10,000 To Bank a/c 10,000	6	Dissolution expenses Rs 8000. Out of the said expenses rs 3000 were to be born by firm and the balance by Ravi a partner. Rs 8000 are paid by firm Realisation a/c Dr 3,000 To bank a/c 3,000 Ravi a/c Dr 5,000 To bank a/c 5,000
2	Realisation expenses of Rs 5,000 were paid by Taran, a partner Realisation a/c Dr 5,000 To Taran's capital a/c 5,000	7	Manoj a partner to carry out dissolution of the firm at an agreed remuneration of Rs 10,000 Realisation a/c Dr 10,000 To Manoj's capital a/c 10,000
3	Realisation expenses of rs 5,000 were paid by form on behalf of Madan a partner	8	Dev a partner is paid remuneration of Rs 15,000 for dissolution of firm. Realisation expenses of rupees 8,000 paid by the firm

	Madan's capital a/c Dr. 5,000 To bank a/c 5,000		Realisation a/c Dr 15,000 To Dev’s capital a/c 15,000 Realisation a/c Dr 8,000 To bank a/c 8,000
4	Pawan a partner was paid remuneration (including expenses) of Rs 20,000 to carry out dissolution of the firm. Actual expenses were rs 10,000. Expenses incurred were paid by Pawan	9	Realisation expenses of Rs 5000 were to be borne by Pavit a partner However it was paid by Hitesh another partner. It was to be recorded in the books
	Realisation a/c Dr. 20,000 To Pawan’s capital a/c 20,000 No entry for 10,000 (responsibility taken by partner)		Pavit’s capital a/c Dr 5,000 To Hitesh’s capital a/c 5,000
5	Realisation expenses of Rs 5000 were to be born and paid by Karan a partner		
	NO ENTRY		

1 mark questions		
1	White, Shaun and Todd were partners in a firm sharing profits and losses equally. 1,00,000 to the firm. The firm was dissolved. Shanu’s wife loan had been already transferred to Realisation account. The account credited to discharged wife’s loan will be: (A) Shanu’s capital a/c (B) Bank account (C) Realisation account (D) Shanu’s loan account	1
2	On dissolution of a firm, there was an unrecorded asset of 15,000 which was taken over by a partner at 13,000. Partner's capital account will be debited by: (A) ₹15,000 (B) ₹28,000 (C) ₹2,000 (D) ₹13,000	1
3	In the event of dissolution of a partnership firm, the order of payment of losses including deficiencies of capital shall be: (A) (i) First out of profits, (ii) Next by the partners individually in their profit- sharing ratio, (iii) Lastly, if necessary, out of capital of partners. (B) (i) First out of capital of partners, (ii) Next out of profits, (iii) Lastly, if necessary, by the partners individually in their profit- sharing ratio. (C) (i) First by the partners individually in their profit -sharing ratio, (ii) Next out of profits, (iii) Lastly, if necessary, out of capital of partners. (D) (i) First out of profits, (ii) Next out of capital of partners, (iii) Lastly, if necessary, by the partners individually in their profit- sharing ratio	1
4	A, B, and C are partners sharing profits in the ratio 5:3:2. On dissolution, the total realization loss is ₹20,000. How much will C bear? A) ₹5,000 B) ₹4,000 C) ₹2,000 D) ₹6,000	1
5	Aavya, Mitansh and Praveen were partners in a firm. On 31st March, 2023, the firm was dissolved. Creditors took over furniture of book value of ₹50,000 at ₹45,000 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) ₹ 10,000 (C) ₹45,000 (B) ₹ 50,000 (D) ₹15,000	1
6	On dissolution, furniture with a book value of ₹10,000 was taken over by partner C at ₹12,000. What is the effect on Realization Account? A) Credit Realization with ₹10,000 B) Credit Realization with ₹12,000 C) Debit Realization with ₹12,000 D) No entry	1
7	On dissolution, an unrecorded liability of ₹4,000 is discovered and paid. What is the accounting treatment? A) Debit Realization A/c ₹4,000 B) Credit Realization A/c ₹4,000 C) Debit Capital A/c ₹4,000 D) No entry	1
8	On dissolution of a firm, there was an unrecorded asset of ₹ 15,000 which was taken over by a	1

	partner at 13,000. Partner's capital account will be debited by: (A)₹ 15.000 (B)₹2,000 (C) ₹ 28,000 (D) ₹13,000	
9	Assertion (A): Loan from a partner is not transferred to Realization Account. Reason (R): Loan from a partner is not an outside liability but is paid before repayment of capital. In the context of above two statements, which of the following is correct? Assertion (A) (A) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of (B) Both, Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A). (C) Only Assertion (A) is correct. (D) Both Assertion (A) and Reason (R) are not correct.	1
10	Which of the following will not result in compulsory dissolution of a partnership firm? (A) When all partners or all but one partner become insolvent. (B) When the business of the firm becomes illegal. (C) When some event has taken place which makes it unlawful for the partners to carry on the business of the firm in partnership. (D) When a partner dies.	1

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
B	**D**	**D**	**B**	**D**	**B**	**A**	**D**	**B**	**D**

3&6 marks questions

1	Pass necessary Journal entries in the following cases: (A) Creditors of 85,000 accepted 40,000 as cash and Investment of 43,000, in full settlement of their claim. (B) Creditors were ₹ 16,000. They accepted Machinery valued at 18,000 in settlement of their claim. (C) Creditors were 90,000. They accepted Building valued at 1,20,000 and paid cash to the firm₹30,000 **Solution**: (a) Realization a/c dr. 40,000 To bank a/c 40,000 (b) no entry (c) Bank a/c dr 30,000 To realization a/c 30,000	3
2	Pass Journal entries in the following cases? (a) Expenses of realization 600 to be borne by the firm and are paid by Mohan, a partner. (b) Mohan, one of the partners of the firm, was asked to carry out dissolution of the firm for which he was allowed a salary of Rs 2000 © motor car of book value Rs 50000 taken by a creditor of the book value of Rs 40,000 in settlement **Solution**: (a) realization account dr 600 To Mohan's capital account 600 (b) Realization account dr2,000 To bank account 2000 (c) no entry will be passed	3

3	Lata and Dheeraj were partners in a firm sharing profits and losses in the ratio of 7 3. On 31st March, 2024, the firm was dissolved. After transferring various assets (other than cash) and third-party liabilities to Realization Account, the following transactions took place: (a) A debtor whose debt of ₹ 40,000 had been written off as bad, paid 37,000 in full settlement. (b) Land and building were sold for ₹9,00,000 through a broker who charged ₹50,000 as commission. (c) Creditors amounting to 36,000 were paid 33,000 in full settlement. Pass necessary journal entries for the above transactions in the books of Lata and Dheeraj. 1. **Solution:** a Bank a/c dr 37000 To realization 37000 b Bank dr 850000 To realization 850000 c Realization dr 33000 To bank 33000	3
4	Archana, Vandana and Arti were partners in a firm sharing profits and losses in the ratio of 5: 3: 2. Their Balance Sheet on 31st March, 2023 was as follows:	6

Balance Sheet of Archana, Vandana and Arti as at
31st March, 2023

Liabilities	Amount	Assets	Amount
Capitals: Archana 80,0000 Vandana 70,000 Arti 60,000	2,10,000	Investment Plant Stock Debtors	80,000 1,00,000 40,000 50,000
General reserve	30,000	Cash at bank	30,000
Creditors	60,000		
	3,00,000		3,00,000

The firm was dissolved on the above date.

(a) Assets were realized as follows:

Debtors 40,000
Stock 50,000
Plant 60,000

(b) Expenses of realization 20,000 were paid by Arti.

(c) 25% of the Investments were taken over by Vandana at ₹ 18,000. Remaining Investments were taken over by Archana at 10% less than its book value.

Prepare Realization Account.

1. **Solution:**

REALIZATION ACCOUNT

Particulars	Amount	Particulars	Amount
To investment	80,000	By creditors	60,000
To plant	1,00,000	By bank	
To stock	40,000	Debtors	40,000
To debtors	50,000	Stock	50,000
To bank (creditors)	60,000	Plant	60,000
To Arti's capital a/c(exp)	20,000	Investment (remaining inv)	54,000
		By Vandana's capital a/c(25% inv)	18,000
		By loss transferred to Archana 34000 Bandna 20400 Aarti 13600	68,000
	3,50,000		3,50,000

5	Pass the necessary journal entries for the following transactions on dissolution of the firm of Avyan and Shruti after various assets (other than cash) and third party liabilities have been transferred to Realization Account: (a) Sundry creditors amounting to ₹ 40,000 were settled at a discount of 10%. (b) An unrecorded computer of 50,000 was taken over by Shruti. (c) Creditors of₹ 5,000 agreed to take over debtors of 8,000 in full settlement of their claim. (d) The firm had a debit balance of 42,000 in the Profit and Loss Account on the date of dissolution. (e) There was an old furniture with the firm which had been written off completely from the books. This was sold for 9,000. **(f)** Realization expenses amounting to ₹ 11,000 were paid by Shruti.		6
	Solution: a Realization account dr 36000 To bank 36000 b Shruti's capital account dr 50000 To realization 50000 C no entry	d Avyan's capital Dr 21000 Shruti's capital a/c Dr 21000 To profit and loss account 42000 e bank account dr 9000 To realization account 9000 f realization account dr 11000 To Shruti's capital account 11000	
6	Pass necessary journal entries for the following transactions on dissolution of the firm of Rajesh, Somesh and Yogesh after various assets (other than cash) and third party liabilities have been transferred to Realization Account: (i) Rajesh took over stock of 4,00,000 at a discount of 20%. (ii) Somesh agreed to take over the firm's furniture, not recorded in the books of the firm at 80,000. (iii) Land and Building of the book value of 60,00,000 was sold for 90,00,000 through a broker who charged 10% commission. (iv) Ashish, an old customer, whose account for₹70,000 was written off as bad in the previous year, paid 60% of the amount. (v) Sundry Creditors of 3,00,000 were settled at a discount of 10%. (vi) Realization expenses amounting to ₹ 21.000 were paid by Yogesh.		67/2/1 2025
	Solution: **i** Rajesh's Capital A/c Dr.3,20,000 To realization a/c 3,20,000 (ii)Somesh's Capital A/c Dr 80000 To Realization A/c 80000 (iii)Bank A/c/Cash A/c dr 8100000 To Realization A/c 8100000 To Cash/Bank A/c 270000	(iv) Bank a/c dr 42000 To realization 42000 (v) Realization A/c dr 270000 (vi) Realization A/c dr 21000 To Yogesh's Capital A/c 21000	
7	Pass necessary journal entries for the following transactions on dissolution of the firm of Sachin, Virat and Rohit after various assets (other than cash) and third party liabilities have been transferred to Realization Account: (i) Sachin took over stock of book value of 80,000 at a discount of 10%, (ii) Virat agreed to take over the firm's creditors of the book value of 70,000 at a valuation of 65,000, (iii) Rohit took over his wife's loan of ₹ 3,00,000, (iv) There was an old typewriter which had been written off completely from the books. It realized 10,000. (v) Land and Building of the book value of₹ 50,00,000 was sold for ₹70,00,000 through a broker who charged 5% commission on the deal. (vi) Loss on realization 30,000 was to be distributed between Sachin, Virat and Rohit equally		67/2/2 2025

	Solution: **(i)** Sachin's capital account dr 72000 To realization account72000 (ii) realization account dr 65000 To Virat's capital account 65000 (iii) realization account dr 300000 To Rohit capital account 300000	(iv) Bank account dr 10000 To realization 10000 (v) Bank account dr 6650000 To realization account 6650000 (VI) Sachin capital account dr 10000 Virat's capital account dr10000 Rohit capital account dr10000 To realization account 30000

8 Arnab, Ragini and Dhrupad are partners sharing profits in the ratio of 3:1: 1. Last year, conflicts arose due to certain issues of disagreements and on 31st March, 2023, they decided to dissolve the firm. On that date their Balance Sheet was as under:

BALANCE SHEET OF ARNAB, RAGINI AND DHRUPAD
as at 31st March, 2023

Liabilities	Amount	Assets	Amount
Creditors	60,000	Bank	50,000
Arnab's brother's loan	95,000	Debtors 1,70,000	
Dhrupad's loan	1,00,000	Less: provision for doubtful debts	
Investment fluctuation reserve	50,000	20,000	1,50,000
Capital a/cs		Stock	1,50,000
Arnav 2,75,000		Investment	2,50,000
Ragini 2,00,000		Building	3,00,000
Dhrupad 1,70,000	6,45,000	Profit & loss	50,000
	9,50,000		9,00,000

The assets were realized and the liabilities were paid as under:
(A) Arnab agreed to pay his brother's loan.
(B) Investments realized 20% less.
(C) Creditors were paid at 10% less.
(D) Building was auctioned for ₹3,55,000. Commission on auction was ₹ 5,000.
(E) 50% of the stock was taken over by Ragini at market price which was 20% less than the book value and the remaining was sold at market price.
(F) Dissolution expenses were 8,000.₹3,000 were to be borne by the firm and the balance by Dhrupad. The expenses were paid by him.
Prepare Realization Account and Partners' Capital Accounts

Sol

REALISATION ACCOUNT

Particulars	Amount	Particulars	Amount
To debtors	1,70,000	By provision for doubtful debt	20,000
To stock	1,50,000		
To investment	2,50,000	By investment fluctuation reserve	50,000
To building	3,00,000		
To Arnav's capital a/c (brother's loan)	95,000	By creditors	60,000
		By Arnav's brother's loan	95,000
To bank (creditors)	54,000	By bank	
To Drupad's capital a/c (realization exp)	3,000	Investment	2,00,000
		Building	3,50,000
To profit transferred to		Stock	60,000
Arnav's capital a/c 25,800		Debtors	1,70,000

Ragini's capital a/c 8,600 Drupad's capital a/c 8,600	43,000	By Ragini's capital a/c	60,000
	10,65,000		10,65,000

PARTNER'S CAPITAL ACCOUNT

Particulars	Arnav	Ragini	Dhrupad	Particulars	Arnav	Ragini	Dhrupad
To P&L a/c	30,000	10,000	10,000	By balance b/d	2,75,000	2,00,000	1,70,000
To realization a/c	-	60,000	-	By realization a/c	95,000	-	-
To bank (final payment)	3,65,800	1,38,600	1,71,600	By realization a/c(exp)	-	-	3,000
				By realization a/c (profit)	25,800	8,600	8,600
	3,95,800	2,08,600	1,81,600		3,95,800	2,08,600	1,81,600

9 Pass the necessary journal entries for the following transactions on the dissolution of the firm of Radha and Sudha after various assets (other than cash) and third- party liabilities have been transferred to Realization Account: 6

(a) Nitish, an old customer, whose account for ₹ 11,000 was written off as bad debt in the previous year, paid 70% of the amount.
(b) Sundry creditors amounting to ₹ 40,000 were settled at a discount of 20%.
(c) Radha took over investment worth₹23,000 at 20,000.
(d) Profit and Loss Account showed a debit balance of ₹ 18,000.
(e) Sudha's loan amounting to 15,000 was paid.
(f) Machinery of the book value of₹ 1,00,000 was given to a creditor of 85,000 in full settlement.

Sol a Bank account dr 7700
To realization 7700
b realization account dr 32000
To bank account 32000
c Radha's capital account dr 20000
To realization 20000

d Radha's capital account dr 9000
Sudha's capital account dr 9000
To profit and loss account 18000
E loan to Sudha account debit 15000
To bank account 15000
f no entry

WORKSHEET I

<table>
<tr><th>Sr no</th><th>Questions</th><th>Marks</th></tr>
<tr><td>1</td><td>Realisation expenses of ₹4,000 are to be borne by partner A, but paid by the firm. What is the journal entry?
A. Realisation A/c Dr. ₹4,000
To Cash A/c ₹4,000
B. A’s Capital A/c Dr. ₹4,000
To Cash A/c ₹4,000
C. Realisation A/c Dr. ₹4,000
To A’s Capital A/c ₹4,000
D. No entry</td><td>1</td></tr>
<tr><td>2</td><td>Profit on realisation is ₹6,000 and shared equally between A and B. How much is credited to each partner?
A. ₹3,000 B. ₹6,000 C. ₹4,000 D. ₹2,000</td><td>1</td></tr>
<tr><td>3</td><td>Pass necessary Journal entries in the following cases:
(A) Creditors of 85,000 accepted 40,000 as cash and Investment of 43,000, in full settlement of their claim.
(B) Creditors were ₹ 16,000. They accepted Machinery valued at 18,000 in settlement of their claim.
(C) Creditors were 90,000. They accepted Building valued at 1,20,000 and paid cash to the firm₹30,000</td><td>3</td></tr>
<tr><td>4</td><td>Pass the necessary journal entries for the following transactions on dissolution of the firm
(i)An unrecorded asset of 18,000 was taken over by Tina at 16,000.
(ii) Rina agreed to pay her brother's loan of 23,000.
(iii) Stock of 30,000 was taken over by a creditor of ₹ 40,000 in full settlement.</td><td>3</td></tr>
<tr><td>5</td><td>Aadish and Shreyansh were partners in a firm sharing profits and losses in the ratio of 3 2. On 31st March, 2022 their Balance Sheet was as follows:
Balance Sheet of Aadish and Shreyansh
as at 31st March, 2022
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Creditors
Mrs Aadish’s loan
Shreyansh’s loan
General reserve
Capitals:
Aadish 1,00,000
Shreyansh 97,000</td><td>90,000
30,000
30,000
45,000

1,97,000</td><td>Cash at bank
Stock
Investment
Debtors
20,000
Less: provision for doubtful debt 2,000
Plant
Advertisement suspense account</td><td>20,000
24,000
30,000

18,000
1,00,000
2,00,000</td></tr>
<tr><td></td><td>3,92,000</td><td></td><td>3,92,000</td></tr>
</table>
The firm was dissolved on 31st March, 2022 on the following terms:
(i) Debtors realised book value. 17,000 and plant realised 10% more than the
(ii) Aadish promised to pay Mrs. Aadish's loan and took away stock at ₹20,000.
(iii)Shreyansh took away half of the investments at a discount of 10%. Remaining investments realised ₹ 4,500.
(iv) Creditors were paid off at a discount of 10%.
(v)Expenses of realisation amounted to ₹ 7,000.
Prepare Realisation Account</td><td>6</td></tr>
<tr><td>6</td><td>Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2023,</td><td>6</td></tr>
</table>

their Balance Sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors Workman compensation reserve General reserve Ramesh's current a/c Capital a/cs Ramesh 7,00,000 Umesh 3,00,000	1,70,000 2,10,000 2,00,00 80,000 10,00,000	Bank Debtors Stock Furniture Machinery Umesh's current account	1,10,000 2,40,000 1,30,000 2,00,000 9,30,000 50,000
	16,60,000		16,60,000

On the above date the firm was dissolved.
(a) Ramesh took 50% of stock at 10,000 less than book value.
(b) Furniture was taken by Umesh for 50,000 and machinery was sold for ₹4,50,000.
(c) Creditors were paid in full.
(d) There was an unrecorded bill for repairs for 1,60,000 which was settled and paid at ₹ 1,40,000.

Ans

1	B
2	A
3	(a) Realization a/c dr. 40,000 To bank a/c 40,000 (b) no entry (c) Bank a/c dr 30,000 To realization a/c 30,000
4	i Tina's capital a/c dr 16,000 iii no entry To realization a/c 16,000 ii realization a/c dr 23,000 To Rina's capital a/c 23,000
5	loss on realization 5,000
6	Loss on realization 7,80,000

WORKSHEET II

<table>
<tr><th>Sr no</th><th>Questions</th><th>Marks</th></tr>
<tr><td>1</td><td>If an unrecorded asset is taken over by partner C for ₹10,000, what is the correct entry?
(A). Cash A/c Dr. ₹10,000
To Realisation A/c ₹10,000
(B). Realisation A/c Dr. ₹10,000
To C’s Capital A/c ₹10,000
(C). C’s Capital A/c Dr. ₹10,000
To Realisation A/c ₹10,000
(D). No entry</td><td>1</td></tr>
<tr><td>2</td><td>Realisation loss of ₹9,000 is shared by A, B, C in 2:2:1. What is B’s share?
A. ₹2,000 B. ₹3,000 C. ₹3,600 D. ₹2,500</td><td>1</td></tr>
<tr><td>3</td><td>Lata and Dheeraj were partners in a firm sharing profits and losses in the ratio of 7 3. On 31st March, 2024, the firm was dissolved. After transferring various assets (other than cash) and third-party liabilities to Realization Account, the following transactions took place:
(d) A debtor whose debt of ₹ 40,000 had been written off as bad, paid 37,000 in full settlement.
(e) Land and building were sold for ₹9,00,000 through a broker who charged ₹50,000 as commission.
(f) Creditors amounting to 36,000 were paid 33,000 in full settlement.
Pass necessary journal entries for the above transactions in the books of Lata and Dheeraj.</td><td>3</td></tr>
<tr><td>4</td><td>Pass the necessary journal entries for the following transactions on dissolution of the firm
(I)Expenses of dissolution ₹ 40,000 were paid by Rina.
(ii) Creditors were paid 18,800 in full settlement of their account of 20,000.
(iii)Tina's loan of 15,000 was paid through a cheque.</td><td>3</td></tr>
<tr><td>5</td><td>M. S and R were partners in a firm sharing profits and losses in the ratio of 2:1:2. On 31.03.2022, their Balance Sheet was as follows:
Balance Sheet of M, S and R as at 31st March, 2022
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Creditors
Capitals :
M 60,000
S 50,000
R 30,000
Profit & loss account</td><td>80,000

1,40,000
50,000</td><td>Fixed assets
Stock
Debtors
Bank</td><td>1,20,000
70,000
20,000
60,000</td></tr>
<tr><td></td><td>2,70,000</td><td></td><td>2,70,000</td></tr>
</table>
On the above date the firm was dissolved. Fixed assets realised 1,20,000 and stock realised 10,000. Debtors were realised at their book value and liabilities were paid in full.
Prepare Realisation Account and Partners' Capital Accounts.</td><td>6</td></tr>
<tr><td>6</td><td>Pass the necessary journal entries for the following transactions on dissolution of the firm of Varun and Vivek after various assets (other than cash) and outside liabilities were transferred to Realisation Account:
(i) Varun paid creditors Rs18,500 in full settlement of their claim of Rs 20,000.
(ii) Vivek agreed to pay his wife's loan of₹ 70,000.
(iii) The firm had unrecorded investments of ₹ 2,00,000, which were sold at a loss of 20%.
(iv) The firm had stock of ₹ 1,00,000. Varun took over the stock at a discount of 10%.
(v) Reema, a debtor whose account for ₹ 2,000 was written off as a bad debt in the</td><td>6</td></tr>
</table>

	previous year, paid 70% of the amount. (vi) Expenses of realisation 4,900 were paid by partner, Vivek.	

Ans

1	C
2	B
3	a Bank a/c dr 37000 To realization 37000 b Bank A/C dr 850000 To realization 850000 c Realization dr 33000 To bank 33000
4	i realization a/c dr 40,000 To Rina's capital a/c 40,000 ii realization a/c dr 18,000 To bank a/c 18,000 iii Tina's loan a/c dr 15,000 To bank a/c 15,000
5	loss on realization 60,000 M,S,R will receive 56,000,48,000,26,000 respectively
6	**i** realization a/c dr 18,500 To Varun's capital a/c 18,500 ii realization a/c dr 70,000 To Vivek's capital a/c iii bank a/c dr 1,60,000 To realization a/c 160,000 iv Varun's capital a/c dr 90,000 To realization a/c 90,000 v bank a/c dr 1,400 To realization 1,400 vi realization a/c dr 4,900 To Vivek's capital a/c 4,900

CHAPTER-7
ACCOUNTING FOR SHARE CAPITAL

Meaning and definition of company

Meaning of company: A company is an organization formed by an association of persons through a process of law for undertaking (usually) a business venture.

Definition – "Company means a company incorporated under this Act or any previous company - Section 2(20) of the Companies Act, 2013

Share Capital - Schedule III of the Companies Act, 2013 classified Share Capital as:

I. **Authorized Share Capital** is the maximum amount of share capital which a company is authorised to issue by its Memorandum of Association

II. **Issued share capital** is that part of the authorised capital which is actually issued to the public for subscription

III. **Subscribed share capital** is a part of issued share capital that is subscribed. Subscribed share capital is shown as

a. Subscribed and fully paid – up

b. Subscribed but not fully paid – up

IV. **Called–up capital** is that part of the subscribed capital which has been called up on the shares, i.e., what the company has asked the shareholders to pay.

V. **Paid–up capital** is that portion of the called-up capital which has been actually received from the shareholders. Paid up capital is equal to the called-up capital minus call in arrears

VI. **Reserve capital** is a portion of its uncalled capital to be called only in the event of winding up of the company. It is available only for the creditors on winding up of the company.

TYPES OF SHARES

A. PREFERENCE SHARES - These are the shares that carry preferential right as to dividend at fixed rate and preferential right as to repayment of capital on winding up of Company.

B. EQUITY SHARES – These shares are the shares that are not preference shares. These shares do not enjoy any preferential right in the payment of dividend or repayment of capital.

PRIVATE PLACEMENT OF SHARES- It refers to issue and allotment of shares to a selected group of persons. In other words, an issue, which is not a public issue but offered to a selected group of persons, is called Private Placement of Shares.

EMPLOYEES STOCK OPTION PLAN (ESOP) – It is the plan for granting options to subscribe shares by employees and employee directors. A company may issue stock (shares) options fulfilling the following conditions:

(a) These shares are of the same class of shares already issued;

(b) It is authorized by a special resolution passed by the company;

(c) The resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;

(d) Not less than one year has, at the date of issue, elapsed since the date on which the company had commenced business and

(e) These shares are issued in accordance with SEBI regulations, if the shares are listed

ISSUE OF SHARES

Shares can be issued

(i) for cash and (ii) for consideration other than cash.

Further, the shares can be issued (i) at par, or (ii) at premium

SECURITIES PREMIUM RESERVE – It can be utilized for the purpose prescribed in section 52(2) of the Companies Act, 2013, which are:

(i) writing off preliminary expenses;

(ii) Writing off expenses such as share such as share issue expenses, commission, discount allowed on issue of securities;

(iii) Providing for the premium payable on redemption of debentures or Preference Shares;

(iv) in buying-back its own shares.

(v) Issuing fully paid bonus shares;

CALL – It is a demand by a company from the holders of partly paid shares to pay a further instalment towards full nominal value.

CALLS-IN-ARREARS-It is the amount not yet received by the company against the call or calls demanded. Calls in advance is shown as a deduction from Called-up- capital in the Notes to Accounts to Share Capital

CALLS-IN –ADVANCE- It is the amount received by the company from its allotters against the calls not yet made. Calls- In- Advance is shown as 'Other Current Liability' under 'Current Liabilities'.

JOURNAL ENTRIES REGARDING ISSUE OF SHARES

1. ISSUE OF SHARES FOR CASH

1). Amount Payable in Lump Sum:

<u>On Receipt of Share Application Money:</u>

Bank A/c…..…Dr.

To Share Application and Allotment a/c

(Being the application money received)

<u>For Allotment of Shares:</u>

Share Application and Allotment a/c…….Dr

To Share Capital a/c [With Nominal (face) Value]

To Securities Premium a/c [With Premium Amount]

(Being the shares against share application and allotment money received)

2). **Amount payable in installments**

Transaction	Journal Entry	Amount
On Receipt of Application Money	Bank A/c. Dr. To Share Application A/c	Amount received with application.
On Allotment of Shares Share Application Money	Share application A/c Dr To share capital A/c	Application money on allotted shares
Amount due on Allotment	Share allotment A/c Dr To Share Capital A/c	Amount due on allotment
On receipt of allotment money	Bank A/c Dr To Share allotment A/c	Amount received on allotment
On first and final call due	Share first & final call A/c Dr To Share capital A/c	Amount due first and final call
On receipt of first and final call	Bank A/c Dr To Share first and final call A/c	Amount received on first and final call
To record Calls in Arrears	Bank A/c Dr Calls in Arrears A/c. Dr. To Share First Call A/c To Share Second & Final Call A/c	Amount not received on calls
To record Calls in Advance	Bank A/c Dr To Calls in Advance A/c	Amount received on Calls in Advance

UNDER SUBSCRIPTION OF SHARES –It means shares applied for are less than the shares offered for subscription.

OVER SUBSCRIPTION OF SHARES – It means shares applied for are more than the shares offered for subscription.

Three alternatives are available to deal with the situation:

(1) Accept some applications in full and totally reject the others;

(2) Pro-rata allotment to all; and

(3) Combination of the above two alternatives

PRO RATA ALLOTMENT – It means allotment of shares in a fixed proportion to the shares applied by the applicants. Pro rata allotment takes place only when the shares are oversubscribed.

Accounting Entries in Case of Over subscription

Transaction	Journal Entry
On Receipt of Application Money	Bank A/c. Dr. To Share Application A/c
Transfer of Application Money to Share capital	Share Application A/c Dr To Share Capital A/c
Excess Application Money Refund	Share Application A/c Dr To Bank A/C
Adjustment of excess application money to Allotment & Calls	Share Application A/c Dr To Share Allotment A/c To Calls – in- Advances A/c
Combined Entry for recording the above three entries	
	Share Application A/c Dr

	To share Capital A/c To Bank A/c To Share Allotment A/c To Calls-in–Advance A/c

ISSUE OF SHARES FOR CONSIDERATION OTHER THAN CASH

The number of shares to be issued to the vendor will be calculated as follows:

Number of shares to be issued= $\frac{\text{Amount Payable}}{\text{Issue Price}}$

The journal entries passed are:

(a) **On Purchase of Assets**	
Sundry Assets A/c Dr To Vendor's A/c	[With the amount of purchase price]
(b)On Purchase of Business	
Sundry Assets A/c Dr Goodwill A/c * Dr To Sundry Liabilities A/c To Vendor's A/c ** To Capital Reserve A/c	[Agreed value of assets] * [If purchase consideration given is more than net assets] [Agreed value of liabilities] [With purchase consideration] ** [If purchase consideration given is less than the net assets]

Note: Purchase consideration is an amount paid by purchasing company in consideration for purchase of assets/business from other enterprise. It may be given in the question otherwise it will be equal to net assets, i.e, sundry assets minus sundry liabilities.

The journal entries On Issues of Shares

If shares are issued to vendor at par:	**If shares are issued to vendor at a premium:**
Vendor's A/c Dr [With the purchase price] To share Capital A/c[With the nominal value of share allotted]	Vendor's A/c .Dr [With the purchase price] To share Capital A/c [With the nominal value of share allotted] To Securities Premium A/c [With the amount of premium]

FORFEITURE & REISSUE OF SHARES

FORFEITURE OF SHARES- It means cancellation of share capital due to non-payment of allotment or call money when they are due and forfeiting the amount received against these shares. Forfeiture of shares takes place when a shareholder fails to pay the calls made.

A. Forfeiture of shares issued at par:

Journal Entry	**OR alternatively**
Shares capital a/c Dr (called up value) To share allotment A/c To share call A/c To Share forfeited A/c (Amount paid up)	Shares capital a/c Dr (called up value) To Calls in arrears A/c (with the amount due from share holder) To Share forfeiture A/c (Amount paid up)

B. Forfeiture of shares which were originally issued at premium:

i) If premium has been received:	ii) If premium has not been received:
Share Capital a/c To Share Allotment a/c To Share Call/calls a/c To Share forfeitureA/c	Share Capital a/c Dr. Securities Premium A/c Dr. To Share Allotment A/c. (Amt due on allotment including Sec premium) To Share call / calls A/c To Share forfeiture A/c

REISSUE OF FORFEITED SHARES-

Forfeited Shares can be reissued at par, at premium or at a discount. ***But the discount on reissue of a share cannot be more than the forfeited amount of that share credited to Share forfeiture account at the time of forfeiture.***

REISSUE OF FORFEITED SHARES

If reissued at par	If reissued at discount	If reissued at Premium
Share Capital a/c To Share Allotment a/c To Share Call/calls a/c To Share forfeitureA/c	Share Capital a/c Dr. Securities Premium A/c Dr. To Share Allotment A/c. (Amt due on allotment including Sec premium) To Share call / calls A/c To Share forfeiture A/c	Bank a/c Dr. To Share capital a/c To Securities Premium A/c

NOTE: ***Maximum Permissible Discount on Reissue of Forfeited Shares is the amount forfeited, i.e., the amount credited to the Shares forfeiture A/c***

QUESTION BANK

S.No	**Questions**
1	A company must receive minimum subscription of _____ shares before it allots the share. A. 90% B. 70% C. 80% D. 95%
2	As per SEBI guidelines application money should not be less than…………of the issue price of each share. A. 10% B. 15% C. 25% D. 50%
3	Which of the following capital is not shown in the company's Balance Sheet? A. Authorized capital B. Issued &subscribed capital C. Called-up & paid up-capital D. Reserve capital
4	When the shares are issued for consideration other than cash which account will be debited A. Securities Premium A/c B. Capital Reserve A/c C. Vendor A/c D. Share Capital A/c
5	Amount of discount given at the time of reissue of shares should be debited to: A. Shares Capital B. Discount on Shares C. Share Forfeiture A/c D. Calls-In-Areas A/c

<table>
<tr><td>6</td><td>Reserve capital is a part of …
A. Paid up Capital B. Forfeited share capital
C. Asset D. Capital to be called up only on liquidation of company</td></tr>
<tr><td>7</td><td>Shares issued by a company to its employees or directors in consideration of ‘Intellectual Property Rights’ (IPR) are called…….
A. Right equity Shares B. Private Equity shares
C. Sweat Equity Share D. Bonus Equity shares</td></tr>
<tr><td>8</td><td>When shares are forfeited, share capital account is debited by:
A. Forfeited amount B. Called up amount on shares
C. Paid up amount on shares D. Amount of capital reserve</td></tr>
<tr><td>9</td><td>When the shares are reissued at a price more that face value it is known as _______.
A. Forfeiture B. Discount C. Premium D. Reserve Capital</td></tr>
<tr><td>10</td><td>Alpha ltd. forfeited 200 equity shares of Rs. 10 each on which Rs. 6 was paid (including Rs. 1 premium). On reissue, the company can allow Rs. ______as discount.
A. Rs. 5 each B. Rs. 10 each C. Rs. 6 each D. Rs. 4 each</td></tr>
<tr><td>11</td><td>Excess balance amount at Share forfeiture account will be transferred to ______ account.
A. Forfeiture B. Capital Reserve C. Premium D. Reserve Capital</td></tr>
<tr><td>12</td><td>Authorized capital of a company is divided into 5,00,000 shares and ₹10 each. It issued 3,00,000 shares. Public applied for 3,60,000 shares. Amount of issued capital will be:
A. ₹30,00,000 B. ₹36,00,000 C. ₹50,00,000 D. ₹6,00,000</td></tr>
<tr><td>13</td><td>Match the following
<table>
<tr><td>1. Purchase consideration is more than net worth</td><td>A Capital Reserve</td></tr>
<tr><td>2. Purchase consideration is less than net worth</td><td>B Assets</td></tr>
<tr><td></td><td>C Goodwill</td></tr>
<tr><td></td><td>D vendor</td></tr>
</table>
A. 1. C, 2. A B. 1. C, 2. B C. 1. B, 2. C D. 1. A, 2. D</td></tr>
<tr><td>14</td><td>Assertion (A): A company can issue a share having face value of Rs. 10 at Rs. 9.
Reason (R): Under Section 53 of the Companies Act, 2013, a Company cannot issue shares at discount.
A. Both A and R are individually true and R is the correct explanation of A
B. Both A and R are individually true but R is not the correct explanation of A
C. A is true but R is false
D. A is false but R is true</td></tr>
<tr><td>15</td><td>An offer of securities or invitation to subscribe securities to a select group of persons is termed as :</td></tr>
</table>

	A Buy back of shares B Employee stock option plan C Private placement of shares D Sweat Equity

ANSWERS OF MCQS (01 MARKS)

1	**A**	**6**	**D**	**11**	**B**
2	**C**	**7**	**B**	**12**	**A**
3	**D**	**8**	**B**	**13**	**A**
4	**C**	**9**	**C**	**14**	**D**
5	**C**	**10**	**A**	**15**	**C**

SHORT ANSWERS QUESTIONS

1 Mohit Ltd. purchased assets worth Rs. 65, 00,000 from Bhavesh Industrial Corporation and took over their liabilities worth ₹ 12, 00,000 for a consideration of ₹ 49, 00,000.₹. 7,20,000 was paid through a bank draft and balance through equity shares of ₹. 100 each fully paid. Record necessary Journal entries in the books of Mohit Ltd. Assuming that shares were issued at a premium of 10%.

Solutions- **Journal of Mohit Ltd. –**

Date	Particulars	LF	DR(₹)	Cr (₹)
1	Assets A/c Dr. To Liabilities A/c To Bhuvesh Industrial Corporation A/c To Capital Reserve (Being share application money received on 50000 shares @ ₹ 50 each)		**65,00,000**	 **12,00,000** **49,00,000** **4,00,000**
2	Bhuvesh Industrial Corporation A/c Dr. To Bank A/c (Being amount transferred to share capital a/c)		**72,00,000**	 **72,00,000**
3	Bhuvesh Industrial Corporation A/c Dr. To Equity Share Capital a/c To Securities Premium Reserve A/c (Being payment of 41,80,000 made by issuing shares)		**41,80,000**	 **38,00,000** **3,80,000**

Hint - No. of Shares Issued= ₹ 4180000/ ₹110= 38,000 shares

2 Shivalik Limited was registered with an authorized capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each. It offered 50,000 equity shares to the public. The amount was payable as follows :

On Application - ₹ 2 per share

On Allotment -₹ 6 per share

On First and Final call - Balance

The issue was fully subscribed. All the amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited. Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also Prepare notes to Accounts for the same **.(CBSE 2024)**

Solution Shivalik Ltd.

BALANCE SHEET (extract)

As at ……………………….

Particulars	**Note No**	**Amount(₹)**
I Equity and Liabilities		
1 Shareholders' Funds		
2 Share Capital	**1**	**4,68,000**

Notes to Accounts

Particulars	**Amount(₹)**
1. Share Capital	
Authorised Capital	10,00,000
1,00,000 equity shares of ₹10 each	
Issued Capital	
50,000 equity shares of ₹10 each	5,00,000
Subscribed Capital	
Subscribed and fully paid up	
46,000 equity shares of ₹10 each	4,60,000
Add: Share Forfeiture A/c	8,000
	4,68,000

3 Annex Ltd. issued 1,00,000 shares of ₹ 10 each at a premium of 10% to the public for subscription. The whole amount was payable on application. Applications were received for 3,00,000 shares and the board decided to allot shares to all shareholders on pro-rata basis. Pass necessary journal entries for the above transactions in the books of Annex Ltd **CBSE 2023**

Solutions – **Books of Annex Ltd.**

Journal

Date	**Particulars**	**LF**	**Debit (₹)**	**Credit (₹)**
	Bank A/c Dr To Share application and allotment A/c (Application money received on 300000 shares)		33,00,000	33,00,000

		Share application and allotment A/c Dr To Bank A/c To Share Capital A/c To Securities Premium A/c (Application money transferred to ShareCapital A/c, Securities Premium A/c and excess money refund)		33,00,000	 22,00,000 10,00,000 1,00,000	

4 Sandesh Ltd. has an authorised capital of ₹ 30,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 70,000 shares. Applications for 69,000 shares were received. All calls were made and duly received except the first and final call of ₹ 2 per share on 3,000 shares. These shares were forfeited. (a) Present the Share Capital in the Balance Sheet of the company per Schedule III, Part I of the Companies Act, 2013.

(b) Also Prepare notes to Accounts for the same ..**(CBSE 2023)**

Solutions - Sandesh Ltd.

BALANCE SHEET (extract)

As at ……………………….

