लेखाशास्त्र

ACCOUNTANCY

VOLUME-II

कक्षा 12

CLASS XII

2025-26

सामग्री संवर्धन, मूल्यांकन और अध्ययन कैप्सूल का विकास

CONTENT ENRICHMENT, ASSESSMENT AND DEVELOPMENT OF STUDY CAPSULES

तत् त्वं पूषन् अपावृणु
केन्द्रीय विद्यालय संगठन

केन्द्रीय विद्यालय संगठन, रायपुर सम्भाग

KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION

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

Theory: 80 Marks **3 Ho**

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.
I 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)	****	****	By Bal b/d	****	****
To bal c/d	****	****	By cash A/C (Additional capital)	****	****
	—---------	—---------		________	__________ _

Dr. Partners' Current A/C Cr.

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

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

Calculation of Interest on Capital.

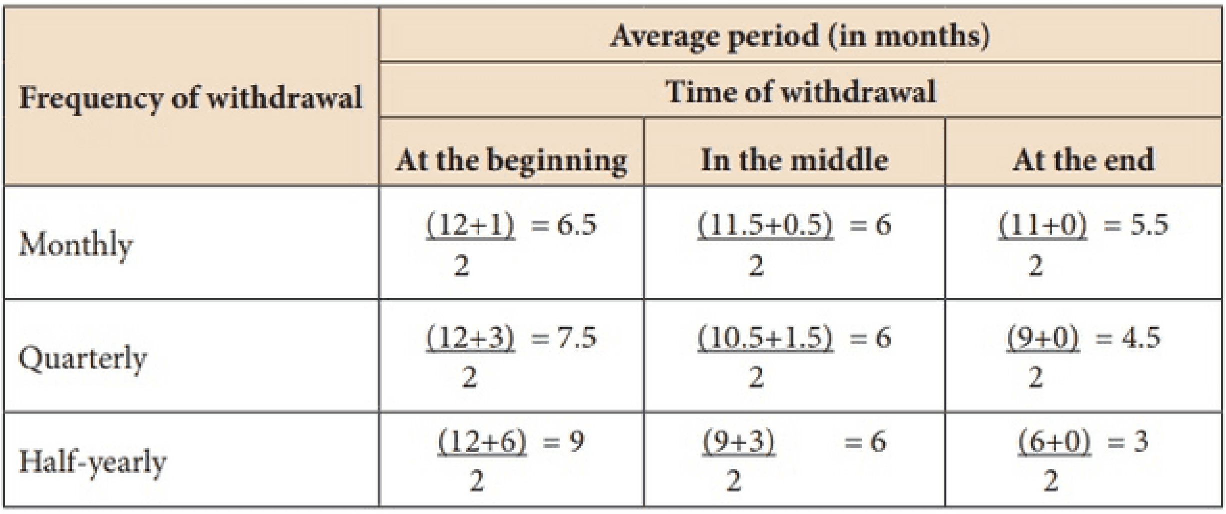
Calculation of Capital in the Beginning

Capital at the end of the year : xxxx
Add: Drawings etc. debited to capital during the year : xxxx
Less: Profit etc. credited to capital Accounts : xxxx
Less: Additional Capital introduced during the year : xxxx

Calculation of Interest on Drawing

METHODS OF CALCULATING INTEREST ON DRAWINGS

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

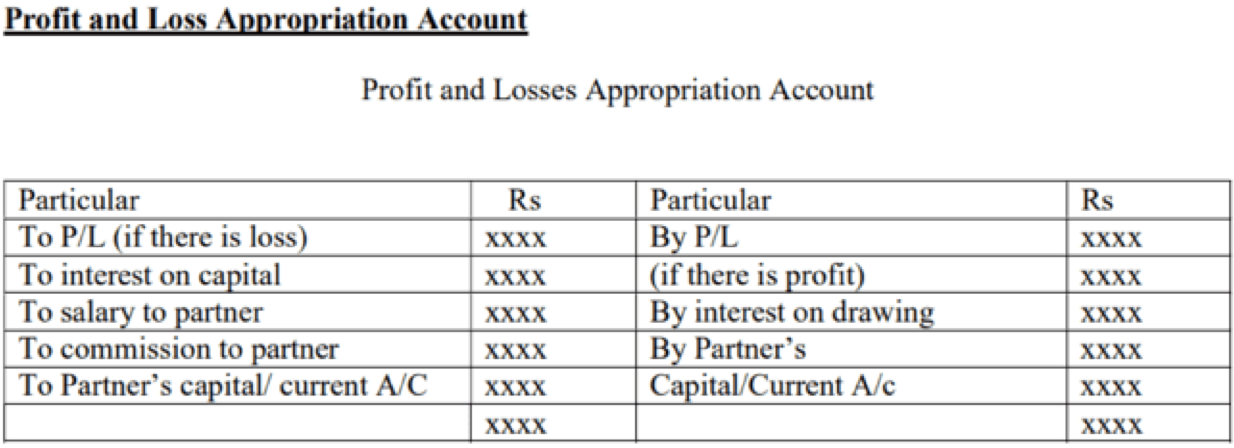


Frequency of withdrawal	Average period (in months)		
	Time of withdrawal		
	At the beginning	In the middle	At the end
Monthly	$\frac{(12+1)}{2} = 6.5$	$\frac{(11.5+0.5)}{2} = 6$	$\frac{(11+0)}{2} = 5.5$
Quarterly	$\frac{(12+3)}{2} = 7.5$	$\frac{(10.5+1.5)}{2} = 6$	$\frac{(9+0)}{2} = 4.5$
Half-yearly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

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 good will Purchased good will 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) dissolution 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.

b) Weighted Average

Weighted average x number of years' 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

(3) (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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MCQ (1 marks)

1.	**E, F, and G are partners sharing profits in the ratio of 3:3:2. As per the partnership agreement, G is to get a minimum amount of ₹ 80,000 as his share of profits every year and any deficiency on his account is to be personally borne by E. The net profit for the year ended 31st March, 2020 amounted to ₹ 3,12,000. In this case, ____ was the amount of deficiency borne by E.** A) ₹ 1,000 B) ₹ 4,000 C) ₹ 8,000 D) ₹ 2,000
2.	After doing the adjustments regarding drawings Rs. 40,000, share of profit Rs. 24,000 and the additional capital introduced Rs. 32,000, the capital of Ashok, a partner, as on 31.03.2022 was Rs. 5,00,000. His capital as on 01.04.2021 was : (A) Rs. 4,84,000 (B) Rs. 5,16,000 (C) Rs. 4,46,000 (D) Rs. 5,96,000
3.	Assertion (A) : In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio , firm pays such interest on Partners' Capital. Reason I :Interest on Capital is treated as a charge against profits. (Alternatives: A) Both Assertion (A) and Reason I are true and Reason I is the correct explanation of Assertion (A). B) Both Assertion (A) and Reason I are true and Reason I is not the correct explanation of Assertion (A). C) Assertion (A) is true but Reason I is False D) Assertion (A) is false but Reason I is True
4.	**A, B and C were partners with a capital of ₹50,000; ₹40,000, and ₹30,000 respectively carrying on business in partnership. The firm's reported profit for the year was ₹80,000. As per the provision of the Indian Partnership Act, 1932, find out the share of each partner in the above amount after taking into account that no interest has been provided on an advance by A of ₹20,000 in**

	addition to his capital contribution on 1st April. A) ₹26,267 for Partner B and C and ₹27,466 for Partner A B) ₹26,667 each partner C) ₹33,333 for A ₹26,667 and ₹20,000 for C D) ₹30,000 for each partner
5.	**X Y and Z are partners in a firm. At the time of the division of profit for the year, there was a dispute between the partners. Profit before interest on partner's capital was ₹6,00,000 and Z demanded a minimum profit of ₹5,00,000 as his financial position was not good. However, there was no written agreement on this point.** A) Other partners will pay Z the minimum profit and will share the loss equally. B) Other partners will pay Z the minimum profit and will share the loss in the capital ratio C) X and Y will take ₹50,000 each and Z will take ₹5,00,000 D) ₹2,00,000 to each of the partners
6.	Assertion (A): In order to compensate a partner for contributing capital to the firm in excess of the profit-sharing ratio, the firm pays interest on the partner's capital. Reason I: Interest on capital is treated as a charge against profit**.** Alternatives: A) Both Assertion (A) and Reason I are true and Reason I is the correct explanation of Assertion (A). B) Both Assertion (A) and Reason I are true and Reason I is not the correct explanation of Assertion (A). C) Assertion (A) is true but Reason I is False D) Both Assertion (A) and Reason I are not correct.
7.	Assertion (A): Shyam, Tarun, and Umesh are partners. The partnership deed provided to charge interest on drawings @6% p.a. Each Partner withdrew ₹5,000 per month at the beginning of the month. The firm incurred a loss of ₹1,00,000.

	Therefore, interest will not be charged on drawings. Reason I: Interest on Drawings will be charged @6% p.a. on ₹60,000 for 6.5 months from each partner, it being a withdrawal against anticipated profit. Alternatives: A) Both Assertion (A) and Reason I are true and Reason I is the correct explanation of Assertion (A). B) Both Assertion (A) and Reason I are true and Reason I is not the correct explanation of Assertion (A). C) Assertion (A) is true but Reason I is false D) Assertion (A) is false but Reason I is True
8.	**According to the Profit and Loss Account, the net profit for the year is ₹4,20,000. The salary of a partner is ₹5,000 per month and the commission of another partner is ₹1,000. The interest on drawings of partners is ₹4,000. The net profit (divisible profit) as per the Profit and Loss Appropriation Account will be:** A) ₹3,63,000 B) ₹3,46,000 C) ₹4,09,000 D) ₹4,01,000
9.	**A B and C are partners. A's capital is ₹3,00,000 and B's Capital is ₹1,00,000. C has not invested any amount as capital but he alone manages the whole business. C wants ₹30,000 p.a. as salary. The firm earned a profit of ₹1,50,000. How much will be each partner's share of profit:** A) A ₹60,000; B ₹60,000; C ₹Nil B) A ₹90,000; B ₹30,000; C ₹Nil C) A ₹40,000; B ₹40,000; C ₹40,000 D) A ₹50,000; B ₹50,000 and C ₹50,000
10.	**Ram and Shyam are partners in the ratio of 3:2. Before profit distribution, Ram is entitled to a 5% commission of the net profit (after charging such commission). Before charging a commission, the firm's profit was ₹42,000. Shyam's share in profit will be:** A) ₹16,000 B) ₹24,000 C) ₹26,000 D) ₹16,400

11. X, Y, and Z shared profits of ₹ 75,000 in the ratio of 2 : 2 : 1 but the Partnership Deed was silent regarding profit sharing ratio. Which of the following is necessary for adjusting entry?

A) Z's Capital A/c Dr 10,000
To X's Capital A/c 5,000
To Y's Capital A/c 5,000

B) X's Capital A/c Dr 5,000
Y's Capital A/c Dr 5,000
T0 Z's Capital A/c 10,000

C) Y's Capital A/c Dr 10,000
To X's capital A/c 5,000
To Z's Capital A/c 5,000

D) X's Capital A/c Dr 10,000
To Y's Capital A/c 5000
To Z's Capital A/c 5000

12. A and B contribute ₹1,00,000 and ₹60,000 respectively in a partnership firm by way of capital on which they agree to allow interest @ 8% p.a. Their profit or loss sharing ratio is 3:2. The profit at the end of the year was ₹2,800 before allowing interest on capital. If there is a clear agreement that interest on capital will be paid even in case of loss, then B's share will be:

A) Profit ₹6,000 B) Profit ₹4,000 C) Loss ₹6,000 D) Loss ₹4,000

13. Assertion (A) : Goodwill is an intangible asset and is recognised as an asset only when consideration is to be paid for it :

Reason I :AS-26 Intangible Assets prescribes to recognise goodwill as an asset only when consideration has been paid for it. In the context of above two statements which of the following correct ?

(A) Assertion (A) and Reason I are correct but the Reason I is not the correct explanation of Assertion (A).