Particulars	**Note No**	**Amount(₹)**
I Equity and Liabilities		
Shareholders' Funds		
(a) Share Capital	**1**	**6,84,000**

Notes to Accounts

Particulars	**Amount(₹)**
1. ShareCapital	
Authorised Capital	
3,00,000 equity shares of ₹10 each	30,00,000
Issued Capital	
70,000 equity shares of ₹10 each	7,00,000
Subscribed Capital	
Subscribed and fully paid up	
66,000 equity shares of ₹10 each	6,60,000
Add: Share Forfieture A/c(3000 X 8)	24,000
	6,84,,000

5 Disha Ltd. forfeited 500 shares of ₹ 100 each issued at 10% premium, ₹ 90 called up, on which the shareholders did not pay ₹ 30 per share on allotment (including premium) and first call of ₹ 20 per share. Out of these, 300 shares were reissued for ₹ 80 per share, fully paid up. Pass necessary journal entries for forfeiture and reissue of shares. **CBSE 2023**

Solutions - **Books of Disha Ltd.**

Journal

Date	**Particulars**	**LF**	**Debit (₹)**	**Credit (₹)**

Share Capital A/c Dr Securities Premium Reserve A/c Dr To Forfieted Shares A/c To Share Allotment A/c To Share First Call A/c (500 shares forfeited for non-payment of allotment and 1st Call)		45,000 5,000	 25,000 15,000 10000
Bank A/c Dr Forfieted Shares A/c Dr To Share Capital A/c (300 shares reissued at ₹45 per share, fully paid up)		24,000 6,000	 30,000
Forfieted Shares A/c Dr To Capital Reserve A/c (Gain on 300 re-issued shares transferred to capital reserve		9,000	 9,000

Hint- 25,000/500 X 300= 15,000 -6,000=9,000

LONG ANSWER TYPE QUESTIONS (6 MARKS)

1 Software Solution India Ltd. invited applications for 25,000 equity shares of ₹ 100 each, payable ₹ 40 on application, ₹ 30 on allotment and ₹ 30 on first and final call. The company received applications for 32,000 shares. Applications for 2,000 shares were rejected and money returned to applicants. Applications for 10,000 shares were accepted in full and applicants for 20,000 shares allotted remaining shares and excess application money adjusted into allotment. All money due on allotment and call was received. Pass necessary Journal Entries.

Solution:

In the books of Software Solution India Ltd.

Journal

Date	Particulars	LF	DR (₹)	CR (₹)
1	Bank A/c Dr To Share Application A/c (Application and Allotment money received for 1,60,000 shares)		12,80,000	 12,80,000
2	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Application money transferred to Share Capital and Securities Premium A/c , Excess money to share allotment A/c and Excess money returned)		12,80,000	 10,00,000 2,00,000 80,000
3	Share Allotment A/c Dr To Share Capital A/c (Allotment money due)		75,00,000	 75,00,000
4	Bank A/c Dr To Share Allotment A/c (Allotment money received)		55,00,000	 55,00,000
5	Share First and Final Call A/c Dr		75,00,000	

	To Share capital A/c (First Call Money due on 29,400 shares)			75,00,000
6	Bank A/c Dr To Share First Call A/c (Share First Call Money received)		75,00,000	 75,00,000

Working Note –

No. of Shares Applied	**No. of Shares Alloted**
2,000	Nil
10,000	10,000
20,000	15,000

2 Lotus Ltd. invited applications for issuing 80,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as follows : On application ₹ 5 per share and On allotment ₹ 9 per share (included premium). Applications were received for 1,40,000 shares and allotment was made to all applicants on pro-rata basis. Money overpaid on applications was adjusted towards sums due on allotment. Rajiv, who had applied for 1,400 shares, failed to pay the allotment money. His shares were forfeited. Later on, these forfeited shares were reissued at ₹ 9 per share as fully paid up. Pass necessary journal entries for the above transactions in the books of Lotus Ltd. **(CBSE 2023)**

Solutions -

In the books of Lotus Ltd.
Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 1,40,000 shares)		7,00,000	 7,00,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c (Application money transferred to Share Capital and Excess money to share allotment A/c)		700000	 4,00,000 3,00,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Allotment money due at premium)		7,20,000	 4,00,000 3,20,000
4	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Allotment A/c (Allotment money received except on 800 shares)		4,158,00 4,200	 4,20,000
5	Share Capital A/c Dr Securities Premium A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (800 equity shares forfeited for non-payment of allotment money)		8,000 3,200	 4,200 7,000

6	Bank A/c Dr Share Forfieture A/c Dr To Share capital A/c (Reissue of forfeited shares)		7200 800	 8,000
7	Share Forfieture A/c Dr To Capital Reserve A/c (gain on reissue of shares transferred to Capital Reserve A/c)		6,200	 6,200

3 Tulip Ltd. invited applications for issuing 2,40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as under : On application ₹ 4 per share (including premium ₹ 2) On allotment ₹ 4 per share On first and final call ₹ 6 per share (including premium ₹ 2) Applications for 3,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money received with applications was adjusted towards sums due on allotment. All moneys were duly received except from Rohini who had applied for 7,500 shares, and failed to pay allotment and first and final call. Pass the necessary journal entries for the above transactions in the books of Tulip Ltd. Open Calls-in-arrears and Calls-in-advance account, wherever necessary. **.(CBSE 2023)**

In the books of Tulip Ltd.
Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 3,00,000 shares)		12,00,000	 12,00,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c (Application money transferred to Share Capital and Securities Premium A/c , Excess money to share allotment A/c and Excess money returned)		1200000	 4,80,000 4,80,000 2,40,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c (Allotment money due)		9,60,000	 9,60,000
4	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Allotment A/c (Allotment money received)		7,02,000 18,000	 7,20,000
5	Equity Share First and Final Call A/c Dr To Equity Share capital A/c To Securities Premium Reserve A/c (Share First and Final Call Money due		14,40,000	 9,60,000 4,80,000
6	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share First and Final Call A/c		14,04,000 36,000	 14,40,000

			(share first & final call money received)			

4 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 – ₹2 per share . 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. **.(CBSE 2024 compartment)**

Solution-

In the books of Diamond Ltd.

Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Share Application A/c (Application money received for 45,000 shares)		1,80,000	 1,80,000
2	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c (Application money transferred to Share Capital and Excess money to share allotment and Call A/c)		1,80,000	 80,000 80,000 20,000
3	Share Allotment A/c Dr To Share Capital A/c (Allotment money due)		80,000	 80,000
4	Bank A/c Dr To Share Allotment A/c (Allotment money received)		-------	 -----
5	Share First and Final Call A/c Dr To Share capital A/c (First and final call money due)		40,000	 40,000
6	Bank A/c Dr Calls in Arrears A/c Dr Calls in Advance A/c Dr To Share First and Final call A/c (Call money received)		19,000 1,000 20,000	 40,000
7	Equity Share Capital A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (500 shares forfeited for non payment of call)		5,000	 1,000 4,000
8	Bank A/c Dr Share Forfieture A/c Dr To Share capital A/c (Reissue of forfeited shares)		1,000 4,000	 5,000

9	Share Forfieture A/c Dr To Capital Reserve A/c (Gain on reissue of shares transferred to Capital Reserve A/c)		---	----

5 CCL Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows : On Application ₹ 2 per share On Allotment ₹ 6 per share (including premium) On First Call ₹ 3 per share and On Second and Final Call Balance. Applications for 1,20,000 shares were received. Application for 45,000 shares were rejected and the excess application money was refunded. Full allotment was made to remaining applicants. All moneys due were received except for Harish, a shareholder holding 2000 shares, who failed to pay the first and second and final call money. Pass necessary journal entries for the above transactions in the books of the company. **.(CBSE 2023 Compartment)**

Solutions- **In the books of CCL Ltd.**

Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 1,20,000 shares)		2,40,000	 2,40,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Bank A/c (Application money transferred to Share Capital and Excess money refunded)		2,40,000	 1,50,000 90,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Allotment money due at premium)		450,000	 2,25,000 2,25,000
4	Bank A/c Dr To Equity Share Allotment A/c (Allotment money received)		4,50,000	 4,50,000
5	Equity Share First Call A/c Dr To Equity Share capital A/c (First call money due)		2,25,000	 2,25,000
6	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share First call A/c (First Call money received except on 2,000 shares)		2,19,000 6,000	 2,25,000
7	Equity Share Final Call A/c Dr To Equity Share Capital A/c (Final Call money due)		1,50,000	 1,50,000
8	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Final Call A/c (Final Call money received except on 2,000 shares)		1,46,000 4,000	 1,50,000

6	Ajanta Ltd. issued a prospectus inviting applications for issuing 5,00,000 equity shares of ₹ 10 each issued at a premium of 10%. The amount was payable as follows : On application ₹ 3 per share On allotment (including premium) ₹ 5 per share On first and final call ₹ 3 per share Applications were received for 6,00,000 shares and pro-rata allotment was made to all applicants. Excess money received on application was adjusted towards sums due on allotment. All amounts were duly received except from Sumit, who was the holder of 1,000 shares, and failed to pay the allotment and first and final call. His shares were forfeited. Pass journal entries for the above transactions in the books of Ajanta Ltd. Open calls-in-arrears account wherever necessary. **.(CBSE 2023)** **Solutions - In the books of Ajanta Ltd.** **Journal**

Date	Particulars	LF	DR (₹)	CR (₹)
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 6,00,000 shares)		18,00,000	 18,00,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c (Application money transferred to Share Capital and Excess money to share allotment A/c)		18,00,000	 15,00,000 3,00,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Allotment money due at premium)		25,00,000	 20,00,000 5,00,000
4	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Allotment A/c (Allotment money received except on 1000 shares)		21,95,600 4,400	 22,00,000
5	Equity Share First and Final Call A/c Dr To Equity Share capital A/c (First and final call money due)		15,00,000	 15,00,000
6	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share First call A/c (Call money received except on 1000 shares)		14,97,000 3,000	 15,00,000
7	Equity Share Capital A/c Dr Securities Premium A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (1000 equity shares forfeited for non-payment of allotment and call)		10,000 1,000	 3,600 7,400

7	Yash Ltd. invited applications for 50,000 equity shares of ₹ 3 per share; on allotment (including premium) ₹ 3 per share and on first and final call, the balance amount. Applications were received for 1,20,000 shares and shares were allotted on pro-rata basis to all applicants. The excess money received on application was to be adjusted towards sums due on allotment. Application money in excess of sums due on allotment was refunded. A shareholder who applied for 6,000 shares could not pay the first and final call money and his shares were

forfeited. The forfeited shares were reissued for ₹ 60,000 fully paid up. Pass necessary journal entries for the above transactions in the books of Yash Ltd . **.(CBSE 2023)**

Solution **In the books of Yash Ltd.**

Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 1,40,000 shares)		3,60,000	 3,60,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money transferred to Share Capital and Excess money to share allotment A/c)		3,60,000	 1,50,000 1,50,000 60,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c (Allotment money due at premium)		1,50,000	 1,00,000 50,000
4	Equity Share First and Final Call A/c Dr To Equity Share capital A/c (First call money due)		2,50,000	25,0,000
4	Bank A/c Dr To Equity Share Allotment A/c (Allotment money received except on 800 shares)		NIl	 Nil
	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share First call A/c (Call money received)		2,37,500 12,500	 2,50,000
5	Equity Share Capital A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (2500 equity shares forfeited for non-payment of first and final)		60,000	 25,000 35,000
7	Share Forfieture A/c Dr To Capital Reserve A/c (gain on reissue of shares transferred to Capital Reserve A/c)		12,500	 12,500

Work-Sheet I (20 marks)

Q No.	**Questions**	**mark**
1.	Which of the following capital is not shown in the company's Balance Sheet? A. Authorized capital B. Issued &subscribed capital C. Called-up & paid up-capital D. Reserve capital	1

2.	Shares issued by a company to its employees or directors in consideration of 'Intellectual Property Rights' (IPR) are called……. A. Right equity Shares B. Private Equity share C. Sweat Equity Share D. Bonus Equity shares	1
3.	As per Section 52 of Companies Act 2013, Securities Premium Reserve cannot be utilised for: A. Writing off capital losses. B. Issue of fully paid bonus shares. C. Writing off discount on issue of securities. D. Writing off preliminary expenses.	1
4.	Excess balance amount at Share forfeiture account will be transferred to ______ account. A. Forfeiture B. Capital Reserve C. Premium D. Reserve Capital	1
5	Annex Ltd. issued 1,00,000 shares of ₹ 10 each at a premium of 10% to the public for subscription. The whole amount was payable on application. Applications were received for 3,00,000 shares and the board decided to allot shares to all shareholders on pro-rata basis. Pass necessary journal entries for the above transactions in the books of Annex Ltd.	3
6	Disha Ltd. forfeited 500 shares of ₹ 100 each issued at 10% premium, ₹ 90 called up, on which the shareholders did not pay ₹ 30 per share on allotment (including premium) and first call of ₹ 20 per share. Out of these, 300 shares were reissued for ₹ 80 per share, fully paid up. Pass necessary journal entries for forfeiture and reissue of shares.	3
7	Shivalik Limited was registered with an authorized capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each. It offered 50,000 equity shares to the public. The amount was payable as follows : . On Application - ₹ 2 per share . On Allotment -₹ 6 per share . On First and Final call - Balance . The issue was fully subscribed. All the amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited. Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also Prepare notes to Accounts for the same.	4
8	Tulip Ltd. invited applications for issuing 2,40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as under : On application ₹ 4 per share (including premium ₹ 2) On allotment ₹ 4 per share On first and final call ₹ 6 per share (including premium ₹ 2) Applications for 3,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money received with applications was adjusted towards sums due on allotment. All moneys were duly received except from Rohini who had applied for 7,500 shares, and failed to pay allotment and first and final call. Pass the necessary journal entries for the above transactions in the books of Tulip Ltd. Open Calls-in-arrears and Calls-in-advance account, wherever necessary.	6

ANSWERS

1	**D.**
2	**B**
3	**A**
4	**B**

5

Books of Annex Ltd.
Journal

Date	Particulars	LF	Debit (₹)	Credit (₹)
	Bank A/c Dr		33,00,000	
	To Share application and allotment A/c			33,00,000
	(Application money received on 300000 shares)			
	Share application and allotment A/c Dr		33,00,000	
	To Bank A/c			22,00,000
	To Share Capital A/c			10,00,000
	To Securities Premium A/c			1,00,000
	(Application money transferred to ShareCapital A/c, Securities Premium A/c and excess money refund)			

6

Books of Disha Ltd.
Journal

Date	Particulars	LF	Debit (₹)	Credit (₹)
	Share Capital A/c Dr		45,000	
	Securities Premium Reserve A/c Dr		5,000	
	To Forfieted Shares A/c			25,000
	To Share Allotment A/c			15,000
	To Share First Call A/c			10000
	(500 shares forfeited for non-payment of allotment and 1st Call)			
	Bank A/c Dr		24,000	
	Forfieted Shares A/c Dr		6,000	
	To Share Capital A/c			30,000
	(300 shares reissued at ₹45 per share, fully paid up)			
	Forfieted Shares A/c Dr		9,000	
	To Capital Reserve A/c			9,000
	(Gain on 300 re-issued shares transferred to capital reserve)			

7

Shivalik Ltd.

BALANCE SHEET (extract)

As at ……………………….

Particulars	Note No	Amount(₹)
I Equity and Liabilities		
3 Shareholders' Funds		
4 Share Capital	**1**	**4,68,000**

. Notes to Accounts

Particulars	Amount(₹)
2. ShareCapital	
Authorised Capital	10,00,000
1,00,000 equity shares of ₹10 each	
Issued Capital	
50,000 equity shares of ₹10 each	5,00,000
Subscribed Capital	
Subscribed and fully paid up	
46,000 equity shares of ₹10 each	4,60,000
Add: Share Forfieture A/c	8,000
	4,68,000

8

In the books of Tulip Ltd.

Journal

Date	Particulars	LF	DR (₹)	CR (₹)
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 3,00,000 shares)		12,00,000	 12,00,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c (Application money transferred to Share Capital and Securities Premium A/c , Excess money to share allotment A/c and Excess money returned)		1200000	 4,80,000 4,80,000 2,40,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c (Allotment money due)		9,60,000	 9,60,000
4	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Allotment A/c (Allotment money received)		7,02,000 18,000	 7,20,000
6	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share First and Final Call A/c (share first & final call money Received)		14,04,000 36,000	 14,40,000

Work-Sheet II

Q No.	Questions	mark
1.	A company must receive minimum subscription of _____ shares before it allots the share. A. 90% B. 70% C. 80% D. 95%	1
2.	As per SEBI guidelines application money should not be less than…………of the issue price of each share. A. 10% B. 15% C. 25% D. 50%	1
3.	Which of the following statements is/are true? (i) Authorized Capital ₹ Issued Capital (ii) Authorized Capital ≥ Issued Capital (iii) Subscribed Capital ≤ Issued Capital (iv) Subscribed Capital > Issued Capital A. only (i) B. (i) and (iv) Both C. (ii) and (iii) Both D. Only (ii)	1
4.	Reserve capital is a part of … A. Paid up Capital B. Forfeited share capital C. Asset D. Capital to be called up only on liquidation of company	1
5	X limited invited application for 20,000 shares of rupees 10 each. The whole amount was payable on application. The issue was oversubscribed by 5000 shares. The company accepted application for 20000 shares and refunded the access money. Pass journal entries in the books of the company.	3
6	BCG Limited forfeited 75 shares of ₹ 10 each issued at a premium of ₹ 4 per share for non-payment of allotment money of ₹ 8 per share (including premium). The first and final call of ₹ 4 per share was not made. The forfeited shares were reissued at ₹ 15 per share fully paid. Pass necessary journal entries related to forfeiture and reissue of shares.	3
7	Pawan Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription, 80,000 equity shares. The amount per share was payable as follows : On application ₹ 3, On allotment ₹ 2, On first call ₹ 3 and On second and final call the balance The issue was fully subscribed and all amounts due were received except the first and final call money on 2,000 shares allotted to Chavi. Her shares were forfeited. Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same. –	4

8	Pushkar Limited invited applications for 30,000 shares of ₹ 100 each at 20% premium. The amount per share was payable as under : On application ₹ 40 (including ₹ 10 premium) On allotment ₹ 30 (including ₹ 30 On second and final call Balance Applications were received for 40,000 shares and pro-rata allotment was made to the applicants for 35,000 shares, the remaining applications being refused. Excess application money was adjusted towards sums due on allotment. Yogesh, who applied for 700 shares, failed to pay the allotment money and his shares were forfeited immediately after allotment. First call was made thereafter and all the money due on first call was received. The second and final call was not made. Pass necessary journal entries for the above transactions in the books of Pushkar Limited	6

ANSWERS

1	**A**
2	**B**
3	**C**
4	**D**
5	**JOURNAL**

Date	Particulars	LF	DR(₹)	Cr (₹)
1	Bank a/c Dr. To Equity Share Application and Allotment A/c (Being share application money received on50000 shares @ ₹ 50 each)		**25,00,000**	 **25,00,000**
2	Equity Share Application and Allotment A/c Dr. To Equity Share Capital a/c To Bank A/c (Being amount transferred to share capital a/c)		**25,00,000**	 **20,00,000** **5,00,000**

6

Books of BCG Ltd.

Journal

Date	Particulars	LF	Debit (₹)	Credit (₹)
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr To Forfieted Shares A/c To Shares Allotment A/c (75 shares forfeited for non-payment of allotment)		450 300	 150 600
	Bank A/c Dr To Share Capital A/c To Securities Premium Reserve A/c (75 shares reissued at ₹15 per share fully paid)		1,125	 750 375
	Forfieted Shares A/c Dr To Capital Reserve A/c (Gain on 75 re-issued shares transferred to capital reserve)		150	 150

7

Pawan Ltd.

BALANCE SHEET (extract)

As at ……………………….

Particulars	**Note No**	**Amount(₹)**
I Equity and Liabilities		
Shareholders' Funds		
(a) Share Capital	**1**	**7,90,000**

Notes to Accounts

Particulars	**Amount(₹)**
1. ShareCapital	
Authorised Capital	
1,00,000 equity shares of ₹10 each	10,00,000
Issued Capital	
80,000 equity shares of ₹10 each	8,00,000
Subscribed Capital	
Subscribed and fully paid up	
78,000 equity shares of ₹10 each	780,000
Add: Share Forfieture A/c	10,000
	7,90,000

8

In the books of Pushkar Ltd.

Journal

Date	Particulars	LF	DR (₹)	CR (₹)
1	Bank A/c Dr To Share Application A/c (Application and Allotment money received for 1,60,000 shares)		1600,000	 1600,000
2	Share Application & Allotment A/c Dr To Share Capital A/c To Securities Premium A/c To Share Allotment A/c To Bank A/c (Application money transferred to Share Capital and Securities Premium A/c , Excess money to share allotment A/c and Excess money returned)		1600000	 9,00,000 3,00,000 2,00,000 2,00,000
3	Share Allotment A/c Dr To Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 30,000 shares)		9,00,000	 6,00,000 3,00,000
4	Bank A/c Dr Calls in Arrears A/c Dr To Equity Share Allotment A/c (Allotment money received)		6,86,000 14,000	 7,00,000
5	Share Capital A/c Dr Securities Premium A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (600 equity shares forfeited for nonpayment of allotment money)		30,000 6,000	 14,000 22,000
6	Share First Call A/c Dr To Share capital A/c (First Call Money due on 29,400 shares)		8,82,000	 8,82,000
7	Bank A/c Dr To Share First Call A/c (Share First Call Money received)		8,82,000	 8,82,000

CHAPTER-8
ACCOUNTING FOR DEBENTURES

Meaning of Debentures: A Debenture is a written document acknowledging debt.

Types of Debentures

A. From Security point of view-

1. Secured debentures- Debentures which are secured by a charge on the assets of the company.

2. Unsecured debentures- Debentures which are not secured by charge on the assets of the company.

B. From Redemption point of view

1. Redeemable debentures- Debentures having a fixed life after which they will be redeemed.

2. Irredeemable debentures- Debentures having no fixed date of redemption.

C. Registration point of view-

1. Registered debentures- Debentures which are registered in the name of the debenture holders in company's records.

2. Unregistered/bearer debentures- Debentures which are not registered in the name of the debenture holders

D.From convertibility point of view-

1. Convertible debentures- Debentures which can be converted into shares after a fixed period of time.

2. Non-convertible debentures- Debentures which cannot be converted into shares.

Journal Entries for Issue of Debentures- For Cash

When Debentures are Issued at Par:

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr To……% Debentures A/c (Being debentures alloted)			
	Debentures Application and Allotment A/c Dr To Bank A/c (Being excess money refunded)			

When Debentures are Issued at Premium:

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Debentures Application and Allotment A/c Dr To……% Debentures A/c To Securities Premium A/c (Being debentures alloted)			

When Debentures are Issued at Discount:

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Debentures Application and Allotment A/c Dr Discount on Issue of Debentures A/c Dr To……% Debentures A/c (Being debentures alloted)			

Issue of Debentures for Consideration other than Cash

To Promotors:-

Date	Particulars	L.F.	₹(Dr)	₹ (Cr)

	Incorporation Expenses/Preliminary Expenses A/c Dr To Promotors' A/c (Being incorporation expenses payable)			
	Promotors' A/c Dr To……% Debentures A/c (Being …% debentures allotted to promotors)			
To Underwriters:				
	Underwriting Commission A/c Dr To Underwriters' A/c (Being underwriter commission payable)			
	Underwriters' A/c Dr To …% Debentures A/c (Being …% debentures allotted to underwriters)			
To Vendors:				
	Sundry Assets A/c Dr To Vendor's A/c (Being purchase of sundry assets)			
	Vendor's A/c Dr. To …% Debentures A/c (Being … % debentures issued to vendor)			

Issue of Debentures as Collateral Security:

1. **Without passing entry**- debentures are shown as a note along with loan in balance sheet.
2. **By journal entry**-

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Debentures Suspense A/c Dr To……% Debentures A/c (Being debentures alloted)			

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
Issued at Par and Redeemable at Par				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr To……% Debentures A/c (Being debentures Issued at Par and Redeemable at Par)			
Issued at Discount and Redeemable at Par				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr Discount on Issue of Debentures A/c Dr To……% Debentures A/c (Being debentures **I**ssued at Discount and Redeemable at Par)			
Issued at Premium and Redeemable at Par				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr			

	To……% Debentures A/c To Securities Premium A/c (Being debentures Issued at Premium and Redeemable at Par)			
Issued at Par and Redeemable at Premium				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr Loss on Issue of Debentures A/c Dr To……% Debentures A/c To Premium on Redemption of Debentures A/c (Being debentures Issued at Par and Redeemable at Premium)			
Issued at Discount and Redeemable at Premium				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr Loss on Issue of Debentures A/c Dr To……% Debentures A/c To Premium on Redemption of Debentures A/c (Being debentures Issued at Discount and Redeemable at Premium)			
Issued at Premium and Redeemable at Premium				
	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received)			
	Debentures Application and Allotment A/c Dr Loss on Issue of Debentures A/c Dr To……% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Being debentures Issued at Premium and Redeemable at Premium)			

<u>Interest on Debentures:</u>

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Debentures' Interest A/c Dr To Debentureholders' A/c (Interest on debentures payable)			
	Debentureholders' A/c Dr To Bank A/c (Interest paid to debentureholders)			
	Statements of Profit and Loss A/c Dr To Debentures' Interest A/c (Interest on debentures transferred to Statement of Profit and Loss)			

<u>Writing off Discount/Loss on issue of Debentures:</u>

Written off in the year debentures are allotted

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)

	Securities Premium A/c Dr Statement of Profit and Loss a/c Dr To Discount/Loss on Issue of Debentures A/c (Being Discount/Loss on Issue of Debentures is written off)			

FORMAT OF LOSS ON ISSUE OF DEBENTURES ACCOUNT

Dr. Loss on Issue of Debentures A/c Cr.

Date	Particulars	Amt.	Date	Particulars	Amt.
	To ---% Debentures A/c	--------		By Securities Premium A/c By Statement of Profit & Loss	________ -------
		-------			-----

Multiple Choice Questions (1 Mark Each)

SR NO.	QUESTION
1	Debentures which can be transferred by way of delivery and the company does not keep any record of the debenture holders are called: (A)Secured Debentures (B)Redeemable Debentures (C)Registered Debentures (D)Bearer Debentures
2	**Assertion (A):** Debenture holders are the owners of a company. **Reason (R):** Debentures represent a loan taken by the company. (A) Both A and R are true, and R is the correct explanation of A. (B) Both A and R are true, but R is not the correct explanation of A. (C) A is true, but R is false. (D) A is false, but R is true.
3	**Assertion (A):** Debentures can be issued at a discount. **Reason (R):** A company can raise funds through debentures at less than their face value. (A) Both A and R are true, and R is the correct explanation of A. (B) Both A and R are true, but R is not the correct explanation of A. (C) A is true, but R is false. (D) A is false, but R is true.
4	**Assertion (A):** Interest on debentures is paid only when the company earns profit. **Reason (R):** Interest on debentures is a charge against profit. (A) Both A and R are true, and R is the correct explanation of A. (B) Both A and R are true, but R is not the correct explanation of A. (C) A is true, but R is false. (D) A is false, but R is true.
5	Securities premium is: (A) A capital profit (B) A capital loss (C) A revenue loss (D) An expense to be written off in the same year
6	S Ltd. purchased assets worth ₹24,00,000 by issuing 9% debentures of ₹200 each at 4% discount. Number of debentures issued? (A) 12,000 (B) 12,500 (C) 1,20,000 (D) 1,25,000
7	On 1st April 2025, Sigma Ltd. issued 20,000, 10% Debentures of ₹ 100 each at a discount of 10%. The total amount of interest due on debentures for the year ending 31st March, 2024 will be: (A) 18,000 (B) 20,000 (C) 1,80,000 (D) 2,00,000
8	Interest on debentures is paid on:

	(A) Nominal (face) value (B) Face value + premium (C) Face value – discount (D) Paid-up value
9	On 1st April, 2024, Kepto Ltd. issued 10,000; 9% debentures of ₹ 50 each at a discount of 8%. Discount on Issue of Debentures A/c will be debited with: (A) 5,00,000 (B) 4,000 (C) 4,60,000 (D) 40,000
10	When debentures are issued at a discount, which account is debited? (A) Capital Reserve (B) Debentures (C) Discount on Issue of Debentures (D) General Reserve
11	If ₹10,00,000 debentures are issued at 5% discount and redeemable at 10% premium, the total loss is: A) ₹50,000 B) ₹1,00,000 C) ₹1,50,000 D) ₹2,00,000

ANSWERS

1	**D**	**6**	**B**	**11**	**C**
2	**D**	**7**	**D**	*	*
3	**A**	**8**	**A**	*	*
4	**D**	**9**	**D**	*	*
5	**A**	**10**	**C**	*	*

SHORT ANSWER QUESTIONS (3-4 MARKS)

SR NO.	QUESTION	MARKS
1	Sun Ltd. issued 5,000; 8% debentures of ₹ 100 each, payable on application and redeemable at par. Pass necessary journal entries. **ANS:** Bank A/c ……………….Dr 5,00,000 To Debentures Application and Allotment A/c 5,00,000 (Application money received @ ₹ 100 each for 5,000 debentures) Debentures Application and Allotment A/c…Dr 5,00,000 To 8% Debentures A/c……………………………. 5,00,000 (Application money transferred to 8% Debentures Account)	**3**
2	A company issued 1,000, 12% Debentures of ₹100 each at a premium of 5% to a vendor for machinery worth ₹1,05,000. Complete the given journal entries. Machinery A/c Dr 1,05,000 To Vendor's A/c ……….. (Being machinery purchased from vendor) Vendor's A/c Dr 1,05,000 To 12% Debentures A/c …………. To Securities Premium A/c .... (Being issue of debentures at 5% premium to settle dues) **ANS:** Machinery A/c Dr 1,05,000 To Vendor's A/c 1,05,000 (Being machinery purchased from vendor) Vendor's A/c Dr. 1,05,000 To 12% Debentures A/c 1,00,000 To Securities Premium A/c 5,000 (Being issue of debentures at 5% premium to settle dues)	**3**
3	On 1st April 2021, XYZ Ltd issued 3,000, 12% Debentures of Rs.100 each at par redeemable at a premium of 7%. The debentures were to be redeemed at the end of third year. On the basis of the above information, resolve the following issues:	**3**

<table>
<tr><td></td><td>1.Can the company write off the ‘Loss on issue of Debentures’ over the period of 3 years?
2. From which source, the loss on issue of debentures will be written off? 3.Under which sub-head and head, the amount of ‘Premium Payable on Redemption of Debentures’ is shown in the Balance Sheet?

Ans 1. No, because according to Accounting Standard 16, borrowing cost requires that the loss on issue of debentures be written off in the same year in which it is incurred.
2. In the absence of any information about Securities Premium Reserve, the loss on issue of debentures ins written off from Statement of Profit and Loss.
3. Premium payable on Redemption of Debentures is shown as Other non- current liability under Non-Current Liabilities in Equity and Liabilities part of Balance Sheet.</td><td></td></tr>
<tr><td>4</td><td>Read the passage given below and answer the following questions :
Mega Ltd. decided to acquire the running business of Sega Ltd, so it took over the assets of Rs 6,60,000 and liabilities of Rs 80,000 of Sega limited for a purchase consideration of Rs 5,85,000 payable by the issue of 12% debentures of Rs100 each at a discount of 10%.

1. Goodwill A/c will be debited with
A. 10,000, B 15,000, C 5,000, D 8,000

2. Discount on issue of debenture is written off, in the year debentures are allotted, in the following sequence—
A. Securities premium reserve, statement of Profit and loss
B. Securities premium reserve, statement of Profit and loss, capital reserve
C. capital reserve, securities premium reserve, statement of Profit and loss
D. statement of Profit and loss, capital reserve, securities premium reserve

3. The number of debentures to be issued is:
A. 6600 B.6500 C.4500 D.5400.

4. 12% Debentures Account is credited with
A. 6,50,000 B.7,00,000 C. 6,00,000 D.7,50,000
Ans 1.(C) 2.(A) 3.(B) 4.(C)</td><td>4</td></tr>
<tr><td>5</td><td>Zeba Ltd. issued Rs. 2,00,000, 10% Debentures at a discount of 5%. The terms of issue provide the repayment at the end of 4 years. Zeba Ltd. has a balance of Rs. 5,00,000 in Securities Premium Reserve. The company decided to write off discount on issue of debentures from Securities Premium Reserve in the first year.

ANS:
Journal Entry
Securities Premium Reserve A/c Dr 10,000
To Discount on issue of debentures A/c 10,000
(Being Discount on issue of debentures written off)
Note: Discount on issue of Debentures = 2, 00,000×5% = Rs 10,000</td><td>4</td></tr>
<tr><td>6</td><td>NSPL Ltd. took a loan of Rs.17,00,000 from State Bank of India against the security of tangible assets. In addition to principal security, it issued 10,000 10% debentures of Rs.100 each as collateral security. Pass necessary journal entries for the above transactions, if the company decided to record the issue of 10% debentures as collateral security.
ANS:</td><td>4</td></tr>
</table>

Particulars	L.F.	₹ (Dr)	₹ (Cr)
Bank A/c Dr To Bank Loan A/c (Being loan taken from SBI)		17,00,000	17,00,000
Debentures Suspense A/c Dr To 10% Debentures A/c (Being debentures issued as collateral security)		10,00,000	10,00,000

LONG-ANSWER QUESTIONS (6 MARKS)

S N	QUESTIONS
1	Pass Journal entries to record the following transaction: a) A Ltd. issued 15000; 8% Debentures of Rs. 100 each at discount of 5% to be repaid at par at the end of 5 years. b) A Ltd. Issues 10% Debentures of Rs. 100 each for the total nominal value of Rs. 80,00,000 at a premium of 5% to be redeemed at par. c) A Ltd. Issues Rs. 50,00,000; 9% Debentures of Rs. 100 each at par but redeemable at the end of 10 years at 105%. d) A Ltd. Issued Rs40,00,000, 12% debentures of Rs. 100 each at a discount of 5% repayable at a premium of 10% at the end of 5 years. **ANS:**

Journal entries

Date	Particulars	LF	Dr. Amt.	Cr. Amt.
a).	Bank A/c Dr. To Debenture application and allotment, A/c (Being the debenture application money record)		14,25,000	14,25,000
	Debenture application & Allotment A/c Dr. Discount on issue of Debentures A/c Dr To Debentures A/c (Being the issue of 15,000, 8% debentures of Rs. 100 each at a discount of 5%)		14,25,000 75,000	15,00,000
b).	Bank A/c Dr. To Debenture application and allotment, A/c (Being the debenture application money received)		84,00,000	84,00,000
	Debenture application and allotment A/c Dr. To 10% Debenture A/c To security premium A/c (Being the issue of 80,000, 10% debenture of Rs. 100 each at a premium of 5%)		84,00,000	80,00,000 4,00,00
c).	Bank A/c Dr. To Debenture application & allotment A/c (Being the debenture application money received)		50,00,000	50,00,000
	Debenture application and allotment A/c Dr. Loss on issue of debenture A/c Dr. To 12% Debenture A/c To premium on Redemption of Debenture A/c		50,00,000 2,50,000	50,00,000

d).	(Being the issue of 50,000, 12% debenture of Rs. 100 each at par redeemable at 105%			250,000
	Bank A/C Dr. To Debenture application and allotment A/C (Being the debentures application money received)		38,00,000	38,00,000
	Debenture application and allotment A/C Dr Loss on issue of debenture A/C Dr. To 12% debenture A/C To premium on red. of debenture A/c (Being the issue of 40,000, 12% debenture of Rs. 100 each at a discount of 5% and repayable at a premium 10%)		38,00,000 6,00,000	4000000 400000

2 Pro Ltd. purchased assets of rs. 9,90,000 from Poorv Ltd. Payment was made by issuing 13% Debentures of rs 100 each. Pass journal entries when debentures have been issued (i) at par, (ii) at a premium of 10%, and (iii) at a discount of 10%, including writing off discount on issue of Debentures.

ANS:

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
(i)	Sundry Assets A/c Dr To Poorv Ltd. (Sundry assets purchased from Poorv Ltd. for 9,90,000)		9,90,000	9,90,000
	Poorv Ltd. Dr To 13% Debentures A/c (Allotment of 9900; Debentures of rs 100 each at par to Poorv Ltd.)		9,90,000	9,90,000
(ii)	Poorv Ltd. Dr To 13% Debentures A/c To Securities Premium A/c (Allotment of 9000; Debentures of rs 100 each at premium to Poorv Ltd.)		9,90,000	9,00,000 90,000
(iii)	Poorv Ltd. Dr Discount on Issue of Debenture A/c Dr To 13% Debentures A/c (Allotment of 11000; Debentures of rs 100 each at a discount of 10% to Poorv Ltd.) (Allotment of 9000; Debentures of rs 100 each at premium to Poorv Ltd.)		9,90,000 1,10,000	11,00,000
	Statement of Profit and Loss Dr To Discount on Issue of Debenture A/c (Discount on issue of debentures w/off)		1,10,000	1,10,000

3 Pass journal entries for the issue of 1,000, 12% Debentures of ₹100 each in the following cases:
(i) At par, redeemable at par
(ii) At a discount of 10%, redeemable at par

(iii) At par, redeemable at a premium of 5%

ANS:

(i) At par, redeemable at par

Bank A/c Dr. 1,00,000

To 12% Debentures A/c 1,00,000

(Being 1,000 debentures issued at par, redeemable at par)

(ii) At a discount of 10%, redeemable at par

Bank A/c Dr. 90,000

Discount on Issue of Debentures A/c Dr. 10,000

To 12% Debentures A/c 1,00,000

(Being 1,000 debentures issued at 10% discount, redeemable at par)

(iii) At par, redeemable at a premium of 5%

Bank A/c Dr. 1,00,000

Loss on Issue of Debentures A/c Dr. 5,000

To 12% Debentures A/c 1,00,000

To Premium on Redemption of Debentures A/c 5,000

(Being 1,000 debentures issued at par, redeemable at 5% premium)

4 Dona Ltd. issued Rs. 80,00,000, 8% debentures of 100 each on 1st April, 2023 at par, redeemable at a premium of 5%. The company had 3,00,000 in its Securities Premium Account. Give journal entries in the books of Dona Ltd. relating to the:

(i) Issue of Debentures.

(ii) Debenture interest for the year ending 31st March, 2024 assuming that interest was paid yearly on 31st March.

(iii) Writing off Debenture Interest and Loss on Issue of Debentures.

ANS:

Journal of Dona Ltd.

Date	Particulars	LF	Dr.(₹)	Cr.(₹)
2023 April 1	Bank A/c Dr To Debentures application & Allotment A/c (Application money received on 80,000 Debentures)		80,00,000	80,00,000
	Debentures application and Allotment A/c Dr Loss on issue of Debentures A/c Dr To 8% Debentures A/c To premium on Red. of Debentures A/c (Application money transferred to debentures a/c)		80,00,000 4,00,000	80,00,000 4,00,000
2024 March 31	Debentures Interest A/c Dr. To Debenture Holders' A/c (Interest on debentures due)		6,40,000	6,40,000
	Debenture Holders A/c Dr. To Bank A/c (Interest paid to debenture holders)		6,40,000	6,40,000
	Statement of Profit and Loss Dr. To Debentures' Interest A/c (being the interest on debentures transferred to statement of profit and loss)		6,40,000	6,40,000

			Securities Premium A/c Dr Statement of Profit and Loss Dr To Loss on Issue of Debentures A/C (Loss on Issue of Debentures written off)		3,00,000 1,00,000	 4,00,000

5 Pass the journal entries related to the issue of debentures in the following cases.

(i) Issued ₹2,00,000 9% debentures of ₹ 100 each at a discount of 10% payable at a premium of 15%.

(ii) Issued ₹1,00,000 12% debentures of ₹ 100 each with a premium of 10%, payable at a premium of 5%

(iii) Issued ₹3,00,000 9% debentures of ₹ 100 each at par and payable at a premium of 5%.

ANS:

(i)	Bank A/c Dr. To Debenture Application and allotment A/c (Application Money Received on 9% Debentures)	1,80,000	 1,80,000
	Debentures Application and Allotment A/c Dr Loss on issue of Debentures A/c Dr Discount on Issue of Debentures A/c Dr To 9% debentures A/c To Premium on Redemption of Deb A/c (Application money transferred to Debentures A/c)	1,80,000 30,000 20,000	 2,00,000 30,000
(ii)	Bank A/c Dr. To Debenture Application and allotment A/c (Application Money Received on 12 % Debentures)	1,10,000	 1,10,000
	Debentures Application and Allotment A/c Dr Loss on issue of Debentures A/c Dr To 9% debentures A/c To Securities Premium A/c To Premium on Redemption of Deb A/c (Application money transferred to Debentures A/c)	1,10,000 5.000	 1,00,000 10,000 5,000
(iii)	Bank A/c Dr. To Debenture Application and allotment A/c (Application Money Received on 9% Debentures)	3,00,000	 3,00,000
	Debentures Application and Allotment A/c Dr Loss on issue of Debentures A/c Dr To 9% debentures A/c To Premium on Redemption of Deb A/c (Application money transferred to Debentures A/c)	3,00,000 15,000	 3,00,000 15,00,000

6 On 1st April 2023 Rama limited issued 20000 7% debentures of rupees 100 each at a discount of 5%, redeemable at premium after 5 years. The company had a balance of rupees 70000 in Securities Premium Account.

Pass necessary journal entries for issue of debentures and for writing off 'Discount on Issue of debentures' utilising Securities Premium Account at the end of the first year itself. Also prepare Discount on Issue of Debenture Account for the year ended 31st March 2024

Solution:

Journal

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)

2023 April, 1	Bank A/c Dr To Debentures Application and Allotment A/c (Being application money received for 20,000; 8% debentures)		19,00,000	19,00,000
April, 1	Debentures Application and Allotment A/c Dr Discount on Issue of debentures A/c Dr To 8% Debentures A/c (Being 20,000; 8% debentures of Rs 100 each issued at 5% discount)		19,00,000 1,00,000	20,00,000
2024 March, 31	Securities Premium A/c Dr Statement of Profit and Loss Dr To Discount on Issue of Debentures A/c (Being discount on issue of debentures written off)		70,000 30,000	1,00,000

Dr. Discount on Issue of Debentures A/c Cr.

Date	Particulars	Amt.	Date	Particulars	Amt.
2023 April, 1	To 8% Debentures A/c	1,00,000	2024 March, 31	By Securities Premium A/c By Statement of Profit and Loss	70,000 30,000
		1,00,000			1,00,000

7 Give journal entries in each of the following cases if the face value of a debenture is Rs.100:

(i) 20000, 9% debentures issued at a premium of 5% and repayable at a premium of 10%.
(ii) 10000, 11% debentures issued at discount of 10% and repayable at a premium of 5%.
(iii)30000, 8% debentures issued at par and repayable at a premium of 5%.

Solution;

Case 1.

(i) Bank A/c	Dr.	21,00,000	
To Debenture Application & Allotment A/c			21,00,000
(Application Money Received on 9% Debentures)			
(ii) Debenture Application & Allotment A/c	Dr	21,00,000	
Loss on issue of Debentures A/c	Dr	2,00,000	
To 9%Debentures A/c			20,00,000
To Securities Premium A/c			1,00,000
To Premium on Redemption of Debentures A/c			2,00,000
(Application money transferred to Debentures A/c)			

Case 2.

(i) Bank A/c	Dr.	9,00,000	
To Debenture Application & Allotment A/c			9,00,000
(Application Money Received on 11% Debentures)			
(ii) Debenture Application & Allotment A/c	Dr	9,00,000	
Loss on issue of Debentures A/c	Dr	1,50,000	
To 11%Debentures A/c			9,00,000
To Premium on Redemption of Debentures A/c			1,50,000
(Application money transferred to Debentures A/c)			

Case 3.

(i) Bank A/c Dr. 30,00,000

	To Debenture Application & Allotment A/c 30,00,000 (Application Money Received on 8% Debentures) (ii) Debenture Application & Allotment A/c Dr 30,00,000 Loss on issue of Debentures A/c Dr 1,50,000 To 8%Debentures A/c 30,00,000 To Premium on Redemption of Debentures A/c 1,50,000 (Application money transferred to Debentures A/c)

WORKSHEET-1

TIME: 45 MINUTES **MM: 20**

SR	QUESTION	MARKS
1	**CBSE BOARD QP 67/1/1 (2024)** ***Assertion (A):*** Irredeemable debentures are also known as perpetual debentures. ***Reason (R):*** the company does not give any undertaking for the repayment of money borrowed by issuing such debentures. They are repayable on the winding up of the company or on the expiry of a long period. (A) Both A and R are true, and R is the correct explanation of A. (B) Both A and R are true, but R is not the correct explanation of A. (C) A is true, but R is false. (D) A is false, but R is true.	1
2	**CBSE BOARD QP 67/2/1 (2024)** On 1st April, 2022, Mega Ltd. issued 30,000, 10% debentures of Rs 100 each at a discount of 10%. The total amount of interest due on debentures for the year ending 31st March, 2023 will be: (A)2,70,000 (B)3,00,000 (C)27,000 (D) 30,000	1
3	**CBSE BOARD QP 67/2/1 (2024)** Misha Ltd. issued 6,000, 8% debentures of Rs 100 each at Rs. 96 per debenture. 8% Debentures Account will be credited by: (A)5,76,000 (B) 24,000 (C) 6,00,000 (D) 60,000	1
4	**CBSE BOARD QP 67/3/1 (2024)** The debentures which do not carry a specific rate of interest are called: (A)Zero Coupon Rate Debentures (B) Specific Coupon Rate Debentures (C) Unsecured debentures (D) Secured Debentures	
5	**CBSE BOARD QP 67/1 /1 (2025)** Prime Ltd. took over assets of Rs. 6,00,000 and liabilities of Rs. 1,00,000 of Rabi Ltd. paid the purchase consideration of Rs. 3,60,000. Prime Ltd. issued 10% debentures of Rs. 100 each at a discount of 10% in full satisfaction of purchase consideration. Pass necessary journal entries in the books of Prime Ltd.	3
6	**CBSE BOARD QP 67/7 /1 (2025)** Roshni Ltd. purchased machinery worth 1,98,000 from Prakash Ltd. The purchase consideration was paid by issue of 8% debentures of 100 each at 10% discount. (i) Calculate the number of debentures issued. (ii) Pass necessary journal entries for purchase of machinery and issue of debentures.	3
7	**CBSE BOARD QP 67/7 /1 (2025)** Pass necessary journal entries in the books of RR Ltd. for issue of debentures in the following cases :	4

	(i) Issued 9,000, 9% debentures of 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years. (ii) (ii) Issued 5,000, 11% debentures of 100 each at a premium of 10%, redeemable at a premium of 5% after 5 years.	
8	**CBSE BOARD QP 67/4 /1 (2025)** Romerio Ltd. issued Rs. 80,00,000, 8% debentures of 100 each on 1st April, 2023 at par, redeemable at a premium of 5%. The company had 3,00,000 in its Securities Premium Account. Give journal entries in the books of Dona Ltd. relating to the: (i) Issue of Debentures. (ii) Debenture interest for the year ending 31st March, 2024 assuming that interest was paid yearly on 31st March. (iii) Writing off Debenture Interest and Loss on Issue of Debentures.	6

HINTS FOR QUESTION PAPERS

SR No.	Hints
5	Capital Reserve- 1,40,000; Rabi Ltd.-3,60,000; Discount on Issue of Debentures-40,000
6	Prakash Ltd.-1,98,000; Discount on Issue of Debentures-22,000
7	(i)Loss on issue of Debentures A/c 1,35,000 (ii) Securities Premium A/c 50,000; Premium on Redemption of Debentures A/c 25,000
8	Loss on Issue of debentures A/c 4,00,000; Interest on debentures Rs. 6,40,000; Statement of Profit and Loss A/c 30,000

WORKSHEET-2

SR NO.	QUESTION	MARKS
1	**CBSE BOARD PAPER 67/4/1 (2025)** On 1st April, 2024, Bright Ltd. issued 20,000, 11% debentures of Rs. 100 at a premium of 10%, redeemable at a premium of 10%. Loss on issue of debentures was: (A)2,00,000 (B) 4,00,000 (C) 20,00,000 (D) 40,00,000	1
2	**CBSE BOARD PAPER 67/1/3 (2023)** Which of the following statement is ***incorrect*** ? (A)Interest on debentures is a charge and not an appropriation. (B)Debentures can be issued at discount. (C)Debentureholders do not have voting rights. (D)Debentures cannot be converted into shares.	1
3	**CBSE BOARD PAPER 67/3/1 (2023)** Sunbea Ltd. issued 20,000, 11 % debentures of Rs. 100 each at a premum of 10%, redeemable at a premium of 5%. The loss on issue of debenture will debuted by: (A)3,00,000 (B) 2,00,000 (C) 1,00,000 (D) 22,00,000	1
4	**CBSE BOARD PAPER 67/1/1 (2023)** Maira Ltd. took over assets of Rs. 12,00,000 and liabilities of Rs. 4,00,000 of Subasv Ltd. for an agreed purchase consideration of Rs. 9,00,000. The amount was payable by issuing of 11% debentures of Rs. 100 each at a discount of 10%. The number of debentures issued will be: (A)9,000 (B) 10,000 (C) 8,000 (D) 11,000	1
5	**CBSE BOARD PAPER 67/4/1 (2025)** Sunlock Ltd. purchased assets of book value Rs. 50,00,000 and took over liabilities of Rs. 6,00,000 from Moondock Ltd. It paid the purchase consideration by issue of 46,000 8% debentures of Rs. 100 each at a discount of 10%.	3

	Record the journal entries in the book of Sunlock Ltd.	
6	**CBSE BOARD PAPER 67/3/1 (2024)** Sumi Ltd. acquired assets of Rs. 8,00,000 and took over sundry creditors of Rs. 2,00,000 from Pandora Ltd. for a purchase consideration of Rs. 9,00,000. The payment was made by issuing a cheque of Rs. 4,60,000 and remaining by issue of 9% debentures of Rs. 100 each at a premium of 10%. Pass necessary journal entries for the above transactions in the book of Sumi Ltd.	3
7	**CBSE BOARD PAPER 67/7/2 (2025)** Pass the journal entries for issue of debentures in the books of RN Ltd. for the following transactions: (i) Issued 1,000, 10% debentures of ₹ 100 each at 5% premium, redeemable at a premium of 10% after 5 years. (ii) Issued 5,000, 10% debentures of ₹ 100 each at a premium of 10%, redeemable at par after 5 years.	4
8	**CBSE BOARD PAPER 67/2/1 (2024)** Pass the journal entries for issue of debentures for the following transactions: (i)Kajal Ltd. issued 30,000 11% debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5%. (ii)Ninja Ltd. issued 32,000 8% debentures of ₹ 100 each with a premium of 20%, redeemable at a premium of Rs10 per debenture. (iii)Him Ltd. issued 40,000 13% debentures of ₹ 100 each at par and redeemable at a premium of 10%.	6

Hints:

Sr No	Hints
5	Capital Reserve-2,60,000; Discount on Issue of Debentures-4,60,000
6	Goodwill-3,00,000; Securities Premium -40,000; Pandora Ltd.- 9,00,000
7	(i)Premium on redemption-10,000 (ii) Securities Premium-50,000
8	(i)Loss on Issue of Debentures-4,50,000; Premium on redemption-1,50,000 (ii) Loss on Issue of Debentures-3,20,000; Premium on redemption-3,20,000 (iii) Loss on Issue of Debentures-4,00,000; Premium on redemption-4,00,000

CHAPTER-9
ANALYSIS OF FINANCIAL STATEMENTS, COMPARATIVE AND COMMON SIZE STATEMENTS

Meaning of Financial Statements:

Financial statements are prepared following the accounting principles, practices and the accounting standards.

Section 129 of the Companies Act, 2013 prescribes that Balance Sheet and Profit & Loss Account (Income Statement) are prepared in form prescribed in schedule III of the Companies Act, 2013.

A set of financial statements as per Section 2(40) of the Companies Act, 2013 includes:

(1) Balance Sheet: It shows the financial position of a business at a point of time. It is also known as **Position Statement**.

(2) Statement of Profit & Loss: It shows the financial performance during an accounting period. It is also known as **Income Statement.**

(3) Notes to Accounts: Balance sheet and Statement of Profit & Loss are supported by the notes giving details of items in the Balance Sheet and Statement of Profit & Loss.

(4) Cash Flow Statement: It is a statement of Cash Inflows and Outflows prepared in the manner prescribed in AS-3 (revised).

Nature of Financial Statements:

The chronologically recorded facts about events expressed in monetary terms for a defined period of time are the basis for the preparation of periodical financial statements which reveal the financial position as on a date and the financial results obtained during a period.

The following points explain the nature of financial statements:

1. Recorded Facts
2. Accounting Conventions
3. Postulates (Accounting Assumptions)
4. Personal Judgments

Uses and Importance of Financial Statements:

It may be noted that the financial statements constitute an integral part of the annual report of the company in addition to the director's report, auditor's report, corporate governance report, and management discussion and analysis. The various uses and importance of financial statements are as follows:

1. Report on stewardship function
2. Basis for fiscal policies
3. Basis for granting of credit
4. Basis for prospective investors
5. Guide to the value of the investment already made
6. Aids trade associations in helping their members
7. Helps stock exchanges

Users of financial information from financial statements:

Internal Users:

Management, Employees and Owners

External Users:

Investors, Creditors (Lenders), Government Authorities, Potential Investors and Suppliers.

Operating Cycle:

As per schedule III of the Companies Act, 2013 "It is the time between the acquisition of an asset for processing and its realization into cash and cash equivalents."

Where operating cycle cannot be identified, it is assumed to be 12 months.

Cost of Material Consumed= Opening Inventory of Materials + Purchases of Materials – Closing Inventory of Materials.

FORMAT OF STATEMENT OF PROFIT AND LOSS

Statement of Profit and Loss (Part II, Schedule III of Companies Act, 2013)
As at………………

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. Revenue from Operations		….	….
II. Other Incomes		….	….
III. Total Revenue (I+II)		**….**	**….**
IV. Expenses			
Cost of Materials Consumed		….	….
Purchases of Stock-in Trade		….	….
Changes in Inventories		….	….
Employees Benefit Expenses		….	….
Finance Costs		….	….
Depreciation and Amortisation Expenses		….	….
Other Expenses		….	….
Total Expenses		**….**	**….**
V. Profit before Tax (III-IV)		**….**	**….**
VI. Less: Tax		….	….
VII. Profit or Loss for the Period after Tax (V-VI)		**….**	**….**

FORMAT OF STATEMENT OF BALANCE SHEET
Balance Sheet (Part I, Schedule III of Companies Act, 2013)
As at………………

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES:			
1. Shareholder's Funds			
(a) Share Capital			
(b) Reserves and Surplus			
(c) Money received against share warrants			
2. Share Application Money pending allotment			
3. Non-current Liabilities			
(a) Long-term Borrowings			
(b) Deferred Tax Liabilities (Net)			
(c) Other Long-term Liabilities			
(d) Long-term Provisions			
4. Current Liabilities			
(a) Short-term Borrowings			
(b) Trade Payables			
(c) Other Current Liabilities			
(d) Short-term Liabilities			
Total		….	….
II. ASSETS			
1. Non-Current Assets			
(a) Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment			

(ii) Intangible Assets (iii) Capital work-in-progress (iv) Intangible Assets under Development (b) Non-Current Investments (c) Deferred Tax Assets (Net) (d) Long-term Loans and Advances (e) Other Non-Current Assets **2.Current Assets** (a) Current Inventories (b) Inventories (c) Trade Receivables (d) Cash and Cash Equivalents (e) Short-term Loans and Advances (f) Other Current Assets **Total**			

Financial Statement Analysis

Meaning: The process of critical evaluation of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called 'Financial Statement Analysis'.

Objectives and Significance of financial statement analysis

(1) Assess financial health (2) Evaluate profitability (3) Predict future performance
(4)Allocate resources efficiently (5) Identify operational efficiency (6) Assess risk exposure
(7) Evaluate investment opportunities (8) Support strategic planning (9) Facilitate regulatory compliance
(10) Enhance stakeholder communication

Limitations of financial statement analysis

(1) Historical Analysis (2) Ignores Price Level Changes (3) Ignores Qualitative Aspect
(4) Suffers from the limitations of financial statements (5) Not free from personal bias
(6) Variation in Accounting Practices(7) Window Dressing

Tools for Financial Statement Analysis

The most commonly used techniques of financial analysis are as follows:

1. Comparative Statements: This analysis is also known as **'Horizontal/Dynamic/Time series Analysis'.**

2. Common Size Statements: This analysis is also known as **'Vertical/Static/Cross-Sectional Analysis'.**

3. Ratio Analysis: It is possible to assess the profitability, solvency and efficiency of an enterprise through the technique of ratio analysis.

4. Cash Flow Analysis: It refers to the analysis of actual movement of cash into and out of an organisation. The flow of cash into the business is called as cash inflow or positive cash flow and the flow of cash out of the firm is called as cash outflow or a negative cash flow.

MAJOR HEAD AND SUB-HEAD

Items	Major Head	Sub Head
Work-in-Progress	Current Assets	Inventories

Calls-in-Advance	Current Liabilities	Other Current Liabilities
Mining Rights	Non-current Assets	Property, Plant and Equipments-Intangible Assets
Trade Receivables	Current Assets	Trade Receivables
Provision for Tax	Current Liabilities	Short-term Provisions
Goodwill	Non-current Assets	Property, Plant and Equipments-Intangible Assets
Loose Tools	Current Assets	Inventories
Accrued Income	Current Assets	Other Current Assets
Current maturities of long-term debts	Current Liabilities	Other Current Liabilities
Furniture and Fixtures	Non-Current Assets	Property, Plant and Equipment-Fixed Assets
Provision for Warranties	Current Liabilities	Short-term Provisions
Income received in advance	Current Liabilities	Other Current Liabilities
Capital Advances	Non-Current Assets	Other Non-Current Assets
Advances recoverable in cash within the operating cycle	Current Assets	Other Current Assets
Capital Work-in-Progress	Non-current Assets	Property, Plant and Equipment-Work-in-Progress
Outstanding Expenses	Current Liabilities	Other Current Liabilities
Mining Rights	Non-current Assets	Property, Plant and Equipment-Intangible Assets
Trade Receivables	Current Assets	Trade Receivables
Debenture Redemption Reserve	Shareholder's Fund	Reserves & Surplus
Trademark	Non-current Assets	Property, Plant and Equipment-Intangible Assets
Stores and Spares	Current Assets	Inventories
Prepaid Expenses	Current Assets	Other Current Assets
Heads of Statement of P/L		
Items	**Major Head**	
Sale of Product	Revenue from operation	
Salaries and wages	Employees benefit expenses	
Goodwill amortized	Depreciation	
Rent received	Other income	
Interest income	Other income	
Interest paid on Debentures	Finance costs	

	Multiple Choice Questions (1 Mark Each)	
1.	If the Operating Cycle cannot be identified, it is assumed to be a period of- (a) 10 Months (b) 11 Months (c) 9 Months (d) 12 Months	
2.	**Assertion (A):** Common-size Balance Sheet is not a vertical analysis of Balance Sheet. **Reason (R):** In Common-size Balance Sheet, total assets value is taken as 100 and all other values of Assets, Equity and Liabilities are expressed as percentage of Total Assets value. (a) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct	

	explanation of the Assertion (A). (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of the Assertion (A). (c) Both Assertion (A) and Reason (R) are not correct. (d) Assertion (A) is not correct but Reason (R) is correct.	
3.	Comparative Statements are also known as (a) Time Series Analysis (b) Cross Sectional Analysis (c) Vertical Analysis (d) None of the above	
4.	What is the purpose of a comparative financial statement analysis? (a) To compare a company's performance over time. (b) To compare a company's performance with its competitors. (c) To understand the company's overall financial position. (d) All of the above.	
5.	Which of the following is NOT a limitation of financial statement analysis? (a) Historical data may not reflect future performance (b) Financial statements can be manipulated (c) Analysis relies solely on quantitative data (d) Different accounting methods can be used by different companies	
6.	Under which of the following head/subhead is 'Calls in arrears' presented in the Balance Sheet of a Company? (a) Reserves and Surplus (b) Other Long-term Liabilities (c) Share Capital (d) Current Liabilities	
7.	A contingent liability is reported as: (a) A current liability (b) A non-current liability (c) A footnote in the financial statements (d) An asset	
8.	In a common-size balance sheet, each item is expressed as a percentage of: (a) Current assets, (b) Non-current assets, (c) Non-current liabilities, (d) Total assets, and Answer	
9.	What is the main purpose of preparing a common size balance sheet? (a) To compare the financial performance of a company over different periods (b) To assess the financial health of a company by analyzing the proportions of its assets, liabilities, and equity (c) To calculate the profitability of a company (d) To determine the solvency of a company	
10.	**Assertion (A):** Intangible Assets are the Assets which do not have physical existence. **Reason (R):** Intangible Assets are shown under the head 'Current Assets' and Sub-head 'Other-current Assets.' (a) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of the Assertion (A). (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of the Assertion (A). (c) Only Assertion (A) is correct. (d) Assertion (A) is not correct but Reason (R) is correct.	
	Answers: (1) d (2) d (3) a (4) d (5) c (6) c (7) c (8) d (9) b (10) c	

Short Answer Type Questions (3/4 Marks Each)

1. Prepare Comparative Statement of Profit & Loss from the following information:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
Revenue from Operations	15,00,000	10,00,000
Other Income	1,80,000	2,00,000
Expenses	10,50,000	6,00,000

Ans. **Comparative Statement of Profit & Loss**

Particulars	Note No.	31st March, 2024 (₹)	31st March, 2025 (₹)	Absolute Change (₹)	% Change
I. Revenue from Operations		10,00,000	15,00,000	5,00,000	50%
II. Other Income		2,00,000	1,80,000	(20,000)	(10%)
III. Total Revenue (I+II)		**12,00,000**	**16,80,000**	**4,80,000**	**40%**
IV. Expenses		**6,00,000**	**10,50,000**	**4,50,000**	**75%**
V. Profit before Tax (III-IV)		**6,00,000**	**6,30,000**	**30,000**	**5%**

2. Under which heads the following items are classified or shown on the Assets part of the Balance Sheet of a company:
(i) Loose Tools, (ii) Bills Receivable, (iii) Sundry Debtors, and (iv) Advances Recoverable in Cash?

Ans.

Items	**Major Head**	**Sub-Head**
(i) Loose Tools:	Current Assets;	Inventories
(ii) Bills Receivable:	Current Assets;	Trade Receivables
(iii) Sundry Debtors:	Current Assets:	Trade Receivables
(iv) Advances Recoverable in Cash:	Current Assets.	Short-term Loans and Advances

3. From the following balance sheets of *XYZ* Ltd. as on 31st March 2024 and 31st March 2025, prepare a Comparative Balance Sheet:

Particulars	31st March 2024 (₹)	31st March 2025 (₹)
Equity Share Capital	500000	600000
Reserves and Surplus	100000	150000
Long-term Loans	200000	250000
Creditors	100000	80000
Bills Payable	50000	40000
Cash	60000	70000
Debtors	90000	110000
Inventory	100000	130000
Land and Building	600000	710000

Ans.

Particulars	Note No.	31st March 2024 (₹)	31st March 2025 (₹)	Absolute Change (₹)	% Change

I. EQUITY AND LIABILITIES				
1. Shareholder's Fund				
Equity Share Capital	500000	600000	100000	20%
Reserves and Surplus	100000	150000	50000	50%
2. Non-Current Liabilities				
Long-term Loans	200000	250000	50000	25%
3. Current Liabilities				
Creditors	100000	80000	(20000)	(20%)
Bills Payable	50000	40000	(10000)	20%
Total	**950000**	**1120000**	**170000**	**17.89%**
II. ASSETS				
1. Non-Current Assets				
Land and Building	600000	710000	110000	18.33%
2. Current Assets				
Cash	60000	70000	10000	16.67%
Debtors	90000	110000	20000	22.22%
Inventory	200000	230000	30000	15%
Total	**950000**	**1120000**	**170000**	**17.89%**

4. From the following information of PK Ltd. Prepare a common size statement of Profit & Loss for the year ended 31st March, 2023 and 31st March, 2024:

Particulars	2023-24	2022-23
Revenue from Operations	10,00,000	5,00,000
Other Incomes	1,00,000	50,000
Expenses	2,00,000	1,00,000
Income Tax @50%		

Ans.

Common Size Statement of Profit and Loss of PK Ltd.
For the year ended 31st March 2023 and 31st March 2024

Particulars	2022-23	2023-24	% on Revenue from operations 2022-23	% on Revenue from operations 2023-24
I. Revenue from Operations	5,00,000	10,00,000	100	100
II. Other Income	50,000	1,00,000	10	10
Total Revenue (I+II)	**5,50,000**	**11,00,000**	**110**	**110**
Less: Expenses	1,00,000	2,00,000	20	20
Profit before Tax	**4,50,000**	**9,00,000**	**90**	**90**
Less: Tax@50%	2,25,000	4,50,000	45	45
Profit after Tax	**2,25,000**	**4,50,000**	**45**	**45**

5. (i) The statement that shows changes in all items of financial statements in absolute and percentage terms over a period of time, for a firm, or between two firms is called __________.

(a) Common Size Statement (b) Comparative Statement
(c) Cash Flow Statement (d) Financial Statement

(ii) Which of the following is not a purpose of analysis of financial statements?
(a) To assess the current profitability and the operational efficiency of the firm.
(b) To ascertain the relative importance of different components of financial position of the firm.

(c) To just study the reports of the company.
(d) To judge the ability of the firm to repay its debt.

(iii) The statement which expresses all items of a financial statement as a percentage of some common base is __________.
(a) Comparative Statement (b) Common Size Statement
(c) Statement of Profit and Loss (d) Position Statement

Ans. (i) (a) Common Size Statement (ii) (c) To just study the reports of the company.
(iii) (b) Common Size Statement

6. From the following information, prepare a Comparative Statement of Profit and Loss of X Ltd. for the year ended 31st March, 2024:

Particulars	2023-24	2022-23
Revenue from Operations	₹40,00,000	₹20,00,000
Cost of revenue from operations	60% of Revenue from Operations	50% of Revenue from Operations
Employees Benefits Expenses	₹8,00,000	₹6,00,000
Tax Rate	25%	25%

Ans. **Comparative Statement of Profit and Loss**

Particulars	2022-23	2023-24	Absolute Change	% Change
I. Revenue from Operations	20,00,000	40,00,000	20,00,000	100
Cost of revenue from operations	10,00,000	24,00,000	14,00,000	140
Employees Benefit Expenses	6,00,000	8,00,000	2,00,000	33.33
II. Total Expenses	16,00,000	32,00,000	16,00,000	100
Profit before Tax (I-II)	**4,00,000**	**8,00,000**	**4,00,000**	**100**
Less: Tax@25%	1,00,000	2,00,000	1,00,000	100
Profit after Tax	**3,00,000**	**6,00,000**	**3,00,000**	**100**

7. Prepare a common size balance sheet of ZXT Ltd. from the following information:

Particulars	Note No.	31.03.2024	31.03.2023
I. Equity and Liabilities			
1. Shareholders' Fund			
Share Capital		30,00,000	10,00,000
2. Non-Current Liabilities			
Long-Term Borrowings		16,00,000	8,00,000
3. Current Liabilities		4,00,000	2,00,000
Total		**50,00,000**	**20,00,000**
II. Assets			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets		30,00,000	14,00,000
2. Current Assets			
Inventory		20,00,000	6,00,000
Total		**50,00,000**	**20,00,000**

Ans. **Common Size Balance Sheet of ZXT Ltd.**

As at 31.03.2023 and 31.03.2024

Particulars	Note No.	Absolute Amount		% of Total	
		31.03.2023	31.03.2024	31.03.2023	31.03.2024
I. Equity and Liabilities					
1. Shareholders' Fund					
Share Capital		10,00,000	30,00,000	50	60
2. Non-Current Liabilities					
Long-Term Borrowings		8,00,000	16,00,000	40	32
3. Current Liabilities		2,00,000	4,00,000	10	8
Total		**20,00,000**	**50,00,000**	**100**	**100**
II. Assets					
1. Non-Current Assets					
Property, Plant and Equipment and Intangible Assets		14,00,000	30,00,000	70	60
2. Current Assets Inventory		6,00,000	20,00,000	30	40
Total		**20,00,000**	**50,00,000**	**100**	**100**

8. Complete the Comparative Statement of Profit and Loss:

Particulars	2022-23	2023-24	Absolute Change	% Change
Revenue from Operations	16,00,000	20,00,000	?	?
Less: Employee Benefit Expenses	8,00,000	?	?	25
Less: Other Expenses	2,00,000	?	(1,00,000)	?
Profit before Tax	6,00,000	?	?	50
Less: Tax@30%	?	?	90,000	?
Profit after Tax	4,20,000	?	2,10,000	?

Ans.

Particulars	2022-23	2023-24	Absolute Change	% Change
Revenue from Operations	16,00,000	20,00,000	**4,00,000**	**25**
Less: Employee Benefit Expenses	8,00,000	**10,00,000**	**2,00,000**	25
Less: Other Expenses	2,00,000	**1,00,000**	(1,00,000)	**50**
Profit before Tax	6,00,000	**9,00,000**	**3,00,000**	50
Less: Tax@30%	**1,80,000**	**2,70,000**	90,000	**50**
Profit after Tax	4,20,000	**6,30,000**	2,10,000	**50**

9. State giving reason whether Trade Payables are classified as Current Liabilities or Non-Current Liabilities in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013 in the following cases:

Case	Operating Cycle Period (Months)	Expected Payment Period (Months)
1	10	8
2	10	12
3	11	13
4	14	13
5	15	16
6	9	12

Ans.	<table><tr><th>Case</th><th>Current/Non-Current Liabilities</th><th>Reason</th></tr><tr><td>1</td><td>Current Liabilities</td><td>Operating Cycle is more than the period of payment.</td></tr><tr><td>2</td><td>Current Liabilities</td><td>Payment Period is more than the period of Operating Cycle and equal to 12 months from the date of Balance Sheet.</td></tr><tr><td>3</td><td>Non-Current Liabilities</td><td>Payment Period is more than the period of Operating Cycle and after 12 months from the date of Balance Sheet.</td></tr><tr><td>4</td><td>Current Liabilities</td><td>Operating Cycle is more than the period of payment.</td></tr><tr><td>5</td><td>Non-Current Liabilities</td><td>Payment Period is more than the period of Operating Cycle and after 12 months from the date of Balance Sheet.</td></tr><tr><td>6</td><td>Current Liabilities</td><td>Payment Period is more than the period of Operating Cycle and equal to 12 months from the date of Balance Sheet.</td></tr></table>
10.	From the following information, compute the amount to be shown in Note to Accounts on Employees Benefit Expenses: Wages ₹2,70,000; Salaries ₹3,60,000; Bonus ₹52,500; Staff Welfare Expenses ₹30,000 and Business Promotion Expenses ₹25,000
Ans.	Employees Benefit Expenses= Wages+ Salaries+ Bonus+ Staff Welfare Expenses = ₹2,70,000+₹3,60,000+₹52,500+₹30,000 =₹7,12,500

Work-Sheet I (20 Marks)

(1) When an analyst analysis the financial statements of an enterprise over a number of years, the analysis is called _______________analysis.
(a) Static (b) External (c) Horizontal (d) Vertical **1**

(2) 'Freedom to Choose of method of depreciation' refers to which limitation of financial statement analysis.
(a) Historical analysis. (b) Qualitative aspect ignored.
(c) Not free from bias. (d) Ignore Price level Changes. **1**

(3) Which of the following tools of analysis of financial statements indicate the trend and direction of financial position and operating results is…………?
(a) Comparative Statements (b) Common-size Statements
(c) Ratio Analysis (d) cash Flow Analysis **1**

(4) 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. **1**

(5) Which of the following is not a part of Finance Cost (in statement of profit and loss)?
(a) Bank Charges (b) Interest Paid on Debentures
(c) Interest Paid on Public Deposits (d) Loss on Issue of Debentures **1**

(6) Find the heads and sub-heads under which the following items will appear in the balance sheet of a company as per Schedule III, Part I of Companies Act, 2013?

a) Furniture and Fixture b) Advance paid to contractor for building under construction
c) Accrued Income d) Loans repayable on demand to Bank
e) Employees earned leaves payable on retirement
f) Employees earned leaves encashable **3**

(7) From the following information, prepare a Comparative Statement of Profit and Loss of Smart Ltd: **3**

Particulars	**2023-24**	**2022-23**
Revenue from Operations	24,00,000	20,00,000
Cost of Materials consumed	6,00,000	4,00,000
Employee Benefit Expenses	4,00,000	2,00,000
Income Tax @50%		

(8) Explain Importance of financial statement analysis for management. **3**

(9) From the given Balance Sheet of Moonlight Ltd., Prepare a common size Balance Sheet: **3**

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

Particulars	**Note No.**	**31.03.2024**	**31.03.2023**
I. Equity and Liabilities			
1. Shareholders' Fund			
(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		6,00,000	2,00,000
Total		**20,00,000**	**10,00,000**
II. Assets			
1. Non-Current Assets			
(a) 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) Inventory		2,00,000	50,000
Total		**20,00,000**	**10,00,000**

(10) From the following information related to statement of profit and loss of Moon Ltd., for the years ended 31st March 2020 and 2021, prepare a comparative statement of profit and loss: **3**

Particulars	**Note no.**	**2020-21**	**2019-20**
Revenue from operations		20,00,000	16,00,000
Employee benefits expenses		10,00,000	8,00,000
Other expenses		1,00,000	2,00,000
Tax rate		40%	40%

Answers (Worksheet-I)

(1) (c) Horizontal (2) (c) Not free from bias. (3) (a) Comparative Statements (4) (c) It ascertains the relative importance of different components of the financial position of the firm.
(5) (a) Bank Charges

(6) **Items**	**Heading**	**Sub-Heading**
(i) Furniture and Fixture	Non-Current Assets	Property, Plant & Equipment
(ii) Advance paid to contractor for building under construction	Non-Current Assets	Long-Term Loans & Advances
(iii) Accrued Income	Current Assets	Other Current Assets
(iv)Loans repayable on demand to Bank	Current Liabilities	Short Term Borrowings
(v) Employees earned leaves payable on retirement	Non-Current Liabilities	Long Term Provisions
(vi) Employees earned leaves encashable	Current Liabilities	Short Term Provisions

(7)

Comparative Statement of Profit and Loss of Smart Ltd.
For the years ended 31st March, 2023 and 31st March, 2024

Particulars	2022-23	2023-24	Absolute Change	% Change
I. Revenue from Operations	20,00,000	24,00,000	4,00,000	20
Less: Expenses				
Cost of Materials consumed	4,00,000	6,00,000	2,00,000	50
Employee benefit expenses	2,00,000	4,00,000	2,00,000	100
Total Expenses	**6,00,000**	**10,00,000**	**4,00,000**	**66.67**
Profit before Tax	14,00,000	14,00,000	NIL	NIL
Less: Tax@50%	7,00,000	7,00,000	NIL	NIL
Profit after Tax	**7,00,000**	**7,00,000**	**NIL**	**NIL**

(8) **For Management:**
Performance Evaluation: Financial statement analysis allows management to assess the company's performance against its goals and identify areas for improvement.
Strategic Planning: It provides data-driven insights for making informed decisions about investments, cost control, and future growth strategies.
Risk Management: By analyzing financial statements, management can identify and mitigate potential financial risks.

(9) Common Size Balance Sheet of Moonlight Ltd. as at 31.3.2022 and 31.3.2023

Particulars	Note No.	Absolute Amount 31.3.2022	Absolute Amount 31.3.2023	% of Balance Sheet Total 31.3.2022	% of Balance Sheet Total 31.3.2023
I. Equity and Liabilities: 1. Shareholders' Funds					

(a) Share Capital		5,00,000	12,00,000	50	60
2. Non-Current Liabilities					
(a) Long term borrowings		3,00,000	2,00,000	30	10
3. Current Liabilities					
(a) Trade Payables		2,00,000	6,00,000	20	30
Total		**10,00,000**	**20,00,000**	**100**	**100**
II. Assets:					
1. Non-current Assets					
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		7,00,000	14,00,000	70	70
2. Current Assets					
(a) Trade Receivables		2,50,000	4,00,000	25	20
(b) Inventories		50,000	2,00,000	5	10
Total		**10,00,000**	**20,00,000**	**100**	**100**

(10)

Particulars	**Note No.**	**2019-20**	**2020-21**	**Absolute Change**	**% Change**
I. Revenue from Operations		16,00,000	20,00,000	4,00,000	25%
Expenses					
Employee Benefit Expenses		8,00,000	10,00,000	2,00,000	25%
Other Expenses		2,00,000	1,00,000	(1,00,000)	(50%)
II. Total Expenses		10,00,000	11,00,000	1,00,000	10%
III. Profit before Tax (I-II)		6,00,000	9,00,000	3,00,000	50%
Less: Tax 40%		(2,40,000)	(3,60,000)	1,20,000	50%
IV. Profit after Tax		**3,60,000**	**6,40,000**	**2,80,000**	**77.77%**

Work-Sheet II (20 Marks)

(1) Analysis of Financial Statements is useful and significant to different users. Which of the following users is particularly interested in the firm's ability to meet their claim over a very short period of time?
(a) Labour Unions (b) Trade Payables (c) Top Management (d) Finance Manager **1**

(2) The tool of 'Analysis of Financial Statements' which helps to assess the profitability, solvency and efficiency of an enterprise is known as:
(a) Cash Flow Statement (b) Comparative Statement
(c) Balance Sheet (d) Ratio Analysis **1**

(3) Financial Statements are prepared on certain basic assumptions (pre-requisites) known as…………
(a) Provisions of Companies Act, 2013 (b) Accounting Standards
(c) Postulates (d) Basis of Accounting **1**

(4) 'Freedom to choose method of depreciation' refers to which limitation of Financial Statement Analysis?
(a) Historical Analysis (b) Qualitative aspect ignored
(c) Not free from bias (d) Ignores Price Level Changes **1**

(5) Which of the following is NOT a limitation of financial statement analysis?
(a) Historical data may not reflect future performance
(b) Financial statements can be manipulated
(c) Analysis relies solely on quantitative data
(d) Different accounting methods can be used by different companies **1**

(6) 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) Long Term Loans from Bank (b) Loose Tools (c) Outstanding Expenses **3**

(7) 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) Copyrights (b) Interest Accrued on investments (c) Long-term investment in shares **3**

(8) From the following information, Prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2022 and 2023: **3**

Particulars	Note No.	2022-23	2021-22
Revenue from operations		10,00,000	8,00,000
Employee benefit expenses		2,50,000	1,00,000
Other expenses		5,50,000	4,00,000
Tax rate 50%			

(9) Lala Ltd. and Bala Ltd. use different accounting policies for inventory valuation. These variations leave a big question mark on the cross-sectional analysis and comparison of these two firms was not possible. Identify the limitation of Financial Statement Analysis highlighted in the above situation. Also explain any two other limitations of Financial Statement Analysis apart from the identified above. **3**

(10) From the information extracted from the statement of Profit and Loss of Zee Ltd. for the year ended 31st March 2022 and 31st March, 2023, prepare a common size statement of profit & loss: **3**

Particulars	**Note No.**	**2022-23**	**2021-22**
Revenue from Operations		8,00,000	10,00,000
Gross Profit		60%	70%
Other Expenses		2,20,000	2,60,000
Tax Rate		50%	50%

Answers (Worksheet-II)

(1) (b) Trade Payables (2) (d) Ratio Analysis (3) (c) Postulates

(4) (c) Not free from bias (5) (d) Different accounting methods can be used by different companies

(6) **Items**	**Major Head**	**Sub Head**
(a) Long Term Loans from Bank	Non-Current Liabilities	Long-Term Borrowings
(b) Loose Tools	Current Assets	Inventories
(c) Outstanding Expenses	Current Liabilities	Other Current Liabilities

(7) **Items**	**Major Head**	**Sub Head**
(a) Copyrights	Non-Current Assets	Property, Plant-Intangible
(b) Interest Accrued on investments	Current Assets	Other Current Assets
(c) Long-term investment in shares	Non-Current Assets	Non-Current Investments

(8) % change of revenue from operations 25%, % change of employee benefit expenses 150%
% change of Other Expenses 37.5%

(9) Two Other Limitations (Any two of the following, with suitable explanation)
(a) Limitations of Accounting Data (b) Ignores Price-level Changes
(c) Ignore Qualitative or Non-monetary Aspects (d) Forecasting

(10)

Particulars	**2022-23**	**2021-22**	**% on revenue from operations (2021-22)**	**% on revenue from operations (2022-23)**
Revenue from operations	8,00,000	10,00,000	100	100
Less: Expenses				
Cost of Revenue from operations	3,20,000	3,00,000	40	30
Other Expenses	2,20,000	2,60,000	27.5	26
Total Expenses	5,40,000	5,60,000	67.5	56
Profit Before Tax	2,60,000	4,40,000	32.5	44
Less: Tax	1,30,000	2,20,000	16.25	22
Profit after Tax	1,30,000	2,20,000	16.25	22

CHAPTER-10

ACCOUNTING RATIOS

Meaning, Objectives, Advantages, classification and computation.