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

I Assertion (A) is correct but the Reason I is not correct

	(D) AssertionI is false but the ReasonI is true
14.	The profits earned by a business over the last 5 years are as follows Rs.12,000; Rs.13,000; Rs.14,000: Rs.18,000 and Rs.2,000 (loss). Based on 2 years purchase of the last 5 years profits, value of Goodwill will be : (A) Rs.23,600 (B) Rs.22,000 I Rs.1,10,000 (D) Rs.1,18,000
15.	A business earned average profit of Rs.3,00,000 during the last few years. The normal rate of return in the similar business is 10%.The total value of the assets and liabilities of the business were Rs.22,00,000 and Rs.5,60,000 respectively. Calculate the value of the goodwill of the firm by super profit method, if the goodwill is valued 2.5 years, purchase of super profit. (A)Goodwill Rs.3,40,000. (B) Goodwill Rs.2,40,000. (C) Goodwill Rs.4,40,000. (D) Goodwill Rs.5,40,000.

ANSWER

(i) D)	**(ii) A)**	**(iii) C)**	**(iv) A)**	**(v) D)**
(vi) C)	**(vii) D)**	**(viii) A)**	**(ix) D)**	**(x) A)**
(xi) B)	**(xii) D)**	**(xiii) B)**	**(xiv) B)**	**(xv) A)**

Short Answer question (3-4 marks)

1.	Sudha, Naresh and Geeta were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Their fixed capitals were Rs.6,00,000; Rs.4,00,000 and Rs.2,00,000 respectively. Besides her capital Geeta had given a loan of Rs.75,000 to the firm. Their partnership deed provided for the following : (i) Interest on capital @ 9% p.a. (ii) Interest on partners' drawings @ 12% p.a. (iii) Salary to Sudha Rs.30,000 per month and to Naresh Rs.40,000 per quarter. (iv) Interest on Geeta's loan @ 9% p.a. During the year Sudha withdrew Rs.50,000 at the end of each quarter; Naresh withdrew Rs.50,000 in the beginning of each half year and Geeta withdrew

Rs.70,000 at the end of each half year. The profit of the firm for the year ended 31-3-2025 before allowing interest on Geeta’s loan was Rs.7,06,750.

Prepare Profit and Loss Appropriation Account

ANSWER

Profit and loss Appropriation A/C

Dr. For the year ended 31 march 2025 Cr.

Particulars	Amount	Particulars	Amount
To Interest on capital A/C	108000	By profit and loss A/C	700000
To partners’ Salary	52000	By interest on drawing a/c	22200
Tp profit Transferred A/C Sudha 47100 Naresh 28260 Geeta 18840	94200		
	7,22,200		7,22,200

2. Rakshit and Malik are partners in a firm sharing profits and losses in the ratio of 4: 1. On 1st April, 2024, their capitals were ₹ 1,20,000 and 80,000 respectively.

On 1st December, 2024, they decided that the total capital of the firm should be 3,00,000 to be contributed by them in the ratio of 2: 1.

According to the partnership deed, interest on capital is allowed to the partners @ 6% p.a. Calculate interest on capital to be allowed for the year ending 31st March, 2025.

ANSWER

Rakshit – Rs.8800. Malik – Rs.5200

3. Rohit, Raman and Raina are partners in a firm. Their capital accounts on 1st April,

2019, stood at 2,00,000, ₹ 1,20,000 and ₹ 1,60,000 respectively. Each partner withdrew 15,000 during the financial year 2019-20. As per the provisions of their partnership deed

(i) Interest on capital was to be allowed @ 5% per annum.

(ii) Interest on drawings was to be charged @ 4% per annum.

(iii) Profits and losses were to be shared in the ratio 5:4:1.

The net profit of 72,000 for the year ended 31st March, 2025, was divided equally amongst the partners without providing for the terms of the deed.

You are required to pass a single adjustment entry to rectify the error (Show workings clearly).

ANSWER

S.No	Particulars	LF	Debit	Credit
1.	Raina's capital A/c Dr.		11,410	
	To Rohit 's Capital A/c			10,150
	To Raman 's Capital A/c			1260
	(Being the adjustment entry passed)			

4. Neena and Sara were partners in a firm with fixed capitals of 5,00,000 and ₹4,00,000 respectively. It was discovered that interest on capital @ 6% p.a. was credited to the partners hers for the two years ending 31st March, 2024 and 31st March, 2025 whereas there was no such provision in the partnership deed.

Their profit sharing ratio during the last two years was

2023-24 4:5

2024-25 5:1

Showing your working clearly, pass the necessary adjustment entry to rectify the error.

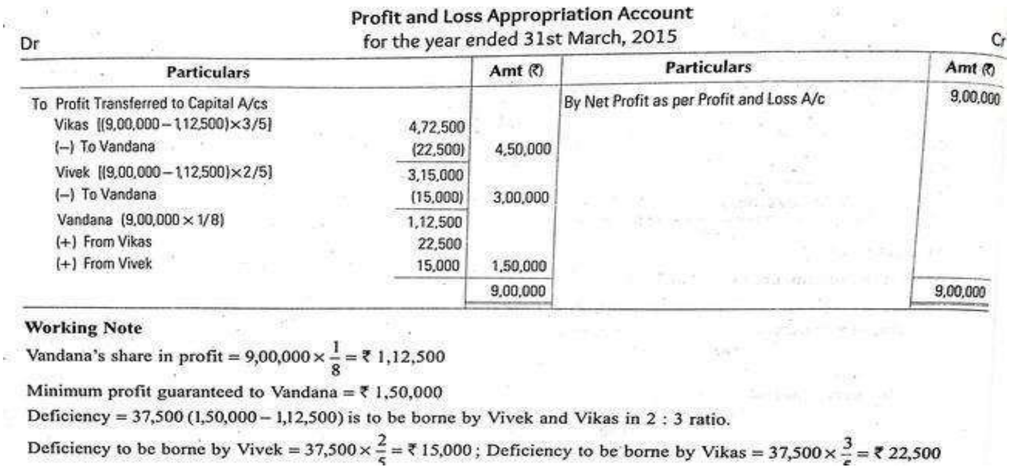
ANSWER

sno..	Particulars	LF	Debit	Credit
1.	Sara's Current A/c Dr.		9000	
	To Neena's current A/c			9000
	(Being the adjustment entry passed)			

5. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3: 2. On 1st April, 2024, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2: 3. The profit of the firm for the year ended 31st March, 2025 was ₹9,00,000.

Prepare profit and loss appropriation account of Vikas, Vivek and Vandana for the year ended 31st March, 2025

ANSWER



Dr **Profit and Loss Appropriation Account**
for the year ended 31st March, 2015 Cr

Particulars		Amt (₹)	Particulars	Amt (₹)
To Profit Transferred to Capital A/cs			By Net Profit as per Profit and Loss A/c	9,00,000
Vikas [(9,00,000 – 1,12,500)×3/5]	4,72,500			
(–) To Vandana	(22,500)	4,50,000		
Vivek [(9,00,000 – 1,12,500)×2/5]	3,15,000			
(–) To Vandana	(15,000)	3,00,000		
Vandana (9,00,000 × 1/8)	1,12,500			
(+) From Vikas	22,500			
(+) From Vivek	15,000	1,50,000		
		9,00,000		9,00,000

Working Note

Vandana's share in profit $= 9,00,000 \times \frac{1}{8} = ₹\ 1,12,500$

Minimum profit guaranteed to Vandana = ₹ 1,50,000

Deficiency = 37,500 (1,50,000 – 1,12,500) is to be borne by Vivek and Vikas in 2 : 3 ratio.

Deficiency to be borne by Vivek $= 37,500 \times \frac{2}{5} = ₹\ 15,000$; Deficiency to be borne by Vikas $= 37,500 \times \frac{3}{5} = ₹\ 22,500$

6. On 31st March 2025, the balances in the Capital Account of A, B and V, after making adjustments for profits and drawings were Rs.8,00,000, Rs.6,00,000 and Rs.4,00,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @10% p.a. and were to be charged interest on drawings @6%p.a. The drawings during the year were: A- Rs. 20,000 drawn at the end of each month, B- Rs.50,000 drawn at the beginning of every half year and V – Rs.1,00,000 withdrawn on 31st October 2024. The net profit for the year ended 31st march 2025 was Rs.1,50,000. The profit-sharing ratio was 2: 2: 1. Pass necessary adjusting entry for the above adjustments in the books of the firm. Also show your working clearly. .

ANSWER

S.no	Particulars	LF	Debit	Credit
1.	B's Capital A/c Dr. 14402 To A's Capital A/c 10112 To V's Capital A/c 4290 (Adjustment Entry for Interest on Capitals made)		14402	 10112 4290

7. Richa and Anmol are partners sharing profits in the ratio of 3: 2 with capitals of 2,50,000 and 1,50,000 respectively. Interest on capital is agreed @ 6% p.a.

Anmol is to be allowed an annual salary of 12,500. During the year ended 31st March, 2023, the profits of the year prior to calculation of interest on capital but after charging Anmol’s salary amounted to 62,000. A provision of 5% of this profit is to be made in respect of manager’s commission.

Particulars	Amount	Particulars	Amount
To Interest on Capital		By Profit and loss	—--(II)------
Richa		(After manager’s commission)	
Anmol	12500		
To Anmol’s Salary A/c			
To Profit transferred to	—-(I)----		
Richa’s Capital A/c			
Anmol’s Capital A/c			

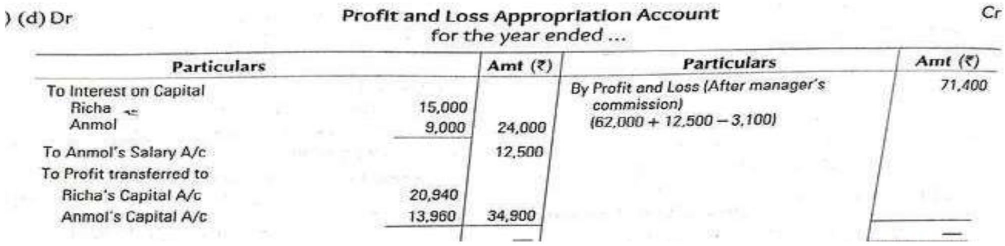
(1) The amount to be reflected in blank (i) will be

(a) 37,200 (b) ₹ 44,700 (c) ₹ 22,800 (d) ₹20,940

(ii) The amount to be reflected in blank (ii) will be

(a) 62,000 (b) ₹ 74,500 (c) 71,400 (d) 70,775

ANSWER



) (d) Dr **Profit and Loss Appropriation Account** Cr

for the year ended ...

Particulars		Amt (₹)	Particulars	Amt (₹)
To Interest on Capital			By Profit and Loss (After manager's commission) (62,000 + 12,500 − 3,100)	71,400
Richa	15,000			
Anmol	9,000	24,000		
To Anmol's Salary A/c		12,500		
To Profit transferred to				
Richa's Capital A/c	20,940			
Anmol's Capital A/c	13,960	34,900		
		—		—

I)

II)c) 71,400

8. Kavita, Savita and Madhu were partners in a firm with capitals of 6,00,000, ₹4,00,000 and ₹2,00,000 respectively. After providing interest on capital @10% p.a., the profits are divisible as follows 1/3 Kavita, 1/2 Savita and Madhu 1/6. Kavita personally guaranteed that Savita's share of profit after charging interest on capital would not be less than ₹ 1,00,000 in any year.

The profit for the year ending 31st March, 2022 amounted to ₹ 3,00,000 before providing interest on capital

(i) Savita's share of profit is short of the guaranteed amount by

(a) ₹40,000 (b) ₹70,000 (c) ₹20,000 (d) ₹10,000

(ii) The total profits of the firm after adjustment of guaranteed amount will be distributed between the partners as

(a) Kavita 60,000, Savita 40,000 and Madhu 20,000

(b) Kavita 50,000, Savita ₹ 1,00,000 and Madhu ₹30,000

I Kavita 60,000, Savita₹90,000 and Madhu 30,000

(d) Kavita 60,000, Savita ₹ 1,00,000 and Madhu 20,000

ANSWER

I) (d) Savita 's share = 90000; Guarantee = 100000; Deficiency = 10000

II) (b) IOC : Kavita – 60000 Savita – 40000 Madhu – 20000

Profit ; Kavita – 50000. Savita – 100000 Madhu – 30000

Long questions (6 marks)

1. X and Y are equal partners. The balances of their Capital Accounts as on 1st April, 2024 were: X 60,000; Y₹ 40,000.

Their Partnership Deed provides for the following:

(i) Interest on capitals and drawings @ 5%,

(ii) Salary for Y@ 1,200 per month and

(iii) Commission to X@ 2.5% on sales.

During the year ended 31st March, 2025, the Profit and Loss Account disclosed a net profit of 50,400.

Sales for the year ended 31st March, 2025 were 2,40,000.

X and Y drew 16,000 and 14,000 respectively during the year 2024-2025.

The Assets and Liabilities of the firm as at 31st March, 2025 were: Plant and Machinery 60,000; Stock₹ 28,000; Debtors 18,000; Bills Receivable 3,200; Bank 20,000; Creditors 8,800.

You are required to prepare the Profit and Loss Appropriation Account for the year ended 31st March, 2025, Partners' Capital Accounts and the Balance Sheet of the firm as at that date.

ANSWER

Profit and loss Appropriation A/C

For the year ended 31 march 2025

Particulars	Amount	Particulars	Amount
To Interest on capital a/ c X 3000 Y 2000	5000	By profit and loss A/c	50400
		By interest on drawing A/C X 800 Y 700	1500
To Y's Salary a/c	14400		
To X's commission	6000		

a/c To profit transferred to X 13250 Y 13250	26500		
	26500		26500

Partners;s capital a/c

X - 65450

Y - 54950

Balance sheet total Rs. 129200

2. On 1st April, 2024, Precious, Noble and Perfect entered into partnership with capitals of₹ 60,000; ₹50,000 and 30,000 respectively.

Perfect advanced 10,000 as loan to the partnership on 1st October, 2024. The Partnership Deed contained the following clauses:

(2) Interest on capital @ 6% p.a.

Interest on drawings @ 6% p.a. Each drew₹4,000 at the end of each quarter commencing from 30th June 2024.

(iii) Working partners Precious and Noble to get a salary of 200 and 300 per month respectively.

(iv) Interest on loan was given to Perfect @ 6% p.a.

(v) Profits and losses are to be shared in the ratio of 4:2:1 up to 70,000 and above 70,000 equally.

Net profit of the firm for the year ended 31st March, 2025 (before the above adjustments) was 1,11,000.

Prepare the Profit and Loss Appropriation Account and the Capital Accounts of the

Partners assuming capitals to be fixed.

ANSWER

Profit and loss Appropriation A/C

For the year ended 31 march 2025

Dr. Cr.

Particulars	Amounts	Particulars	Amounts
To Interest on capital Precious 3600 Noble 3000 Perfect 1800	8400	By net transferred a/c (111000-300) By Interest on drawing /c Precious 960 Noble 960	1,10,700 1920
To partners ‘salary Precious 2400 Noble 3600	6000		
To Perfect’s commission a/c	5130		
To profit transferred a/c			
Precious (40000+13567)	53567		
Noble (30000+13567)	43567		
Perfect (10000+13566)	23567		
	112620		112620

3. A, B and C were partners in a firm. Their capitals were A- Rs.1,00,000 , B- Rs. 2,00,000 and C Rs.3,00,000 respectively on 1st April 2023. According to the

partnership deed they were entitled to an interest on capitals @5% p.a. In addition A was entitled to draw a salary of Rs. 5,000 per month. C was entitled to commission of 5% on the profits after charging the interest on capitals but before charging the salary payable to A. The net profit for the year ending 31st March 2024 were 3,60,000 distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 2 : 3 : 5. Pass necessary adjustment entry.

ANSWER

S.NO.	**PARTICULARS**	**L.F**	**DEBIT**	**CREDIT**
1.	A’s Capital A/C Dr.		21300	
	B’s Capital A/C Dr.		31950	
	To C’s capital a/c			53250
	(Being the adjustment entry passed)			

4. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3: 3: 4. Their partnership deed provided for the following

(i) Interest on capital @ 5% per annum.

(ii) Interest on drawing @ 12% per annum.

(iii) Interest on partners’ loan @ 6% per annum.

(iv) Moli was allowed an annual salary of 4,000, Bhola was allowed a commission of 10% of net profit as shown by profit and loss account and Raj was guaranteed a profit of₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli 5,00,000; Bhola ₹8,00,000 and Raj₹4,00,000. On 1st April, 2024 Bhola extended a loan of₹ 1,00,000 to the firm.

The net profit of the firm for the year ended 31st March, 2025 before interest on Bhola’s loan was ₹3,06,000.

Prepare profit and loss appropriation account of Moli,

Bhola and Raj for the year ended 31st March, 2025 and their current accounts assuming that Bhola withdrew 5000 at the end of each month, Moli withdrew 10,000 at the end of each quarter and Raj withdrew 40,000 at the end of each half year.

ANSWER

Interest on capital Moli current a/c- 25000, bhola current A/c - 40000, raj current a/c – 20000

Moly ‘s current a/c c-4000

Bhola current year – 30000 (commission)

Profit ; moli -19250

Bhola – 19250

Raj – 150000

5. On 31st March, 2025, the balances in the capital accounts of Eleen, Monu and Ahmad after making adjustments for profits and drawings were₹1,60,000, 1,20,000 and₹80,000 respectively.

Subsequently, it was discovered that the interest on capital and drawings had been omitted.

(i) The profit for the year ended 31st March, 2025 was 40,000.

(ii) During the year Eleen and Monu each withdrew a total sum of 24,000 in equal instalments in the beginning of each month and Ahmad withdrew a total sum of 48,000 in equal instalments at the end of each month

(iii) The interest on drawings was to be charged @ 5% per annum and interest on capital was to be allowed @ 10% per annum.

(iv) The profit sharing ratio among the partners was 2:1:1.

Showing your working notes clearly, pass the necessary rectifying entry.

ANSWER

S.no.	Particulars	LF	Debit	Credit
1.	Eleen ‘s capital a/c Dr. To monu ;s capital a/c To Ahmed capital a/c (Being the adjustment entry passed)		3850	 2950 900

6. Anwar, Biswas and Divya are partners in a firm. Their capital accounts stood at 8,00,000, ₹6,00,000 and ₹4,00,000 respectively on 1st April, 2024. They shared profits and losses in the ratio of 3:2:1 respectively. Partners are entitled to interest on capital @6% per annum and salary to Biswas and Divya @4,000 per month and 6,000 per quarter respectively as per the provisions of partnership deed.

Biswas’s share of profit (including interest on capital but excluding salary) is guaranteed at a minimum of 82,000 per annum. Any deficiency arising on that account shall be met by Divya. The profits for the year ended 31st March, 2025 amounted to ₹ 3,12,000. Prepare profit and loss appropriation account for the year ended 31st March, 2025.

ANSWER

Interest on capital Anwar – 48000, biswas – 36000 divya- 24000

Salary Biswas – 48000 Divya – 24000

Profit transferred anwar – 44000, biswas -46000 , divya - 20000

7. Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2024 the balance in their capital accounts stood at ₹ 8,00,000,₹6,00,000 and 4,00,000 respectively. They shared profits in the proportion of 5:3:2 respectively. Partners are entitled to interest on capital @ 5% per annum and salary to Bheem @ 3,000 per month and a commission of 12,000 to Daniel as per the provisions of the partnership deed.

Ahmad’s share of profit (excluding interest on capital) is guaranteed at not less than 25,000 per annum. Bheem’s share of profit (including interest on capital but

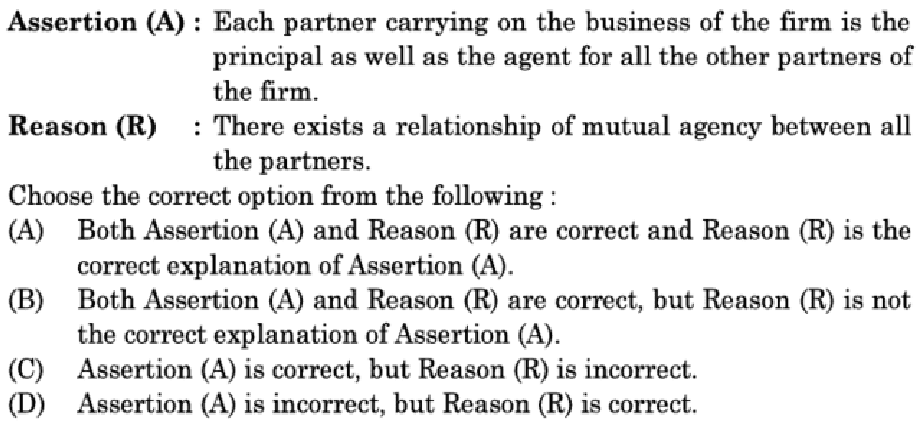
	excluding salary) is guaranteed at not less than Rs.55,000 per annum. Any deficiency arising on that account shall be met by Daniel. The profits of the firm for the year ended 31st March, 2025 amounted to 2,16,000. Prepare 'profit and loss appropriation account' for the year ended 31st March, 2025. **ANSWER** Interest on capital Ahmed -40000, bheem – 30000, Daniel – 20000 Bheem salary -36000 Daniel commission - 12000 Profit – Ahmed – 23400 bheem – 25000 daniel -14000
8.	From the following information, calculate the value of goodwill of M/s. Sharma and Gupta: (i) At three years' purchase of Average Profit. (ii) At three years' purchase of Super Profit. (iii) On the basis of Capitalisation of Super Profit. (iv) On the basis of Capitalisation of Average Profit. Information: (a) Average Capital Employed in the business 7,00,000. (b) Net Trading Results of the firm for the past years: Profit 2007- 1,47,600; Loss 2008 1,48,100; Profit 2009 4,48,700. I Rate of Interest expected from capital having regard to the risk involved-18%. (d) Remuneration to each partner for his service₹ 500 per month. (e) Assets (excluding goodwill)- 7,54,762; Liabilities- 31,329 **ANSWER** i) Average Profit 4,12,200 ii)Super Profit 34,200 iii)Capitalisation of Super Profit 63,333

<table>
<tr><td></td><td>iv) Capitalisation of average profit 39,900</td></tr>
<tr><td>9.</td><td>
Calculate goodwill of a firm on the basis of three years purchases of the weighted average profits of the last four years. The profits of the last four years were
<table>
<tr><td>Years</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr>
<tr><td>amt.</td><td>28000</td><td>27000</td><td>46900</td><td>53810</td></tr>
</table>
(i) On 1st April, 2021 a major plant repair was undertaken for ₹ 10,000 which was charged to revenue. The said sum is to be capitalised for goodwill calculation subject to adjustment of depreciation of 10% on reducing balance method.
(ii) For the purpose of calculating goodwill the company decided that the years ending 31st March, 2021 and 31st March, 2022 be weighted as 1 each and for year ending 31st March, 2023 and 31st March, 2024 weights be taken as 2 and 3 respectively.
ANSWER
Weighted Average Profit = ₹315,000 ÷ 7 = ₹45,000
Goodwill = Weighted Average Profit × 3
= ₹45,000 × 3 = ₹1,35,000
</td></tr>
</table>

Topic : Fundamental of partnership and goodwill

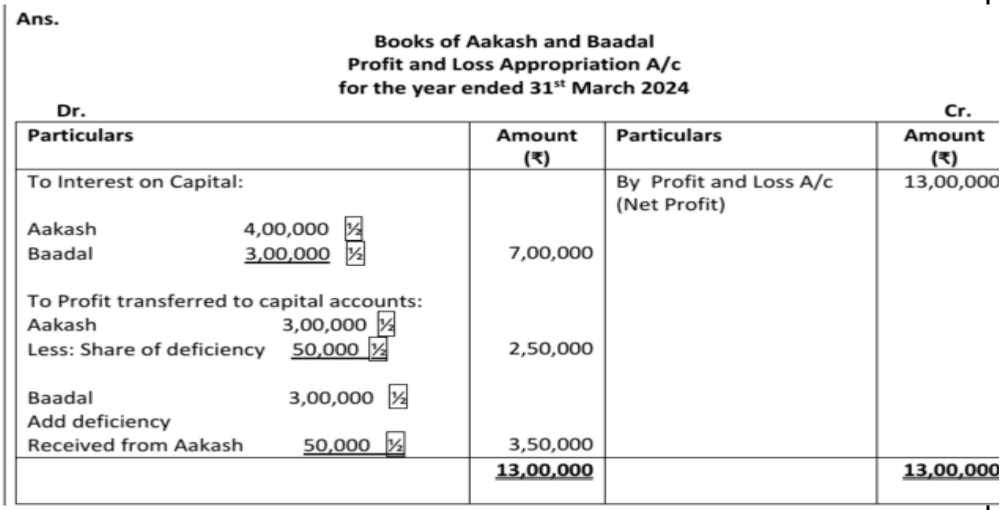
Worksheet 1

1	Abhay, Boris and Chetan were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Boris was guaranteed a profit of Rs.95,000. Any deficiency on account of this was to be borne by Abhay and Chetan equally. The firm earned a profit of Rs. 2,00,000 for the year ended 31st March, 2023. The amount given by Abhay to Boris as guaranteed amount will be : (A) Rs. 17,500 (B) Rs 35,000 I Rs. 25,000 (D) Rs 10,000 (CBSE 2024)	1
2	(Ans Q2 & Q3 Using the below case) Daksh and Ekansh are partners in a firm sharing profits and losses in the ratio of 3 : 1. Their capitals were ₹ 1,60,000 and ₹ 1,00,000 respectively. As per partnership deed, they were entitled to interest on capital @ 10% p.a.. The firm earned a profit of ₹ 13,000 for the year ended 31st March, 2023. (CBSE 2023) Daksh's interest on capital will be : (A) ₹ 5,000 (B) ₹ 8,000 I ₹ 16,000 (D) ₹ 10,000	1
3	Ekansh's share of profit/loss will be : (A) Nil (B) ₹ 9,750 (Loss) I ₹ 3,250 (Loss) (D) ₹ 9,750 (Profit)	1