• Liquidity Ratios: Current ratio and Quick ratio.
• Solvency Ratios: Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio. Debt to Capital Employed Ratio.
• Activity Ratios: Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade Payables Turnover Ratio, Fixed Asset Turnover Ratio, Net Asset Turnover Ratio and Working Capital Turnover Ratio.
• Profitability Ratios: Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.

When the number is calculated by referring to two accounting numbers derived from the financial statements, is termed as accounting ratio.

Objectives of Accounting Ratios:

1. Simplifying Financial Information into meaningful and easily understandable indicators to judge performance and financial health of a business.
2. Assessing Operational Efficiency that how effectively a company utilizes its assets and manages its operations.
3. Facilitating Comparative Analysis between different periods (time-series analysis) or between different companies (cross-sectional analysis). This helps in identifying trends, strengths, and weaknesses over time or relative to competitors.
4. Analysing Profitability to generate profits from its operations and investments.
5. Evaluating Solvency to assess a company's ability to meet its short-term and long-term debt obligations.
6. Assisting in Decision Making to stakeholders (management, investors, creditors) about investments, lending, and operational strategies.
7. Forecasting and Planning by analysing trends and patterns revealed by ratios, can forecast future performance and develop effective plans and budgets.
8. Identifying Areas of Strength and Weakness

Importance of Accounting Ratios:

1. Helps in understand efficiency of decisions
2. Simplify complex figures and establish relationships
3. Helpful in comparative analysis
4. Identification of problem areas
5. Enables SWOT analysis

Ratios Analysis: Formulas & Significance

Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	This ratio shows short-term financial position of the firm. Higher the ratio shows greater short-term solvency but a very higher ratio shows idleness of working capital. Standard (ideal) ratio is 2:1.
Liquid/Quick Ratio: $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	This ratio is based on those current assets which are highly liquid. Higher the Liquid/Quick/Acid-Test ratio better the short-term financial position of the firm. Standard ratio is 1:1.
Debt-Equity Ratio: $\frac{\text{Long-term Debt}}{\text{Equity/Shareholders Fund}}$	This ratio judges the long-term financial position & soundness of long-term financial policies of the firm. Standard Ratio – 2:1. Lower the ratio provides higher degree of protection to lender & vice-versa **Equity = Paid-up sh. Capital + Pref. Sh. Cap. + Reserves – Fict. Assets**
Total Asset to Debt Ratio: $\frac{\text{Total Assets}}{\text{Long-Term Debts}}$	This ratio measures the safety margin available to the suppliers of long-term debts.
Proprietary Ratio $\frac{\text{Shareholder Funds}}{}$ **x 100**	This ratio shows the extent to which the total assets have been financed by the proprietor. Higher the ratio, greater the satisfaction for lenders and

Total Assets	creditors. Standard Ratio – 2:1.
Interest Coverage Ratio = PBIT / Interest on LTD	Net Profit before Interest & Tax / Interest on long-term debts • Higher ratio ensures safety of interest on debts • It reveals the number of times interest on long-term debts is covered by the profits available for interest
Debt to Capital Employed Ratio	Debt / (Debt + Shareholders' Equity)
Stock Turnover Ratio: Cost of Goods Sold / Average Stock	This ratio measures how fast the stock is moving through the firm and generating sales. Higher the ratio, the more efficient management of inventories and vice-versa. It is expressed in times.
Debtors Turnover ratio: Net Credit Sales / Average Accts Receivables	This ratio indicates economy and efficiency in the collection of amount due from debtors. Higher the ratio, better it is since it indicates that debts are being collected more quickly.
Payable Turnover Ratio: Net Credit Purchases / Average Payable	It indicates the number of times the creditors are turned over in relation to purchases. A higher turnover ratio or shorter payment period shows the availability of less credit or yearly payments.
Working Capital Turnover: COGS / Net Sales / Net working Capital COGS=Cost of Goods Sold	This ratio shows the number of times the working capital has been employed in the process of carrying on of business. Higher the ratio, better the efficiency in the utilization of working capital. If, COGS & Net Sales both are given than COGS should be used.
Fixed Assets Turnover: Net Sales / Net Fixed Assets	A higher ratio indicates efficient utilization of fixed assets and vice-versa. Net Fixed Assets = Fixed Assets – Depreciation.
Gross Profit Ratio; Gross Profit / Net Sales x 100	This ratio indicates the relationship between gross profits and net sales. Higher ratio shows low cost of goods sold.
Operating Ratio: **COGS + Operating Exp. / Net Sales x 100**	This ratio is calculated to judge the operational efficiency of the business. A decline in the ratio, is better because it would leave a high margin, which means more profits.
Net Profit Ratio: Net Profit / Net Sales x 100	It indicates overall efficiency of the business. Higher the ratio, better the business.
Return on Investment: (Capital Employed) PBIT & D / Capital Employed x 100	It judges the overall performance of the business. It measures, how efficiently the sources entrusted to the business are used. Capital Employed = Share Capital + Reserves + Long-Term Loans – Fictitious Assets – Non-operating Assets. OR = Fixed Assets + Investments + Working Capital.
Fixed Asset Turnover Ratio	Revenue from Operations / Net Fixed Assets
Net Asset Turnover Ratio	Revenue from Operations / Net Assets OR Capital Employed

Pattern of Questions asked in CBSE

- State with reason, whether ratio will decline, improve or no change – as per the particular transaction
- Identification of ratio and significance – with respect to classified accounting ratios.
- Tool for financial analysis – identification
- Computation of particular accounting ratio from the given information
- Computation of segment of a particular ratio from the given information

CBSE QUESTIONS: 2023

01. Which of the following equations is correct? (1 mark)
   (A) Cost of Revenue from Operations = Revenue from Operations + Gross Profits
   (B) Cost of Revenue from Operations = Opening Inventory – Net Purchases + Direct Expenses – Closing Inventory
   (C) Cost of Revenue from Operations = Opening Inventory + Closing Inventory
   (D) Cost of Revenue from Operations = Revenue from Operations – Gross Profit

   OR

   Which of the following is a tool of Analysis of Financial Statements?
   (1) Cash Flow Statement (2) Statement of Profit and Loss (c) Notes to Accounts (d) Balance Sheet
   Choose the correct option:
   (A) (1) (B) (1) & (2) (C) (ii) (D) (1), (2) and (4)
02. From the following information, the 'Proprietor's funds' are: (1 mark)
   Current Assets ₹ 20,00,000 Non-Current Assets ₹ 40,00,000
   Long Term Borrowings ₹ 25,00,000 Proprietary Ratio 25%
   (A) ₹ 10,00,000 (B) ₹ 14,00,000 (C) ₹ 24,00,000 (D) ₹ 15,00,000
03. 'It is a technique which involves regrouping of data by application of arithmetical relationships. Identify the technique and state its two advantages. (3 marks)
04. Calculate Gross Profit Ratio from the following information: (4 marks)
   Inventory Turnover Ratio: 6 times Average Inventory: ₹ 4,00,000
   Goods are sold at a profit of 25% on cost.

   OR

   The Current Ratio of a company is 2:1. State giving reasons, which of the following transactions would improve, reduce or not change the ratio:
   (1) Purchased goods on credit ₹ 40,000
   (2) Sale of furniture of ₹ 8,000 at a loss of ₹ 2,000
   (3) Cash received from trade receivables ₹ 15,000
   (4) Issued equity shares ₹ 6,00,000.

Answer to Questions of CBSE 2023

01. (D) Cost of Revenue from Operations = Revenue from Operations – Gross Profit
   OR (A) (1)
02. (D) ₹ 15,00,000
03. Ratio Analysis. Advantages of Ratio Analysis – (refer to gist of respective topic)
04. Gross Profit Ratio = (Gross Profit x 100) / Revenue from Operations
   Inventory turnover ratio = Cost of Revenue from Operations / Average Inventory
   Cost of Revenue from Operations = 6 x 4,00,000 = ₹ 24,00,000
   Gross Profit = 25% of Cost = 25% of 24,00,000 = ₹ 6,00,000.
   Revenue from Operation = Cost of Revenue from Operations + Gross Profit = 24,00,000 + 6,00,000
   Gross Profit Ratio = (6,00,000 x 100) / 30,00,000 = 20%

   OR

   (1) Current Ratio would reduce. Reason: CA as well as CL would increase by the same amount.
   (2) Current Ratio would improve. Reason: CL remain the same but CA would increase.
   (3) Current Ratio would not change. Reason: Both CA and CL remain the same.
   (4) Current Ratio would improve. Reason: CA would increase whereas there would no change in CL

CBSE Questions 2023 (Compartment)

01. Which of the following is a tool of 'Analysis of Financial Statements? (1mark)
   (A) Statement of Profit and Loss (B) Balance Sheet
   (C) Ratio Analysis (D) Both (A) & (B)

   OR

   If the Operating Ratio of Pathway Ltd is 30%, its Operating Profit Ratio will be:
   (A) 100% (B) 30% (C) 130% (D) 70%
02. Which of the following is not a Solvency Ratio? (1marks)
   (A) Interest Coverage Ratio (B) Return on Investment
   (C) Debt to Capital Employed Ratio (D) Total Assets to Debt Ratio

OR

Which of the following are known as Efficiency Ratios?

(A) Liquidity Ratio (B) Solvency Ratios (C) Activity Ratios (D) Profitability Ratio

03. "These ratios are calculated to determine the ability of the business to service its debt in the long run." Identify and state the significance of three such ratios. (3 marks)

04. (a) From the following information, calculate Operating Ratio: (4 marks)

Revenue from Operations ₹ 10,00,000 Cost of Revenue from Operations ₹ 4,00,000

Selling Expenses ₹ 80,000 Administrative Expenses ₹ 1,20,000

(b) From the following details, calculate Interest Coverage Ratio:

Net Profit before Tax ₹ 2,00,000 10% Long-term Debt ₹ 5,00,000 & Tax Rate 40%

OR

The Current Ratio of Zenith Ltd is 2:1. State giving reasons, which of the following transactions will improve, reduce or not change the current ratio:

(a) Payment to creditors ₹ 20,000
(b) Purchased goods on credit ₹ 80,000
(c) Cash received from debtors ₹ 15,000
(d) Issue of equity shares ₹ 5,00,000

Answer to Questions of CBSE 2023 (Compartment)

01. (C) Ratio Analysis OR (D) 70%
02. (B) Return on Investment OR (C) Activity Ratios
03. Solvency Ratios. (Refer – significance of any three solvency ratios)
04. (a) Operating Ratio=(Cost of Revenue from Operation + Operating Expenses)/Revenue from Operations

= (4,00,000 + 80,000 + 1,20,000) / 10,00,000 = 60%

(b) Interest Coverage Ratio = Profit before Interest & Tax / Interest on Lon-term Debt

= (2,00,000 + 50,000) / 50,000 = 5 times

OR

(a) Improve. Reason: Decrease in CA and CL
(b) Reduce. Reason: Increase in CA and CL
(c) No Change. Reason: No change in CA and CL
(d) Improve. Reason: Increase in CA and CL

CBSE Questions of 2024

01. The Quick Ratio of a company is 1:2. Which of the following transactions will result in an increase in this ratio?

(A) Cash received from debtors (B) Sold goods on credit

(C) Purchased goods on credit (D) Purchased goods on cash

02. -------------- ratios are calculated to determine the ability of the business to service its debt in the long run.

(A) Liquidity (B) Turnover (C) Solvency (D) Profitability

03. From the following information, calculate: (a) Quick Ratio (b) Inventory Turnover Ratio. (3 marks)

Current Assets ₹ 4,00,000; Inventory ₹ 1,00,000; Current Liabilities ₹ 2,00,000;

Net Profit before Tax ₹ 7,20,000; Revenue from Operations ₹ 10,00,000 and Gross Profit Ratio 20%

Answer to questions of CBSE 2024:

01. (B) Sold goods on credit
02. Solvency Ratios
03. (a) Quick Ratio = Quick Assets / Current Liabilities;

Quick Assets = Current Assets – Inventory; = 4,00,000 – 1,00,000 = ₹ 3,00,000

Quick Ratio = 3,00,000 / 2,00,000 = 1.5:1

(b) Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory

Cost of Revenue from Operations = Revenue from Operations – Gros Profit;

= 10,00,000 – 2,00,000 = ₹ 8,00,000

Inventory Turnover Ratio = 8,00,000 / 1,00,000 = 8 times.

CBSE Questions of 2024 (Compartment):

01. The Quick Ratio of a company is 1:1. Which of the following transactions will result in increase of this ratio? (1 mark)
    (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
02. Ratios that are calculated for measuring the efficiency of operations of business based on effective utilization of resources are known as: (1 mark)
    (A) Liquidity Ratios (B) Turnover Ratios (C) Solvency Ratios (D) Profitability Ratios
03. X Ltd has a Current ratio 3.5:1 and Quick ratio of 2:1. If excess of Current Assets over Quick Assets is represented by inventories of ₹ 16,000 and prepaid expenses of ₹ 8,000. Calculate: (3 marks)
    (1) Current Liabilities (2) Current Assets (3) Quick Assets

Answer to questions of CBSE 2024 (Compartment)

01. (B) Sold inventory on credit ₹ 50,000
02. (B) Turnover ratios
03. Let the current liabilities be X then Current Assets = 3.5 X and Quick Assets = 2 X
    Current Assets – Quick Assets = Inventories + Prepaid expenses
    3.5X – 2.5X = 16,000 + 8,000; 1.5X = 24,000; X = 24,000 / 1.5 = 16,000
    (1) Current Liabilities = X i.e. ₹ 16,000
    (2) Current Assets = 3.5X i.e. 3.5 x 16,000 = ₹ 56,000
    (3) Quick Assets = 2X i.e. 2 x 16,000 = ₹ 32,000

CBSE questions of 2025

01. The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is --------
    (A) Comparative Statements (B) Common Size Statements
    (C) Cash Flow Analysis (D) Ratio Analysis

    OR

    Ratios that are calculated for measuring the efficiency of operations of the business based on effective utilization of resources are known as ----------:
    (A) Profitability Ratios (B) Solvency Ratios (C) Turnover Ratios (D) Liquidity Ratios
02. The Debt Equity Ratio of Manak Enterprises is 2.5:1. Which of the following transaction will result in increase in this ratio?
    (A) Purchase of goods on credit ₹ 2,00,000 (B) Payment to creditors ₹ 3,00,000
    (C) Issue of debentures ₹ 6,00,000 (D) Sale of furniture of the book value ₹ 4,00,000 at a profit of 10%
03. Calculate Opening and Closing Trade Payables from the following information:
    Total purchases ₹ 15,00,000, Cash purchases are 25% of credit purchases
    Trade payables turnover ratio is 4 times: Closing trade payables are two times of opening trade payables

    OR

    From the following information, calculate Return on Investment: (4 marks)
    Shareholders' Funds ₹ 16,00,000; 10% Debentures ₹ 8,00,000; Current Liabilities ₹ 2,00,0000
    Current Assets ₹ 5,00,000; Non-Current Assets ₹ 21,00,000.
    Net profit after tax was ₹ 3,00,000 and the tax amounted to ₹ 1,00,000.

Answer to questions of CBSE 2025:

01. (A) Comparative Statements OR (C) Turnover Ratios
02. (C) Issue of Debentures ₹ 6,00,000
03. Trade Payables Turnover Ratio = Net Purchases / Average Trade Payables
    Let the credit purchases be X then cash purchases = 25% of X = X/4
    Total purchases = Credit purchases + Cash purchases; 15,00,000 = X + X/4; = 15,00,000 = 5X/4
    (15,00,000 x 4) / 5 = X; = 12,00,000 i.e. Credit Purchases = ₹ 12,00,000.
    Trade Payables Turnover Ratio 4 times = Credit Purchases 12,00,000 / Average Trade Payables
    Average Trade Payables = 12,00,000 / 4 = ₹ 3,00,000.

Average Trade Payables = (Opening Trade Payables + Closing Trade Payables) / 2
Let the Opening Trade Payables be X then Closing Trade Payables = 2X
Average Trade Payables 3,00,000 = (X + 2X) / 2; 3,00,000 = 3X/2; 3,00,000 x 2 = 3X
6,00,000 / 3 = X; Opening Trade Payables ₹ 2,00,000 and Closing Trade Payables ₹ 4,00,000.

OR

Return on Investments = (Profit before Interest and Tax / Capital Employed) x 100
Profit before interest & tax = Net profit after tax + Tax + Interest on Debentures
= 3,00,000 + 1,00,000 + 80,000 = ₹ 4,80,000
Capital employed = Shareholders funds + Debentures; = 16,00,000 + 8,00,000 = ₹ 24,00,000
ROI = (4,80,000 / 24,00,000) x 100; = 20%

Ratio will improve, decline or no change: HINTS

(1) Only Numerator increased or only Denominator decreased than ratio will improve.
Current Ratio 2:1 i.e. 20,000 / 10,000 >> 25,000 / 10,000 Increase. >> 20,000/5,000 Increase
(2) Only Numerator decreased or only Denominator increased than ratio will decline.
(3) Numerator and Denominator increased with same figures, ratio will decline.
(4) Numerator and Denominator decreased with same figures, ratio will improve.

Current Assets are Numerator & Current Liabilities are Denominator in Current Ratio.
♫ Current ratio is 2:1. State whether ratio will improve, decline or no change if a creditor of ₹ 5,000 has been paid.
Ans. & Hints: Assumed as the Current Assets is ₹ 20,000 & Current Liabilities ₹10,000.
Payment to creditor of ₹ 5,000 will reduce the current assets and current liabilities too.
Therefore, the proportion between them will be 15,000: 5,000. Thus, the new Current ratio will be 3:1.
Hence, Current Ratio will be Improve.

One Mark Questions

(1) The Current Ratio of a company is 3:1. There is the payment of ₹ 20,000 to the creditors. The new Current Ratio will _____.
(A) Improve (B) Decline (C) No Change (D) None of these
(2) Quick Ratio of a company is 3:1. There is payment of dividend to shareholders by the company. The new Quick Ratio will be ______.
(A) Improve (B) Decline (C) No Change (D) None of these
(3) Which of the following accounting ratio is called financial ratios?
(A) Liquidity Ratio (B) Solvency Ratio (C) Activity Ratios (D) Both A and B
(4) Which of the following accounting ratios helps to judge the managerial efficiency?
(A) Activity Ratios (B) Profitability Ratios (C) Solvency Ratios (D) All of these
(5) Which of the following ratios helps to judge the short-term financial position of a firm?
(A) Activity Ratios (B) Solvency Ratios (C) Liquidity Ratios (D) Profitability Ratios
(6) Which is the limitation of ratio analysis?
(A) Price level changes not considered (B) Window Dressing
(C) Personal Bias (D) All of the above
(7) Which ratio indicates the proportion of assets financed out of shareholders' funds?
(A) Debt-Equity ratio (B) Fixed Assets turnover ratio
(C) Proprietary ratio (D) Total assets to debt ratio
(8) A Higher the ratio, lower the profitability, is applicable to:
(A) Gross profit ratio (B) Operating ratio (C) Net profit ratio (D) EPS
(9) If there is revenue from operations ₹ 1,20,000 and gross profit is 20% of cost, then the amount of gross profit will be ₹:
(A) 20,000 (B) 50,000 (C) 40,000 (D) 60,000

(10) If there are credit revenue from operations ₹ 9,00,000; Bills receivables ₹ 1,50,000 in a year then Trade Receivables turnover ratio will be:

(A) 3 times (B) 9 times (C) 6 times (D) 12 times

(11) When debentures are redeemed, what will be its impact on debt-equity ratio?

(A) Ratio will increase (B) Ratio will decline (C) Change in ratio (D) None of these

(12) If Operating ratio is 78% then Operating profit ratio will be:

(A) 33 ½ % (B) 28% (C) 22% (D) None of these

Answers:

(1) A	(2) A	(3) D	(4) A	(5) C	(6) D	(7) C	(8) B	(9) A	(10) C	(11) B	(12) C

Three / Four Marks Questions

Question: (1) The Quick ratio of a company is 1:1. State giving reasons, which of the following would improve, reduce or not change the ratio?

(a) Purchase of machinery for cash
(b) Purchase of goods on credit
(c) Sale of furniture at cost
(d) Sale of goods at a profit
(e) Redemption of debentures at a premium

Solution:

(a) Decrease. As Quick assets decreased but current liabilities remain unchanged.
(b) Decrease. As current liabilities increased but quick assets remain unchanged.
(c) Improve. As Quick assets increased but current liabilities remain unchanged.
(d) Improve. As Quick assets increased but current liabilities remain unchanged.
(e) Decrease. As Quick assets decreased but current liabilities remain unchanged.

Question: (2) A Ltd has a current ratio 3.5:1 and quick ratio 2:1. If excess of current assets over quick assets represented by stock in ₹ 24,000. What is the value of Current Assets and Current Liabilities?

Answer: Current Assets 56,000 & Current Liabilities 16,0000

Current Ratio = Current Assets / Current Liabilities; 3.5 / 1 = CA / CL; **CA = 3.5 CL**

Quick Ratio = Quick Assets / Current Liabilities; 2/1 = QA / CL; **QA = 2 CL**

Stock = CA – QA; 24,000 = 3.5 CL – 2 CL; 1.5 CL = 24,000; **CL = 24,000 / 1.5 = 16,000**

3.5 / 1 = CA / 16,000; CA = 3.5 x 16,000 **CA = 56,000**

2 / 1 = QA / 16,000; QA = 2 x 16,000 **QA = 32,000**

Question: (3) Gross profit on cost of a firm is 40%. Working Capital Turnover Ratio is 5 times. Current Ratio is 2 and Current liabilities ₹ 40,000. Find the Gross Profits of the firm.

Answer: Working Capital Turnover Ratio = Cost of Goods Sold / Working Capital

Current ratio is 2 and Current liabilities is ₹ 40,000 then Current Assets = 40,000 x 2 = ₹ 80,000.

Working Capital = Current Assets – Current Liabilities; = 80,000 – 40,000 = ₹ 40,000

WCR = COGS/WC; 5 = COGS/40,000; COGS = 2,00,000

Gross profits = 40% of COGS = 40% of 2,00,000 = ₹ 80,000.

WORK-SHEET I (20 marks)

01. From the following information, the 'Proprietor's funds' are: (1 mark)

Current Assets ₹ 20,00,000 | Non-Current Assets ₹ 40,00,000
Long Term Borrowings ₹ 25,00,000 | Proprietary Ratio 25%

(A) ₹ 10,00,000 (B) ₹ 14,00,000 (C) ₹ 24,00,000 (D) ₹ 15,00,000

02. Which of the following is not a Solvency Ratio? (1marks)

(A) Interest Coverage Ratio (B) Return on Investment
(C) Debt to Capital Employed Ratio (D) Total Assets to Debt Ratio

OR

Which of the following are known as Efficiency Ratios?

(A) Liquidity Ratio (B) Solvency Ratios (C) Activity Ratios (D) Profitability Ratio

03. The Quick Ratio of a company is 1:2. Which of the following transactions will result in an increase in this ratio?

(A) Cash received from debtors (B) Sold goods on credit
(C) Purchased goods on credit (D) Purchased goods on cash

04. Ratios that are calculated for measuring the efficiency of operations of business based on effective utilization of resources are known as: (1 mark)

(A) Liquidity Ratios (B) Turnover Ratios (C) Solvency Ratios (D) Profitability Ratios

05. The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is --------

(A) Comparative Statements (B) Common Size Statements
(C) Cash Flow Analysis (D) Ratio Analysis

OR

Ratios that are calculated for measuring the efficiency of operations of the business based on effective utilization of resources are known as ----------:

(A) Profitability Ratios (B) Solvency Ratios (C) Turnover Ratios (D) Liquidity Ratios

06. Which of the following accounting ratio is called financial ratios?

(A) Liquidity Ratio (B) Solvency Ratio (C) Activity Ratios (D) Both A and B

07. Which is the limitation of ratio analysis?

(A) Price level changes not considered (B) Window Dressing
(C) Personal Bias (D) All of the above

08. A Higher the ratio, lower the profitability, is applicable to:

(A) Gross profit ratio (B) Operating ratio (C) Net profit ratio (D) EPS

09. The Quick ratio of a company is 1:1. State giving reasons, which of the following would improve, reduce or not change the ratio? (3 marks)

(1) Purchase of machinery for cash (2) Sale of furniture at cost (3) Sale of goods at a profit

10. From the following information, calculate: (a) Quick Ratio (b) Inventory Turnover Ratio. (3 marks)
Current Assets ₹ 4,00,000; Inventory ₹ 1,00,000; Current Liabilities ₹ 2,00,000;
Net Profit before Tax ₹ 7,20,000; Revenue from Operations ₹ 10,00,000 and Gross Profit Ratio 20%

11. X Ltd has a Current ratio 3.5:1 and Quick ratio of 2:1. If excess of Current Assets over Quick Assets is represented by inventories of ₹ 16,000 and prepaid expenses of ₹ 8,000. Calculate: (3 marks)

(1) Current Liabilities (2) Current Assets (3) Quick Assets

12. Calculate Opening and Closing Trade Payables from the following information: (3 marks)
Total purchases ₹ 15,00,000, Cash purchases are 25% of credit purchases
Trade payables turnover ratio is 4 times: Closing trade payables are two times of opening trade payables

OR

From the following information, calculate Return on Investment:
Shareholders' Funds ₹ 16,00,000; 10% Debentures ₹ 8,00,000; Current Liabilities ₹ 2,00,0000
Current Assets ₹ 5,00,000; Non-Current Assets ₹ 21,00,000.
Net profit after tax was ₹ 3,00,000 and the tax amounted to ₹ 1,00,000.

Work-Sheet II (20 marks)

01. The Accounting ratios which expresses in a time. (1 mark)
 (A) Solvency Ratios (B) Turnover Ratios
 (C) Profitability Ratios (D) None of the above

02. Which of the following is a Profitability Ratio? (1marks)
 (A) Interest Coverage Ratio (B) Return on Investment
 (C) Debt to Capital Employed Ratio (D) Total Assets to Debt Ratio

OR

Which of the following are known as Efficiency Ratios?
 (A) Liquidity Ratio (B) Solvency Ratios (C) Activity Ratios (D) Profitability Ratio

03. The Current Ratio of a company is 2:1. Which of the following transactions will reduce the current ratio?
 (A) Payment to trade payables (B) Issue of shares
 (C) Sale of inventory at a loss (D) Cash collected from trade receivables

04. Ratios that are calculated for measuring the financial health of business are known as: (1 mark)
 (A) Solvency Ratios (B) Turnover Ratios (C) Liquidity (D) Return on Investment

05. Operating ratio of a firm is 78% then which of the following will be Operation Profit ratio?
 (A) 100% (B) 78% (C) 22% (D) None of these

06. Which of the following accounting ratio is called financial ratios?
 (A) Liquidity Ratio (B) Solvency Ratio (C) Activity Ratios (D) Both A and B

OR

________indicate the speed at which activities of the business are being performed.
 (A) Liquidity ratios (B) Turnover ratios (C) Solvency ratios (D) Profitability ratioss

07. Which is the limitation of ratio analysis?
 (A) Price level changes not considered (B) Window Dressing
 (C) Personal Bias (D) All of the above

08. A Higher the ratio, lower the profitability, is applicable to:
 (A) Gross profit ratio (B) Operating ratio (C) Net profit ratio (D) EPS

09. The Quick ratio of a company is 1:1. State giving reasons, which of the following would improve, reduce or not change the ratio? (3 marks)
 (1) Purchase of machinery for cash (2) Sale of furniture at cost (3) Sale of goods at a profit

10. From the following information, calculate: (a) Quick Ratio (b) Inventory Turnover Ratio. (3 marks)
 Current Assets ₹ 4,00,000; Inventory ₹ 1,00,000; Current Liabilities ₹ 2,00,000;
 Net Profit before Tax ₹ 7,20,000; Revenue from Operations ₹ 10,00,000 and Gross Profit Ratio 20%

11. X Ltd has a Current ratio 3.5:1 and Quick ratio of 2:1. If excess of Current Assets over Quick Assets is represented by inventories of ₹ 16,000 and prepaid expenses of ₹ 8,000. Calculate: (3 marks)
 (1) Current Liabilities (2) Current Assets (3) Quick Assets

12. Calculate Opening and Closing Trade Payables from the following information: (3 marks)
 Total purchases ₹ 15,00,000, Cash purchases are 25% of credit purchases
 Trade payables turnover ratio is 4 times: Closing trade payables are two times of opening trade payables

OR

From the following information, calculate Return on Investment:
 Shareholders' Funds ₹ 16,00,000; 10% Debentures ₹ 8,00,000; Current Liabilities ₹ 2,00,0000
 Current Assets ₹ 5,00,000; Non-Current Assets ₹ 21,00,000.
 Net profit after tax was ₹ 3,00,000 and the tax amounted to ₹ 1,00,000.

Hint for Answer:

1 (B)	2 (B) / (C)	3 (B)	4(A)	5 (C)	6(D)	7(D)	8(B)

CHAPTER-11
CASH FLOW STATEMENT (AS-3)

Note: (i) Adjustments relating to depreciation and amortization, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.
(ii) Bank overdraft and cash credit to be treated as short term borrowings.
(iii) Current Investments to be taken as Marketable securities unless otherwise specified.
(iv) Previous years' Proposed Dividend to be given effect, as prescribed in AS-4) Events occurring after the Balance Sheet date. Current years' Proposed Dividend will be accounted for in the next year after it is declared by the shareholders.

Meaning of Cash Flow Statement:

A Cash Flow Statement is a financial statement that shows the inflows and outflows of cash and cash equivalents of an enterprise during a specific period.

Objectives of Cash Flow Statement:

i) To provide information about cash flow from operating, investing and financing activities during a specific period.

ii) Ensuring the capacity of an organization to pay a dividend.

iii) Comparing various items of the current year with those of last year.

Cash and Cash Equivalents:
According to AS-3 (Accounting Standard 3):
Cash includes:
Cash in hand, Demand deposits with banks
Cash Equivalents are:

- Short-term, highly liquid investments
- Easily and quickly convertible into known amounts of cash
- Typically have a short maturity (usually 3 months or less)

Extra ordinary:

Unusual and infrequent gains or losses that are not part of a company's normal business operations

Classification of Activities for the Preparation of Cash Flow Statement: (As per AS-3)

1. Operating Activity is the principal revenue producing activity of the enterprise,

2. Financing Activity is that activity which changes the size & composition of owner's capital & borrowing of the enterprise.

3. Investing Activity include the acquisition and disposal of long-term assets.

Cash Flow from Operating Activity has four important sections as –

(a) Net profit before tax & dividend

(b) Adjustments for Non-Cash and Non-Operating charges, losses / Incomes, gains

(c) Adjustments for changes in Working Capital

(d) Tax paid during an accounting period

Format of Cash Flow Statement

Particulars	Amt	Amt
Cash Flow from **Operating Activity**: Net Profit **Add: P2IT(R)** Provision for tax (C.Y made) Proposed dividend (P.Y paid) Interim Dividend paid Transfer to reserve (If increase) **Less: Refund of tax** **Net profit before tax and extraordinary item** **Adjustment for Non Cash/Non Operating Item's** Add: **DPGILI** Depreciation, Preliminary Exp written off Goodwill, Patent, Trademark w/off Interest paid Loss on sale of Fixed asset Increase in provision for doubtful debts **Less: GRID2** Gain on sale of fixed asset Rent Received Interest Receive Dividend Received Decrease in provision for d.debts **Operating profit before working capital adjustment** **Except (Bank O/D, Cash Credit, cash and cash equivalent, Current investment, Provision for tax)** **Add: Increase in C.L and Decrease in C.A** Trade Payable, Inventory, Prepaid expenses etc. **Less: Decrease in C.L and Increase in C.A** Trade Payable, inventory, Prepaid expenses **Less: Tax paid (after adjustment of refund)** **Cash from in operating activity**		
Cash Flow from Investing Activity *Purchase of Non-Current Investment/Fixed asset/ Goodwill etc. (outflow) *Sale of Tangible asset/Non-Current Investment *Interest/Rent/Dividend received (Inflow) **Cash used in Investing Activity**		
***Cash Flow from Financing Activity** *Issue of shares, debentures, preference shares (+) *Redemption of Debentures, Loan repaid (-) *Interest/Dividend/Interim dividend paid(-) Cash from financing activity		
Net Increase/decrease (Closing-opening)		
Opening Cash and cash equivalent		
Closing cash and cash equivalent		

* Without accumulated depreciation

Machine A/c (AT BOOK VALUE)

Particulars	Amt	Particulars	Amt
Balance b/d(P.Y) Statement of Profit and Loss(gain) (OA -) Bank(purchase)(IA -)		By Bank A/c(sale)(IA +) By statement of Profit and Loss(loss) (OA +) **By Depreciation (during the year)** (OA +) Balance c/d(C.Y)	
	Xxx		Xxx

With accumulated depreciation

Machine A/c (COST)

Particulars	Amt	Particulars	Amt
Balance b/d(P.Y) Statement of Profit and Loss(gain) (OA -) Bank(purchase) (IA -)		By Bank A/c(sale) (IA +) By statement of P/L Account(loss) (OA +) **By Accumulated Depreciation** (accumulated dep on asset sold) Balance c/d(C.Y)	

Accumulated depreciation/Provision for depreciation A/c

Particulars	Amt	Particulars	Amt
Asset A/c(accumulated depreciation on asset sold) Balance c/d(C.Y)		Balance b/d(P.Y) Depreciation during the year/for the year(OA +)	

GAIN/PROFIT ON SALE OF ASSET = SALE VALUE - BOOK VALUE LOSS ON SALE OF ASSET

= BOOK VALUE – SALE VALUE

BOOK VALUE = COST OF ASSET – ACCUMULATED DEPRECIATION TILL DATE OF SALE

Treatment of tax

1. When given only inside the: Previous year paid- end of operating activity (OA -) , Current Year – made – add in P2ITR(OA +)
2. When given only outside the balance sheet- same amount taken as Paid and made
3. Given both inside and outside (Prepare account)

Provision for Tax Account

Particulars	Amt	Particulars	Amt
Bank A/c(**paid**) (OA -) Balance c/d(C.Y)		Balance b/d(P.Y) Statement of P/L(**made**) (OA +)	

Proposed Dividend

Is given only outside the balance sheet as contingent liability – Only previous year proposed dividend is taken for two treatment- Paid (Financing) (FA -), made (add in P2ITR) (OA +)

One Mark Questions

Q.1 Cash Flow Statement is related to:

(A)AS-3 (B) AS-6 (C) AS-9 d) AS-12

Q.2 Cash from operating activities will decrease due to :

(A)Increase in Current Assets (B) Decrease in Current Liabilities

(C) Neither of the two (D) Both (A)and (B)

Q.3 If net profit is ₹ 35,000 after writing off good will ₹ 6,000 and loss on sale of furniture ₹ 1,000, cash flow from operating activities will be :

(A)₹ 35,000 (B) ₹ 42,000 (C) ₹ 29,000 (D) ₹ 28,000

Q.4 Which of the following transactions will not result in the inflow of cash?

(A) Cash deposited in the bank (B) Payment of salaries 80,000 50,000

(C) Issue of 9% debentures 10,00,000 (D) Purchase of machinery Rs. 2,00,000

Q.5 Which of the following transactions will result in the flow of cash?

(A) Cash was withdrawn from bank Rs 71,000.

B) An issue of 9% debentures of Rs 1,00,000 to the vendors of machinery.

(C) Received from debtors Rs 74,000.

(D) Redeemed 10% debentures by converting the same into equity shares.

Q.6 **Statement-I :** Snow Limited earned a profit of Rs 2,00,000 after charging depreciation of Rs 50,000 on machinery. So, operating profit before working capital changes would be Rs 2,50,000.

Statement-II : Depreciation is added back to net profit as it does not result in any cash flow.

Choose the correct option from the following:

(A)Only Statement-I is true. (B) Only Statement-II is true.

(C) Both the Statements are false. (D) Both the Statements are true.

Q.7 Short-term highly liquid investments qualify as cash equivalents if they are realisable into known amounts of cash from the date of acquisition within a period of :

(A)6 months or less (B) 9 months or less

(C) 12 months or less (D) 3 months or less

Q.8 Which of the following item is not included in cash and cash equivalents ?

(A)Trade Receivables (B) Demand deposits with bank

(C) Short-term marketable securities (D) Cheques in hand

Q.9 What will be effect of 'Purchase of Marketable Security For Cash' on Cash Flow Statement?

(A) No Effect (B) Inflow from financing activities

(C) Outflow from investing activities (D) Outflow from financing activities

Q.10 . Which of the following is not an example of cash outflows?

(A)Repayment of loans (B) Decrease in creditors

(C) Issue of debentures (D) None of these

Q.11 Redemption of Debentures/Preference shares results into:

(A)Source of fund (B) Use Or application of fund

(C) No flow of fund (D) No flow of cash

Q.12 The activities that result in changes in the size and composition of the owners capital & borrowing of enterprise are called _____

(A) Operating Activities (B) Investing Activities

(C) Managerial Activities (D) Financing Activities

Q.13 Cash from operation is equal to :

(A)Net Profit + Increase in Current Assets

(B) Net Profit + Decrease in Current Liabilities

(C) Operating Profit + Adjustment of Current Assets and Current Liabilities

(D) All of the above

Q.14 Income tax refund is a cash of:

(A)Source (B) Application

(C) Both (A)& (B) (D) None of these

Q.15 'Koval Ltd' is a financing company. Under which activity will the amount of interest paid on a loan settled in the current year be shown?

a) Investing Activities b) Financing Activities

c) Both investing and Financing Activities d) Operating Activities

1	A	2	D	3	B	4	A	5	C
6	D	7	D	8	A	9	C	10	C
11	B	12	D	13	C	14	B	15	D

THREE MARKS QUESTIONS

Q.1 K Ltd a manufacturing company obtained a loan of ₹ 6,00,000,advanced a loan of ₹ 1,00,000 and purchased machinery for ₹ 5,00,000. Calculate the amount of cash flow from financing and investing activities.