4.	 **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. (CBSE 2025)	1
5	Asha and Babita were partners in a firm. Their capitals were ₹ Rs.15,00,000 and ₹ 10,00,000 respectively. The normal rate of return was 15%. The profits of the last four years were : 2019 –20 2,50,000 2020 –21 (50,000) 2021 –22 8,00,000 2022 –23 5,00,000 The closing stock for the year 2022 – 23 was undervalued by ₹ 1,00,000. Goodwill is to be valued at two years purchase of the last four years' average super profits. Calculate the value of goodwill. (CBSE 2023)	3
6	Aakash and Baadal entered into partnership on 1st October, 2023 with the capitals of Rs 80,00,000 and Rs 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 Rs 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 Rs 13,00,000. Prepare Profit and Loss	3

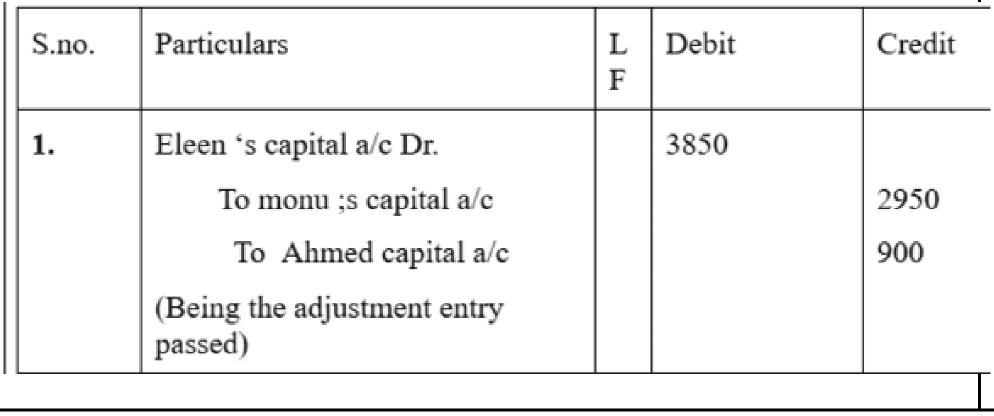
	Appropriation Account for the year ended 31st March, 2024. (CBSE 2025)	
7	Vikas and Vivek were partners in a firm sharing profits in the ratio of 3: 2. On 1st April, 2024, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2: 3. The profit of the firm for the year ended 31st March, 2025 was ₹9,00,000. Prepare profit and loss appropriation account of Vikas, Vivek and Vandana for the year ended 31st March, 2025 (CBSE 2025)	4
8	On 31st March, 2025, the balances in the capital accounts of Eleen, Monu and Ahmad after making adjustments for profits and drawings were₹1,60,000, 1,20,000 and₹80,000 respectively. Subsequently, it was discovered that the interest on capital and drawings had been omitted. (i) The profit for the year ended 31st March, 2025 was 40,000. (ii) During the year Eleen and Monu each withdrew a total sum of 24,000 in equal instalments in the beginning of each month and Ahmad withdrew a total sum of 48,000 in equal instalments at the end of each month (iii) The interest on drawings was to be charged @ 5% per annum and interest on capital was to be allowed @ 10% per annum. (iv) The profit sharing ratio among the partners was 2:1:1. Showing your working notes clearly, pass the necessary rectifying entry	6

ANSWERS

<table>
<tr><td>1</td><td>C)</td><td>1</td></tr>
<tr><td>2</td><td>B) 8000</td><td>1</td></tr>
<tr><td>3</td><td>A) nil</td><td>1</td></tr>
<tr><td>4</td><td>A)</td><td>1</td></tr>
<tr><td>6.</td><td>Rs.50000</td><td>3</td></tr>
<tr><td>7</td><td>


Ans.

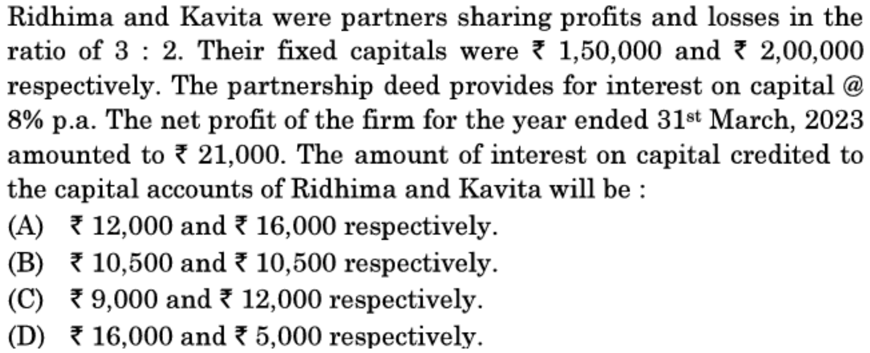
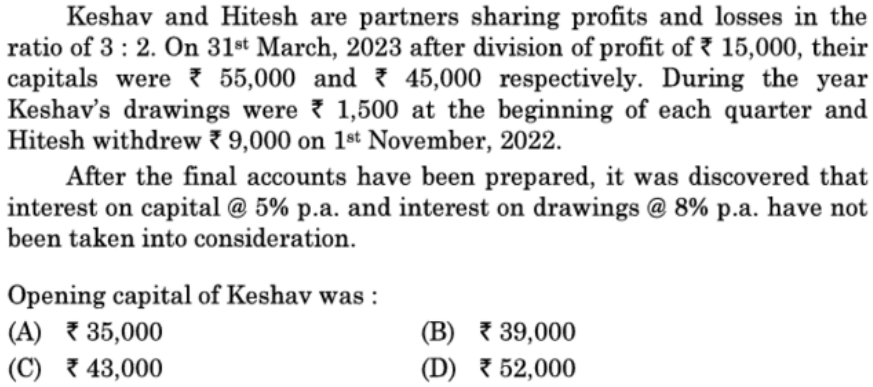
Books of Aakash and Baadal
Profit and Loss Appropriation A/c
for the year ended 31st March 2024

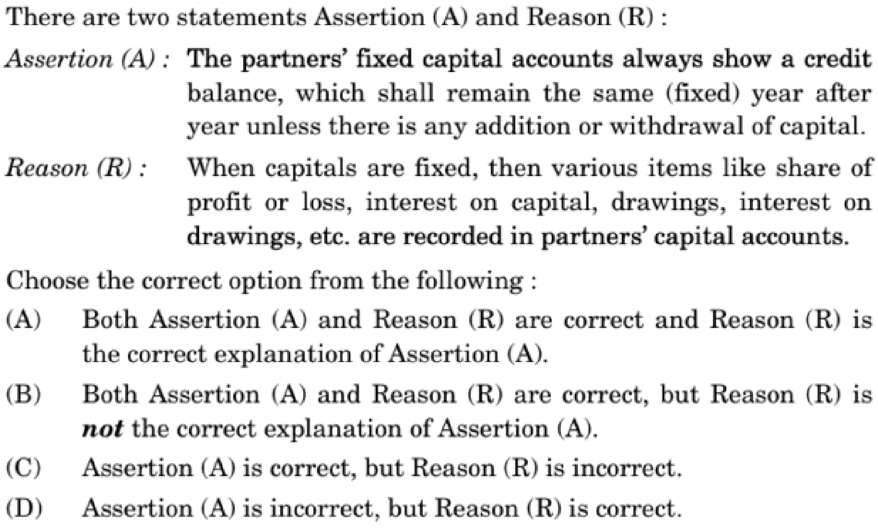
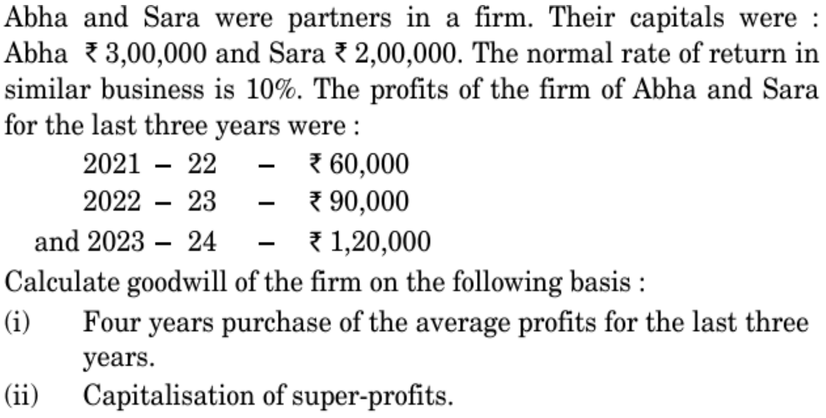
<table>
<tr><th>Dr.
Particulars</th><th>Amount (₹)</th><th>Particulars</th><th>Cr.
Amount (₹)</th></tr>
<tr><td>To Interest on Capital:
Aakash 4,00,000 ½
Baadal 3,00,000 ½</td><td>7,00,000</td><td>By Profit and Loss A/c (Net Profit)</td><td>13,00,000</td></tr>
<tr><td>To Profit transferred to capital accounts:
Aakash 3,00,000 ½
Less: Share of deficiency 50,000 ½</td><td>2,50,000</td><td></td><td></td></tr>
<tr><td>Baadal 3,00,000 ½
Add deficiency
Received from Aakash 50,000 ½</td><td>3,50,000</td><td></td><td></td></tr>
<tr><td></td><td>**13,00,000**</td><td></td><td>**13,00,000**</td></tr>
</table>
</td><td>3</td></tr>
<tr><td>8</td><td>Profit Transferred:
Vikas capital A/C 3,60,000
Vivek capital a/c 2,27,500
Vandan capital a/c 1,50,000</td><td>4</td></tr>
<tr><td>8.</td><td>


<table>
<tr><th>S.no.</th><th>Particulars</th><th>L F</th><th>Debit</th><th>Credit</th></tr>
<tr><td>**1.**</td><td>Eleen ‘s capital a/c Dr.
To monu ;s capital a/c
To Ahmed capital a/c
(Being the adjustment entry passed)</td><td></td><td>3850</td><td>2950
900</td></tr>
</table>
</td><td>6</td></tr>
</table>

Fundamental of partnership & Goodwill

Worksheet 2 **(20 marks)**

1	 Ridhima and Kavita were partners sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were ₹ 1,50,000 and ₹ 2,00,000 respectively. The partnership deed provides for interest on capital @ 8% p.a. The net profit of the firm for the year ended 31st March, 2023 amounted to ₹ 21,000. The amount of interest on capital credited to the capital accounts of Ridhima and Kavita will be : (A) ₹ 12,000 and ₹ 16,000 respectively. (B) ₹ 10,500 and ₹ 10,500 respectively. (C) ₹ 9,000 and ₹ 12,000 respectively. (D) ₹ 16,000 and ₹ 5,000 respectively. (CBSE 2024)	1
2	Solve question 2 and 3 using the below case study  Keshav and Hitesh are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 after division of profit of ₹ 15,000, their capitals were ₹ 55,000 and ₹ 45,000 respectively. During the year Keshav's drawings were ₹ 1,500 at the beginning of each quarter and Hitesh withdrew ₹ 9,000 on 1st November, 2022. After the final accounts have been prepared, it was discovered that interest on capital @ 5% p.a. and interest on drawings @ 8% p.a. have not been taken into consideration. Opening capital of Keshav was : (A) ₹ 35,000 (B) ₹ 39,000 (C) ₹ 43,000 (D) ₹ 52,000 (CBSE 2024)	1
3	 Amount of interest to be charged on Hitesh's drawings will be (A) ₹ 225 (B) ₹ 4,500 (C) ₹ 300 (D) ₹ 7,200	1

4	 There are two statements Assertion (A) and Reason (R) : *Assertion (A) :* **The partners' fixed capital accounts always show a credit** balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital. *Reason (R) :* When capitals are fixed, then various items like share of profit or loss, interest on capital, drawings, interest on drawings, etc. are recorded in partners' capital accounts. 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. (CBSE 2024)	1
5	Sharma and Verma were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were Rs. 14,00,000 and Rs 10,00,000 respectively. The partnership deed provided for the following : (i) Interest on capital @ 10% per annum. (ii) Interest on drawings @ 12% per annum. During the year ended 31.03.2025, Sharma withdrew Rs 2,00,000 and Verma withdrew Rs 1,00,000. After preparing the accounts for the year ended 31.03.2025, it was realised that interest on capital was not allowed and interest on drawings was not charged. Showing your working notes clearly pass necessary journal entries in the books of the firm to rectify the above error. (CBSE 2023)	3
6	 Abha and Sara were partners in a firm. Their capitals were : Abha ₹ 3,00,000 and Sara ₹ 2,00,000. The normal rate of return in similar business is 10%. The profits of the firm of Abha and Sara for the last three years were : 2021 – 22 – ₹ 60,000 2022 – 23 – ₹ 90,000 and 2023 – 24 – ₹ 1,20,000 Calculate goodwill of the firm on the following basis : (i) Four years purchase of the average profits for the last three years. (ii) Capitalisation of super-profits.	3

	(CBSE 2024)	
7	Kavita, Savita and Madhu were partners in a firm with capitals of 6,00,000, ₹4,00,000 and ₹2,00,000 respectively. After providing interest on capital @10% p.a., the profits are divisible as follows 1/3 Kavita, 1/2 Savita and Madhu 1/6. Kavita personally guaranteed that Savita's share of profit after charging interest on capital would not be less than ₹ 1,00,000 in any year. The profit for the year ending 31st March, 2022 amounted to ₹ 3,00,000 before providing interest on capital (i) Savita's share of profit is short of the guaranteed amount by (a) ₹40,000 (b) ₹70,000 (c) ₹20,000 (d) ₹10,000 (ii) The total profits of the firm after adjustment of guaranteed amount will be distributed between the partners as (a) Kavita 60,000, Savita 40,000 and Madhu 20,000 (b) Kavita 50,000, Savita ₹ 1,00,000 and Madhu ₹30,000 (c) Kavita 60,000, Savita₹90,000 and Madhu 30,000 (d) Kavita 60,000, Savita ₹ 1,00,000 and Madhu 20,000	4(2+2)
8	Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2024 the balance in their capital accounts stood at ₹ 8,00,000,₹6,00,000 and 4,00,000 respectively. They shared profits in the proportion of 5:3:2 respectively. Partners are entitled to interest on capital @ 5% per annum and salary to Bheem @ 3,000 per month and a commission of 12,000 to Daniel as per the provisions of the partnership deed. Ahmad's share of profit (excluding interest on capital) is guaranteed at not less than 25,000 per annum. Bheem's share of profit (including interest on capital but excluding salary) is guaranteed at not less than Rs.55,000 per annum. Any deficiency arising on that account shall be met by Daniel. The profits of the firm for the year ended 31st March, 2025 amounted to 2,16,000. Prepare 'profit and loss appropriation account' for the year ended 31st	6

	March, 2025 (CBSE Adapted)	

Answers

1	(C)	1
2	(D)	1
3	(C)	1
4	(C)	1
5	Profit & Loss Appropriation A/c Dr. 2,04,000 To Sharma's Capital A/c 1,16,000 To Verma's Capital A/c 88,000	3
6	(i) 1,20,000 (ii) 4,00,000	3
7	I) (d) Savita 's share = 90000; Guarantee = 100000; Deficiency = 10000 II) (b) IOC : Kavita - 60000 Savita - 40000 Madhu - 20000 Profit ; Kavita - 50000. Savita - 100000 Madhu - 30000	4
8	Interest on capital Ahmed -40000, bheem - 30000, Daniel - 20000 Bheem salary -36000 Daniel commission - 12000 Profit - Ahmed - 23400 bheem - 25000 daniel -14000	6

CHAPTER-3
RECONSTITUTION
CHANGE IN PROFIT SHARING RATIO & ADMISSION OF A PARTNER

CHANGE IN PSR AND ADMISSION OF A NEW PARTNER

Develop the understanding and skill of treatment of goodwill as per AS-26, treatment of revaluation of assets and reassessment 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.

When a firm requires additional capital or managerial help or both for the expansion ofits business a new partner may be admitted to supplement its existing resources. Admission of a partner is one of the modes of reconstitution of a partnership, under which existing agreement comes to an end and a new one comes into existence.

According to the Partnership Act 1932, a new partner can be admitted only with the consent of all the existing partners.

Rights of a New Partner:

1. Right to share future profits of the firm.
2. Right to share the assets of the firm.

Following Adjustments are needed at the time of admission of a New Partner:

1. Calculation of New Profit-Sharing Ratio
2. Calculation of Sacrificing Ratio
3. Accounting treatment of Goodwill
4. Accounting treatment for revaluation of assets and liabilities
5. Accounting treatment of reserves and accumulated profits
6. Adjustment of Partners’ Capitals

New Profit-Sharing Ratio:

The ratio in which all the partners (including incoming partner) share the future profits and losses is known as the new profit-sharing ratio.

New Profit-Sharing Ratio =Old Share — Sacrificing Share

Sacrificing Ratio:

The ratio in which old partners agree to sacrifice their share of profit in favour of thenew partner is called the sacrificing ratio.

Sacrificing Ratio = Old Share — New Share

MCQs

1. X,Y and Z are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the samewill be:

(A) Distributed among the partners in capital ratio

(B) Distributed among the partners in new profit-sharing ratio

(C) Distributed among the partners in old profit-sharing ratio

(D) Carried forward to new balance sheet without any adjustment

2. R, S and T sharing profits and losses in the ratio of 1:2:3, decided to share future profit and losses equally. They also decided to adjust the following accumulated profits, losses and reserves without affecting their book figures, by passing a singleadjustment entry:

General Reserve 40000 Profit and Loss A/c 30000

Deferred revenue expenditure 10000 The necessary. adjustment entry will be:

(A) Dr. R and Cr. T by 10,000
(B) Dr. T and Cr. R by 10,000
(C) Dr. S and Cr. R by 10,000
(D) Dr. R and Cr. S by 10,000

3. Assertion: Purchased goodwill appearing on the assets side of the balance sheet needto be written off in old ratio on change in profit sharing ratio.

Reason: As per AS-26, existing goodwill must be written off by crediting it tocapital account of partners.

(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 ofassertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.

4. Assertion(A): Investment Fluctuation Reserve is a reserve which is set aside out ofthe profits to meet a fall in the market value of investments.

Reason(R): When increase in the value of Investment is more than the balance inInvestment Fluctuation Reserve, excess is debited to Partners Capital A/c.

(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.

5. Assertion (A): A and B are partners in a firm. They decided to share future profits inthe ratio of 3:2. Goodwill of the firm was Rs.1,00,000. Partners recorded the following entry:

A’ Capital a/c Dr.10,000
To B’s Capital a/c 10,000

Reason (R) A’s gain is 1/10 and B’s sacrifice is 1/10 when old ratio is taken asequal.

(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 ofassertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.

6. A and B are partners in a firm having capitals of Rs. 54,000 and Rs. 36,000 respectively. They admitted C for 1/3rd share in the profits.C brought proportionate amount of capital. The Capital brought in by C would be:

(A) Rs. 90,000
(B) Rs. 45,000
(C) Rs. 54,000
(D) Rs. 36,000

7, X and Y are partners sharing profits and losses in the ratio of 3:2. They admit Z into partnership with 1/5th share in profits which he acquires equally from X and Y. Z brings in Rs. 40,000 as goodwill in cash. Goodwill amount will be credited to:

(A) X Rs. 20,000; Y Rs. 20,000
(B) X Rs. 25,000; Y Rs. I5,000
(C) X Rs. 24,000; Y Rs. 16,000
(D) X Rs. 4,000; Y Rs. 4,000

A and B are partners sharing profits and losses in the ratio of 3:2. They admitted C with effect from 1st April, 2024. New profit-sharing ratio is agreed at 4:3:3. An extract of their Balance Sheet as at 31st March, 2024 is as follows:

Liabilities	Rs.	Assets	Rs.
Workmen Compensation Reserve	90,000		

	Based on the above information you are required to answer the followingquestions (11,12 and 13):
8.	If there is no other information in respect of Workmen Compensation Reserve: (A)Cr. A's Capital A/c with Rs. 60,000 and B's Capital A/c with Rs. 30,000 (B)Cr. A's Capital A/c with Rs. 54,000 and B's Capital A/c with Rs. 36,000 (C)Dr. A's Capital A/c with Rs. 54,000 and B's Capital A/c with Rs. 36,000 (D)Cr. A's Capital A/c with Rs. 36,000 and B's Capital A/c with Rs. 27,000 and C's Capital A/c Rs. 27,000
9.	If a claim for Workmen Compensation is estimated at Rs. 60,000: (A) Cr. A's Capital A/c with Rs. 20,000 and B's Capital A/c with Rs. 10,000 (B)Dr. A's Capital A/c with Rs. 18,000 and B's Capital A/c with Rs. 12,000 (C)Cr. A's Capital A/c with Rs. 18,000 and B's Capital A/c with Rs. 12,000 (D)Cr. A's Capital A/c with Rs.12,000 and B's Capital A/c with Rs. 9,000 and C's Capital A/c with Rs. 9,000
10.	If a claim for Workmen Compensation is estimated at Rs. 1,50,000 (A)Dr. C's Capital with Rs. 60,000 (B)Dr. C's Capital A/c with Rs. 18,000 (C)Dr. Workmen Compensation Reserve A/c with Rs. 90,000 andRevaluation A/c with Rs. 60,000 (D)Dr. Revaluation A/c with Rs. 60,000
11.	Assertion (A): X and Y are partners with a profit sharing ratio of 5:3. They admit Z for 1/6th share of profits. There is a balance of Advertisement Suspense Account on that date for Rs. 1,80,000. It is carried forward to the new Balance Sheet. **Reason (R): Since it is likely to give benefits in the near future AdvertisementSuspense Account is carried forward to the new Balance Sheet.** (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 (A) is correct. (D)Both (A) and (R) are wrong.
12.	Assertion (A): Goodwill appearing in the books is not written off and is carried forward to the new Balance Sheet. **Reason (R): Goodwill existing in the books is purchased goodwill and hence, is notwritten off.** (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)Both (A) and (R) are wrong. (D)Only (R) is correct.
13.	Assertion (A): When market value of Investments is more than the book value, theentire amount of Investment Fluctuation Reserve is credited to old partners in theirold profit-sharing ratio. **Reason (R): Investment Fluctuation Reserve is a reserve created out of past profits and hence distributed among old partners in their old ratio.** (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.
14.	Assertion (A): Admission of a partner is one of the modes of reconstitution of the partnership whereby old partnership ceases to exist and a new partnership comes into existence. **Reason (R): In case of admission of a partner the number of partners increase and as a result profit sharing ratio also changes. But the firm continues. As such, it is thereconstitution of**

partnership.

(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.

15. Assertion (A): New partner should bring in his share of goodwill in cash so that the sacrificing partners may be compensated.

Reason (R): New partner may or may not bring his share of goodwill in cash. New Partner's Current Account may be debited and sacrificing partners' Capital Accounts credited to compensate them.

(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) Both (A) and (R) are false.
(D) (A) is false, but (R) is true.

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

3-4 MARKS QUESTION - ANSWER

1. A, B and C were partners in a firm. From 1st April,2019 they decided to share the profits in the ratio of 2:3:5. On this date the Balance Sheet of the firm showed a balance of Rs.60,000 in contingency reserve and debit balance of Rs.1,20,000 in profit & loss a/c. The goodwill of the firm was valued at Rs.3,60,000.