Ans.

Particulars	Amount (₹)	Nature of Activity
Proceeds from Loan Obtained	+6,00,000	Inflow from Financing
Net Cash from Financing Activities	6,00,000	
Loan Advanced	(1,00,000)	Outflow from Investing
Purchase of Machinery	(5,00,000)	Outflow from Investing
Net Cash Used in Investing Activities	(6,00,000)	

Q.2 From the following calculate Net Profit before tax and Extraordinary items.

Equity share capital (31st march 2019) 8,00,000

Equity share capital (31st march 2018) 8,00,000

10%prefrence share capital (31st march 2019) 6,00,000

10%prefrence share capital (31st march 2018) 6,00,000

Surplus ie Balance in statement of profit and loss (31st march 2019) 7,20,000

Surplus ie Balance in statement of profit and loss (31st march 2018) 4,00,000

Unpaid dividend (31st march 2019) 20,000

Additional information:

1) Propose dividend on equity shares for the year 2017-18 and 2018-19 are RS. 160000 and Rs 2,00,000 respectively.

2) An Interim dividend of Rs 40,000 on Equity Shares was paid.

Ans. Calculation of Net Profit Before Tax and Extraordinary Items

Particular	Details	Amount
Surplus (720,000 - 4,00,000)		3,20,000
Add: Tax and extraordinary items:		
Proposed dividend of equity shares	1,60,000	
Interim dividend	40,000	
Proposed dividend of preference share 60,000@10%	60,000	2,60,000
Net profit before tax and extraordinary items		5,80,000

Q.3 Identify following items whether they are Operating, financing or investing activity

a) Acquired machinery for RS 2,50,000, paying 20% by cheque and executing a bond for the balance payable.

b) Paid RS 2,50,000 to acquire shares in Informa Tech Ltd and received a dividend of RS 50,000 after acquisition.

c) Sold machinery of original cost of RS 2,00,000 with an accumulated depreciation of RS 1,60,000 for RS 60,000.

Ans. a) 20% by cheque that of RS 2,50,000 is RS 50,000 is an outflow of funds and an investing Activity due to purchase a new machine.

b) Payments of RS 250,000 to acquire shares is an investing activity and an outflow of cash, whereas dividend received is an inflow of cash and an investing Activity.so the net outflow of cash due to investing activity is RS 20,00,000.

c) Sale of machinery for RS 60,000 is an outflow of cash due to investing activity. The cost price and accumulated depreciation has nothing to do with cash movement.

Six Marks Questions

Q.1 (A)From the following information extracted from the books of Kant Ltd., calculate 'Cash Flows from Operating Activities'. Profit earned during the year is ₹ 1,95,000 after considering the following items:

Particulars	Amount (₹)
Depreciation on Machinery	50,000
Goodwill written off	30,000
Loss on Sale of Machinery	10,000
Transfer to General Reserve	1,05,000

At the end of the year, Trade Receivables showed an increase of ₹ 2,00,000 and Trade Payables a decrease of ₹ 10,000.

(B) From the following information extracted from the books of Vandana Ltd., calculate Cash Flows from Investing Activities.

Particulars	31.3.2023 (₹)	31.3.2024 (₹)
Machinery	24,00,000	28,00,000
Accumulated Depreciation on Machinery	(2,00,000)	(3,00,000)
	22,00,000	25,00,000

Additional Information:

A piece of machinery costing ₹ 8,00,000 on which accumulated depreciation was ₹ 40,000, was sold for ₹ 5,00,000.

Ans. Calculation of Cash Flow from Operating Activities

Particulars	Amount (₹)
Net Profit before Tax and Extraordinary Items (W.N 1)	3,00,000
Add: Non Cash & Non-Operating Items	
Depreciation on Machinery ₹50,000	
Goodwill written off ₹30,000	
Loss on sale of Machinery ₹10,000	90,000
Operating Profit before Working Capital Changes	3,90,000
Less: Decrease in Current Liabilities & Increase in Current Assets	
Increase in Trade Receivables (₹2,00,000)	
Decrease in Trade Payables (10,000)	(₹210,000)
Net Cash inflow from Operating Activities	1,80,000

Working Note: Calculation of Net Profit before Tax and Extraordinary Items

Profit earned during the year = ₹1,95,000

\+ Transfer to General Reserve = ₹1,05,000

= ₹3,00,000

Q.(b) From the following information…..

Ans. Calculation of Cash Flow from Investing Activities

Particulars	Amount (₹)
Purchase of Machinery (W.N.1)	(12,00,000)
Proceeds from the sale of Machinery	5,00,000
Net cash outflow from Investing Activities	(7,00,000)

Working Note:

Machinery Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	24,00,000	By Accumulated Depreciation A/c	40,000
To Bank A/c (Balancing figure)	12,00,000	By Bank A/c	5,00,000
		By Statement of Profit & Loss	2,60,000
		By Balance c/d	28,00,000
	36,00,000		36,00,000

Accumulated Depreciation A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	40,000	By Balance b/d	2,00,000
To Balance c/d	3,00,000	By Statement of Profit & Loss	1,40,000
	3,40,000		3,40,000

Q.2 From the figures given in the Balance Sheet and additional information, calculate 'Cash Flows from Investing Activities' and 'Cash Flows from Financing Activities'.

Balance Sheet of SHOBHA Ltd. as at 31st March, 2022

Particulars	Note No.	31.3.2022 ₹	31.3.2021 ₹
I – Equity and Liabilities :			
1. Shareholders' Funds			
(a)Equity Share Capital		8,00,000	6,00,000
(b) Reserves and Surplus	1	2,00,000	50,000
2. Non-Current Liabilities			
Long-term Borrowings	2	4,00,000	3,00,000
3. Current Liabilities			
(A)Trade Payables		40,000	45,000
(b) Bank Overdraft		1,00,000	85,000
(c) Short-term Provisions	3	30,000	20,000
Total		15,70,000	11,00,000
II – Assets :			
1. Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	4	6,00,000	5,00,000
(ii) Intangible Assets	5		50,000
2. Current Assets			
(A)Inventories		5,00,000	4,00,000
(b) Trade Receivables		4,00,000	90,000
(c) Cash and Cash Equivalents		70,000	60,000
Total		15,70,000	11,00,000

Notes to Accounts:

Note No.	Particulars	31.3.2022 ₹	31.3.2021 ₹
1	Reserves and Surplus Surplus i.e. Balance in Statement of Profit and Loss	2,00,000	50,000
	Total	2,00,000	50,000
2	Long-term Borrowings 10% Debentures	4,00,000	3,00,000
	Total	4,00,000	3,00,000
3	Short-term Provisions Provision for Tax	30,000	20,000
	Total	30,000	20,000
4	Tangible Assets Machinery	7,00,000	6,50,000
	Less: Accumulated Depreciation	(1,00,000)	(1,50,000)
	Total	6,00,000	5,00,000
5	Intangible Assets Goodwill	–	50,000
	Total	–	50,000

Additional Information:

1. A piece of machinery costing ₹ 1,60,000 was sold at a loss of ₹ 20,000. Depreciation charged during the year amounted to ₹ 40,000.
2. ₹ 1,00,000, 10% debentures were issued on 31.3.2022.

Ans. Machinery Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,50,000	By Accumulated Depreciation A/c	90,000
To Bank A/c (purchase)	2,10,000	By Bank A/c (sale)	50,000
		By Statement of P/L (loss)	20,000
		By Balance c/d	7,00,000
	8,60,000		8,60,000

Dr. Accumulated Depreciation on Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	90,000	By Balance b/d	1,50,000
To Balance c/d	1,00,000	By Depreciation A/c	40,000
	1,90,000		1,90,000

Cash Flow from Investing Activities

Particulars	Amount (₹)
Purchase of Machinery	(2,10,000)
Sale of Machinery	50,000
Net cash used in investing activities	(1,60,000)

Cash flow from financing Activities

Particulars	Amt.
Issue of Equity share capital	2,00,000
Issue of 10% Debentures	1,00,000
Interest Paid on 10% Debentures	(30,000)
Bank Overdraft taken	15,000
Net cash generated from financing activities	2,85,000

WORK-SHEET I (20 MARKS)

1	Cash Flow Statement is related to: (A)AS-3 (B) AS-6 (C) AS-9 d) AS-12	1
2	If net profit is ₹ 35,000 after writing off good will ₹ 6,000 and loss on sale of furniture ₹ 1,000, cash flow from operating activities will be : (A)₹ 35,000 (B) ₹ 42,000 (C) ₹ 29,000 (D) ₹ 28,000	1
3	Income tax refund is a cash of: (A)Source (B) Application (C) Both (A)& (B) (D) None of these	1
4	**Statement I :** In case of non-financial enterprises, payment of interest and dividends are classified as financing activities, whereas receipt of interest and dividends are classified as investing activities. **Statement II :** Investing and financing transactions that require the use of cash or cash equivalents, should be excluded from cash flow statement. Choose the correct alternative from the following : (A) Both the statements are false. (B) Both the statements are true. (C) Statement I is false and Statement II is true. (D) Statement I is true and Statement II is false.	1
5	Paid 4,00,000 to acquire shares in R.V. Ltd. and received a dividend of ₹ 40,000 after acquisition. These transactions will result in- (A) Cash used in investing activities₹ 4,00,000. (B) Cash generated from financing activities 4,40,000. (C) Cash used in investing activities ₹3,60,000. (D) Cash generated from financing activities₹3,60,000	1
6	K Ltd a manufacturing company obtained a loan of ₹ 6,00,000, advanced a loan of ₹ 1,00,000 and purchased machinery for ₹ 5,00,000. Calculate the amount of cash flow from financing and investing activities	3
7	2 **(a) From the following information, calculate Cash Flows from Investing Activities:** Particulars — 31-3-2024 (₹) — 31-3-2023 (₹) Machinery (at cost) — 3,80,000 — 3,00,000 Accumulated Depreciation — 62,000 — 45,000 Additional Information: A machine costing ₹ 50,000 on which accumulated depreciation was ₹ 20,000 was sold at a profit of 10% **(b) From the following information, calculate Cash Flows from Financing**	

	Activities:		

Particulars	31-3-2024 (₹)	31-3-2023 (₹)
Equity Share Capital	12,00,000	8,00,000
11% Debentures	3,00,000	4,00,000
Securities Premium	1,40,000	1,00,000

Additional Information:
Interest paid on debentures amounted to ₹ 40,000.

8 Q.3 On 31st March 2024 following is the Balance Sheet of Bhavik Ltd.

Bhavik Ltd.

Balance Sheet as at 31st March 2024

Particulars	Note No.	31-3-2024 (₹)	31-3-2023 (₹)
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share Capital		12,00,000	10,00,000
(b) Reserves and Surplus	1	4,00,000	3,00,000
2. Non-current liabilities			
Long-term borrowings	2	6,00,000	10,00,000
3. Current Liabilities			
(a) Trade Payables		5,00,000	1,00,000
(b) Short-term provisions	3	3,00,000	4,00,000
Total		30,00,000	28,00,000
II. Assets			
1. Non-current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
Property plant and equipment	4	19,00,000	15,00,000
Non-current Investments		3,00,000	4,00,000
2. Current Assets			
(a) Inventories		4,50,000	3,00,000
(b) Trade Receivables		2,50,000	4,00,000
(c) Cash and Cash Equivalents		1,00,000	2,00,000
Total		30,00,000	28,00,000

Additional Information

Note No.	Particulars	31-03-2024 (₹)	31-03-2023 (₹)
1	Reserves and Surplus i.e. Balance in Statement of Profit and Loss	4,00,000	3,00,000
2	Long-term borrowings 10% Debentures	6,00,000	10,00,000
3	Short-term provisions Provision for tax	3,00,000	4,00,000
4	Property plant and equipment Plant and Machinery	21,50,000	16,00,000
	Less : Accumulated Depreciation	2,50,000	1,00,000
	Net Block	19,00,000	15,00,000

	Additional Information : (i) During the year a piece of machinery costing ₹ 8,00,000 accumulated depreciation thereon ₹ 50,000 was sold for ₹ 6,50,000 (ii) Debentures were redeemed on 31-03-2024. **Calculate :** (a) Cash flows from Investing Activities (b) Cash flows from Financing Activities	

Answer

1	A 2 B 3B 4D 5C	1
6	(table below)	3

Particulars	Amount (₹)	Nature of Activity
Proceeds from Loan Obtained	+6,00,000	Inflow from Financing
Net Cash from Financing Activities	6,00,000	
Loan Advanced	(1,00,000)	Outflow from Investing
Purchase of Machinery	(5,00,000)	Outflow from Investing
Net Cash Used in Investing Activities	(6,00,000)	

7 6

Ans. Calculation of Cash Flows from Investing Activities
for the year ended 31st March 2024

Particulars	(₹)	(₹)
Purchase of Machinery	(1,30,000)	
Sale of Machinery		33,000
Net Cash used in Investing Activities		(97,000)

Machinery A/c

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Balance b/d	3,00,000	By Bank/ Cash A/c	33,000
To Statement of Profit & Loss - Profit on Sale	3,000	By Accumulated Depreciation A/c	20,000
To Bank/ Cash A/c (Balancing figure)	1,30,000	By Balance c/d	3,80,000
	4,33,000		4,33,000

Accumulated Depreciation A/c

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Machinery A/c	20,000	By Balance b/d	45,000
To Balance c/d	62,000	By Depreciation A/c	37,000
	82,000		82,000

b) Calculation of Cash Flows from Financing Activities for the year ended 31st March 2024

Particulars	(₹)	(₹)
Issue of Equity Shares (including premium of ₹40,000)	4,40,000	
Redemption of 11% Debentures		(1,00,000)
Interest paid on debentures		(40,000)
Net Cash flows from Financing Activities		3,00,000

8	Ans. Calculation of Cash Flows from Investing Activities for the year ended 31st March 2024	6

Particulars	(₹)
Purchase of Plant and Machinery	(13,50,000)
Sale of Machinery	6,50,000
Sale of Non-Current Investments	1,00,000
Net Cash used in Investing Activities	(6,00,000)

Working Note **Plant and Machinery A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	16,00,000	By Bank/Cash A/c	6,50,000
To Bank/ Cash A/c (Balancing figure)	13,50,000	By Accumulated Depreciation A/c	50,000
		By Statement of Profit and Loss - Loss on sale of machinery	1,00,000
		By Balance c/d	21,50,000

Calculation of Cash Flows from Financing Activities for the year ended 31st March 2024

Particulars	(₹)	(₹)
Issue of Shares	2,00,000	
Redemption of 10% Debentures	(4,00,000)	
Interest paid on debentures	(1,00,000)	
Net Cash used in Financing Activities		(3,00,000)

WORK-SHEET II (20 MARKS)

1	Which of the following transactions will not result in the inflow of cash ? (A) Cash deposited in the bank (B) Payment of salaries 80,000 50,000 (C) Issue of 9% debentures 10,00,000 (D) Purchase of machinery Rs. 2,00,000	1
2	Redemption of Debentures/Preference shares results into: (A)Source of fund (B) Use Or application of fund (C) No flow of fund (D) No flow of cash	1
3	**Statement-I :** Snow Limited earned a profit of Rs 2,00,000 after charging depreciation of Rs 50,000 on machinery. So, operating profit before working capital changes would be Rs 2,50,000. **Statement-II :** Depreciation is added back to net profit as it does not result in any cash flow. **Choose the correct option from the following:**	1

	(A)Only Statement-I is true. (B) Only Statement-II is true. (C) Both the Statements are false. (D) Both the Statements are true.	
4	Income tax refund is a cash of: (A)Source (B) Application (C) Both (A)& (B) (D) None of these	1
5	Which of the following item is not included in cash and cash equivalents ? (A)Trade Receivables (B) Demand deposits with bank (C) Short-term marketable securities (D) Cheques in hand	1
6	From the following calculate Net Profit before tax and Extraordinary items. Equity share capital (31st march 2019) 8,00,000 Equity share capital (31st march 2018) 8,00,000 10%prefrence share capital (31st march 2019) 6,00,000 10%prefrence share capital (31st march 2018) 6,00,000 Surplus ie Balance in statement of profit and loss (31st march 2019) 7,20,000 Surplus ie Balance in statement of profit and loss (31st march 2018) 4,00,000 Unpaid dividend (31st march 2019) 20,000 Additional information: 1) Propose dividend on equity shares for the year 2017-18 and 2018-19 are RS. 160000 and Rs 2,00,000 respectively. 2) An Interim dividend of Rs 40,000 on Equity Shares was paid.	3
7	From the figures given in the Balance Sheet and additional information, calculate 'Cash Flows from Investing Activities' and 'Cash Flows from Financing Activities'. Balance Sheet of SHOBHA Ltd. as at 31st March, 2022	6

Particulars	Note No.	31.3.2022 ₹	31.3.2021 ₹
I – Equity and Liabilities :			
1. Shareholders' Funds			
(a)Equity Share Capital		8,00,000	6,00,000
(b) Reserves and Surplus	1	2,00,000	50,000
2. Non-Current Liabilities			
Long-term Borrowings	2	4,00,000	3,00,000
3. Current Liabilities			
(A)Trade Payables		40,000	45,000
(b) Bank Overdraft		1,00,000	85,000
(c) Short-term Provisions	3	30,000	20,000
Total		15,70,000	11,00,000

II – Assets :			
1. Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	4	6,00,000	5,00,000
(ii) Intangible Assets	5		50,000
2. Current Assets			
(A)Inventories		5,00,000	4,00,000
(b) Trade Receivables		4,00,000	90,000
(c) Cash and Cash Equivalents		70,000	60,000
Total		15,70,000	11,00,000

Notes to Accounts:

Note No.	Particulars	31.3.2022 ₹	31.3.2021 ₹
1	Reserves and Surplus Surplus i.e. Balance in Statement of Profit and Loss	2,00,000	50,000
	Total	2,00,000	50,000
2	Long-term Borrowings 10% Debentures	4,00,000	3,00,000
	Total	4,00,000	3,00,000
3	Short-term Provisions Provision for Tax	30,000	20,000
	Total	30,000	20,000
4	Tangible Assets Machinery	7,00,000	6,50,000
	Less: Accumulated Depreciation	(1,00,000)	(1,50,000)
	Total	6,00,000	5,00,000
5	Intangible Assets Goodwill	–	50,000
	Total	–	50,000

Additional Information :

3. A piece of machinery costing ₹ 1,60,000 was sold at a loss of ₹ 20,000. Depreciation charged during the year amounted to ₹ 40,000.
4. ₹ 1,00,000, 10% debentures were issued on 31.3.2022.

8 2 **(a) From the following information, calculate Cash Flows from Investing Activities:**

Particulars	31-3-2024 (₹)	31-3-2023 (₹)
Machinery (at cost)	3,80,000	3,00,000
Accumulated Depreciation	62,000	45,000

Additional Information:

A machine costing ₹ 50,000 on which accumulated depreciation was ₹ 20,000 was sold at a profit of 10%

(b) From the following information, calculate Cash Flows from Financing Activities:

Particulars	31-3-2024 (₹)	31-3-2023 (₹)
Equity Share Capital	12,00,000	8,00,000
11% Debentures	3,00,000	4,00,000
Securities Premium	1,40,000	1,00,000

Additional Information:

Interest paid on debentures amounted to ₹ 40,000.

ANSWER KEY

1 A 2. B 3. D 4. B 5.A — 1

6 — 3

Particular	Details	Amount
Surplus (720,000 - 4,00,000)		3,20,000
Add: Tax and extraordinary items:		
Proposed dividend of equity shares	1,60,000	
Interim dividend	40,000	
Proposed dividend of preference share 60,000@10%	60,000	2,60,000
Net profit before tax and extraordinary items		5,80,000

7 — 6

Machinery Account

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Balance b/d	6,50,000	By Accumulated Depreciation A/c	90,000
To Bank A/c (purchase)	2,10,000	By Bank A/c (sale)	50,000
		By Statement of P/L (loss)	20,000
		By Balance c/d	7,00,000
	8,60,000		8,60,000

Dr. Accumulated Depreciation on Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	90,000	By Balance b/d	1,50,000
To Balance c/d	1,00,000	By Depreciation A/c	40,000
	1,90,000		1,90,000

Cash Flow from Investing Activities

Particulars	Amount (₹)
Purchase of Machinery	(2,10,000)
Sale of Machinery	50,000
Net cash used in investing activities	(1,60,000)

Cash flow from financing Activities

Particulars	Amt.
Issue of Equity share capital	2,00,000
Issue of 10% Debentures	1,00,000
Interest Paid on 10% Debentures	(30,000)
Bank Overdraft taken	15,000
Net cash generated from financing activities	2,85,000

8 **Ans.** Calculation of Cash Flows from Investing Activities
for the year ended 31st March 2024

Particulars	(₹)	(₹)
Purchase of Machinery	(1,30,000)	
Sale of Machinery		33,000
Net Cash used in Investing Activities		(97,000)

Machinery A/c

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Balance b/d	3,00,000	By Bank/ Cash A/c	33,000
To Statement of Profit & Loss - Profit on Sale	3,000	By Accumulated Depreciation A/c	20,000
To Bank/ Cash A/c (Balancing figure)	1,30,000	By Balance c/d	3,80,000
	4,33,000		4,33,000

Accumulated Depreciation A/c

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Machinery A/c	20,000	By Balance b/d	45,000
To Balance c/d	62,000	By Depreciation A/c	37,000
	82,000		82,000

b) Calculation of Cash Flows from Financing Activities for the year ended 31st March 2024

Particulars	(₹)	(₹)
Issue of Equity Shares (including premium of ₹40,000)	4,40,000	
Redemption of 11% Debentures		(1,00,000)
Interest paid on debentures		(40,000)
Net Cash flows from Financing Activities		3,00,000

CBSE BOARD QUESTION PAPER 2025 67-1-1

Read the following instructions carefully and follow them :

(i) *This question paper contains* ***34*** *questions.* ***All*** *questions are compulsory.*

(ii) *This question paper is divided into* ***two*** *Parts :* ***Part – A*** *and* ***Part – B****.*

(iii) ***Part – A*** *is* ***compulsory*** *for all candidates.*

(iv) ***Part – B*** *has* ***two*** *options. Candidates must attempt only* ***one*** *of the given options.*

Option-I : Analysis of Financial Statements

Option-II : Computerised Accounting

(v) *Questions number* ***1*** *to* ***16*** *(Part-A) and Questions number* ***27*** *to* ***30*** *(Part-B) are multiple choice questions. Each question carries 1 mark.*

(vi) *Questions number* ***17*** *to* ***20*** *(Part-A) and Questions number* ***31*** *and* ***32*** *(Part-B) are Short answer type questions. Each question carries* ***3*** *marks.*

(vii) *Questions number* ***21, 22*** *(Part-A) and Question number* ***33*** *(Part-B) are Long answer type-I questions. Each question carries* ***4*** *marks.*

(viii) *Questions number* ***23*** *to* ***26*** *(Part-A) and Question number* ***34*** *(Part-B) are Long answer type-II questions. Each question carries* ***6*** *marks.*

(ix) *There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.*

PART – A

(Accounting for Partnership Firms and Companies)

1. Sara and Tara were partners in a firm. Their capitals as on 1st April, 2023 were ₹ 6,00,000 and ₹ 4,00,000 respectively. On 1st October, 2023, Tara withdrew ₹ 1,00,000 for personal use. According to the partnership deed, interest on capital was allowed @ 8% p.a.
The amount of interest allowed on Tara's capital for the year ended 31st March, 2024 was :

(A) ₹ 28,000 (B) ₹ 30,000
(C) ₹ 48,000 (D) ₹ 32,000 **1**

2. **Assertion (A) :** Each partner carrying on the business of the firm is the principal as well as the agent for all the other partners of the firm.
Reason (R) : There exists a relationship of mutual agency between all the partners.
Choose the correct option from the following :
(A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is correct, but Reason (R) is incorrect.
(D) Assertion (A) is incorrect, but Reason (R) is correct. **1**

3. (a) VL Ltd. offered for public subscription 90,000 equity shares of ₹ 10 each at a premium of 10%. The entire amount was payable on application. Applications were received for 1,00,000 shares and allotment was made to all the applicants on pro-rata basis. The amount received on application was ________.

(A) ₹ 10,00,000 (B) ₹ 9,00,000
(C) ₹ 9,90,000 (D) ₹ 11,00,000 **1**

OR

(b) VX Ltd. issued 30,000, 8% debentures of ₹ 100 each at a discount of 10% redeemable at a certain rate of premium. On issue of these debentures, 'Loss on issue of debentures account' was debited with ₹ 4,50,000. The amount of premium on redemption of debentures was _____ .

(A) ₹ 3,00,000 (B) ₹ 1,50,000
(C) ₹ 30,000 (D) ₹ 4,50,000 **1**

4. (a) Kartik, Inder and Lalit were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 2 : 3 : 4. For this purpose, the goodwill of the firm was valued at ₹ 1,80,000.

The necessary journal entry to show the effect of the above will be :

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Lalit's Capital A/c Dr. To Kartik's Capital A/c	40,000	 40,000
(B)	Kartik's Capital A/c Dr. To Lalit's Capital A/c	40,000	 40,000
(C)	Lalit's Capital A/c Dr. To Kartik's Capital A/c	1,80,000	 1,80,000
(D)	Kartik's Capital A/c Dr. To Lalit's Capital A/c	1,80,000	 1,80,000

1

OR

(b) Nidhi, Pranav and Ishu were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 4 : 1 : 5. On that date, there was a debit balance of ₹ 4,00,000 in the Profit and Loss Account. The necessary journal entry to show the effect of the above will be :

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Ishu's Capital A/c Dr. To Nidhi's Capital A/c To Pranav's Capital A/c	1,60,000	 40,000 1,20,000
(B)	Profit & Loss A/c Dr. To Nidhi's Capital A/c To Pranav's Capital A/c To Ishu's Capital A/c	4,00,000	 2,00,000 1,60,000 40,000
(C)	Nidhi's Capital A/c Dr. Pranav's Capital A/c Dr. Ishu's Capital A/c Dr. To Profit & Loss A/c	2,00,000 1,60,000 40,000	 4,00,000
(D)	Nidhi's Capital A/c Dr. Pranav's Capital A/c Dr. To Ishu's Capital A/c	40,000 1,20,000	 1,60,000

1

5. Moksh and Pran were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their capitals were ₹ 5,00,000 and ₹ 3,00,000 respectively. They admitted Tushar as a new partner on 1st April, 2024 for 1/4th share in future profits. Tushar brought ₹ 4,00,000 as his share of capital. The goodwill of the firm on Tushar's admission will be :

(A) ₹ 16,00,000 (B) ₹ 4,00,000
(C) ₹ 8,00,000 (D) ₹ 12,00,000 1

6. Money received in advance from the shareholders before it is actually called up by the directors is :

(A) credited to calls in advance account.
(B) debited to calls in advance account.
(C) credited to calls account.
(D) debited to calls in arrears account. 1

7. (a) Debentures in respect of which all details including names, addresses and particulars of holding of the debenture holders are entered in a register kept by the company are called :

(A) Bearer debentures (B) Redeemable debentures
(C) Registered debentures (D) Secured debentures 1

OR

(b) That portion of the called up capital which has been actually received from the shareholders is known as :

(A) Paid up capital (B) Called up capital
(C) Uncalled capital (D) Reserve capital 1

8. (a) Misha, Sarita and Isha were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. With effect from 1st April 2024, they decided that they will share profits and losses equally. The gain or sacrifice by the partners due to change in profit sharing ratio will be :

(A) Misha's sacrifice 1/6, Isha's gain 1/6
(B) Misha's gain 1/6, Isha's sacrifice 1/6
(C) Misha's sacrifice 1/6, Sarita's gain 1/3, Isha's sacrifice 1/6
(D) Misha's sacrifice 1/3, Isha's gain 1/3 1

OR

(b) Sia, Tisha and Aryan were partners sharing profits and losses in the ratio of 4 : 7 : 1. The firm closes its books on 31st March every year. Tisha died on 1st July, 2024. Sia and Aryan will acquire Tisha's share in which of the following ratio ?

(A) 1 : 1 (B) 4 : 1
(C) 4 : 7 (D) 7 : 1 1

9. Anuj and Kartik were partners in a firm sharing profits and losses in the ratio of 5 : 4. Anuj withdrew ₹ 20,000 in the beginning of every alternate month starting from 1st April, 2023 during the year ended 31st March, 2024. Interest on Anuj's drawings @ 6% p.a. for the year ended 31st March, 2024 will be :

(A) ₹ 8,400 (B) ₹ 1,200
(C) ₹ 4,200 (D) ₹ 3,600 1

10. (a) Vishesh, Manik and Amit were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Amit retired on 31st March, 2024. Vishesh and Manik acquired Amit's share in the ratio of 2 : 3. The new profit sharing ratio between Vishesh and Manik after Amit's retirement will be :

(A) 5 : 4 (B) 2 : 3
(C) 1 : 1 (D) 27 : 23 1

OR

(b) Varsha, Aryan and Nimit were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Varsha retired and surrendered 1/3rd of her share in favour of Aryan and the remaining share in favour of Nimit. The new profit sharing ratio between Aryan and Nimit will be :

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

11. When the partners' capitals are fixed, the drawings made by a partner are recorded on the :

(A) Debit side of Partner's Capital Account.
(B) Credit side of Partner's Capital Account.
(C) Debit side of Partner's Current Account.
(D) Credit side of Partner's Current Account. 1

12. 4,000 shares of ₹ 10 each were forfeited for non-payment of second and final call money of ₹ 2 per share. The minimum amount that the company must collect at the time of reissue of these shares will be :

(A) ₹ 8,000 (B) ₹ 32,000
(C) ₹ 40,000 (D) ₹ 48,000 1

13. On 1st April 2023, Veebee Ltd. issued 20,000, 13% debentures of ₹ 100 each at a discount of 10% redeemable at a premium of 5% after 4 years. Total amount of interest on debentures for the year ending 31st March, 2024 will be :

(A) ₹ 2,00,000 (B) ₹ 2,60,000

(C) ₹ 1,00,000 (D) ₹ 3,00,000 1

14. Arushi, Vivaan and Mitali were partners in a firm. On 31st March 2024, the firm was dissolved. On that date the firm had debtors of ₹ 60,000 and provision for doubtful debts of ₹ 3,000 were existing in the books. Debtors of ₹ 8,000 proved bad and full amount was realised from the remaining debtors. The amount realised from debtors was :

(A) ₹ 60,000 (B) ₹ 55,000

(C) ₹ 52,000 (D) ₹ 49,000 1

15. Ashmit, Veena and Rohan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Veena retired on 31st March, 2024. The capital accounts of Ashmit, Veena and Rohan showed a credit balance of ₹ 2,00,000, ₹ 1,80,000 and ₹ 1,20,000 respectively after making all adjustments relating to revaluation, goodwill, reserves etc. Veena was paid in cash brought in by Ashmit and Rohan in such a way that their capitals were in proportion to their new profit sharing ratio. The new capitals of Ashmit and Rohan will be :

(A) Ashmit ₹ 3,75,000 and Rohan ₹ 1,25,000

(B) Ashmit ₹ 2,00,000 and Rohan ₹ 1,20,000

(C) Ashmit ₹ 2,50,000 and Rohan ₹ 2,50,000

(D) Ashmit ₹ 3,00,000 and Rohan ₹ 2,00,000 1

16. Nita, Vidur and Mita were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 1. On 1st April 2024, they decided to admit Samir as a new partner. The new profit sharing ratio between Nita, Vidur, Mita and Samir will now be 1 : 1 : 1 : 1. The balance sheet of Nita, Vidur and Mita before Samir's admission showed machinery at ₹ 6,00,000. On the date of admission, it was found that the machinery is overvalued by 20%.

The value of machinery shown in the new Balance Sheet after Samir's admission will be :

(A) ₹ 7,50,000 (B) ₹ 4,80,000

(C) ₹ 7,20,000 (D) ₹ 5,00,000 1

17. Zaina, Yash and Kiran were partners in a firm sharing profits and losses in the ratio 2 : 2 : 1. Zaina died on 1st July, 2024. As per the partnership deed, Zaina's share of profit or loss till the date of her death was to be calculated on the basis of sales.
Sales for the year ended 31st March, 2024 amounted to ₹ 4,00,000 and that from 1st April to 30th June, 2024 was ₹ 1,50,000. The profit for the year ending 31st March, 2024 was calculated as ₹ 1,00,000. The books of accounts are closed on 31st March every year.
Calculate Zaina's share of profit in the firm till the date of her death and pass necessary journal entry for the same. 3

18. (a) The firm of Amish, Nitish and Misha, who have been sharing profits in the ratio of 2 : 2 : 1, have existed for some years. Misha wanted that she should get equal share in the profits with Amish and Nitish and she further wished that the change in the profit sharing ratio should come into effect retrospectively for the last three years. Amish and Nitish had agreement for this.
The profits for the last three years were :

2021 – 22	₹ 1,15,000
2022 – 23	₹ 1,24,000
2023 – 24	₹ 2,11,000

Show adjustment of profits by means of a single adjustment journal entry. Show your working clearly. 3

OR

(b) Vidhi, Manas and Ansh were partners sharing profits and losses in the ratio of 2 : 3 : 5. Ansh was given a guarantee that his share of profits in any given year would not be less than ₹ 1,20,000. Deficiency, if any, would be borne by Vidhi and Manas equally. Profits for the year ended 31st March, 2024 amounted to ₹ 2,00,000.
Pass necessary journal entries in the books of the firm for division of profits. 3

19. (a) Delight Ltd. purchased assets worth ₹ 4,00,000 and took over liabilities of ₹ 70,000 of Marvel Ltd. for a purchase consideration of ₹ 3,60,000. Delight Ltd. paid the purchase consideration by issuing 11% debentures of ₹ 100 each at a premium of 20%.
Pass necessary journal entries in the books of Delight Ltd. 3

OR

(b) Prime Ltd. took over assets of ₹ 6,00,000 and liabilities of ₹ 1,00,000 of Rabi Ltd. for a purchase consideration of ₹ 3,60,000. Prime Ltd. issued 10% debentures of ₹ 100 each at a discount of 10% in full satisfaction of purchase consideration.
Pass necessary journal entries in the books of Prime Ltd. 3

20. The capital of the firm of Rajat and Karan is ₹ 15,00,000 and the market rate of interest is 12%. Annual salary of Rajat and Karan is ₹ 20,000 and ₹ 30,000 respectively. The profits for the last three years were ₹ 2,40,000, ₹ 2,80,000 and ₹ 3,20,000.
Goodwill of the firm is to be valued on the basis of two years purchase of last three years' average super profits. Calculate the goodwill of the firm. **3**

21. Pass necessary journal entries for issue of debentures for the following transactions : **4**
    (i) Kiero Ltd. issued 80,000, 9% debentures of ₹ 100 each at par, redeemable at a premium of 10%.
    (ii) Naro Ltd. issued 50,000, 10% debentures of ₹ 100 each at a premium of 5%, redeemable at a premium of 10%.

22. Raja, Bharat and Vedika were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as on 31st March, 2024 was as follows :

Balance Sheet of Raja, Bharat and Vedika as on 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		80,000	Bank	15,000
General Reserve		50,000	Stock	70,000
Capitals :			Debtors	85,000
Raja	1,10,000		Furniture	1,20,000
Bharat	1,00,000		Machinery	1,40,000
Vedika	90,000	3,00,000		
		4,30,000		**4,30,000**

Vedika died on 31st July, 2024. According to the partnership deed, her legal representatives are entitled to the following :
(i) Balance in her capital account
(ii) Interest on capital @ 8% p.a.
(iii) Her share in the profit upto the date of death to be calculated on the basis of last year's profit. Vedika's share of profit was ₹ 3,000.
(iv) Her share of goodwill calculated on the basis of two years purchase of average profits of last three years. The average profit of last three years was ₹ 40,000. Vedika's drawings upto the date of death were ₹ 12,000.

Prepare Vedika's Capital Account to be rendered to her executors. **4**

23. PL Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 90,000 equity shares.

Applications were received for 82,000 equity shares and shares were allotted to all the applicants. All money due was received with the exception of first and final call money of ₹ 2 per share on 2,000 shares allotted to Atishay. His shares were forfeited.

Answer the following questions :

(i) The amount of 'Calls in Arrears' disclosed in 'Notes to Accounts' will be :

(A) ₹ 4,000 (B) ₹ 16,000

(C) Nil (D) ₹ 20,000

(ii) The number of shares of PL Ltd. after forfeiture will be :

(A) 98,000 (B) 88,000

(C) 82,000 (D) 80,000

(iii) In the 'Notes to Accounts', the amount disclosed under 'Share Forfeiture Account' will be :

(A) ₹ 16,000 (B) ₹ 4,000

(C) ₹ 20,000 (D) Nil

(iv) In the 'Notes to Accounts', the amount disclosed under 'Issued Capital' will be :

(A) ₹ 10,00,000 (B) ₹ 9,00,000

(C) ₹ 8,20,000 (D) ₹ 8,00,000

(v) Balance in 'Share Forfeiture Account' will be shown in 'Notes to Accounts' in the balance sheet of PL Ltd. under :

(A) Authorised capital

(B) Issued capital

(C) Subscribed capital

(D) Will not be shown in 'Notes to Accounts'

(vi) The amount of 'Share Capital' disclosed in the balance sheet of PL Ltd. will be :

(A) ₹ 8,00,000 (B) ₹ 8,16,000

(C) ₹ 9,16,000 (D) ₹ 7,90,000 **6**

24. Pass the necessary journal entries for the following transactions on the dissolution of a partnership firm of Vibha and Ajit after various assets (other than cash) and external liabilities have been transferred to Realisation Account :

(i) Creditors worth ₹ 46,000 accepted ₹ 9,000 cash and furniture of ₹ 32,000 in full settlement of their claim.

(ii) The firm had stock of ₹ 20,000. Ajit took over 40% of the stock at a discount of 10% while the remaining stock was sold for ₹ 18,000.

(iii) Vibha was appointed to look after dissolution work for which she was allowed a remuneration of ₹ 16,000. Vibha agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 15,000 were paid by Vibha.

(iv) Ajit's loan of ₹ 45,000 was settled at ₹ 42,000.

(v) A machine which was not recorded in the books was taken over by Vibha at ₹ 23,000, whereas its expected value was ₹ 28,000.

(vi) The firm had a debit balance of ₹ 20,000 in the Profit and Loss Account on the date of dissolution. **6**

25. (a) Altima Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as follows :

On application and allotment – ₹ 7 per share (including premium ₹ 1)

On first and final call – Balance

Applications were received for 2,40,000 shares. Applications for 30,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Manvi, who was allotted 4,000 shares failed to pay the first and final call money. Her shares were forfeited. All the forfeited shares were reissued at ₹ 4 per share fully paid up.

Pass necessary journal entries in the books of Altima Ltd. **6**

OR

(b) Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases :

(i) Macil Ltd. forfeited 3,000 shares of ₹ 100 each issued at 20% premium for the non-payment of allotment money of ₹ 30 per share and first call of ₹ 40 per share (including premium ₹ 10). The second and final call of ₹ 30 per share (including premium ₹ 10) was not yet called. Out of these, 2,000 shares were reissued at ₹ 80 per share paid up for ₹ 90 per share.

(ii) Avian Ltd. forfeited 10,000 shares of ₹ 10 each on which the first call of ₹ 4 per share was not received and the second and final call of ₹ 1 per share was not yet called. Out of these, 4,000 shares were reissued to Ajay as fully paid up for ₹ 9 per share. **6**

26. (a) Aryan and Adya were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet on 31st March, 2024 was as follows :

Balance sheet of Aryan and Adya as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Machinery		3,90,000
Aryan	3,20,000		Furniture		80,000
Adya	2,40,000	5,60,000	Debtors	90,000	
Workmen's			Less : provision for		
Compensation Reserve		20,000	doubtful debts	1,000	89,000
Bank loan		60,000	Stock		77,000
Creditors		48,000	Cash		32,000
			Profit & Loss Account		20,000
		6,88,000			**6,88,000**

Dev was admitted into the firm on 1st April, 2024 for 1/5th share in the profits of the firm on the following terms :

(i) Dev will bring capital proportionate to his share in the profits of the firm.