Pass journal entries for the above transactions in the books of the firm.

Ans.

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Contingency reserve A/c Dr To A's capital A/c To B's capital A/c To C's capital A/c (Contingency reserve transferred in old ratio)		60,000	 20,000 20,000 20,000
2.	A's capital A/c Dr B' capital A/c Dr C's capital A/c Dr To Profit & Loss A/c (Debit balance of profit & loss a/c transferred in old ratio)		40,000 40,000 40,000	 1,20,000
3	C's capital A/c Dr. To A's capital A/c To B's capital A/c (Adjustment for goodwill)		60,000	 48,000 12,000

Calculation of Gaining/Sacrificing Ratio
A = 1/3 – 2/10 = 4/30(sacrifice)
B = 1/3 -3/10 = 1/30(sacrifice)
C= 1/3-5/10 = 5/30 (gain)

2. Pankaj and Naresh were partners in a firm sharing profits in the ratio of 3: 2. Their fixed capitals were Rs. 5,00,000 and Rs. 3,00,000 respectively. On 1.1.2017, Saurabh was admitted as a new partner for 1/5th share in the profits. Saurabh acquired his shareof profit from Pankaj. Saurabh brought Rs. 3,00,000 as his capital which was to be kept fixed like the capitals of Pankaj and Naresh.

Calculate the goodwill of the firm on Saurabh's admission and the new profit-sharingratio of

Pankaj, Naresh and Saurabh. Also, pass necessary journal entry for the treatment of goodwill.
Ans.

Books of the firmJournal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Saurabh's Current A/c Dr. To Pankaj's Current A/c (Adjustment of goodwill on change in profit sharing ratio)		80,000	 80,000

a) Calculation of Hidden Goodwill:Saurabh's share = 1/5
Saurabh's Capital = 3,00,000
Total capital of the new firm = 3,00,000 X 5 = 15,00,000
Existing total capital of Pankaj, Naresh and Saurabh = 5,00,000 + 3,00 000+3,00,000
= **11,00,000**
Goodwill of the firm = 15,00,000-11,00,000 = **4,00,000**
Thus, Saurabh's share of goodwill = 1/5 X 4,00,000 = 80,000
(b)Calculation of New Profit-Sharing ratio:Pankaj's new share = 3/5 – 1/5 = 2/5
Naresh's new share = 2/5
Saurabh's share = 1/5
New Ratio = 2:2:1

3. A and B are partners sharing profits in the ratio of 3 :2. They admit C into the firm for 3/7th profit which he takes 2/7th from A and 1/7th from B. C brings Rs. 60,000 for his share of goodwill and Rs. 2,00,000 forhis capital. Give necessary Journal entries.
Ans.

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	Bank A/cDr. To C's Capital A/c To Premium for Goodwill A/c (The amount of Capital and goodwillbrought in Cash)		2,60,000	 2,00,000 60,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Goodwill/premium transferred to old partners capitals in sacrifice ratio i.e., 2:1)		60,000	 40,000 20,000

4. A and B are partners in a firm. They admit C as a partner with 1/4th share in the profits of the firm. C brings Rs. 2,00,000 as his share of capital. The value of the total assets of the firm is Rs. 5,40,000 and outside liabilities are valued at Rs. 1,00,000 on that date. Give the necessary entry to record goodwill at the time of C's admission. Also show your working notes.
Ans.
Combined Capital of A and B will be equal to the net worth of thebusiness.
Net Worth = Sundry Assets – Outside Liabilities
= Rs. 5,40,000 - Rs. 1,00,000
Hence, combined capital of A and B is Rs. 4,40,000
Calculation of Hidden Goodwill

Based on C's share, total capital of the new firm should be:
Rs. 2,00,000 x 4/1 = 8,00,000
Less: Net worth or Combined Capital of A and B (4,40,000),Capital of C (2,00,000)

Value of Firm’s Goodwill 1,60,000
C’s Share of Goodwill = Rs. 1,60,000 x1/4 = Rs. 40,000

JOURNAL ENTRIES

Date	Particulars	L.F.	Amt.	Amt.
	Bank A/c Dr. To C’s Capital A/c (Cash brought in by C as his capital)		2,00,000	 2,00,000
	C’s current A/c Dr. To A’s Capital A/c To B’s Capital A/c (Credit given for Goodwill to A and B on C’s admission)		40,000	 20,000 20,000

5. A, B and C sharing profits and losses in the ratio of 3:2:1 decide to admit D for 1/5th share with effect from 1st April, 2024. An extract of their Balance Sheet as at 31st March, 2024 is:

Liabilities	Rs.	Assets	Rs.
Investments Fluctuation Reserve	30,000	Investments (Atcost)	5,00,000

Show the accounting treatment under the following alternative cases:

1. If there is no other information.
2. If the market value of investments is Rs. 4,82,000.
3. If the market value of investments is Rs. 4,55,000.

Ans.

Date	Particulars	LF	Amount	Amount
1.	Investment Fluctuation Reserve A/c Dr. To A’s Capital A/c To B’s Capital A/c To C’s Capital A/c (Investments fluctuation reserve credited to Partners Capital Accountsin their old profit-sharing ratio))		30,000	 15,000 10,000 5,000
2.	Investment Fluctuation Reserve A/c Dr. To Investments A/c To A’s Capital A/c To B’s Capital A/c To C’s Capital A/c (Excess investments fluctuation reserve credited to Partners CapitalAccounts in their old profit-sharingratio)		30,000	 18,000 6,000 4,000 2,000
3.	Investment Fluctuation Reserve A/c Dr.		30,000	

	Revaluation A/c Dr. To Investment A/c (Fall in book value of investments credited to investments account andexcess fall charged to Revaluation Account)		15,000	45,000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Revaluation A/c. (Loss on revaluation debited to partners' Capital Accounts in their oldprofit-sharing ratio)		7,500 5,000 2,500	15,000

6. A and B were partners sharing profit and losses in the ratio of 3:2.Their Balance Sheet as at 31st December, 2023 was:

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Creditors	40,000	Cash at Bank	70,000
Bills Payable	60,000	Debtors	80,000
Capital A/cs:		Furniture	50,000
A 2,00,000		Stock	65,000
B 1,00,000	3,00,000	Machinery	1,35,000
	4,00,000		4,00,000

On 1st January, 2024, they agreed to admit C into partnership on thefollowing terms:

1. C will bring Rs. 80,000 as capital and Rs. 20,000 for hisshare of goodwill in cash.
2. The value of Furniture would be increased to Rs. 68,000.
3. The value of stock would be decreased by Rs. 4,000.
4. Machinery is to be appreciated by 10%.
5. There is a liability of Rs. 5,000 included in creditors, that is not likely to arise.

SOLUTION:- **Pass the necessary Journal Entries.**

01.01.24	Cash A/c Dr. To C's Capital A/c To Premium for Goodwill A/c (capital and premium for goodwillbrought in cash)		1,00,000	80,000 20,000
01.01.24	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (premium for goodwill credited to oldpartners in their sacrificing ratio of 3:2)		20,000	12,000 8,000
01.01.24	Furniture A/c Dr. Machinery A/c Dr. To Revaluation A/c (increase in the value of assetsrecorded)		18,000 13,500	31,500

01.01.24	Creditors A/c Dr. To Revaluation A/c (increase in the amount of creditors recorded)		5,000	 5,000
01.01.24	Revaluation A/c Dr. To Stock A/c (decrease in the value of stockrecorded)		4,000	 4,000
01.01.24	Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c (profit on revaluation transferred to old partners in their old ratio of 3:2)		32,500	 19,500 13,000

7. A and B share profits in the ratio of 3:2 respectively. Their Sheet asat 31st March, 2019 is as follow:

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Creditors	30,000	Cash	25,000
Capital A/cs:		Debtors	12,000
A 30,000		Machinery	30,000
B 40,000	70,000	Land and Building	33,000
	1,00,000		1,00,000

They admit C on 1st April, 2019 for 1/3rd share in profits. Theyagreed on the following terms:

1. C will bring in Rs. 50,000, of which Rs. 10,000 will be treated as his share of goodwill, to be retained in the business.
2. Land and Building is appreciated by Rs. 15,000.
3. Value of Machinery is to be reduced by 10%.

Pass necessary Journal Entries.

8. A and B are partners sharing profits in the ratio of 2:1. C is admitted into the firm for 1/5 share of profits. C brings in Rs. 16,000 in respect of his capital. The capitals of old partners A and B, after all adjustments relating to goodwill, revaluation of assets and liabilities, etc., are Rs. 40,000 and Rs. 28,000 respectively. It is agreed that the old partners' capitals should be adjusted according to the new partner's capital and their new capitals should be maintained in the new profit sharing ratio. Determine the new capitals of A and B and also find the amount to be withdrawn or brought in by any of the old partners.
Hints:- A will bring Rs 8,000, and B will withdraw Rs 4,000

9. Neha and Tanisha are partners in a firm sharing profits in the ratio of 2:3. They admit Sunita as a partner with 1/5 in the share of profits. Sunita brings 20000 (including capital of Rs. 17000 and remaining as her share in goodwill).
Goodwill of the firm was valued at Rs. 20000. Sunita is unable to bring the remaining portion of her share of goodwill. The old partners withdraw half of the amount from the business.
Pass journal entries for the treatment of Goodwill on Sunita's admission.

10. Anil and Sunil are partners sharing profits and losses in the ratio of 2 : 3. Sushil is admitted into the partnership with 1/5 share in profits. On his admission, you are required to prepare a Profit and Loss Adjustment a/c. The assets were revalued and liabilities were reassessed in the following manner.

Old Value	New Value
Machinery Rs. 50000	Found to be undervalued by Rs. 12000
Furniture Rs. 40000	To be depreciated by 5%

Creditors Rs. 17000	Rs. 2000, not likely to be claimed
Investment Rs. 15000	Taken away by Anil at a value of Rs. 14000

Hints:- Revaluation profit : Rs. 11,000 Anil's share Rs. 4400 and Sunil's Share Rs. 6600.

6 MARKS QUESTIONS

1. X and Y are partners sharing profits and losses in the ratio of 4 : 3. Their Balance Sheet as at 31st December 2013 stood as follows:-

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	28,000	Cash	20,000
Reserve	42,000	Sundry Debtors	1,20,000
Capital Account		Stock	1,40,000
X – 2,40,000		Fixed Assets	1,50,000
Y – 1,20,000	3,60,000		
	4,30,000		4,30,000

They decided that with effect from 1st January 2014 they will share profits and losses in the ratio of 2 : 1. For this purpose they decided that ;-

(i) Fixed Assets are to be depreciated by 10%.
(ii) A provision for bad and doubtful debt create @6% on debtors.
(iii) Stock be valued at Rs.1,90,000.
(iv) An amount of Rs. 3,700 included in creditors not likely to be claimed.

Partners decided to record the revised values in the books. However they do not want to disturb the reserves. You are required to prepare journal entries Capital Accounts of the partners and the Revised Balance Sheet

Hints:- Profit on Revaluation Rs.31,500. Adjustment for Reserve Debit X Capital A/c by Rs.4,000 and Credit Y's Capital A/c by Rs.4,000. Balance of capital A/c X- Rs.2,54,00, Y- Rs.1,37,500. Total of Balance Sheet Rs.4,57,800.

2. P, Q and R are partners in a firm and sharing Profits and losses in the ratio of 5 : 4 : 3. On 31st March 2003 their Balance sheet was as follows:-

Liabilities	Amount(Rs.)	Assets	Amount (Rs.)
Sundry Creditors	50,000	Cash at Bank	40,000
Outstanding expenses	5,000	Sundry Debtors	2,10,000
General Reserve	75,000	Stock	3,00,000
Capital account:		Furniture	60,000
P 4,00,000		Plant and Machinery	4,20,000
Q 3,00,000			
R 2,00,000	9,00,000		
	10,30,000		10,30,000

It was decided that with effect from 1st April 2003 the profit sharing ratio will be 4 : 3 : 2.For this purpose the following revaluation were made:-

(i) Furniture be taken at 80% of its book value.
(ii) Stock be appreciated by 20%.
(iii) Plant and Machinery be valued at Rs.4,00,000.
(iv) Create provision for doubtful debt for Rs.10,000 on debtors.
(v) Outstanding expenses be increased by Rs.3,000.

Partners agreed that altered values are not to be recorded in the books and they also do not want to distribute the general reserve.