(ii) Goodwill of the firm was valued at ₹ 2,00,000 and Dev will bring his share of goodwill premium in cash.

(iii) Machinery was revalued at ₹ 4,50,000.

(iv) A provision for doubtful debts was to be created at 5% on debtors.

(v) A liability of ₹ 3,500 included in creditors was not likely to arise.

Prepare Revaluation Account and Partners' Capital Accounts on Dev's admission. **6**

OR

(b) Ashish, Vinit and Reema were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows :

Balance sheet of Ashish, Vinit and Reema as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Patents		80,000
Ashish	2,00,000		Furniture		3,00,000
Vinit	2,00,000		Stock		1,70,000
Reema	1,00,000	5,00,000	Debtors	80,000	
General Reserve		50,000	Less : provision for		
Bills Payable		80,000	doubtful debts	8,000	72,000
Creditors		40,000	Cash		48,000
		6,70,000			**6,70,000**

(i) Goodwill of the firm was valued at ₹ 60,000 and the same was adjusted into the capital accounts of Ashish and Reema who will share profits in future in the ratio of 3 : 2.

(ii) Value of stock was to be reduced by ₹ 10,000.

(iii) Patents are found undervalued by 20%.

(iv) Vinit was paid ₹ 20,000 immediately on retirement and the balance was transferred to his loan account carrying interest @ 8% p.a.

Pass necessary journal entries on Vinit's retirement. **6**

PART – B
OPTION – I
(Analysis of Financial Statements)

27. (a) The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is ________.

(A) Comparative Statements (B) Common Size Statements
(C) Cash Flow Analysis (D) Ratio Analysis **1**

OR

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

(A) Profitability ratios (B) Solvency ratios
(C) Turnover ratios (D) Liquidity ratios **1**

28. The Debt Equity Ratio of Manak Enterprises is 2.5 : 1. Which of the following transaction will result in increase in this ratio ?

(A) Purchase of goods on credit ₹ 2,00,000.
(B) Payment to creditors ₹ 3,00,000.
(C) Issue of debentures ₹ 6,00,000.
(D) Sale of furniture of the book value of ₹ 4,00,000 at a profit of 10%. **1**

29. (a) Which of the following are operating activities for the purpose of preparing cash flow statement ?

(i) Cash payments to suppliers for goods and services.
(ii) Dividend received from investments in other enterprises.
(iii) Cash receipts from royalties, fees, commissions and other revenues.
(iv) Cash repayments of amounts borrowed.

(A) (i), (ii) and (iii) (B) (i) and (iii)
(C) (i), (iii) and (iv) (D) (iii) and (iv) **1**

OR

(b) Which of the following statements is incorrect ?

(A) Payment of dividend and interest will result in cash outflow from financing activities.

(B) Payment of employee benefit expenses will result in cash outflows from operating activities.

(C) Receipt of interest and dividend will result in cash inflow from financing activities.

(D) Operating activities are the principal revenue generating activities of the enterprise. **1**

30. **Statement – I** : Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Statement – II : Cash payments to acquire fixed assets including intangibles and capitalised research and development results in cash outflow from investing activities.

Choose the correct option from the following :

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Only Statement I is true.

(D) Only Statement II is true. **1**

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 :

(i) Computer software

(ii) Outstanding salary

(iii) Work in progress **3**

32. From the following information of CN Ltd., prepare a common size Statement of Profit and Loss for the years ended 31st March, 2023 and 31st March, 2024 :

Particulars	2023-24 (₹)	2022-23 (₹)
Revenue from operations	40,00,000	20,00,000
Purchase of stock-in-trade	8,00,000	4,00,000
Other expenses	4,00,000	2,00,000
Tax @ 50%		

3

33. (a) Calculate opening and closing Trade Payables from the following information :

Total purchases ₹ 15,00,000;

Cash purchases are 25% of credit purchases;

Trade payables turnover ratio is 4 times;

Closing trade payables are two times of opening trade payables. 4

OR

(b) From the following information, calculate 'Return on Investment' :

Shareholders Funds	₹ 16,00,000
10% Debentures	₹ 8,00,000
Current Liabilities	₹ 2,00,000
Current Assets	₹ 5,00,000
Non-Current Assets	₹ 21,00,000

Net profit after tax was ₹ 3,00,000 and the tax amounted to ₹ 1,00,000. 4

34. (a) From the following information, calculate Cash Flows from Investing Activities :

Particulars	31-3-2024 (₹)	31-3-2023 (₹)
Machinery (at cost)	3,80,000	3,00,000
Accumulated Depreciation	62,000	45,000

Additional Information :

A machine costing ₹ 50,000 on which accumulated depreciation was ₹ 20,000 was sold at a profit of 10%.

(b) From the following information, calculate Cash flows from Financing Activities :

Particulars	31-3-2024 (₹)	31-3-2023 (₹)
Equity Share Capital	12,00,000	8,00,000
11% Debentures	3,00,000	4,00,000
Securities Premium	1,40,000	1,00,000

Additional Information :

Interest paid on debentures amounted to ₹ 40,000. 6

67/1/1	MARKING SCHEME ACCOUNTANCY (055) EXPECTED ANSWERS / VALUE POINTS SECTION A	
1	**Q. Sara and Tara were partners….** **Ans**. (D) ₹32,000	**1 mark**
2	**Q. Assertion (A): Each partner carrying….** **Ans.** (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).	**1 mark**
3	**Q. (a) VL Ltd. offered for public subscription…** **Ans.** (D) ₹11,00,000 **OR** **Q. (b) VX Ltd. issued 30,000, 8% Debentures…** **Ans.** (B) ₹1,50,000	**1 mark** **OR** **1 mark**
4	**Q. (a) Kartik, Inder and Lalit were partners….** **Ans.** (A)	**1 mark**

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Lalit's Capital A/c Dr. To Kartik's Capital A/c	40,000	 40,000

OR — **OR**

Q. (b) Nidhi, Pranav and Ishu were partners….

Ans. (C) — **1 mark**

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(C)	Nidhi's Capital A/c Dr. Pranav's Capital A/c Dr. Ishu's Capital A/c Dr To Profit & Loss A/c	2,00,000 1,60,000 40,000	 4,00,000

5	**Q. Moksh and Pran were partners in a firm…** **Ans**. (B) ₹4,00,000	**1 mark**
6	**Q. Money received in advance from the shareholders…** **Ans.** (A) Credited to calls in advance account	**1 mark**
7	**Q. (a) Debentures in respect of which all details….** **Ans**. (C) Registered debentures **OR** **(b) That portion of the called up…..** **Ans.** (A) Paid up capital	**1 mark** **OR** **1 mark**
8	**Q. Misha, Sarita and Isha were partners ….** **Ans.** (A) Misha's sacrifice 1/6, Isha's gain 1/6 **OR** **Q. (b) Sia, Tisha and Aryan were partners sharing…** **Ans.** (B) 4:1	**1 mark** **OR** **1 mark**
9	**Q. Anuj and Kartik were partners in a firm…** **Ans.**(C) ₹4,200	**1 mark**
10	**Q. (a) Vishesh, Manik and Amit were partners…** **Ans.** (D) 27:23 **OR** **Q. (b) Varsha, Aryan and Nimit…….** **Ans**. (B) 8:7	**1 mark** **OR** **1 mark**
11	**Q. When the Partners' capitals are fixed…** **Ans.** (C) Debit side of Partner's Current Account.	**1 mark**
12	**Q. 4,000 shares of ₹10 each were forfeited…** **Ans.** (A) ₹8,000	**1 mark**
13	**Q. On 1st April 2023, Veebee Ltd. issued 20,000, 13% debentures…** **Ans.** (B) ₹2,60,000	**1 mark**

<table>
<tr><td>14</td><td>Q. Arushi, Vivaan and Mitali were partners..

Ans. (C) ₹52,000</td><td>1 mark</td></tr>
<tr><td>15</td><td>Q. Ashmit, Veena and Rohan were partners in a firm…

Ans.(A) Ashmit ₹3,75,000 and Rohan ₹1,25,000</td><td>1 mark</td></tr>
<tr><td>16</td><td>Q. Nita, Vidur and Mita were partners in a firm…

Ans. (D) ₹5,00,000</td><td>1 mark</td></tr>
<tr><td>17</td><td>Q. Zaina, Yash and Kiran were partners in a firm..

Ans.
Books of Zaina, Yash and Kiran
Journal
<table>
<tr><th>Date</th><th>Particulars</th><th>L.F.</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td>2024
July1</td><td>Profit and Loss Suspense A/c Dr.
To Zaina's Capital A/c
(Zaina's share of profit transferred to her capital account)</td><td></td><td>15,000</td><td>
15,000</td></tr>
</table>

Calculation of Firm's profits till Zaina's death:

If sale is ₹4,00,000, the profit = ₹1,00,000

If sale is ₹1,50,000, the profit = $\frac{₹1,00,000}{₹4,00,000}$ x ₹1,50,000

= ₹37,500

Calculation of Zaina's share of profit till death = ₹37,500 x 2/5

= ₹15,000

(If an examinee has shown correct calculation in any other form, full credit is to be given)</td><td>1 ½

+

1 ½

=

3 marks</td></tr>
<tr><td>18</td><td>Q. (a) The firm of Amish, Nitish and Misha…

Ans.
Books of Amish, Nitish and Misha
Journal
<table>
<tr><th>Date</th><th>Particulars</th><th>L.F.</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td></td><td>Amish's Capital A/c Dr.
Nitish's Capital A/c Dr.
To Misha's Capital A/c
(Adjustment of profit for the last three years on account of change in profit sharing ratio)</td><td></td><td>30,000
30,000</td><td>

60,000</td></tr>
</table></td><td>1½</td></tr>
</table>

+

Adjustment Table

Partners	Dr. Profits (₹) 2:2:1	Cr. Profits (₹) 1:1:1	Ner Effect Dr. (₹)	Ner Effect Cr. (₹)
Amish	1,80,000	1,50,000	30,000	
Nitish	1,80,000	1,50,000	30,000	
Misha	90,000	1,50,000		60,000
	4,50,000	**4,50,000**	**60,000**	**60,000**

1½ = 3 marks

(If an examinee has shown the correct working in any other form, full credit should be given)

OR

Q. (b) Vidhi, Manas and Ansh were partners sharing…

Ans.

Books of Vidhi, Manas and Ansh
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 Mar.31	Profit & Loss Appropriation A/c Dr.		2,00,000	
	To Vidhi's Capital A/c			40,000
	To Manas's Capital A/c			60,000
	To Ansh's Capital A/c			1,00,000
	(Profit distributed among the partners in their profit sharing ratio)			
"	Vidhi's Capital A/c Dr.		10,000	
	Manas's Capital A/c Dr.		10,000	
	To Ansh's Capital A/c			20,000
	(Deficiency for Ansh borne by Vidhi and Manas equally)			

1½ + 1½ = 3 marks

Alternate Answer:

Books of Vidhi, Manas and Ansh
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 Mar.31	Profit & Loss Appropriation A/c Dr.		2,00,000	
	To Vidhi's Capital A/c			30,000
	To Manas's Capital A/c			50,000
	To Ansh's Capital A/c			1,20,000
	(Profit distributed among the partners in their profit sharing ratio with guaranteed amount to Ansh)			

Alternate Answer: 3 marks

19 **Q. (a) Delight Ltd. purchased assets worth…**

Ans.

Books of Delight Ltd.
Journal

Date	Particulars	L.F.	Dr.	Cr.

			Amount (₹)	Amount (₹)	
	Assets A/c Dr. Goodwill A/c Dr. To Liabilities A/c To Marvel Ltd. (Assets and liabilities of Marvel Ltd. taken over)		4,00,000 30,000	 70,000 3,60,000	1½ +
	Marvel Ltd. Dr. To 11% Debentures A/c To Securities Premium A/c (Issue of 3,000 debentures at a premium of 20%)		3,60,000	 3,00,000 60,000	1 ½ = 3 Marks

OR

Q. (b) Prime Ltd. took over assets of ₹6,00,000…

Ans.

Books of Prime Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
	Assets A/c Dr. To Liabilities A/c To Rabi Ltd. To Capital Reserve A/c (Assets and liabilities of Rabi Ltd. taken over)		6,00,000	 1,00,000 3,60,000 1,40,000	1½ +
	Rabi Ltd. Dr. Discount on issue of debentures A/c Dr. To 10% Debentures A/c (Issue of 4,000 debentures at a discount of 10%)		3,60,000 40,000	 4,00,000	1 ½ = 3 Marks

20 **Q. The capital of the firm of Rajat and Karan is…**

Ans. Goodwill= Super profit x Number of years' purchase

Normal profit= Normal Rate of return/100 x Capital Employed
= 12/100 x₹15,00,000
= ₹1,80,000……………………………………………… $\boxed{1/2}$

Average profit= (₹2,40,000+ ₹2,80,000+ ₹3,20,000)/3
= ₹2,80,000
Average profit less partners' salary= ₹2,80,000- ₹50,000
= ₹2,30,000……………………………………………… $\boxed{1}$

Average Super profit/ Super profit = Average profit - Normal profit
=₹2,30,000- ₹1,80,000
=₹50,000……………………………………… $\boxed{1/2}$

Goodwill= Super profit x Number of years' purchase
= ₹50,000 x 2
= ₹1,00,000……………………………………………………… $\boxed{1}$

3 Marks

	Alternate answer: Interest on capital employed = 12/100 x₹15,00,000= ₹1,80,000 Partners salary= ₹20,000 +₹30,000 = ₹50,000 Normal Profit= Interest on capital employed + Partners' salary= ₹1,80,000 +₹50,000= ₹2,30,000…. $\boxed{1}$ Average profit= (₹2,40,000+ ₹2,80,000+ ₹3,20,000)/3 = ₹2,80,000…………………………………………………………………… $\boxed{1/2}$ Average Super profit= Average profit - Normal profit =₹2,80,000- ₹2,30,000 =₹50,000…………………………………………………………………… $\boxed{1/2}$ Goodwill= Super profit x Number of years purchase = ₹50,000 x 2 = ₹1,00,000……………………………………………………………………… $\boxed{1}$	***Alternate Answer*** **3 marks**
21	**Q. Pass necessary journal entries………..** **Ans.** **(i)**	**(1 x 2)** + **(1 x 2) = 4 marks**

Books of Kiero Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture application money received)		80,00,000	 80,00,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Debenture application money transferred to debentures and premium on redemption of debentures account)		80,00,000 8,00,000	 80,00,000 8,00,000

(ii)

Books of Naro Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Debenture application money received)		52,50,000	 52,50,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Debenture application money transferred to debentures and premium on redemption of debentures account)		52,50,000 5,00,000	 50,00,000 2,50,000 5,00,000

22	**Q. Raja, Bharat and Vedika were partners in…**	
	Ans.	

Books of Raja, Bharat and Vedika

Dr. **Vedika's Capital A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	12,000	By Balance b/d	90,000
To Vedika's Executors A/c	1,09,400	By General Reserve A/c.	10,000
		By Interest on Capital A/c	2,400
		By P& L Suspense A/c	3,000
		By Raja's Capital A/c	8,000
		By Bharat's Capital A/c.	8,000
	1,21,400		1,21,400

½ x 8 = 4 marks

23 **Q. PL Ltd. was registered with …..**

Ans.

(i) (C) Nil

(ii) (D) 80,000

(iii) (A) ₹16,000

(iv) (B) ₹9,00,000

(v) (C) Subscribed capital

(vi) (B) ₹8,16,000

1 x 6 = 6 marks

24 **Q. Pass the necessary journal entries…**

Ans.

Books of Vibha and Ajit
Journal

	Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
(i)		Realisation A/c Dr.		9,000	
		To Cash A/c			9,000
		(Creditors accepted cash and furniture in full settlement of their claim)			
(ii)		Ajit Capital A/c Dr.		7,200	
		Cash/ Bank A/c Dr.		18,000	
		To Realisation A/c			25,200
		(40% of the stock was taken over by Ajit and the remaining stock sold for ₹18,000)			

	(iii)		Realisation A/c Dr. To Vibha's Capital A/c (Vibha was allowed a remuneration to look after dissolution work)		16,000	16,000	
	(iv)		Ajit Loan A/c Dr. To Cash/ Bank A/c To Realisation A/c (Ajit's loan was settled)		45,000	42,000 3,000	1 x 6 = 6 marks
	(v)		Vibha's Capital A/c Dr. To Realisation A/c (Unrecorded machinery taken over by Vibha)		23,000	23,000	
	(vi)		Vibha's Capital A/c Dr. Ajit's Capital A/c Dr. To Profit and Loss A/c (Debit balance of Profit and Loss account debited to the partners' capital accounts)		10,000 10,000	20,000	

25 Q. (a) Altima Ltd. invited applications for issuing…

Ans.

Books of Altima Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Application money received on 2,40,000 shares @₹7 per share, including premium ₹1)		16,80,000	16,80,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Transfer of application money to share capital and excess application money refunded)		16,80,000	12,00,000 2,00,000 2,80,000
	Equity Share First and Final call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on share first and final call)		14,00,000	8,00,000 6,00,000
	Bank A/c Dr. To Equity Share First and Final call A/c (Amount received on share first and final call) **or** Bank A/c Dr. Call in arrears A/c Dr. To Equity Share First and Final Call A/c (Amount received on share first and final call)		13,72,000 13,72,000 28,000	13,72,000 14,00,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Equity Share First and Final Call/ Calls in Arrears A/c (4000 shares forfeited for non-payment of first and final call money)		40,000 12,000	24,000 28,000

1 x 6 = 6 marks

	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share capital A/c (Reissue of 4,000 shares at ₹4 per share fully paid)		16,000 24,000	 40,000

OR

OR

Q. (b) Pass necessary journal entries for forfeiture and reissue…

(i)

Books of Macil Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (3000 shares forfeited for non-payment of allotment and first call money) **or** Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (3000 shares forfeited for non-payment of allotment and first call money)		2,40,000 30,000 2,40,000 30,000	 60,000 90,000 1,20,000 60,000 2,10,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Reissue of 2,000 shares @₹90 per share ₹80 paid up)		1,80,000	 1,60,000 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance in share forfeiture account transferred to capital reserve)		40,000	 40,000

(1 x 3)

(ii)

Books of Avian Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Capital A/c Dr. To Share Forfeiture A/c To Share First Call/ Calls in Arrears A/c (10,000 shares forfeited for non-payment of first call money)		90,000	 50,000 40,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Reissue of 4,000 shares @₹9 per share fully paid up)		36,000 4,000	 40,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance in share forfeiture account transferred to capital reserve)		16,000	 16,000

\+

(1 x 3)

=

6 marks

	General Reserve A/c Dr. To Ashish's Capital A/c To Vinit's Capital A/c To Reema's Capital A/c (General Reserve credited to partners' capital accounts)		50,000	 20,000 20,000 10,000
	Ashish's Capital A/c Dr. Reema's Capital A/c Dr. To Vinit's Capital A/c (Vinit's share of goodwill adjusted in the capital accounts of Ashish and Reema in the gaining ratio)		12,000 12,000	 24,000
	Vinit's Capital A/c Dr. To Cash A/c To Vinit's Loan A/c (Vinit was paid ₹20,000 on retirement, and the balance transferred to his loan account)		2,48,000	 20,000 2,28,000

PART B
OPTION 1
(Analysis of Financial Statements)

27	**Q. (a) The tool of analysis of ………** **Ans.** (A) Comparative statements **OR** **Q. (b) Ratios that are calculated for measuring the efficiency…** **Ans.** (C) Turnover ratios	**1 mark** **OR** **1 mark**
28	**Q. The Debt Equity Ratio of Manak Enterprises…** **Ans.** (C) Issue of debentures ₹6,00,000	**1 mark**
29	**Q. (a) Which of the following are operating activities…** **Ans.** (B) (i) and (iii) **OR** **Q. (b) Which of the following statements is incorrect?** **Ans.** (C) Receipt from interest and dividend will result in cash inflow from financing activities	**1 mark** **OR** **1 mark**
30	**Q. Statement 1:** **Investing activities are the acquisition and disposal…** **Ans.** (A) Both the Statements are true.	**1 mark**

31 **Q. Classify the following items under major heads…**

Ans.

	Item	**Major head**	**Sub-head**
(i)	Computer software	Non-Current Assets	Property, Plant and Equipment and Intangible Assets – Intangible Assets
(ii)	Outstanding salary	Current Liabilities	Other Current Liabilities
(iii)	Work in progress	Current Assets	Inventories

½ x 6 = 3 marks

32 **Q. From the following information of CN Ltd….**

Ans.

Common Size Statement of Profit and Loss of CN Ltd.
for the years ended 31st March, 2023 and 31st March, 2024

	Absolute Amounts		**Percentage of Revenue from operations**		
Particulars	**2022-23 (₹)**	**2023-24 (₹)**	**2022-23 (%)**	**2023-24 (%)**	
Revenue from Operations	20,00,000	40,00,000	100	100	½
Less Expenses:					
Purchase of stock in trade	4,00,000	8,00,000	20	20	½
Other expenses	2,00,000	4,00,000	10	10	½
Total expenses	6,00,000	12,00,000	30	30	
Profit before tax	14,00,000	28,00,000	70	70	½
Less Tax @50%	7,00,000	14,00,000	35	35	½
Profit after tax	7,00,000	14,00,000	35	35	½

3 marks

33 **Q. (a) Calculate opening and closing Trade Payables….**

Ans.

Trade payables turnover ratio= Net Credit purchases/ Average Trade Payables…………………… $\boxed{1}$

Total purchases = Cash purchases+ Credit purchases

- ⇨ ₹15,00,000= ¼ Credit purchases + Credit purchases
- ⇨ ₹15,00,000= 5/4 Credit Purchases
- ⇨ Credit Purchases ₹15,00,000 x 4/5
- ⇨ Credit purchases= ₹12,00,000…………………………………………………………… $\boxed{1}$

Trade payables turnover ratio= Net Credit purchases/ Average Trade Payables

- ⇨ 4 =₹12,00,000/ Average Trade Payables
- ⇨ Average Trade Payables= ₹3,00,000

4 Marks

Average Trade Payables= (Opening Trade Payables + Closing Trade Payables)/2

- ⇨ ₹3,00,000 = (Opening Trade Payables + 2 Opening Trade Payables)/2
- ⇨ Opening Trade Payables= ₹3,00,000 x 2/3
- ⇨ Opening Trade Payables= ₹2,00,000…………………………………………………… $\boxed{1}$

Closing Trade Payables= 2 x Opening Trade Payables

- ⇨ Closing Trade Payables= 2 x ₹2,00,000
- ⇨ Closing Trade Payables= ₹4,00,000…………………………………………………………………………… $\boxed{1}$

OR | **OR**

Q. (b) From the following information……….

Ans.

Return on Investment= Profit before interest and tax/ Capital Employed x 100……………… $\boxed{1}$

Profit before Interest and Tax= Net profit after tax + Tax + Interest on Debentures

- ⇨ Profit before Interest and Tax= ₹3,00,000 + ₹1,00,000+ ₹80,000
- ⇨ Profit before Interest and tax= ₹4,80,000………………………………………………… $\boxed{1}$

4 marks

Capital employed= Shareholders Funds+ Debentures

- ⇨ Capital employed= ₹ 16,00,000 + ₹ 8,00,000
- ⇨ Capital employed= ₹ 24,00,000……………………………………………………… $\boxed{1}$

or

Capital employed= Non-Current assets + Current Assets - Current Liabilities

- ⇨ Capital employed = ₹21,00,000 + ₹5,00,000 - ₹2,00,000
- ⇨ Capital employed= ₹24,00,000

Return on investment= (₹4,80,000/ ₹24,00,000) x 100

- ⇨ Return on investment= 20%... $\boxed{1}$

34 Q. (a) From the following information…

Ans.

Calculation of Cash Flows from Investing Activities
for the year ended 31st March 2024

Particulars	**(₹)**	**(₹)**
Purchase of Machinery	(1,30,000)	
Sale of Machinery	33,000	
Net Cash used in Investing Activities		(97,000)

(1 x 3)

+

Dr. **Machinery A/c** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Balance b/d	3,00,000	By Bank/Cash A/c	33,000
To Statement of Profit & Loss- Profit on sale	3,000	By Accumulated Depreciation A/c	20,000
To Bank/ Cash A/c (Balancing figure)	1,30,000	By Balance c/d	3,80,000
	4,33,000		4,33,000

1

Dr. **Accumulated Depreciation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	20,000	By Balance b/d	45,000
To Balance c/d	62,000	By Depreciation A/c	37,000
	82,000		82,000

(b) From the following information…

Calculation of Cash Flows from Financing Activities
for the year ended 31st March 2024

Particulars	(₹)	(₹)
Issue of Equity Shares (including premium of ₹40,000)	4,40,000	
Redemption of 11% Debentures	(1,00,000)	
Interest paid on debentures	(40,000)	
Net Cash flows from Financing Activities		3,00,000

+

-

+

(½ x 4) = 6 marks

CBSE BOARD QUESTION PAPER 2025 67-2-1

General Instructions :

Read the following instructions carefully and follow them :

(i) *This question paper contains **34** questions. **All** questions are compulsory.*

(ii) *This question paper is divided into **two** Parts : **Part – A** and **Part – B**.*

(iii) ***Part – A** is **compulsory** for all candidates.*

(iv) ***Part – B** has **two** options. Candidates must attempt only **one** of the given options.*

Option-I : Analysis of Financial Statements

Option-II : Computerised Accounting

(v) *Questions number **1** to **16** (Part-A) and Questions number **27** to **30** (Part-B) are multiple choice questions. Each question carries **1** mark.*

(vi) *Questions number **17** to **20** (Part-A) and Questions number **31** and **32** (Part-B) are Short answer type questions. Each question carries **3** marks.*

(vii) *Questions number **21, 22** (Part-A) and Question number **33** (Part-B) are Long answer type-I questions. Each question carries **4** marks.*

(viii) *Questions number **23** to **26** (Part-A) and Question number **34** (Part-B) are Long answer type-II questions. Each question carries **6** marks.*

(ix) *There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.*

PART – A

(Accounting for Partnership Firms and Companies)

1. Arun, Bashir and Joseph were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Daksh as a new partner who acquired his share entirely from Arun. If Arun sacrificed $\frac{1}{5}^{\text{th}}$ from his share to Daksh, Daksh's share in the profits of the firm will be :

(A) $\frac{1}{10}$ (B) $\frac{1}{5}$

(C) $\frac{3}{10}$ (D) $\frac{2}{5}$ 1

2. Eliza, Fenn and Garry were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Fenn was guaranteed ₹ 25,000 as his share in the profits. Any deficiency arising on that account was to be met by Eliza. The firm earned a profit of ₹ 80,000 for the year ended 31st March, 2024. The amount of profit credited to Fenn's capital account will be :

(A) ₹ 30,000 (B) ₹ 40,000

(C) ₹ 25,000 (D) ₹ 10,000 1

3. Wayne, Shaan and Bryan were partners in a firm. Shaan had advanced a loan of ₹ 1,00,000 to the firm. On 31st March, 2024 the firm was dissolved. After transferring various assets (other than cash & bank) and outside liabilities to Realisation Account, Shaan took over furniture of book value of ₹ 90,000 in part settlement of his loan amount. For the payment of balance amount of Shaan's loan Bank Account will be credited with :

(A) ₹ 1,00,000 (B) ₹ 90,000

(C) ₹ 1,90,000 (D) ₹ 10,000 1

4. Pulkit and Ravinder were partners in a firm sharing profits and losses in the ratio of 3 : 2. Sikander was admitted as a new partner for $\frac{1}{5}^{th}$ share in the profits of the firm. Pulkit, Ravinder and Sikander decided to share future profits in the ratio of 2 : 2 : 1. Sikander brought ₹ 5,00,000 as his capital and ₹ 10,00,000 as his share of premium for goodwill. The amount of premium for goodwill that will be credited to the old partners' capital accounts will be :

(A) Pulkit's Capital Account ₹ 10,00,000

(B) Pulkit's Capital Account ₹ 6,00,000 and Ravinder's Capital Account ₹ 4,00,000

(C) Pulkit's Capital Account ₹ 5,00,000 and Ravinder's Capital Account ₹ 5,00,000

(D) Pulkit's Capital Account ₹ 2,00,000 1

5. Kajal and Laura were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Maddy for $\frac{1}{4}^{th}$ share in future profits. Maddy brought ₹ 8,00,000 as his capital and ₹ 4,00,000 as his share of premium for goodwill. Kajal, Laura and Maddy decided to share profits in future in the ratio of 2 : 1 : 1. After all adjustments in respect of goodwill, revaluation of assets and liabilities etc. Kajal's capital was ₹ 15,00,000 and Laura's capital was ₹ 8,00,000. It was agreed that partners' capitals should be in proportion to their new profit sharing ratio taking Maddy's capital as base. The adjustment was made by bringing in or withdrawing the necessary cash as the case may be. The cash brought in by Kajal was :

(A) ₹ 1,00,000 (B) ₹ 8,00,000

(C) ₹ 16,00,000 (D) ₹ 12,00,000 1

6. **Assertion (A) :** The maximum number of partners in a partnership firm is 50.
Reason (R) : By virtue of the Companies Act 2013, the Central Government is empowered to prescribe maximum number of partners in a firm. The Central Government has prescribed the maximum number of partners in a firm to be 50.

Choose the correct option from the following :

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Both Assertion (A) and Reason (R) are false. **1**

7. Nandita and Prabha were partners in a firm. Nandita withdrew ₹ 3,00,000 during the year for personal use. The partnership deed provides for charging interest on drawings @ 10% p.a. Interest on Nandita's drawings for the year ended 31st March, 2024 will be :

(A) ₹ 9,000 (B) ₹ 30,000
(C) ₹ 18,000 (D) ₹ 15,000 **1**

8. Radhika, Mehar and Shubha were partners in a firm sharing profits and losses in the ratio of 9 : 8 : 7. If Radhika's share of profit at the end of the year amounted to ₹ 5,40,000, Shubha's share of profit will be :

(A) ₹ 5,40,000 (B) ₹ 4,80,000
(C) ₹ 60,000 (D) ₹ 4,20,000 **1**

9. Suhas and Vilas were partners in a firm with capitals of ₹ 4,00,000 and ₹ 3,00,000 respectively. They admitted Prabhas as a new partner for $\frac{1}{5}^{th}$ share in future profits. Prabhas brought ₹ 2,00,000 as his capital. Prabhas' share of goodwill will be :

(A) ₹ 1,00,000 (B) ₹ 10,00,000
(C) ₹ 9,00,000 (D) ₹ 20,000 **1**

10. Offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) is known as :

(A) Sweat equity (B) Incorporation cost
(C) Private placement of shares (D) Employee stock option plan **1**

11. Ajay Ltd. forfeited 100 shares of ₹ 10 each for non-payment of first call of ₹ 1 per share and second and final call of ₹ 3 per share. The minimum price per share at which these shares can be reissued will be :

(A) ₹ 6 (B) ₹ 4
(C) ₹ 10 (D) ₹ 16 **1**

12. (a) The amount of share capital which a company is authorised to issue by its Memorandum of Association is known as __________.
(A) Nominal capital (B) Issued capital
(C) Reserve capital (D) Subscribed capital 1

OR

(b) According to Securities and Exchange Board of India (SEBI), guidelines, minimum subscription of capital cannot be less than 90% of ____________.
(A) Authorised capital (B) Issued capital
(C) Reserve capital (D) Subscribed capital 1

13. (a) Debentures on which a company does not give any undertaking for the repayment of money borrowed are called :
(A) Bearer Debentures (B) Secured Debentures
(C) Perpetual Debentures (D) Registered Debentures 1

OR

(b) If the amount of debentures issued is more than the amount of the net assets taken over by a company, the difference will be treated as :
(A) Capital Reserve (B) Goodwill
(C) Purchase Consideration (D) General Reserve 1

14. (a) The following journal entry appears in the books of Latvion Ltd. :

Date	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c .... Dr.	4,75,000	
	Loss on issue of debentures A/c .... Dr.	75,000	
	To 12% Debentures A/c		5,00,000
	To Premium on Redemption of Debentures A/c		50,000

The discount on issue of debentures is :
(A) 15% (B) 5%
(C) 10% (D) 95% 1

OR

(b) Zeba Limited issued 15,000, 9% debentures of ₹ 100 each at 10% discount on 1st April, 2023. It has a balance of ₹ 1,00,000 in Securities Premium Account. The 'Discount on issue of Debentures' of ₹ 1,50,000 will be written off :
(A) ₹ 1,00,000 out of Securities Premium Account and ₹ 50,000 out of Statement of Profit and Loss
(B) ₹ 50,000 out of Securities Premium Account and ₹ 1,00,000 out of Statement of Profit and Loss
(C) ₹ 1,50,000 out of Securities Premium Account
(D) ₹ 1,50,000 out of Statement of Profit and Loss 1

15. (a) Anisha, Deepa and Charu were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2024, they decided to change their profit-sharing ratio to 2 : 3 : 5. Each partner's gain or sacrifice due to change in profit-sharing ratio will be :
(A) Anisha's sacrifice $\frac{3}{10}$; Charu's gain $\frac{3}{10}$
(B) Anisha's gain $\frac{3}{10}$; Charu's sacrifice $\frac{3}{10}$
(C) Anisha's sacrifice $\frac{3}{10}$; Deepa's gain $\frac{3}{10}$
(D) Deepa's gain $\frac{3}{10}$; Charu's sacrifice $\frac{3}{10}$ 1

OR

(b) Preet and Saral were partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024 they decided to change their profit sharing ratio to 1 : 1. On the date of reconstitution goodwill of the firm was valued at ₹ 1,00,000. The journal entry for treatment of goodwill on account of change in profit-sharing ratio will be :

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	Preet's Capital A/c .... Dr.	1,00,000	
	To Saral's Capital A/c		1,00,000
(B)	Saral's Capital A/c .... Dr.	1,00,000	
	To Preet's Capital A/c		1,00,000
(C)	Preet's Capital A/c .... Dr.	10,000	
	To Saral's Capital A/c		10,000
(D)	Saral's Capital A/c .... Dr.	10,000	
	To Preet's Capital A/c		10,000

1

16. (a) Ishan, Jatin and Kapil were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Jatin retired and his share was taken up by Ishan and Kapil in the ratio 1 : 1. The new profit-sharing ratio between Ishan and Kapil after Jatin's retirement will be :
(A) 5 : 1 (B) 1 : 1
(C) 5 : 4 (D) 7 : 3 1

OR

(b) Sakshi, Kiara and Gunjan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Kiara retired on 1-4-2023. After all adjustments the amount due to Kiara was ₹ 5,00,000. The payment was to be made in two yearly instalments of ₹ 2,50,000 each plus interest @ 10% per annum on the unpaid balance. The amount of first instalment paid on 31-03-2024 will be :
(A) ₹ 3,00,000 (B) ₹ 2,75,000
(C) ₹ 5,50,000 (D) ₹ 2,50,000 1

17. Anubha and Yuvika were partners in a firm sharing profits and losses in the ratio of 3 : 2. From 1st April 2024, they decided to share future profits and losses in the ratio of 2 : 3. On this date, their balance sheet showed a balance of ₹ 50,000 in General Reserve and a debit balance of ₹ 2,50,000 in Profit and Loss Account. Partners decided to write off Profit and Loss Account but decided not to distribute the General Reserve. Pass the necessary journal entries for the above transactions on the reconstitution of the firm. Show your workings clearly. **3**

18. Sunny and Ujjwal were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2024 Timmy was admitted as a new partner for $\frac{1}{5}^{th}$ share in profits which he acquired equally from Sunny and Ujjwal.

On the date of Timmy's admission the Balance Sheet of Sunny and Ujjwal showed investments at ₹ 5,00,000 and a balance of ₹ 2,00,000 in Investment Fluctuation Reserve.

Pass necessary journal entries for treatment of Investment fluctuation reserve on the date of Timmy's admission in each of the following cases :

(i) Market value of Investments was ₹ 5,00,000.
(ii) Market value of Investments was ₹ 3,00,000.
(iii) Market value of Investments was ₹ 2,00,000. **3**

19. (a) Apoorv Ltd. acquired building worth ₹ 15,50,000, Machinery worth ₹ 11,40,000 and Furniture worth ₹ 1,10,000 from Dhruv Ltd. and took over its liabilities of ₹ 2,00,000 for a purchase consideration of ₹ 25,00,000. Apoorv Ltd. paid the purchase consideration by issuing 12% debentures of ₹ 100 each at a premium of 25%.

Pass the necessary journal entries in the books of Apoorv Ltd. for the above transactions. **3**

OR

(b) Ajanta Ltd. purchased machinery worth ₹ 36,00,000 from Sujata Ltd. Ajanta Ltd. paid half the amount to Sujata Ltd. through a bank draft and the balance by issuing 8% debentures of ₹ 100 each at a discount of 10%.

Pass the necessary journal entries in the books of Ajanta Ltd. for the above transactions. **3**

20. (a) Aakash and Baadal entered into partnership on 1st October, 2023 with the capitals of ₹ 80,00,000 and ₹ 60,00,000 respectively. They decided to share profits and losses equally. Partners were entitled to interest on capital @ 10% per annum as per the provisions of the partnership deed.

Baadal is given a guarantee that his share of profit, after charging interest on capital will not be less than ₹ 7,00,000 per annum.

Any deficiency arising on that account shall be met by Aakash. The profit of the firm for the year ended 31st March, 2024 amounted to ₹ 13,00,000.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. **3**

OR

(b) Parul and Rajul were partners in a firm, sharing profits and losses in the ratio of 5 : 3. The balance in their fixed capital accounts on 1st April, 2023 were : Parul ₹ 6,00,000 and Rajul ₹ 8,00,000. The partnership deed provided for allowing interest on capital at 12% per annum. The net profit of the firm for the year ended 31st March, 2024 was ₹ 1,26,000.
Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. Show your working clearly. **3**

21. Ridyum Limited issued 5,000, 9% debentures of ₹ 500 each at a premium of 10%. The amount was payable as follows :
On Application – ₹ 200 per debenture
On Allotment – Balance (including premium)
The debentures were fully subscribed and all amounts were duly received. Pass the necessary journal entries for issue of debentures in the books of Ridyum Limited. **4**

22. Simar, Tanvi and Umara were partners in a firm sharing profits and losses in the ratio of 5 : 6 : 9. On 31st March, 2024 their Balance Sheet was as follows :

Balance sheet of Simar, Tanvi and Umara as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	25,00,000
Simar	13,00,000		Stock	10,00,000
Tanvi	12,00,000		Debtors	8,00,000
Umara	14,00,000	39,00,000	Cash	7,00,000
General Reserve		7,00,000	Profit and Loss Account	
Trade Payables		6,00,000	(2023-24)	2,00,000
		52,00,000		**52,00,000**

Umara died on 30th June, 2024. The partnership deed provided for the following on the death of a partner :

(i) Goodwill of the firm be valued at 3 years purchase of average profits for the last 5 years. The profit/loss for the previous four years were :
2022-23 : ₹ 3,10,000 (loss) 2021-22 : ₹ 3,00,000 (profit)
2020-21 : ₹ 4,00,000 (profit) 2019-20 : ₹ 2,50,000 (profit)

(ii) Umara's share of profit or loss till the date of her death was to be calculated on the basis of profit or loss for the year ended 31st March 2024.
   (a) Calculate Goodwill of the firm.
   (b) Pass the necessary journal entry for the treatment of goodwill on Umara's death.
   (c) Calculate Umara's share in the profit or loss of the firm till the date of her death.
   (d) Pass the necessary journal entry to record Umara's share of profit or loss till the date of her death. **4**

23. Pass necessary journal entries for the following transactions on dissolution of the firm of Rajesh, Somesh and Yogesh after various assets (other than cash) and third party liabilities have been transferred to Realisation Account :

(i) Rajesh took over stock of ₹ 4,00,000 at a discount of 20%.

(ii) Somesh agreed to take over the firm's furniture, not recorded in the books of the firm at ₹ 80,000.

(iii) Land and Building of the book value of ₹ 60,00,000 was sold for ₹ 90,00,000 through a broker who charged 10% commission.

(iv) Ashish, an old customer, whose account for ₹ 70,000 was written off as bad in the previous year, paid 60% of the amount.

(v) Sundry Creditors of ₹ 3,00,000 were settled at a discount of 10%.

(vi) Realisation expenses amounting to ₹ 21,000 were paid by Yogesh. **6**

24. Following is the extract of the Balance Sheet of Vikalp Ltd. as per Schedule-III, Part-I of Companies Act as at 31st March, 2024 along with Notes to accounts :

Vikalp Ltd.

Balance Sheet as at 31st March, 2024

Particulars	**Note No.**	**31-03-2024 (₹)**	**31-03-2023 (₹)**
I. Equity and Liabilities			
(1) Shareholders Funds			
(a) Share capital	1	59,60,000	50,00,000

'Notes to accounts' as at 31st March, 2023 :

Note No.	**Particulars**	**31-3-2023 (₹)**
1.	Share Capital :	
	Authorised capital	
	9,00,000 equity shares of ₹ 10 each	90,00,000
	Issued capital :	
	5,00,000 equity shares of ₹ 10 each	50,00,000
	Subscribed capital :	
	Subscribed and fully paid up	
	5,00,000 equity shares of ₹ 10 each	50,00,000
	Subscribed but not fully paid up	Nil
		50,00,000

'Notes to accounts' as at 31st March, 2024 :

Note No.	Particulars		31-3-2024 (₹)
1.	Share Capital :		
	Authorised capital		
	9,00,000 equity shares of ₹ 10 each		90,00,000
	Issued capital :		
	6,00,000 equity shares of ₹ 10 each		60,00,000
	Subscribed capital :		
	Subscribed and fully paid up		
	5,80,000 equity shares of ₹ 10 each		58,00,000
	Subscribed but not fully paid up		
	20,000 equity shares of ₹ 10 each,		
	fully called up	2,00,000	
	Less : calls in arrears		
	20,000 equity shares @		
	₹ 2 per share	40,000	1,60,000
			59,60,000

Answer the following questions :

(i) The total face value of equity shares issued during the year 2023-2024 was :

(A) ₹ 10,00,000 (B) ₹ 9,80,000

(C) ₹ 4,20,000 (D) ₹ 11,00,000

(ii) The number of shares on which the called up amount was not received were :

(A) 1,00,000 (B) 80,000

(C) 3,00,000 (D) 20,000

(iii) On 1st April, 2024 Vikalp Limited forfeited all the shares on which the called up amount was not received. On forfeiture, 'Share Capital Account' will be debited by :

(A) ₹ 1,60,000 (B) ₹ 40,000

(C) ₹ 2,00,000 (D) ₹ 2,40,000

(iv) On forfeiture, 'Share Forfeiture Account' will be credited with :

(A) ₹ 1,60,000 (B) ₹ 40,000

(C) ₹ 2,00,000 (D) ₹ 2,40,000

(v) If all the forfeited shares are reissued at ₹ 8 per share fully paid up, the amount credited to 'Capital Reserve A/c' will be :

(A) ₹ 40,000 (B) ₹ 1,60,000

(C) ₹ 2,00,000 (D) ₹ 1,20,000

(vi) If the forfeited shares are reissued at the minimum permissible price, the amount credited to 'Capital Reserve Account' will be :

(A) ₹ 2,00,000 (B) ₹ 1,60,000

(C) ₹ 40,000 (D) NIL **6**

25. (a) Alexia Limited invited applications for issuing 1,00,000 equity shares of ₹ 10 each at premium of ₹ 10 per share.

The amount was payable as follows :

On application ₹ 9 per share (Including premium ₹ 6 per share)

On allotment ₹ 8 per share (Including premium ₹ 4 per share)

On first and final call ₹ 3 per share.

Applications were received for 1,50,000 equity shares and allotment was made to the applicants as follows :

Category A : Applicants for 90,000 shares were allotted 70,000 shares.

Category B : Applicants for 60,000 shares were allotted 30,000 shares.

Excess money received on application was adjusted towards allotment and first and final call.

Shekhar, who had applied for 1200 shares failed to pay the first and final call. Shekhar belonged to category B.

Pass necessary journal entries for the above transactions in the books of Alexia Limited. Open calls in arrears and calls in advance account, wherever necessary. **6**

OR

(b) Pass the necessary journal entries for forfeiture and reissue of shares in the following cases :

(i) Premier Ltd. forfeited 600 shares of ₹ 10 each issued at a premium of ₹ 3 per share (payable with allotment) for non-payment of allotment money of ₹ 7 per share including premium. The first and final call of ₹ 3 per share was not yet made. The forfeited shares were reissued at ₹ 13 per share fully paid up.

(ii) Risha Ltd. forfeited 1000 shares of ₹ 10 each, ₹ 8 per share called up issued at a premium of ₹ 2 per share to Atul, for non-payment of allotment money of ₹ 6 per share (including premium). Out of these, 800 shares were reissued at ₹ 7 per share, ₹ 8 paid up. **6**

26. (a) Bittu and Chintu were partners in a firm sharing profit and losses in the ratio of 4 : 3. Their Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Bittu and Chintu as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	15,40,000
Bittu	8,00,000		Stock	3,50,000
Chintu	6,00,000	14,00,000	Debtors	1,40,000
General Reserve		2,10,000	Bank	70,000
Creditors		4,90,000		
		21,00,000		**21,00,000**

On 1st April, 2024, Diya was admitted in the firm for $\frac{1}{7}^{th}$ share in the profits on the following terms :

(i) New profit sharing ratio between Bittu, Chintu and Diya will be 3 : 3 : 1.

(ii) Fixed Assets were found to be overvalued by ₹ 1,40,000.

(iii) Creditors were paid ₹ 4,20,000 in full settlement.

(iv) Diya brought proportionate capital and ₹ 5,60,000 as her share of goodwill premium by cheque.

Prepare Revaluation Account and Partners' Capital Accounts. **6**

OR

(b) Rupal, Shanu and Trisha were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Their Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Rupal, Shanu and Trisha as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	8,20,000
Rupal	8,00,000		Stock	2,80,000
Shanu	6,00,000		Debtors	5,00,000
Trisha	2,00,000	16,00,000	Cash	7,20,000
General Reserve		3,20,000		
Creditors		4,00,000		
		23,20,000		**23,20,000**

Trisha retired from the firm on 1st April, 2024 on the following terms :

(i) Trisha's share of profit was entirely taken by Shanu.

(ii) Fixed assets were found to be undervalued by ₹ 2,40,000.

(iii) Stock was revalued at ₹ 2,00,000.

(iv) Goodwill of the firm was valued at ₹ 8,00,000 on Trisha's retirement.

(v) The total capital of the new firm was fixed at ₹ 16,00,000 which was adjusted according to the new profit sharing ratio of the partners. For this necessary cash was paid off or brought in by the partners as the case may be.

Prepare Revaluation Account and Partners' Capital Accounts. **6**

PART – B
OPTION – I
(Analysis of Financial Statements)

27. The Quick Ratio of a company is 1 : 1. Which of the following transactions will result in increase in Quick Ratio ?
    (A) Cash received from debtors (B) Sold goods on credit
    (C) Purchased goods on credit (D) Purchased goods on cash **1**

28. **Statement-I :** Snow Limited earned a profit of ₹ 2,00,000 after charging depreciation of ₹ 50,000 on machinery. So, operating profit before working capital changes would be ₹ 2,50,000.
    Statement-II : Depreciation is added back to net profit as it does not result in any cash flow.
    Choose the correct option from the following :
    (A) Only Statement-I is true. (B) Only Statement-II is true.
    (C) Both the Statements are false. (D) Both the Statements are true. **1**

29. (a) _________ is not a tool of 'Analysis of Financial Statements'.
    (A) Income Statement (B) Ratio Analysis
    (C) Comparative Statements (D) Cash Flow Statement **1**

    OR

    (b) In 'Common size income statement' each item is expressed as a percentage of ________.
    (A) Total Income (B) Total Expenses
    (C) Profit After Tax (D) Revenue from Operations **1**

30. (a) Short-term highly liquid investments qualify as cash equivalents if they are realisable into known amounts of cash from the date of acquisition within a period of :
    (A) 6 months or less (B) 9 months or less
    (C) 12 months or less (D) 3 months or less **1**

    OR

    (b) Which of the following item is not included in cash and cash equivalents ?
    (A) Trade Receivables
    (B) Demand deposits with bank
    (C) Short-term marketable securities
    (D) Cheques in hand **1**

31. Classify the following items under major heads and sub-heads (if any) in the Balance Sheet of a company as per Schedule-III, Part-I of the Companies Act, 2013 :
    (i) Work in progress
    (ii) Securities premium
    (iii) Creditors **3**

32. From the following information, prepare a Comparative Statement of Profit and Loss of Smart Ltd. :

Particulars	2023-24 (₹)	2022-23 (₹)
Revenue from operations	24,00,000	20,00,000
Cost of materials consumed	6,00,000	4,00,000
Employee benefit expenses	4,00,000	2,00,000
Tax Rate 50%		

3

33. (a) From the following information, calculate Opening Trade Receivables and Closing Trade Receivables :
Trade Receivables Turnover Ratio – 4 times
Closing Trade Receivables were ₹ 20,000 more than that in the beginning.
Cost of Revenue from operations – ₹ 6,40,000.
Cash Revenue from operations – $\frac{1}{3}^{rd}$ of Credit Revenue from Operations
Gross Profit Ratio – 20% **4**

OR

(b) From the following information, calculate opening and closing inventory :
Gross Profit Ratio – 25%
Revenue from operations – ₹ 8,00,000
Inventory turnover ratio – 4 times
Opening inventory was 2 times of the closing inventory. **4**

34. On 31st March, 2024 following is the Balance Sheet of Bhavik Limited :

Bhavik Ltd.
Balance Sheet as at 31st March 2024

Particulars	Note No.	31-3-2024 (₹)	31-3-2023 (₹)
I. Equity and Liabilities :			
1. Shareholders funds			
(a) Share Capital		12,00,000	10,00,000
(b) Reserves and Surplus	1	4,00,000	3,00,000
2. Non-current liabilities			
Long-term borrowings	2	6,00,000	10,00,000
3. Current Liabilities			
(a) Trade Payables		5,00,000	1,00,000
(b) Short-term provisions	3	3,00,000	4,00,000
Total		**30,00,000**	**28,00,000**
II. Assets :			
1. Non-current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
Property plant and equipment	4	19,00,000	15,00,000
(b) Non-current Investments		3,00,000	4,00,000
2. Current Assets			
(a) Inventories		4,50,000	3,50,000
(b) Trade Receivables		2,50,000	4,50,000
(c) Cash and Cash Equivalents		1,00,000	1,00,000
Total		**30,00,000**	**28,00,000**

Notes to Accounts :

Note No.	Particulars	31-03-2024 (₹)	31-03-2023 (₹)
1.	Reserves and Surplus i.e. Balance in Statement of Profit and Loss	4,00,000	3,00,000
2.	Long-term borrowings		
	10% Debentures	6,00,000	10,00,000
3.	Short-term provisions		
	Provision for tax	3,00,000	4,00,000
4.	Property plant and equipment		
	Plant and Machinery	21,50,000	16,00,000
	Less : Accumulated Depreciation	2,50,000	1,00,000
		19,00,000	15,00,000

Additional Information :

(i) During the year a piece of machinery costing ₹ 8,00,000 accumulated depreciation thereon ₹ 50,000 was sold for ₹ 6,50,000

(ii) Debentures were redeemed on 31-03-2024.

Calculate :

(a) Cash flows from Investing Activities

(b) Cash flows from Financing Activities **6**

CBSE BOARD MARKING SCHEME 2025 67-2-1

67/2/1	**MARKING SCHEME** **ACCOUNTANCY (055)** **EXPECTED ANSWERS / VALUE POINTS**	
	SECTION A	
1	**Q. Arun, Bashir and Joseph were partners….** **Ans**. (B) 1/5	**1 mark**
2	**Q. Eliza, Fenn and Garry………..** **Ans.** (A) ₹30,000	**1 mark**
3	**Q. Wayne, Shaan and Bryan were……..** **Ans.** (D) ₹10,000	**1 mark**
4	**Q. Pulkit and Ravinder were partners….** **Ans.** (A) Pulkit's Capital Account ₹10,00,000	**1 mark**
5	**Q. Kajal and Laura were partners in a firm…** **Ans**. (A) ₹1,00,000	**1 mark**
6	**Q. The maximum number of partners…..** **Ans.** (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of assertion (A).	**1 mark**
7	**Q. Nandita and Prabha were partners…** **Ans.** (D) ₹15,000	**1 mark**
8	**Q. Radhika, Mehar and Shubha were partners in a firm….** Ans. (D) ₹4,20,000	**1 mark**
9	**Q. Suhas and Vilas were partners in a firm…** **Ans.**(D) ₹20,000	**1 mark**
10	**Q. Offer of securities or invitation….** Ans. (C) Private placement of shares	**1 mark**

<table>
<tr><td>11</td><td>Q. Ajay Ltd. forfeited….

Ans. (B) ₹4</td><td>1 mark</td></tr>
<tr><td>12</td><td>Q. (a) The amount of share capital which….

Ans. (A) Nominal Capital

OR
Q. (b) According to Securities and Exchange Board of India…

Ans. (B) Issued Capital</td><td>1 mark

OR

1 mark</td></tr>
<tr><td>13</td><td>Q. (a) Debentures on which a company…..

Ans. (C) Perpetual Debentures

OR
Q. (b) If the amount of debentures issued….

Ans. (B) Goodwill</td><td>1 mark

OR

1 mark</td></tr>
<tr><td>14</td><td>Q. (a) The following journal entry…

Ans. (B) 5%

OR
Q. (b) Zeba Ltd. Issued……….

Ans. (A) ₹1,00,000 out of Securities Premium Account and ₹50,000 out of Statement of Profit and Loss.</td><td>1 mark

OR

1 mark</td></tr>
<tr><td>15</td><td>Q. (a) Anisha, Deepa and Charu were partners in a firm…

Ans. (A) Anisha's sacrifice 3/10; Charu's gain 3/10

OR
Q. (b) Preet and Saral were partners….

Ans. (D)

<table>
<tr><th></th><th>Particulars</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td>(D)</td><td>Saral's Capital A/c……… Dr.
To Preet's Capital A/c</td><td>10,000</td><td>
10,000</td></tr>
</table></td><td>1 mark

OR

1 mark</td></tr>
</table>

16	**Q. (a) Ishan, Jatin and Kapil were partners in a firm…** **Ans.** (D) 7:3 **OR** **Q. (b) Sakshi, Kiara and Gunjan….** **Ans.** (A) ₹3,00,000	**1 mark** **OR** **1 mark**
17	**Q. Anubha and Yuvika were partners in a firm..** **Ans.** **Books of Anubha and Yuvika** **Journal**	

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
2024 Apr.1	Anubha's Capital A/c Dr. Yuvika's Capital A/c Dr. To Profit and Loss A/c (Debit balance of profit and loss account debited to the partners in their old profit sharing ratio)		1,50,000 1,00,000	 2,50,000	**1**
Apr.1	Yuvika's Capital A/c Dr. To Anubha's Capital A/c (Adjustment of General reserve due to change in profit sharing ratio)		10,000	 10,000	**1**

Working Notes:

Old ratio = 3:2
New ratio= 2:3
Sacrificed share= Old share- New share
Sacrificed share of Anubha= 3/5 -2/5= 1/5 (sacrifice)
Sacrificed share of Yuvika= 2/5 -3/5= -1/5 (gain)

1 = 3 Marks

18	**Q. Sunny and Ujjwal were partners…** **Ans.** **Books of Sunny and Ujjwal** **Journal**	

	Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
(i)	2024 Apr1	Investment Fluctuation Reserve A/c Dr. To Sunny's Capital A/c To Ujjwal's Capital A/c (Investment Fluctuation Reserve distributed among old partners in their old profit sharing ratio)		2,00,000	 1,20,000 80,000	**1** **+**

			Particulars		L.F.	Dr.	Cr.	Marks
	(ii)	"	Investment Fluctuation Reserve A/c Dr. To Investments A/c (Decrease in the value of investments met out of Investment Fluctuation Reserve)			2,00,000	2,00,000	1 +
	(iii)	"	Investment Fluctuation Reserve A/c Dr. Revaluation A/c Dr. To Investments A/c (Decrease in the value of investments met out of Investment Fluctuation Reserve and the balance out of Revaluation account)			2,00,000 1,00,000	3,00,000	1 = 3 marks

19 **Q. (a) Apoorv Ltd. acquired building...**

Ans.

Books of Apoorv Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	Marks
	Building A/c Dr. Machinery A/c Dr. Furniture A/c Dr. To Liabilities A/c To Dhruv Ltd. To Capital Reserve A/c (Assets and liabilities of Dhruv Ltd. taken over)		15,50,000 11.40,000 1,10,000	2,00,000 25,00,000 1,00,000	1½ +
	Dhruv Ltd. Dr. To 12% Debentures A/c To Securities Premium A/c (Issue of 20,000 debentures at a premium of 25%)		25,00,000	20,00,000 5,00,000	1 ½ = 3 Marks OR

OR

Q. (b) Ajanta Ltd. purchased machinery...

Ans.

Books of Ajanta Ltd.
Journal

	Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	Marks
(i)		Machinery A/c Dr. To Sujata Ltd. (Assets and liabilities of Rabi Ltd. taken over)		36,00,000	36,00,000	1 +

			Particulars	L.F.	Dr. (₹)	Cr. (₹)	Marks
	(ii)		Sujata Ltd. Dr. To Bank A/c (Half the amount paid to Sujata Ltd. through a bank draft)		18,00,000	18,00,000	1 +
	(iii)		Sujata Ltd. Dr. Discount on issue of debentures A/c Dr. To 8% Debentures A/c (2,000 debentures issued at 10% discount to Sujata Ltd.)		18,00,000 2,00,000	20,00,000	1 = 3 marks

(If an examinee has combined entry (i) and entry (ii) or entry (ii) and entry (iii), full credit is to be given)

20 **Q. (a) Aakash and Baadal entered into….**

Ans.

Books of Aakash and Baadal
Profit and Loss Appropriation A/c
for the year ended 31st March 2024

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Interest on Capital: Aakash 4,00,000 ½ Baadal 3,00,000 ½	7,00,000	By Profit and Loss A/c (Net Profit)	13,00,000
To Profit transferred to capital accounts: Aakash 3,00,000 ½ Less: Share of deficiency 50,000 ½	2,50,000		
Baadal 3,00,000 ½ Add deficiency Received from Aakash 50,000 ½	3,50,000		
	13,00,000		**13,00,000**

3 Marks

OR

Q. (b) Parul and Rajul were partners in a firm…..

Books of Parul and Rajul
Profit and Loss Appropriation A/c
for the year ended 31st March 2024

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Interest on Capital: Parul 54,000 ½ Rajul 72,000 ½	1,26,000	By Profit and Loss A/c (Net Profit) ½	1,26,000
	1,26,000		**1,26,000**

1½

<table>
<tr><td></td><td>Interest on Capital @12% p.a.
Parul: ₹6,00,000 x 12/100 = ₹72,000
Rajul: ₹8,00,000 x 12/100 = ₹96,000
Ratio of Interest on Capital 3:4

Net Profit ₹1,26,000
Interest on Capital in the ratio 3:4 will be:
Parul: ₹1,26,000 x 3/7 = ₹54,000
Rajul: ₹1,26,000 x 4/7 = ₹72,000</td><td>1 ½

=
3
marks</td></tr>
<tr><td>21</td><td>Q. Ridyum Ltd. issued..........

Ans.
 Books of Ridyum Ltd.
Journal
<table>
<tr><th>Date</th><th>Particulars</th><th>L.F.</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td></td><td>Bank A/c Dr.
To Debenture Application A/c
(Debenture application money received)</td><td></td><td>10,00,000</td><td>10,00,000</td></tr>
<tr><td></td><td>Debenture Application A/c Dr.
To 9% Debentures A/c
(Debenture application money transferred to debentures account)</td><td></td><td>10,00,000</td><td>10,00,000</td></tr>
<tr><td></td><td>Debenture Allotment A/c Dr.
To 9% Debentures A/c
To Securities Premium A/c
(Debenture allotment money due)</td><td></td><td>17,50,000</td><td>15,00,000
2,50,000</td></tr>
<tr><td></td><td>Bank A/c Dr.
To Debenture Allotment A/c
(Debenture allotment money received)</td><td></td><td>17,50,000</td><td>17,50,000</td></tr>
</table></td><td>1

1

1

1
=
4
marks</td></tr>
<tr><td>22</td><td>Q. Simar, Tanvi and Umara were partners in...

Ans.
(a)
Goodwill= Average Profits x Number of years purchase
Average Profits= [₹2,50,000 + ₹4,00,000 + ₹3,00,000 + (₹3,10,000) + (₹2,00,000)]/ 5
⇨ Average Profits= ₹4,40,000/5
⇨ Average Profits= ₹88,000

Goodwill = ₹88,000 x 3
⇨ Goodwill = ₹2,64,000</td><td>1</td></tr>
</table>

	(b)	

Books of Simar, Tanvi and Umara
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 Jun30	Simar's Capital A/c Dr. Tanvi's Capital A/c Dr. To Umara's Capital A/c (Umara's share of goodwill debited to Simar and Tanvi in gaining ratio)		54,000 64,800	 1,18,800

1

(c)
Umara's share of loss till the date of her death= ₹2,00,000 x 3/12 x 9/20
= ₹22,500

1

(d)

Books of Simar, Tanvi and Umara
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 Jun30	Umara's Capital A/c Dr. To Profit and Loss Suspense A/c (Umara's share of loss upto the date of her death debited to her Capital Account)		22,500	 22,500

1 = 4 marks

23 **Q. Pass necessary journal entries...**

Ans.

Books of Rajesh, Somesh and Yogesh
Journal

	Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
(i)		Rajesh's Capital A/c Dr. To Realisation A/c (Stock taken over by Rajesh at a discount of 20%)		3,20,000	 3,20,000
(ii)		Somesh's Capital A/c Dr. To Realisation A/c (Unrecorded furniture taken over by Somesh)		80,000	 80,000
(iii)		Bank A/c / Cash A/c Dr. To Realisation A/c (Land and building sold and commission paid to the broker)		81,00,000	 81,00,000
(iv)		Bank A/c / Cash A/c Dr. To Realisation A/c (Recovered at 60% of the bad debts written off earlier)		42,000	 42,000

1 x 6 = 6

		Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
(v)		Realisation A/c Dr. To Cash/ Bank A/c (Sundry creditors settled at a discount of 10%)		2,70,000	 2,70,000	marks
(vi)		Realisation A/c Dr. To Yogesh's Capital A/c (Realisation expenses paid by Yogesh)		21,000	 21,000	

24 **Q. Following is the extract of the ...**

Ans.

(i) (A) ₹10,00,000

(ii) (D) 20,000

(iii) (C) ₹2,00,000

(iv) (A) ₹1,60,000

(v) (D) ₹1,20,000

(vi) (D) NIL

1 x 6 = 6 marks

25 **Q. (a) Alexia Ltd. invited applications for issuing...**

Ans.

Books of Alexia Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,50,000 shares @₹9 per share, including premium ₹6)		13,50,000	 13,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c To Calls in advance A/c (Transfer of application money to share capital, securities premium, allotment and calls)		13,50,000	 3,00,000 6,00,000 4,20,000 30,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on allotment)		8,00,000	 4,00,000 4,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Amount received on allotment)		3,80,000	 3,80,000
	Equity Share First and Final call A/c Dr. To Equity Share Capital A/c (Amount due on share first and final call)		3,00,000	 3,00,000

1 x 6 = 6 marks

		Bank A/c Dr. Calls in arrears A/c Dr. Calls in advance A/c Dr. To Equity Share First and Final Call A/c (Amount received on share first and final call except on 600 shares)		2,68,800 1,200 30,000	 3,00,000	

OR

Q. (b) Pass the necessary journal entries for forfeiture and reissue...

Ans. (i)

Books of Premier Ltd.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	OR
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c / Calls in arrears A/c (600 shares forfeited for non-payment of allotment money)		4,200 1,800	 1,800 4,200	
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (All forfeited shares reissued @₹13 per share fully paid up)		7,800	 6,000 1,800	**(1 x 3)**
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of forfeited shares transferred to capital reserve)		1,800	 1,800	

(ii) +

Books of Risha Ltd.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c/ Calls in arrears A/c (1,000 shares forfeited for non-payment of allotment money)		8,000 2,000	 4,000 6,000	
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Reissue of 800 shares @₹7 per share ₹8 paid up)		5,600 800	 6,400	**(1 x 3)** =
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of forfeited shares transferred to capital reserve)		2,400	 2,400	**6 marks**

26	**Q. (a) Bittu and Chintu were partners in a firm ...**	

Ans.

Dr. **Revaluation A/c** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Fixed Assets ½	1,40,000	By Creditors A/c ½ By Loss transferred to: Bittu's Capital A/c 40,000 ½ Chintu's Capital A/c 30,000 ½	70,000 70,000
	1,40,000		**1,40,000**

(½ x 4)

+

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	**Bittu (₹)**	**Chintu (₹)**	**Diya (₹)**	**Particulars**	**Bittu (₹)**	**Chintu (₹)**	**Diya (₹)**
To Revaluation A/c ½	40,000	30,000		By Balance b/d ½	8,00,000	6,00,000	
To Balance c/d ½	14,40,000	6,60,000	3,50,000	By Bank A/c 1			3,50,000
				By Premium for goodwill A/c 1	5,60,000		
				By General Reserve ½	1,20,000	90,000	
	14,80,000	**6,90,000**	**3,50,000**		**14,80,000**	**6,90,000**	**3,50,000**

4

=
6
Marks

Working Note:

Calculation of Divya's capital

Capital of Bittu and Chintu after all adjustments for 6/7 share= ₹14,40,000 + ₹6,60,000
= ₹21,00,000

Divya's proportionate capital for 1/7 share= ₹21,00,000 x 7/6 x 1/7
= ₹3,50,000

OR

OR

Q. (b) Rupal, Shanu and Trisha were partners in a firm...

Ans.

Dr. **Revaluation A/c** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Stock To Profit transferred to: Rupal's Capital A/c 80,000 Shanu's Capital A/c 60,000 Trisha's Capital A/c 20,000	80,000 1,60,000	By Fixed Assets A/c	2,40,000
	2,40,000		**2,40,000**

(½ x 3)

Dr. Partners' Capital Accounts Cr.

Particulars	Rupal (₹)	Shanu (₹)	Trisha (₹)	Particulars	Rupal (₹)	Shanu (₹)	Trisha (₹)
To Trisha's Capital A/c ½		1,00,000		By Balance b/d ½	8,00,000	6,00,000	2,00,000
To Trisha's Loan A/c ½			3,60,000	By General Reserve A/c ½	1,60,000	1,20,000	40,000
To Cash A/c ½	2,40,000			By Shanu's Capital A/c ½			1,00,000
To Balance c/d ½	8,00,000	8,00,000	--	By Revaluation A/c ½	80,000	60,000	20,000
				By Cash A/c ½		1,20,000	
	10,40,000	**9,00,000**	**3,60,000**		**10,40,000**	**9,00,000**	**3,60,000**

4 ½ = 6 marks

PART B
OPTION 1
(Analysis of Financial Statements)

27	**Q. The Quick ratio of.....** **Ans.** (B) Sold goods on credit	**1 mark**
28	**Q. Snow Ltd. earned a profit of.....** **Ans.** (D) Both the statements are true.	**1 mark**
29	**Q. (a) _________ is not a tool.....** **Ans.** (A) Income Statement **OR** **Q. (b) In 'Common size income statement'.....** **Ans.** (D) Revenue from Operations	**1 mark** **OR** **1 mark**
30	**Q. (a) Short term highly liquid.........** **Ans.** (D) 3 months or less **OR** **Q. (b) Which of the following........** **Ans.** (A) Trade Receivables	**1 mark** **OR** **1 mark**
31	**Q. Classify the following items under major heads...**	

	Ans.	

	Item	Major head	Sub-head
(i)	Work in progress	Current Assets	Inventories
(ii)	Securities Premium	Shareholders' Funds	Reserves and Surplus
(iii)	Creditors	Current Liabilities	Trade Payables

½ x 6 = 3 marks

32 **Q. From the following information, prepare….**

Ans.

Comparative Statement of Profit and Loss of Smart Ltd.
for the years ended 31st March, 2023 and 31st March, 2024

Particulars	2022-23 (₹)	2023-24 (₹)	Absolute increase or decrease	Percentage increase or decrease	
Revenue from Operations	20,00,000	24,00,000	4,00,000	20	½
Less Expenses:					
Cost of materials consumed	4,00,000	6,00,000	2,00,000	50	½
Employee benefit expenses	2,00,000	4,00,000	2,00,000	100	½
Total expenses	6,00,000	10,00,000	4,00,000	66.67	
Profit before tax	14,00,000	14,00,000	NIL	NIL	½
Less Tax @50%	7,00,000	7,00,000	NIL	NIL	½
Profit after tax	7,00,000	7,00,000	NIL	NIL	½

3 marks

33 **Q. (a) From the following information, calculate Opening Trade Receivables….**

Ans.

Trade Receivables Turnover Ratio= $\frac{\text{Net Credit Revenue from operations}}{\text{Average Trade Receivables}}$………………………… $\boxed{1}$

Cost of Revenue from operations= ₹6,40,000
Gross Profit= 20% of Revenue from operations = 25% of Cost of Revenue from operations
- ⇨ 25/100 x ₹6,40,000
- ⇨ ₹1,60,000

Revenue from operations = Cost of Revenue from operations + Gross Profit
- ⇨ Revenue from operations = ₹6,40,000 + ₹1,60,000
- ⇨ Revenue from operations= ₹8,00,000

	Revenue from operations= Cash Revenue from operations + Credit Revenue from operations ⇨ ₹8,00,000 = 1/3 Credit Revenue from operations + Credit Revenue from operations ⇨ **Credit Revenue from operations**= ₹6,00,000.. $\boxed{1}$ Trade Receivables Turnover Ratio= $\frac{\text{Net Credit Revenue from operations}}{\text{Average Trade Receivables}}$ ⇨ 4 = ₹6,00,000/ Average Trade Receivables ⇨ **Average Trade Receivables**= ₹1,50,000 Average Trade Receivables= $\frac{\text{Opening Trade Receivables+ Closing Trade Receivables}}{2}$ Let Opening Trade Receivables be x ⇨ Average Trade Receivables = [x + (x + ₹20,000)]/2 ⇨ ₹1,50,000 = x + ₹10,000 ⇨ x = ₹1,40,000 ⇨ **Opening Trade Receivables**= ₹1,40,000... $\boxed{1}$ ⇨ Closing Trade Receivables= ₹1,40,000 + ₹20,000 ⇨ **Closing Trade Receivables**= ₹1,60,000... $\boxed{1}$ **OR** **Q. (b) From the following information……….** **Ans.** Inventory Turnover Ratio =Cost of Revenue from operations/ Average Inventory........... $\boxed{1}$ Gross Profit Ratio = Gross Profit/ Net Revenue from Operations ⇨ 25 = Gross Profit/ ₹8,00,000 ⇨ Gross Profit= ₹2,00,000 Cost of Revenue from operations = Revenue from operations – Gross Profit ⇨ Cost of Revenue from operations =₹8,00,000 - ₹2,00,000 ⇨ Cost of Revenue from operations = ₹6,00,000 .... $\boxed{1}$ Inventory Turnover Ratio =Cost of Revenue from operations/ Average Inventory ⇨ 4 = ₹6,00,000/ Average Inventory ⇨ Average Inventory = ₹1,50,000 Average Inventory = (Opening Inventory + Closing Inventory)/2 ⇨ ₹1,50,000 = (2 Closing Inventory + Closing Inventory)/2 ⇨ **Closing Inventory**=₹1,00,000.. $\boxed{1}$ ⇨ Opening Inventory= 2 Closing Inventory ⇨ **Opening Inventory** =₹2,00,000.. $\boxed{1}$	**4 Marks** **OR** **4 marks**
34	**Q. On 31st March, 2024 following is the Balance Sheet….**	

Ans.

Books of Bhavik Ltd.
Calculation of Cash Flows from Investing Activities
for the year ended 31st March 2024

Particulars	(₹)	(₹)
Purchase of Plant and Machinery	(13,50,000)	
Sale of Machinery	6,50,000	
Sale of Non-Current Investments	1,00,000	
Net Cash used in Investing Activities		**(6,00,000)**

(½ x 4)

Working Note:

+

Dr. **Plant and Machinery A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	16,00,000	By Bank/Cash A/c	6,50,000
To Bank/ Cash A/c (Balancing figure)	13,50,000	By Accumulated Depreciation A/c	50,000
		By Statement of Profit and Loss-Loss on sale of machinery	1,00,000
		By Balance c/d	21,50,000
	29,50,000		29,50,000

1

+

Dr. **Accumulated Depreciation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant and Machinery A/c	50,000	By Balance b/d	1,00,000
To Balance c/d	2,50,000	By Depreciation A/c	2,00,000
	3,00,000		3,00,000

-

(b)

Books of Bhavik Ltd.
Calculation of Cash Flows from Financing Activities
for the year ended 31st March 2024

+

Particulars	(₹)	(₹)
Issue of Shares ½	2,00,000	
Redemption of 10% Debentures ½	(4,00,000)	
Interest paid on debentures. 1	(1,00,000)	
Net Cash used in Financing Activities 1		(3,00,000)

3 = 6 marks

CBSE BOARD QUESTION PAPER 2025 67-4-1

General Instructions :

Read the following instructions carefully and follow them :

(i) *This question paper contains* ***34*** *questions.* ***All*** *questions are* ***compulsory****.*

(ii) *This question paper is divided into* ***two*** *parts —* ***Part A*** *and* ***Part B****.*

(iii) ***Part A*** *is* ***compulsory*** *for all candidates.*

(iv) ***Part B*** *has two options. Candidates have to attempt only* ***one*** *of the given options.*

Option I : ***Analysis of Financial Statements***

Option II : ***Computerised Accounting***

(v) *Questions number* ***1*** *to* ***16*** *(Part A) and Questions number* ***27*** *to* ***30*** *(Part B) are multiple choice questions. Each question carries* ***1*** *mark.*

(vi) *Questions number* ***17*** *to* ***20*** *(Part A) and Questions number* ***31*** *and* ***32*** *(Part B) are short answer type questions. Each question carries* ***3*** *marks.*

(vii) *Questions number* ***21, 22*** *(Part A) and Question number* ***33*** *(Part B) are Long answer type-I questions. Each question carries* ***4*** *marks.*

(viii) *Questions number* ***23*** *to* ***26*** *(Part A) and Question number* ***34*** *(Part B) are Long answer type-II questions. Each question carries* ***6*** *marks.*

(ix) *There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.*

PART A

(Accounting for Partnership Firms and Companies)

1. Ram and Shyam were partners in a firm sharing profits and losses in the ratio of 5 : 3. Mohan was admitted as a new partner for $\frac{1}{5}$ th share in the profits of the firm. Mohan brought ₹ 2,50,000 as his share of capital and ₹ 2,00,000 as his share of goodwill premium. The value of the firm's goodwill was : *1*

(A) ₹ 2,00,000

(B) ₹ 4,50,000

(C) ₹ 12,50,000

(D) ₹ 10,00,000

2. Emily, Flora and Ginni entered into a partnership on 1st October, 2023 with capitals of ₹ 10,00,000 each. The partnership deed provided for interest on capital at 10% p.a. The firm earned a net profit of ₹ 7,50,000 for the year ended 31st March, 2024. The amount of profit transferred to **Emily's capital account was :** *1*

(A) ₹ 2,00,000 (B) ₹ 1,50,000

(C) ₹ 6,00,000 (D) ₹ 2,50,000

3. White, Shaun and Todd were partners in a firm sharing profits and losses equally. **Shaun's wife had advanced a loan of ₹ 1,00,000 to the firm. The firm was dissolved. Shaun's wife's loan had already been transferred** to Realisation account. The account credited to **discharge Shaun's wife's** loan will be : *1*

(A) **Shaun's capital account**

(B) Bank account

(C) Realisation account

(D) **Shaun's loan account**

4. Prakhar and Rajan were partners in a firm sharing profits and losses in the ratio of 3 : 2 with capitals of ₹ 10,00,000 and ₹ 9,00,000 respectively. Siddharth was admitted as a new partner for $\frac{1}{5}$th share in the profits of the firm. The new profit sharing ratio between Prakhar, Rajan and Siddharth was agreed at 12 : 8 : 5. The sacrificing ratio of Prakhar and Rajan will be : *1*

(A) 3 : 2 (B) 1 : 1

(C) 2 : 3 (D) 10 : 9

5. Kabir and Lara were partners in a firm sharing profits and losses in the ratio of 5 : 3. Mark was admitted as a new partner for $\frac{2}{5}$th share in the profits of the firm. Mark was to bring $\frac{2}{5}$th of the combined capital of Kabir and Lara after all adjustments are carried out. The capitals of Kabir and Lara after all adjustments were ₹ 8,00,000 and ₹ 7,00,000 respectively. The capital brought by Mark was : *1*

(A) ₹ 3,75,000 (B) ₹ 3,00,000

(C) ₹ 6,00,000 (D) ₹ 15,00,000

6. *Assertion (A) :* **Partners' salary is debited to Profit and Loss** Appropriation Account and not to Profit and Loss Account.

Reason (R) : **Partners' salary is an appropri**ation of profit, it is not a charge against profits.

Choose the correct option from the following : *1*

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

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

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

(D) Both Assertion (A) and Reason (R) are incorrect.

7. Neeru and Pooja were partners in a partnership firm sharing profits and losses in the ratio of 4 : 3. The firm earned average profits of ₹ 5,00,000 during the last few years. The normal rate of return in a similar business is 10%. The average super profits of the firm were ₹ 4,00,000. The amount of capital employed by the firm was : *1*

(A) ₹ 90,00,000 (B) ₹ 40,00,000

(C) ₹ 50,00,000 (D) ₹ 10,00,000

8. Reema, Meesha and Shikha were partners in a partnership firm sharing profits and losses in the ratio of 8 : 7 : 5. On 1st October, 2023, Reema advanced a loan of ₹ 5,00,000 to the firm. There is no partnership deed. **The firm's profit for the year ended 31st** March, 2024 before charging **interest on Reema's loan amounted to** ₹ 2,15,000. The amount of profit **credited to Shikha's capital account was** : *1*

(A) ₹ 80,000 (B) ₹ 70,000

(C) ₹ 50,000 (D) ₹ 42,500

9. **'The business of a partnership firm may be carried on by all the partners or any of them acting for all.'**

The above statement highlights which of the following feature of partnership ? *1*

(A) Agreement (B) Business

(C) Sharing of profit (D) Mutual agency

10. Diksha Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of 10%. The whole amount was payable on application. Applications were received for 3,00,000 equity shares. The company decided to allot the shares on pro-rata basis to all the applicants. The amount refunded by the company was : *1*

(A) ₹ 22,00,000 (B) ₹ 33,00,000

(C) ₹ 11,00,000 (D) ₹ 20,00,000

11. (a) **'Reserve Capital' can be utilised :** *1*

(A) any time during the life of the company.

(B) only at the time of winding up of the company.

(C) to issue fully paid bonus shares.

(D) to provide for premium on the redemption of preference shares.