You are required to post a single journal entry to give the effect of the above. Also prepare the revised Balance sheet.

Hints:- Profit on revaluation Rs.15,000. Adjustment for Revaluation and General Reserve Single entry

Debit P’s capital A/c by Rs.2,500 and Credit R’s Capital A/c by Rs.2,500 Balance sheet total Rs.10,30,000.

3. Shubhi and Revanshi were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31 March, 2023 was as follows :

Balance Sheet of Shubhi and Revanshi as at 31st March, 2023

Liabilities		Amount Rs.	Assets	Amount Rs.
Capitals :			Fixed Assets	90000
Shubhi	60,000		Stock	38000
Revanshi	32,000	92000	Debtors	30000
General Reserve		30000	Cash	52000
Bank Loan		18000		
Creditors		70000		
		210000		210000

On 1st April, 2023 they admitted Pari into the partnership on the following terms:

1. Pari will bring Rs. 50,000 as her capital and Rs. 50,000 for her share of premium for goodwill for1/4th share in the profits of the firm.
2. Fixed assets were depreciated @ 30%.
3. Stock was valued at Rs. 45,000.
4. Bank loan was paid off.
5. After all adjustments capitals of Shubhi and Revanshi were to be adjusted by taking Pari’s capital as the base. Actual cash was to be paid off or brought in by the old partners as the case may be.

Prepare Revaluation Account and Partners’ Capital Accounts.

Hints:- Loss on Revaluation 20,000 Balance in Capital Account Shubhi 90,000, Revanshi 60,000, Pari 50000

4. Anikesh and Bhavesh are partners in a firm sharing profits in the ratio of 7:3. Their Balance Sheet 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:

1. Chahat will bring Rs.90,000 as her capital and Rs.30,000 as her share of Goodwill premium.
2. Outstanding wages will be paid.
3. Stock will be reduced by 10%.
4. 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.

5. 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:		Plant and Machinery	80000
Sanju 1,40,000		Furniture	132000
Manju 1,20,000	260000	Investments	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**:**

1. Furniture was to be depreciated by Rs. 6,000.
2. Investments were valued at Rs. 72,000.
3. Plant and Machinery was taken over by Sanju and Manju in their profit sharing ratio.
4. 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.

Hints;- Profit on Revaluation 6,000, Capital Account Balance : Sanju 1,25,600, Manju 1,10,400, Uday 78667

6. 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		Stock	1,12,000
Vishesh 2,00,000		Machinery	3,00,000
	5,00,000	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:

1. Manya will bring Rs. 1,00,000 as her capital and Rs. 50,000 as her share of goodwill premium in cash.
2. Outstanding electricity bill will be paid off.
3. Stock was found over valued by 12,000.

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

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, 2023 was as follows:

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

Liabilities	Amount Rs.	Assets	Amount Rs.
Capitals:		Plant & Machine	200000
Sarah 60000		Stock	30000
Varsha	110000	Debtors 50000	
50000 Provident	120000	Less: PDD 5000	45000
Fund 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:

1. Tasha brought Rs. 40,000 as her capital and Rs. 20000 as her share of premium for goodwill.
2. Plant and Machinery was valued at Rs. 1,90,000.
3. An item of Rs. 20,000, included in creditors, is not likely to be claimed and should be written off.
4. 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:- Profit On Revaluation 10,000, Capital account Balances Sarah 72,000, Varsha 48,000, Tasha 40,000

8. Charu and Harsha were partners in a firm sharing profits in the ratioof 3:2. On 01.04.2024, their Balance Sheet was as follows:

BALANCE SHEET OF CHARU AND HARSHA

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Creditors	17,000	Cash	6,000
General Reserve	4,000	Debtors	15,000
Workmen CompensationFund	9,000	Investment	20,000
Investment Fluctuation Fund	11,000	Plant	14,000
Provision for Bad DebtsCapitals:	2,000	Land and Building	38,000
Charu 30,000			
Harsha 20,000	50,000		
	93,000		93,000

On the above date, Vaishali was admitted for 1/4th share in the profits of the firm on the following terms:

1. Vaishali will bring Rs. 20,000 for her capital and Rs. 4,000 forher share of goodwill premium.
2. All debtors were considered good.
3. The market value of investments was Rs. 15,000.
4. There was a liability of Rs. 6,000 for workmen compensation.
5. Capital accounts of Charu and Harsha are to be adjusted on thebasis of Vaishali's capital by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

Hints:- Profit on Revaluation 2,000, Balance in Capital account Charu 36,000, Harsha 24,000, Vaishali 20,000**.**

9. X and Y are partners sharing profits and losses in the ratio of 3:2. TheirBalance Sheet on 31 March, 2024 stood as under:

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Capital A/cs		Furniture	66,000
X 70,000		Investment	30,000
Y 60,000	1,30,000	Debtors 38,000	
General Reserve	20,000	Less: Provision 2,000	36,000

Creditors	90,000	Cash Plant and Machinery	68,000 40,000
	2,40,000		2,40,000

On 1 April, 2024, they admitted Z for 1/4th share in profits on following terms:

1. Z brings in capital proportionate to his share after all adjustments and Rs. 5,000 for goodwill out of his share of Rs. 14,000.
2. Furniture is to be reduced by Rs. 3,000.
3. Investments are valued at Rs. 36,000.
4. Half of the plant and machinery is taken over by X and Y in their profit-sharing ratio.
5. New profit-sharing ratio is agreed at 3:3:2.
6. Capitals of X and Y will be adjusted in their profit-sharing ratio by bringing in or paying off cash as the case may be.

Prepare Revaluation Account and Capital Accounts after Z's admission.

Hints:- Profit On Revaluation 3,000, Balance in Capital Account X 73,500, Y 73,500, Z 49,000.

10. Given below is the Balance Sheet of A and B, who are carrying on partnership business as at 31st March, 2024. A and B share profits and losses in the ratio of 2:1.

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Sundry Creditors	58,000	Cash in Hand	10,000
General reserve	12,000	Cash at Bank	40,000
Capital A/cs		Sundry Debtors	60,000
A 1,80,.000		Stock	40,000
B 1,50,000	3,30,000	Plant and Machinery	1,00,000
		Building	1,50,000
	4,00,000		4,00,000

C is admitted as a partner on the date of the Balance Sheet on the following terms:

1. C will bring in Rs. 1,00,000 as his capital and Rs. 60,000 as his share of goodwill for 1/4th share in profits.
2. Plant is to be appreciated to Rs. 1,20,000 and the value of Building is to be appreciated by 10%
3. Stock is found overvalued by Rs. 4,000.
4. General Reserve will continue to appear in the books of the reconstituted firm at its original value.
5. A provision for doubtful debts is to be created at 5% of debtors.
6. Creditors were unrecorded to the extent of Rs. 1,000.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the constituted firm after admission of the new partner.

Hints:- Profit On Revaluation 27,000 Capital account Balance A 2,40,000, B, 180000 and C 97,000 Total Of Balance Sheet 5,88,000

TIME: 40 min. **WORKSHEET-1** **M.M. 20**

1.	Akshita and Anurag are partners in a firm sharing profits in the ratio of 2 : 1. Akshat is admitted in the firm with 1/3 share in profits. Akshat acquires2/3 of his share from Akshita and 1/3 of his share from Anurag. The new profit sharing ratio of Akshita, Anurag and Akshat will be : (A) 3:2:4 (B) 4:3:2 (C) 2:1:1 (D) 4:2:3	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.	A and B are partners sharing profits in the ratio of 3:2. They admit C for 1/5th share. The total capital of the firm after C's admission is Rs.5,00,000. How much capital should C bring? (A) Rs 1,00,000 (B) Rs 2,00,000 (C) Rs 1,25,000 (D) Rs 5,00,000	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. 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(D), 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

TIME: 40 min. **WORKSHEET- 2** **M.M. 20**

<table>
<tr><td>1.</td><td>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</td><td>1</td></tr>
<tr><td>2.</td><td>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</td><td>1</td></tr>
<tr><td>3.</td><td>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.</td><td>1</td></tr>
<tr><td>4.</td><td>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</td><td>3</td></tr>
<tr><td>5.</td><td>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.
Calculate the new profit-sharing ratio and sacrificing ratio.</td><td>4</td></tr>
<tr><td>6.</td><td>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.</td><td>4</td></tr>
<tr><td>7.</td><td>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:
Balance Sheet of Sarah and Varsha as at 31st March, 2024
<table>
<tr><th>Liabilities</th><th>Amount Rs.</th><th>Assets</th><th>Amount Rs.</th></tr>
<tr><td>Capitals:
Sarah 60000
Varsha
50000 Provident
Fund Creditors
Workmen
Compensation Fund</td><td>110000
120000
50000
20000</td><td>Plant & Machine
Stock
Debtors 50000
Less: PDD 5000
Cash</td><td>200000
30000
45000
25000</td></tr>
<tr><td></td><td>300000</td><td></td><td>300000</td></tr>
</table></td><td>6</td></tr>
</table>

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.

ANSWER KEY

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-4
RETIREMENT & DEATH OF A PARTNER

Like admission and changes in profit sharing ratio in case of retirement or death also the existing partnership deed comes to end and the new one comes into existence among the remaining partner. There is not much difference in the accounting treatment at the time of retirement or in the event of death. Retirement of a partner means ceasing to be partner of the firm. A partner may retire

- If there is agreement of this effect
- All partners give consent
- At will by giving written notice
- **Amount due to Retiring/Deceased Partner (To be credited to his capital account)**

Credit Balance of his capital.
Credit Balance of his current account (if any).
Share of Goodwill. (Compensated by gaining partners)
Share of Reserves/Undistributed profits.
His share in the profit on revaluation of assets and liabilities.
Share in profits up to the date of Retirement/Death. (P &L suspense A/c)
Interest on capital if involved.
Salary if any

- **Deductions from the above sum (to be debited to capital account)**

Debit balance of his current account (if any)
Share of existing Goodwill to be written off.
Share of accumulated loss.
Drawing and interest on drawings (if any)
Share of loss on account of Revaluation of assets and liabilities.
Hisshareoflossinbusinessuptothedateof Retirement/Death(ToP&L)suspense A/c)

- **Accounting Treatment**

Various matters that need accounting adjustment at the time of retirement are:
Determination of new profit-sharing ratio
Determination of gaining ratio
Treatment of goodwill
Revaluation of assets and liabilities
Adjustment of accumulated profits and losses
Determination of the amount payable to the retiring partner.

New profit-Sharing Ratio & Gaining Ratio

New profit-Sharing Ratio: It is the ratio in which the remaining partners share future profits after retirement/death.

Gaining ratio: It is the ratio in which the continuing partners have acquired the share of profit from the outgoing partner

Gaining Ratio= New Ratio-Old Ratio.

Difference between Sacrificing Ratio and Gaining Ratio

Basis	Sacrifice Ratio	Gaining Ratio
Meaning	Ratio in which the old partners surrender their share of profit in favor of a new partner	Ratio in which remaining partners acquire the outgoing partners share of profit
When calculated	Admission of a partner	Retirement and death of a partner
Formula	Sacrifice Ratio=Old ratio–New ratio	Gaining Ratio=New ratio– Old ratio

Treatment of goodwill

As per the Accounting Standard 26, Goodwill account can’t be raised and only purchased goodwill can be recorded in the books. Therefore, only adjustment entry is done for goodwill.

Steps to be followed:
1.**When goodwill appears in the books:** It is called existing goodwill and first of all this is to be written off in the old ratio.

	All Partner's capital A/CDr.(existing Goodwill in old Ratio) To Goodwill A/c.		

2. Retiring partner's share of goodwill transferred to his capital account (in gaining ratio).

	Gaining Partner's Capital, A/C Dr. To Retiring/Deceased Partner's Capital A/c		

Hidden Goodwill

Sometimes goodwill is not given in the question directly, but if a firm agrees to pay a sum which is more than retiring partner's balance in capital A/C (amount due to the retiring partner) after making all adjustment with respect to reserves, revaluation of assets and liabilities etc. that amount is treated as his share of goodwill (known as hidden goodwill).