OR

(b) An offer of securities or invitation to subscribe securities to a select group of persons is called : *1*

(A) Sweat equity

(B) Employee Stock Option Plan

(C) Private placement

(D) Buy-back of shares

12. That portion of the called-up capital which has been actually received from the shareholders is called : *1*

(A) Issued Capital (B) Reserve Capital

(C) Paid-up Capital (D) Nominal/Registered Capital

13. (a) On 1^{st} April, 2024, Bright Ltd. issued 20,000, 11% debentures of ₹ 100 each at a premium of 10%, redeemable at a premium of 10%. Loss on issue of debentures was : *1*

(A) ₹ 2,00,000 (B) ₹ 4,00,000

(C) ₹ 20,00,000 (D) ₹ 40,00,000

OR

(b) Minimum subscription for allotment of shares as per Securities and Exchange Board of India (SEBI) guidelines cannot be less than 90% of __________ capital. *1*

(A) Reserve (B) Issued

(C) Nominal/Registered (D) Subscribed

14. (a) Shivalik Ltd. issued 7% debentures of ₹ 100 each at a discount of 5% on 1^{st} April, 2023. Discount on issue of debentures, ₹ 1,00,000 was completely written off through Statement of Profit and Loss on 31^{st} March, 2024. **On issue of debentures, 'Debentures Account'** was credited with ____________. *1*

(A) ₹ 10,00,000 (B) ₹ 20,00,000

(C) ₹ 19,00,000 (D) ₹ 1,00,000

OR

(b) Keya Ltd. issued 2,00,000, 8% debentures of ₹ 100 each at 10% discount on 1^{st} April, 2023. Interest is payable half-yearly on 30^{th} September and 31^{st} March every year. Interest written off on 31^{st} March, 2024 was : *1*

(A) ₹ 16,00,000 (B) ₹ 14,40,000

(C) ₹ 8,00,000 (D) ₹ 7,20,000

15. (a) Tavish, Umesh and Varun were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Tavish retired. Umesh and Varun decided to share profits and losses in future in the ratio of 5 : 3. The gaining share of Umesh will be : *1*

(A) $\frac{21}{72}$ (B) $\frac{11}{72}$

(C) $\frac{45}{72}$ (D) $\frac{32}{72}$

OR

(b) Asit, Sonu and Hina were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Asit retired and the balance in his capital account after making necessary adjustments on account of reserves and revaluation of assets and liabilities was ₹ 40,00,000. Sonu and Hina agreed to pay him ₹ 45,00,000 in full settlement of his claim. The value of goodwill of the firm was : *1*

(A) ₹ 5,00,000 (B) ₹ 20,00,000

(C) ₹ 15,00,000 (D) ₹ 10,00,000

16. (a) Ajit, Biswas and Chitra were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Biswas died on 30th September, 2024. The firm closes its books on 31st March every year. Biswas's share of profits till the date of death from the last Balance Sheet date, was to be calculated on the basis of sales. Sales for the year ended 31st March, 2024 amounted to ₹ 24,00,000 and that from 1st April, 2024 to 30th September, 2024 amounted to ₹ 15,00,000. The profits for the year ended 31st March, 2024 were ₹ 2,40,000. Biswas's share of profits till the date of his death was : *1*

(A) ₹ 11,250 (B) ₹ 70,000

(C) ₹ 45,000 (D) ₹ 22,500

OR

(b) Isha, Julie and Kavita were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The firm closes its books on 31st March every year. On 12th June, 2024, Kavita died. Her share in the profits of the firm from the last Balance Sheet till the date of death was to be calculated on the basis of last year's profit. Last year's profits were ₹ 6,00,000. Kavita's share of profit till the date of her death was : *1*

(A) ₹ 20,000 (B) ₹ 30,000

(C) ₹ 40,000 (D) ₹ 50,000

17. Alok, Sameer and Tushar were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2024, they decided to share future profits and losses in the ratio of 3 : 2 : 4. Their Balance Sheet as at 31st March, 2024 showed the following :

(i) Advertisement Suspense Account ₹ 90,000.

(ii) Credit Balance of ₹ 2,70,000 in Profit and Loss Account.

Goodwill of the firm was valued at ₹ 4,50,000 and revaluation of assets and liabilities resulted in a loss of ₹ 1,80,000.

Partners did not want to distribute the amount of Advertisement Suspense Account and the Profit and Loss Account. They also decided that revalued values of assets and liabilities were not to be recorded in the books.

Pass a single adjustment entry to give effect to the above. Also show your workings clearly. *3*

18. Vinay and Pankaj were partners in a firm sharing profits and losses in the ratio of 3 : 2. The following is the extract of their Balance Sheet as at 31st March, 2024 :

Balance Sheet of Vinay and Pankaj as at 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Investment Fluctuation Fund	6,00,000	Investments	15,00,000
Workmen Compensation Fund	8,00,000		

On 1st April, 2024, Parth was admitted as a new partner for $\frac{1}{5}$ th share in the profits of the firm on the following terms :

(i) Market value of investments was ₹ 13,00,000.

(ii) Claim on account of Workmen Compensation was estimated at ₹ 9,00,000.

Pass necessary journal entries for treatment of Investment Fluctuation Fund and Workmen Compensation Fund on the date of Parth's admission. *3*

19. (a) Mallark Ltd. purchased assets of book value ₹ 40,00,000 and took over liabilities of ₹ 5,00,000 from Naroha Ltd. It was agreed that the purchase consideration, ₹ 36,00,000 be paid by issuing 7% debentures of ₹ 100 each at a premium of 20%.

Record the journal entries in the books of Mallark Ltd. for the above transactions. *3*

OR

(b) Sunlock Ltd. purchased assets of book value ₹ 50,00,000 and took over liabilities of ₹ 6,00,000 from Moondock Ltd. It paid the purchase consideration by issue of 46,000, 8% debentures of ₹ 100 each at a discount of 10%.

Record the journal entries in the books of Sunlock Ltd. *3*

20. (a) Abhay and Sujoy entered into partnership on 1st April, 2024 with capitals of ₹ 80,00,000 and ₹ 60,00,000 respectively. The partners decided to share profits in the ratio of their capital contribution. They withdrew ₹ 6,00,000 and ₹ 4,00,000 respectively during the year. The partners were charged interest on drawings @ 10% per annum as per the provisions of the partnership deed. Abhay's share of profit was guaranteed by Sujoy at a minimum of ₹ 3,50,000 per annum.

The profit of the firm for the year ended 31st March, 2024 amounted to ₹ 6,50,000.

Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2024. *3*

OR

(b) Sonia and Shruti were partners in a firm sharing profits and losses in the ratio of 5 : 3. On 1st April, 2023 the balance in their fixed capital accounts were ₹ 25,00,000 and ₹ 15,00,000 respectively. The profit of the firm for the year ended 31st March, 2024 was ₹ 24,00,000. Calculate their share of profit if :

(i) the partnership deed is silent as to the payment of interest on capital.

(ii) the partnership deed provides for interest on capital @ 10% per annum. *3*

21. EF Ltd. invited applications for issuing 4000, 10% debentures of ₹ 100 each at a premium of ₹ 10 per debenture. The amount was payable as follows :

On application – ₹ 40 per debenture

On allotment – ₹ 70 per debenture (including premium)

The debentures were fully subscribed and all money was duly received.

Pass necessary journal entries for the above transactions in the books of EF Ltd. *4*

22. Gopal, Heera and Iqbal were partners in a firm sharing profits and losses equally. Iqbal died on 1st April, 2022. Final dues payable to Iqbal's executor as on the date of death amounted to ₹ 4,00,000. Starting from 31st March, 2023, the executor was to be paid in two equal annual instalments of ₹ 2,00,000 each, with interest @ 10% per annum. Accounts are closed on 31st March every year.

Prepare Iqbal's executor's account till he is finally paid. *4*

23. Madhur and Neeraj were partners in a firm sharing profits and losses in the ratio of 3 : 2. The Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Madhur and Neeraj as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Machinery	7,00,000
Madhur	9,00,000		Investments	4,00,000
Neeraj	8,00,000	17,00,000	Debtors	11,00,000
Creditors		6,00,000	Stock	2,00,000
Bills Payable		2,00,000	Cash at Bank	1,00,000
		25,00,000		25,00,000

The firm was dissolved on the above date and the following transactions took place :

(i) Machinery was taken over by creditors in full settlement of their account.

(ii) Investments were taken over by Neeraj at ₹ 5,00,000.

(iii) One of the debtors of ₹ 1,00,000 was untraceable. Remaining debtors were realised at 10% less.

(iv) Stock was taken over by Madhur at 50% discount.

(v) Realisation expenses amounting to ₹ 1,00,000 were paid by Madhur.

Prepare Realisation Account. *6*

24. Following is the extract of the Balance Sheet of Sankalp Ltd. as per Schedule III, Part I of the Companies Act, 2013 as at 31st March, 2024 along with the notes to accounts :

Balance Sheet of Sankalp Ltd. as at 31st March, 2024
(An extract)

Particulars	Note No.	31.03.2024 (₹)	31.03.2023 (₹)
I – Equity and Liabilities :			
1. **Shareholders' Funds**			
(a) Share Capital	1.	29,80,000	25,00,000

Notes to Accounts as at 31st March, 2023

Note No.	Particulars	31.03.2023 (₹)
1.	Share Capital	
	Authorised Capital	
	4,50,000 Equity Shares of ₹ 10 each	45,00,000
	Issued Capital	
	2,50,000 Equity Shares of ₹ 10 each	25,00,000
	Subscribed Capital	
	Subscribed and fully paid-up	
	2,50,000 Equity Shares of ₹ 10 each	25,00,000
	Subscribed but not fully paid-up	NIL
		25,00,000

Notes to Accounts as at 31st March, 2024

Note No.	Particulars		31.03.2024 (₹)
1.	Share Capital		
	Authorised Capital		
	4,50,000 Equity Shares of ₹ 10 each		45,00,000
	Issued Capital		
	3,00,000 Equity Shares of ₹ 10 each		30,00,000
	Subscribed Capital		
	Subscribed and fully paid-up		
	2,90,000 Equity Shares of ₹ 10 each		29,00,000
	Subscribed but not fully paid-up		
	10,000 Equity Shares of ₹ 10 each fully called-up	1,00,000	
	Less Calls-in-Arrears		
	10,000 Equity Shares @ ₹ 2 per share	20,000	80,000
			29,80,000

Answer the following questions :

(i) Equity share capital issued during the year 2023 – 24 amounted to : *1*

(A) ₹ 2,10,000 (B) ₹ 4,90,000

(C) ₹ 5,00,000 (D) ₹ 5,50,000

(ii) The number of shares on which the amount called-up was not received were : *1*

(A) 10,000 (B) 40,000

(C) 50,000 (D) 1,50,000

(iii) On 1st April, 2024, Sankalp Ltd. forfeited all the shares on which the called-up amount was not received. 'Share Capital Account' will be debited with : *1*

(A) ₹ 20,000 (B) ₹ 80,000

(C) ₹ 1,00,000 (D) ₹ 1,20,000

(iv) On forfeiture of shares, the amount credited to 'Share Forfeiture Account' will be : *1*

(A) ₹ 20,000 (B) ₹ 80,000

(C) ₹ 1,00,000 (D) ₹ 1,20,000

(v) If all the forfeited shares are reissued at ₹ 9 per share fully paid-up, the amount credited to 'Capital Reserve' will be : *1*

(A) ₹ 20,000 (B) ₹ 80,000

(C) ₹ 1,00,000 (D) ₹ 70,000

(vi) If the forfeited shares are reissued at a minimum reissue price, the amount credited to 'Capital Reserve A/c' will be : *1*

(A) Nil (B) ₹ 20,000

(C) ₹ 80,000 (D) ₹ 1,00,000

25. (a) Centurian Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. The amount was payable as follows :

On Application and Allotment
– ₹ 20 per share (including premium ₹ 17 per share)

On First and Final call
– ₹ 10 per share (including premium ₹ 3 per share)

Applications were received for 3,00,000 equity shares and allotment was made to the applicants as follows :

Category (i) – Applicants for 2,00,000 shares were allotted 1,50,000 shares.

Category (ii) – Applicants for 1,00,000 shares were allotted 50,000 shares.

Excess money received on application and allotment was adjusted towards sums due on first and final call. Deepali, who had applied for 2,000 shares, failed to pay the first and final call money. Deepali belonged to Category (i). Her shares were subsequently forfeited.

Pass necessary journal entries for the above transactions in the Books of Centurion Ltd.

Open Calls-in-Arrears and Calls-in-Advance account, wherever necessary. *6*

OR

(b) Romerio Ltd. issued ₹ 80,00,000, 8% debentures of ₹ 100 each on 1st April, 2023 at par, redeemable at a premium of 5%. The company had ₹ 3,00,000 in its Securities Premium Account.

Give journal entries in the books of Romerio Ltd. relating to the :

(i) Issue of Debentures.

(ii) Debenture interest for the year ending 31st March, 2024 assuming that interest was paid yearly on 31st March.

(iii) Writing off Debenture Interest and Loss on Issue of Debentures. *6*

26. (a) Atharv and Anmol were partners in a firm sharing profits and losses in the ratio of 5 : 2. Their Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Atharv and Anmol as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	14,00,000
Atharv	8,00,000		Stock	4,90,000
Anmol	4,00,000	12,00,000	Debtors	5,60,000
General Reserve		3,50,000	Cash	10,000
Creditors		9,10,000		
		24,60,000		24,60,000

On 1st April, 2024, Surya was admitted as a new partner for $\frac{2}{7}$th share in the profits of the firm on the following terms :

(i) The new profit sharing ratio between Atharv, Anmol and Surya will be 4 : 1 : 2.

(ii) Fixed Assets were to be reduced by 10%.

(iii) Stock was sold at ₹ 4,20,000.

(iv) Surya shall bring ₹ 3,00,000 as capital and ₹ 2,00,000 for his share of goodwill premium in cash.

(v) Capital accounts of old partners be adjusted on the basis of Surya's capital in the business, actual cash to be paid off to, or brought in by the old partners, as the case may be.

Prepare Revaluation Account and Partners' Capital Accounts. *6*

OR

(b) Chandan, Deepak and Elvish were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 2. Their Balance Sheet as at 31st March, 2024 stood as follows :

Balance Sheet of Chandan, Deepak and Elvish as at 31st March, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	27,00,000
Chandan	7,00,000		Stock	3,00,000
Deepak	5,00,000		Debtors	2,00,000
Elvish	3,00,000	15,00,000	Cash	1,00,000
General Reserve		4,50,000		
Creditors		13,50,000		
		33,00,000		33,00,000

Chandan retired from the firm on 1st April, 2024 on the following terms :

(i) Fixed assets were to be depreciated by 10%.

(ii) Debtors of ₹ 30,000 were to be written off as bad debts.

(iii) Goodwill of the firm was valued at ₹ 6,00,000 and the **retiring partner's share is adjusted through the capital** accounts of the remaining partners.

(iv) Chandan was paid through cash brought in by Deepak and Elvish in such a way so as to make their capitals proportionate to their new profit sharing ratio.

Prepare Revaluation Account and Partners' Capital Accounts. *6*

PART B
Option – I
(Analysis of Financial Statements)

27. The Quick Ratio of a company is 2 : 1. Which of the following transactions will result in decrease of this ratio ? *1*

(A) Payment of outstanding salary

(B) Cash received from debtors

(C) Sale of goods at a profit

(D) Purchase of goods for cash

28. *Statement I :* Snow Ltd. made a net profit of ₹ 5,00,000 after taking into consideration interest on investment of ₹ 1,00,000. Operating profit before working capital changes would be ₹ 4,00,000.

Statement II : To calculate operating profit, before working capital changes, interest on investment is subtracted from net profit because it is a non-operating income.

Choose the correct option from the following : *1*

(A) Only Statement I is true.

(B) Only Statement II is true.

(C) Both the Statements are false.

(D) Both the Statements are true.

29. (a) The tool of 'Analysis of Financial Statements' which indicates the trend and direction of financial position and operating results is : *1*

(A) Ratio Analysis

(B) Cash Flow Analysis

(C) Common Size Statements

(D) Comparative Statements

OR

(b) While preparing Common Size Statement of Profit and Loss of a company, each item is expressed as a percentage of __________. *1*

(A) Revenue from operations

(B) Total liabilities

(C) Total expenses

(D) Total assets

30. (a) Cash Flow Statement is prepared in accordance with : *1*

(A) Accounting Standard 3

(B) Accounting Standard 26

(C) The Companies Act, 2013

(D) The Companies Act, 1956

OR

(b) Which of the following statements is correct ? *1*

(A) Proceeds from sale of goods and services will result in cash outflow from operating activities.

(B) Payment of dividend will result in cash outflow from investing activities.

(C) Sale of machinery will result in cash outflow from investing activities.

(D) Payment of employee benefit expenses will result in cash outflow from operating activities.

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 : *3*

(a) Prepaid expenses

(b) Capital Work-in-Progress

(c) Interest accrued and due on debentures

32. From the following information of KL Ltd., prepare a Common Size Statement of Profit and Loss for the year ended 31st March, 2024 : *3*

Particulars	Amount (₹)
Revenue from Operations	20,00,000
Other Income	5,00,000
Cost of Materials Consumed	12,00,000
Employee Benefit Expenses	6,00,000
Depreciation	2,00,000

33. (a) From the following information, calculate Interest Coverage Ratio : *4*

Particulars	Amount (₹)
Profit after Tax	6,30,000
Tax Rate	30%
15% Debentures	20,00,000
Equity Share Capital	10,00,000

OR

(b) Calculate the amount of Opening Trade Receivables and Closing Trade Receivables from the following information :

Trade Receivables Turnover Ratio = 5 times

Cost of Revenue from operations = ₹ 8,00,000

Gross Profit Ratio = 20%

Closing Trade Receivables were ₹ 40,000 more than that in the beginning.

Cash sales were $\frac{1}{4}$ times of Credit sales. *4*

34. Calculate 'Cash Flows from Investing Activities' from the following information :

Particulars	31.03.2024 (₹)	31.03.2023 (₹)
10% Long Term Investments	2,50,000	4,50,000
Plant and Machinery	8,00,000	6,00,000
Goodwill	1,40,000	1,00,000
Investment in shares of 'Pinnacle Ltd.'	14,00,000	5,00,000
Patents	–	1,50,000

Additional Information :

(i) A machine costing ₹ 60,000 (depreciation provided thereon ₹ 18,000) was sold for ₹ 48,000. Depreciation charged during the year was ₹ 60,000.

(ii) Dividend received from Pinnacle Ltd. ₹ 40,000.

(iii) Interest received on 10% Long Term Investments ₹ 45,000.

(iv) Patents were sold at their book value. *6*

CBSE BOARD MARKING SCHEME 2025 67-4-1

	PART A (ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES)	
1	**Q. Ram and Shyam were partners ……………………….** **Ans.** (D) - ₹ 10,00,000	*1 mark*
2	**Q. Emily, Flora and Ginni entered into ……………………….** **Ans.** (A) - ₹ 2,00,000	*1 mark*
3	**Q. White, Shaun and Todd were partners ……………………….** **Ans.** (B) – Bank A/c	*1 mark*
4	**Q. Prakhar and Rajan were partners ……………………….** **Ans.** (A) - 3:2	*1 mark*
5	**Q. Kabir and Lara were partners ……………………….** **Ans.** (C) - ₹ 6,00,000	*1 mark*
6	**Q. Assertion (A): Partners' salary is debited ………….** **Ans.** (A) -- Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).	*1 mark*
7	**Q. Neeru and Pooja were partners ……………………….** **Ans.** (D) - ₹ 10,00,000	*1 mark*
8	**Q. Reema, Meesha and Shikha were partners ……………………….** **Ans.** (C) - ₹ 50,000	*1 mark*
9	**Q. The business of a partnership firm …………………………….** **Ans.** (D) - Mutual Agency	*1 mark*
10	**Q. Diksha Ltd. invited applications for issuing ………………………………..** **Ans.** (A) -- ₹ 22,00,000	*1 mark*
11	**(a) Q. 'Reserve Capital' can be ……………………….** **Ans.** (B) - only at the time of winding up of the company. ***OR*** **(b) Q. An offer of securities or invitation to …………………………..** **Ans.** (C) - Private Placement.	*1 mark* ***OR*** *1 mark*
12	**Q. That portion of the called up capital which ……………………….** **Ans.** (C) – Paid-up Capital	*1 mark*
13	**(a) Q. On 1st April 2024, Bright Ltd. issued ……………………….** **Ans.** (A) - ₹ 2,00,000	*1 mark*

OR — ***OR***

(b) Q. Minimum Subscription for allotment of shares .... — ***1 mark***

Ans. (B) - Issued

14 **(a) Q. Shivalik Ltd. issued ....** — ***1 mark***

Ans. (B) - ₹ 20,00,000

OR — ***OR***

(b) Q. Keya Ltd. issued .... — ***1 mark***

Ans. (A) - ₹ 16,00,000

15 **(a) Q. Tavish, Umesh and Varun were partners ....**

Ans. (A) - $\frac{21}{72}$ — ***1 mark***

OR — ***OR***

(b) Q. Asit, Sonu and Hina were partners ....

Ans. (D) - ₹ 10,00,000 — ***1 mark***

16 **(a) Q. Ajit, Biswas and Chitra were partners ....**

Ans. (C) - ₹ 45,000 — ***1 mark***

OR — ***OR***

(b) Q. Isha, Julie and Kavita were partners ....

Ans. (A) - ₹ 20,000 — ***1 mark***

17 **Q. Alok, Sameer and Tushar were partners ....**

Ans.

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 April 1	Tushar's Capital A/c Dr.		1,00,000	
	To Alok's Capital A/c			50,000
	To Sameer's Capital A/c			50,000
	(Adjustment entry due to change in profit sharing ratio)			

(1)

Working Notes

Old Ratio = Alok : Sameer : Tushar = 4:3:2

New Ratio = Alok : Sameer : Tushar = 3:2:4

+

Sacrificing Share = Old Share – New Share

Alok's Sacrificing Share = 4/9 – 3/9 = 1/9 (sacrifice)

Sameer's Sacrificing Share = 3/9 – 2/9 = 1/9 (sacrifice)

Tushar's Sacrificing Share = 2/9 – 4/9 = -2/9 (gain)

(1)

Particulars	₹
Advertisement Suspense Account	(90,000)
Credit Balance of Profit and Loss Account	2,70,000
Goodwill of the firm	4,50,000
Revaluation Loss	(1,80,000)
Total	**4,50,000**

Alok Sacrifices = 1/9 x 4,50,000 = ₹ 50,000, Sameer Sacrifices = 1/9 x 4,50,000 = ₹ 50,000, Tushar Gains = 2/9 x 4,50,000 = ₹ 1,00,000.

+ (1) = 3 marks

18 Q. Vinay and Pankaj were partners......................................

Ans

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 April 1	Investment Fluctuation Fund A/c Dr.		6,00,000	
	To Investment A/c			2,00,000
	To Vinay's Capital A/c			2,40,000
	To Pankaj's Capital A/c			1,60,000
	(Investment Fluctuation Fund of ₹ 2,00,000 used to cover loss on investment and remaining ₹ 4,00,000 divided among old partners in old ratio)			
2024 April 1	Revaluation A/c Dr.		1,00,000	
	Workmen Compensation Fund A/c Dr.		8,00,000	
	To Workmen Compensation Claim A/c			9,00,000
	(Workmen Compensation Claim of ₹ 8,00,000 covered from Workmen Compensation Fund and ₹ 1,00,000 transferred to Revaluation A/c)			

(1½) + (1½) = 3 marks

19 (a) Q. Mallark Ltd. purchased assets ....

Ans.

Books of Mallark Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Assets A/c Dr.		40,00,000	
	Goodwill A/c Dr.		1,00,000	
	To Liabilities A/c			5,00,000
	To Naroha Ltd.			36,00,000
	(Business of Naroha Ltd. taken over at ₹ 36,00,000)			
	Naroha Ltd. Dr.		36,00,000	
	To 7% Debentures A/c			30,00,000
	To Securities Premium A/c			6,00,000
	(Issued 30,000, 7% Debentures of ₹ 100 each at a premium of 20%)			

(1½) + (1½) = 3 marks

OR

(b) Q. Sunlock Ltd. purchased assets ....

OR

Ans.

Books of Sunlock Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Assets A/c	Dr.		50,00,000	
	To Liabilities A/c				6,00,000
	To Moondock Ltd.				41,40,000
	To Capital Reserve A/c				2,60,000
	(Business of Moondock Ltd. taken over at ₹ 41,40,000)				
	Moondock Ltd.	Dr.		41,40,000	
	Discount on Issue of Debentures A/c	Dr.		4,60,000	
	To 8% Debentures A/c				46,00,000
	(Issued 46,000, 8% Debentures of ₹ 100 each at a discount of 10%)				

(1½) + (1½) = 3 marks

20 (a) Q. Abhay and Sujoy entered into partnership ....

Ans.

Profit and Loss Appropriation Account
for the year ended 31st March 2024

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Profit transferred to			By P&L A/c		
Abhay's Capital	4,00,000		(Net Profit)		6,50,000
Sujoy's Capital	3,00,000	7,00,000	By Interest on Drawings		
			Abhay	30,000	
			Sujoy	20,000	50,000
		7,00,000			**7,00,000**

(1 x 3) = 3 marks

OR

(b) Q. Sonia and Shruti were partners ....

Ans.(i)

Sonia's share of profit = 5/8 x 24,00,000 = ₹ 15,00,000

Shruti's share of profit = 3/8 x 24,00,000 = ₹ 9,00,000

(*Note – No Interest on Capital will be provided)*

(1½) +

(ii)

Sonia's share of profit = 5/8 x (24,00,000 – 4,00,000) = ₹ 12,50,000

Shruti's share of profit = 3/8 x (24,00,000 – 4,00,000) = ₹ 7,50,000

(1½)

Working :

Sonia's Interest on Capital = 10/100 x 25,00,000 = ₹2,50,000

Shruti's Interest on Capital = 10/100 x 15,00,000 = ₹1,50,000

₹4,00,000

Note: Full credit to be given if a student has calculated share of profit by preparing P/L Appropriation A/c

= 3 marks

21 Q. EF Ltd. invited applications for issuing ....

Ans.

Books of EF Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
	Bank A/c Dr. To Debenture Application A/c (Application amount received on 4,000 debentures.)		1,60,000	 1,60,000	
	Debenture Application A/c Dr. To 10% Debentures A/c (Application amount transferred to debentures a/c.)		1,60,000	 1,60,000	
	Debenture Allotment A/c Dr. To 10% Debentures A/c To Securities Premium A/c (Allotment amount due on 4,000 debentures including premium.)		2,80,000	 2,40,000 40,000	***(1 x 4)*** ***= 4 marks***
	Bank A/c Dr. To Debenture Allotment A/c (Allotment amount received.)		2,80,000	 2,80,000	

22 **Q. Gopal, Heera and Iqbal were partners ....**

Ans.

Dr. **Iqbal's Executor's Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
2023 March 31	To Bank A/c ***(½)***	2,40,000	2022 April 1	By Iqbal's Capital A/c ***(1)***	4,00,000
"	To balance c/d ***(½)***	2,00,000	2023 March 31	By Interest A/c ***(½)***	40,000
		4,40,000			**4,40,000**
2024 March 31	To Bank A/c ***(½)***	2,20,000	2023 April 1	By balance b/d ***(½)***	2,00,000
			2024 March 31	By Interest A/c ***(½)***	20,000
		2,20,000			**2,20,000**

= 4 marks

23 **Q. Madhur and Neeraj were partners ....**

Ans.

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets t/f: ***(1)*** Machinery 7,00,000 Investments 4,00,000 Debtors 11,00,000 Stock 2,00,000	24,00,000	By Sundry Liabilities t/f: ***(½)*** Creditors 6,00,000 Bills Payable 2,00,000	8,00,000
		By Neeraj's Capital A/c (Investment) ***(½)***	5,00,000
To Madhur's Capital A/c (Realisation Expenses) ***(1)***	1,00,000	By Bank A/c (Debtors) ***(½)***	9,00,000
To Bank A/c (Bills Payable) ***(1)***	2,00,000	By Madhur's Capital A/c (St) ***(½)***	1,00,000
		By Loss transferred to Partners' Capital A/c ***(1)*** Madhur 2,40,000 Neeraj 1,60,000	4,00,000
	27,00,000		**27,00,000**

= 6 marks

24	**Q. Following is the extract of the Balance Sheet of Sankalp Ltd. as per ....** **Ans.** **(i)** (C) - ₹ 5,00,000 **(ii)** (A) - 10,000 **(iii)** (C) - ₹ 1,00,000 **(iv)** (B) - ₹ 80,000 **(v)** (D) - ₹ 70,000 **(vi)** (A) - NIL	*(1 x 6)* *= 6 marks*
25	**(a) Q. Centurian Ltd. invited applications ....** **Ans** **Books of Centurian Ltd.** **JOURNAL**	

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Application amount received on 3,00,000 shares)		60,00,000	 60,00,000	*(1)*
					+
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Calls in Advance A/c To Bank A/c (Application amount transferred to share capital, securities premium, calls in advance and returned)		60,00,000	 6,00,000 34,00,000 15,00,000 5,00,000	*(1½)*
					+
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (First and Final call amount due on 2,00,000 shares)		20,00,000	 14,00,000 6,00,000	*(1)*
					+
	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrear A/c Dr. To Equity Share First and Final Call A/c (First and Final call received with exception on 1,500 shares and calls in advance adjusted)		4,95,000 15,00,000 5,000	 20,00,000	*(1½)*
					+
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (1500 shares forfeited due to non-payment of first and final call money)		15,000 4,500	 14,500 5,000	*(1)* *= 6 marks*

	OR	*OR*
	b) Q. Romerio Ltd. issued ₹ 80,00,000, 8% Debentures .... **Ans.**	

Books of Romerio Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)	
2023 April 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Application amount received on 80,000 debentures)		80,00,000	 80,00,000	
”	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Application amount transferred to debentures a/c and provision made for premium on redemption of debentures)		80,00,000 4,00,000	 80,00,000 4,00,000	
2024 March31	Interest on Debenture A/c Dr. To Debenture Holders A/c (Interest on debentures due)		6,40,000	 6,40,000	
”	Debenture Holders A/c Dr. To Bank A/c (Interest on debentures paid)		6,40,000	 6,40,000	
”	Statement of Profit and Loss Dr. To Interest on Debenture A/c (Interest on debentures written off)		6,40,000	 6,40,000	***(1 x 6) = 6 marks***
”	Securities Premium A/c Dr. Statement of Profit and Loss Dr. To Loss on Issue of Debenture A/c (Loss on issue of debentures written off)		3,00,000 1,00,000	 4,00,000	

26 **(a) Q. Atharv and Anmol were partners ....**

Ans.

Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets	1,40,000	By Loss t/f to Capital A/c	
To Stock	70,000	Atharv 1,50,000	
		Anmol 60,000	2,10,000
	2,10,000		**2,10,000**

(½x3 = 1 ½)

Dr. Partners' Capital Accounts Cr.

Particulars	Atharv (₹)	Anmol (₹)	Surya (₹)	Particulars	Atharv (₹)	Anmol (₹)	Surya (₹)
To Revaluation A/c ***(½)***	1,50,000	60,000	-	By balance b/d	8,00,000	4,00,000	-
				By General Reserve A/c ***(½)***	2,50,000	1,00,000	-
To Cash A/c ***(1)***	4,00,000	3,90,000		By Cash A/c ***(½)***	-	-	3,00,000
To balance c/d ***(1)***	6,00,000	1,50,000	3,00,000	By Premium for Goodwill A/c ***(1)***	1,00,000	1,00,000	-
	11,50,000	**6,00,000**	**3,00,000**		**11,50,000**	**6,00,000**	**3,00,000**

+ (4 ½) = 6 marks

<u>OR</u> | ***<u>OR</u>***

(b) Q. Chandan, Deepak and Elvish were partners ....

Ans:

Dr. **Revaluation Account** **Cr.**

Particulars	**Amount (₹)**	**Particulars**		**Amount (₹)**
To Fixed Assets	2,70,000	By Loss t/f to Capital A/c		
To Bad Debts	30,000	Chandan	60,000	
		Deepak	1,20,000	
		Elvish	1,20,000	3,00,000
	3,00,000			**3,00,000**

(½x3 = 1 ½)

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	**Chandan (₹)**	**Deepak (₹)**	**Elvish (₹)**	**Particulars**	**Chandan (₹)**	**Deepak (₹)**	**Elvish (₹)**
To Revaluation A/c *(½)*	60,000	1,20,000	1,20,000	By balance b/d *(½)*	7,00,000	5,00,000	3,00,000
To Chandan's Capital A/c *(½)*		60,000	60,000	By General Reserve A/c *(½)*	90,000	1,80,000	1,80,000
				By Deepak's Capital A/c *(½)*	60,000		
				By Elvish's Capital A/c *(½)*	60,000		
To Cash A/c *(½)*	8,50,000			By Cash A/c *(½)*		3,25,000	5,25,000
To balance c/d *(½)*		8,25,000	8,25,000				
	9,10,000	**10,05,000**	**10,05,000**		**9,10,000**	**10,05,000**	**10,05,000**

+ (4 ½) = 6 marks

Capital of new firm = 8,50,000 + 5,00,000 + 3,00,000
= ₹ 16,50,000

PART B

OPTION - I

(ANALYSIS OF FINANCIAL STATEMENTS)

27	**Q. The Quick Ratio of a company ....** **Ans.**(D) - Purchase of goods for cash	***1 mark***
28	**Q. Statement I : Snow Ltd. made a net profit ....** **Ans.**(D) -- Both the Statements are true	***1 mark***
29	**(a) Q. The tool of ....** **Ans.** (D) - Comparative Statements ***<u>OR</u>*** **(b) Q. While preparing Common Size Statement ....** **Ans.** (A) - Revenue from Operations	***1 mark*** ***<u>OR</u>*** ***1 mark***

<table>
<tr><td>30</td><td>(a) Q. Cash Flow Statement is prepared ....

Ans. (A) – Accounting Standard 3

<u>OR</u>
(b) Q. Which of the following statements ....

Ans. (D) - Payment of employee benefit expenses will result in cash outflow from operating activities.</td><td>1 mark

<u>OR</u>

1 mark</td></tr>
<tr><td>31</td><td>Q. Classify the following items under major heads and sub heads. ....
Ans.
<table>
<tr><th>S.N.</th><th>Item</th><th>Major Head</th><th>Sub Head</th></tr>
<tr><td>(a)</td><td>Prepaid Expenses</td><td>Current Assets</td><td>Other Current Assets</td></tr>
<tr><td>(b)</td><td>Capital Work in Progress</td><td>Non-Current Assets</td><td>Property, Plant and Equipment and Intangible Assets</td></tr>
<tr><td>(c)</td><td>Interest accrued and due on debentures</td><td>Current Liabilities</td><td>Other Current Liabilities</td></tr>
</table></td><td>(½ x6)

= 3 marks</td></tr>
<tr><td>32</td><td>Q. From the following information of KL Ltd. ....
Ans.
In the books of KL Ltd.
Common Size Income Statement
for the year ended 31st March 2024
<table>
<tr><th>Particulars</th><th>Absolute Amounts 31.3.2024 ₹</th><th>% of Revenue from Operations 31.3.2024</th><th></th></tr>
<tr><td>I. INCOME</td><td></td><td></td><td></td></tr>
<tr><td>Revenue from Operations</td><td>20,00,000</td><td>100</td><td>(½)</td></tr>
<tr><td>Other Income</td><td>5,00,000</td><td>25</td><td>(½)</td></tr>
<tr><td>TOTAL REVENUE</td><td>25,00,000</td><td>125</td><td></td></tr>
<tr><td>II. EXPENSES</td><td></td><td></td><td></td></tr>
<tr><td>Cost of Materials Consumed</td><td>12,00,000</td><td>60</td><td>(½)</td></tr>
<tr><td>Employee Benefit Expenses</td><td>6,00,000</td><td>30</td><td>(½)</td></tr>
<tr><td>Depreciation</td><td>2,00,000</td><td>10</td><td>(½)</td></tr>
<tr><td>TOTAL EXPENSES</td><td>20,00,000</td><td>100</td><td></td></tr>
<tr><td>III. Profit Before Tax (I-II)</td><td>5,00,000</td><td>25</td><td>(½)</td></tr>
</table></td><td>= 3 marks</td></tr>
<tr><td>33</td><td>(a) Q. From the following information, calculate Interest ....
Ans.
• Interest Coverage Ratio = $\frac{\text{Profit Before Interest and Tax}}{\text{Interest on Long Term borrowings}}$

• Profit Before Tax = Profit After Tax x 100/70
= 6,30,000 x 100/70
= ₹ 9,00,000

• Profit Before Interest and Tax = Profit Before Tax + Interest on Debentures
= 9,00,000 + 3,00,000
= ₹ 12,00,000</td><td>(1)
+
(1)
+
(1)</td></tr>
</table>

	• Interest Coverage Ratio = $\frac{12,00,000}{3,00,000}$ = 4 times	+ (1) = 4 marks
	OR	**OR**
	(b) Q. Calculate the amount of Opening	
	Ans.	
	• Trade Receivable Turnover Ratio = $\frac{\text{Net Credit Revenue from Operations}}{\text{Average Trade Receivable}}$	(½)
	• Revenue from Operation = Cost of Revenue from Operation + Gross Profit Revenue from Operation = 8,00,000 + 1/5 of Revenue from Operation 4/5 Revenue from Operation = 8,00,000 Revenue from Operation = 8,00,000 x 5/4 Revenue from Operation = ₹ 10,00,000	+ (1)
	• Revenue from Operation = Cash Revenue from Operation + Credit Revenue from Operation 10,00,000 = 1/4 Credit Revenue from Operation + Credit Revenue from Operation 10,00,000 = 5/4 Credit Revenue from Operation 10,00,000 x 4/5 = Credit Revenue from Operation ₹ 8,00,000 = Credit Revenue from Operation	+ (1)
	• 5 = $\frac{8,00,000}{\text{Average Trade Receivable}}$ Average Trade Receivable = ₹ 1,60,000	+ (½)
	• Average Trade Receivable = $\frac{\text{Opening Trade Receivables + Closing Trade Receivable}}{2}$ Average Trade Receivable = $\frac{\text{Opening Trade Receivables + Opening Trade Receivable + 40,000}}{2}$ 1,60,000 x 2 = 2 x Opening Trade Receivable + 40,000 3,20,000 – 40,000 = 2 x Opening Trade Receivable 2,80,000 / 2 = Opening Trade Receivable ₹ 1,40,000 = Opening Trade Receivable	+ (½)
	₹ 1,80,000 = Closing Trade Receivable	+ (½) = 4 marks

34	**Q. Calculate Cash Flow from Investing Activities ....**	

Ans.

Cash Flow from Investing Activities

Particulars		**Amount (₹)**
Sale of 10% Long Term Investment	*(½)*	2,00,000
Purchase of Machinery ***(note no. 1)***	*(½)*	(3,02,000)
Sale of Machinery	*(½)*	48,000
Purchase of Goodwill	*(1)*	(40,000)
Purchase of Investments in Shares of Pinnacle Ltd.	*(½)*	(9,00,000)
Dividend Received from Pinnacle Ltd.	*(½)*	40,000
Interest Received on 10% Long Term Investment	*(½)*	45,000
Sale of Patents	*(1)*	1,50,000
Net Cash used in Investing Activities	*(½)*	**(7,59,000)**

(5½)

Note No. 1

Dr. **Plant and Machinery Account** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Balance b/d	6,00,000	By Bank A/c (sale)	48,000
To Statement of P/L (gain)	6,000	By Depreciation A/c	60,000
To Bank A/c (purchase)	3,02,000	By Balance c/d	8,00,000
	9,08,000		**9,08,000**

+ (½) = 6 marks

----------------THE END ------------