3. Revaluation of Assets and Reassessment of Liabilities:
Revaluation A/c is prepared in the same way as in the case of admission of a new partner. **All the LOSSES due to INCREASE IN LIABILITIES OR DECREASE IN ASSETS IS DEBITED and all the GAINS due to INCREASE IN ASSETS AND DECREASE IN LIABILITIES IS CREDITED to Revaluation A/c.**
Profit or loss on revaluation is transferred among all the partners in their old ratio.
Adjustment of Reserves and Surplus (Profits) (Appearing in the Balance Sheet–Liability Side)

	General Reserve A/c……Dr. Reserve Fund A/c……Dr. Profit &LossA/c (Credit Balance) …..Dr. To All partners' Capital/Current A/c (in old ratio)		

- **Specific Funds** – If the specific funds such as workmen's compensation funds or investment fluctuation fund are in excess of actual claim, the excess will be transferred to the Capital A/c of partners in their old ratio.

	Workmen Compensation Fund A/c Dr. Investment Fluctuation Funds A/c Dr. To All Partner's Capital A/cs		

For distributing accumulated losses (P&L a/c debit balance shown on the Asset side of Balance Sheet)

	All partner's Capital/Current A/c Dr. (in old ratio) To P & L A/c To Advt. Suspense A/c To Deferred Revenue Expenditure A/c		

Settlement of Amount due to Retiring Partner:

- Calculation of Amount Payable to Retiring/Deceased Partner. The amount due to a retiring partner is ascertained by preparing retiring partner's capital account.
- Settlement of the Amount Due to the Retiring Partner. The amount due to retiring partner is either paid off immediately or is transferred to his loan account. The retiring partner's loan account should be paid off along with interest and will appear in the books of the new firm as a liability until it is paid off finally.

Journal Entries
If the Amount is immediately Paid Off:

	Retiring Partner's Capital A/c…………Dr. To Bank A/c		

If the Amount is not paid immediately:

- **If the amount due is transferred to retiring partner's loan account:**

	Retiring Partner's Capital A/c.. Dr To Retiring Partner's LoanA/c		

On interest being provided

	Interest on LoanA/c.. Dr To Retiring Partner's Loan A/c		

- **On payment of instalment with interest**

	Retiring Partner's LoanA/c.. Dr To Cash/Bank A/c		

Death of a partner

Accounting treatment in the case of death is same as in the case of retirement except the following:
The deceased partners claim is transferred to his executer's account.
Normally the retirement takes place at the end of the Accounting period but
The death may occur at any time. Hence the claim of deceased partner shall also include
His share of profit till the date of death
Interest on capital drawings if any from the date of the last balance sheet to the date his death.
Interest on capital drawings if any from the date of the last balance sheet to the date of his death.

Calculation of profit/Loss for the intervening Period.

Itis calculated by any one of the two methods given below:

On Time Basis: In this method proportionate profit for the time period is calculated either on the basis of last year's profit or on basis of average profits of last few years.

On Turnover or Sales Basis: In this method the profits up to the date of death for the current year is calculated on the basis of current year's sales up to the date of death by using the formula.

Profits for the current year up to the date of death

Profit for the last year /total sale for the last year X Sales of the current year up to the date of death

- **Ascertainment of the Amount due to Deceased Partner:**

The deceased partner's share is also calculated in the same manner as in the case of retiring partner. Amount due to a deceased partner shown by his capital account is transferred to his executors' account by passing the following journal entry:

	Deceased Partner's Capital A/c Dr To Deceased Partner's Executors A/c		

Settlement of the amount due to Executors of Deceased Partners

- **If Payment is Made in Full/Lump sum**

	Deceased Partner's Executor's A/c Dr To Cash/ Bank A/c		

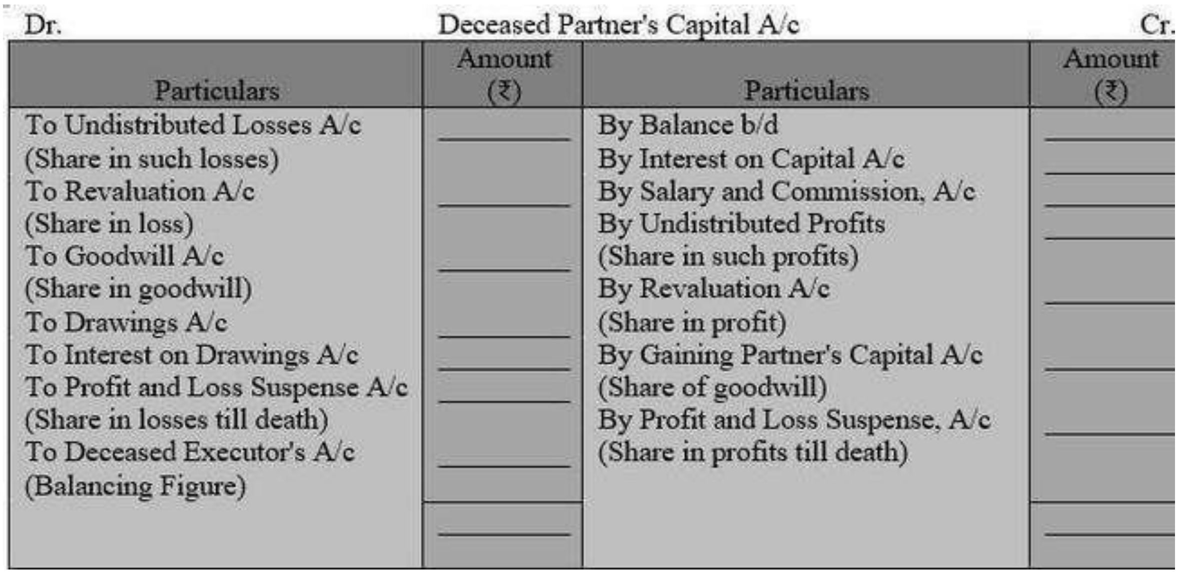
- **If Payment is Made in Instalment**

	Deceased Partner's Executor's A/c Dr To Deceased Partner's Executor's Loan A/c		

- **If Interest is charged on the outstanding balance**

	Interest A/c Dr To Deceased Partner's Executor's Loan A/c		

Format of Deceased Partner's Capital Account



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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Undistributed Losses A/c (Share in such losses)		By Balance b/d	
To Revaluation A/c (Share in loss)		By Interest on Capital A/c	
To Goodwill A/c (Share in goodwill)		By Salary and Commission, A/c	
To Drawings A/c		By Undistributed Profits (Share in such profits)	
To Interest on Drawings A/c		By Revaluation A/c (Share in profit)	
To Profit and Loss Suspense A/c (Share in losses till death)		By Gaining Partner's Capital A/c (Share of goodwill)	
To Deceased Executor's A/c (Balancing Figure)		By Profit and Loss Suspense, A/c (Share in profits till death)	

Multiple Choice Questions:

SL NO	Questions	Marks
1.	P, Q and R sharing profit and losses in the ratio of 8:5:3. P retire from the firm, Q takes 3/16 from P and R takes 5/16 from P. New profit-sharing ratio between Q and R will be (A)1:1 (B)10:6 (C)9:7 (D)5:3	
2	Case: Analyze the case given below and answer the questions that follow: A, K and S were partners in a firm sharing profits in the ratio of 5: 3: 2. Goodwill appeared in their books at the value of Rs 60,000. 'K' decided to retire from the firm. On the date of his retirement, goodwill of the firm was valued at Rs2,40,000. The new profit-sharing ratio decided among A and S was 2: 3. How much of the existing goodwill will be transferred to K's Capital Account? (A) Rs 18,000 (B) Rs30,000 (C) Rs 12,000 (D)Rs 72,000	
3	What is A's gaining or sacrificing ratio: (A)1/10Gain B) 1/10 Sacrifice C) 4/10 Gain (D)4/10Sacrifice	
4	What amount of goodwill will be transferred to K's capital account as compensated by A and S? (A)Rs96,000 (B) Rs 72,000 (C) Rs 24,000 (D) Rs18,000	
5	J, K and L where partners in a firm sharing profits and losses in the ratio 5:2:3. K died and J&L decided to continue the business. Their gaining ratio was 2:3 calculate new profit sharing ratio of J and L. (A)21:29 (B) 29:21 (C)11:19 (D) 19:11	
6	A, B & C were partners in a firm sharing profits and losses in the ratio of 5:3:2. C retired & his capital balance after adjustments regarding reserves, accumulated profits/losses & his share of gain on revaluation was 2,50,000. C was paid 3,22,000 including his share of goodwill. The amount credited to C's Capital A/C, on his retirement, for goodwill will be: (A) Rs 72,000 (B) Rs 7,200 (C) Rs 14,000 (D) Rs 3,22,000	
7	P, Q and R share profits in the ratio of 5:4:3. R retires and the new ratio is 5:3. If R is given Rs 6,000 as goodwill, Journal entry will be: (A)P's capital A/C Dr 1,000 Q's capital A/C Dr 5,000 To R's capital A/c 6,000	

	(B)P's capital A/C Dr 5,000 Q's capital A/C Dr 1,000 To R's capital A/c 6,000 (C) P's capital A/C Dr 3,750 Q's capital A/C Dr2,250 To R's capital A/c 6,000 (D) P's capital A/C Dr 3,333 Q's capital A/C Dr 2,667 To R's capital A/c 6,000	
8	A, S and R are partners sharing profit in theratio7:5:4. R died on 30th June 2019, and profits for the year 2018-19 were12,000. How much amount in profits for the period 1st April 2019 to 30th June 2019 will be credited to R's account ? (A)750 (B) 5,000 (C) 7,000 (D) NIL	
9	A, B and C were partners sharing profit and losses in the ratio of 2:2:1. Books are closed on 31st March every year. C dies on 5th November,2018. Under the partnership deed, the executors of the deceased partner are entitled to his share of profit to the date of death, calculate on the basis of last year's profit. Profit for the year ended 31st March ,2018 was Rs. 2,40,000. C's share of profit will be: (A)Rs.28,000 (B) Rs. 32,000 (C)Rs. 28,800 (D) Rs. 48,000	
10	Nikhil, Akhil and Amber are partners in a firm. At the time of Akhils retirement, Amber takes over furniture of Rs 12000 at Rs 10000. Choose the correct entry from the following options. (A)Debit furniture A/c RS10000 and Credit Ambers Capital A/c RS10000 (B)Debit furniture A/c RS12000 and Credit Ambers Capital A/c RS10000 and credit revaluation A/c Rs 2000 (C)Debit Ambers Capital A/cRS10000 and Credit furniture A/c RS 10000 (D)Debit Ambers Capital A/cRS10000, Debit revaluation a/c with Rs2000 and credit furniture A/c RS 12000	
11	Assertion (A): In the event of retirement of a partner a combined share of profit of the remaining partners will increase. Reason (R): Combined share of profit of the remaining partners increases because they will also acquire the profit share of the retiring partner. (A)Both A and R are correct, but R is not the correct explanation of A. (B)Both A and R are correct, and R is the correct explanation of A (C)A is correct but R is incorrect. (D)A is incorrect but R is correct.	
12	Assertion: Retiring partner is entitled to his share of goodwill at the time of retirement. Reason: Goodwill earned by the firm is result of efforts of all existing partners in the past (A) Both A and R are true and R is correct explanation of A. (B) A and R both are true but R is not the correct explanation of A. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	
13	Assertion(A): When goodwill is not appearing in the books, retiring or deceased partner's capital account is to be credited with his share of goodwill and gaining partners' capital accounts are to be debited in gaining ratio. Reason(R): Goodwill needs to be compensated by the gaining partners in the gaining ratio. (A) A and R both are true but R is not the correct explanation of A. (B) Both A and R are true and R is correct explanation of A. (C) Assertion is true, reason is false.	

	(D) Assertion is false, reason is true	
14	Assertion(A): Unrecorded outstanding repair bill at time of death of partner is recorded on debit side of Revaluation a/c. Reason(R): Increase in capital of partner is recorded on credit side of Capital account. (A) Both A and R are true and R is correct explanation of A. (B) A and R both are true but R is not the correct explanation of A. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	
15	Assertion(A): Ram, Rahim and Rohan share profits in the ratio2:3:5. Ram decides to retire. The new profit-sharing ratio is 3:5. If the profit earned was Rs1,50,000 before retirement. Assertion(A): Rahim's share Should be Rs 45,000. Reason(R): The profits are shared in the new profit-sharing ratio. (A) Both A and R are true and R is correct explanation of A. (B) A and R both are true but R is not the correct explanation of A. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	

Answer:

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

Short Answer Type Questions:

<table>
<tr><th>Q.N</th><th>Questions</th><th>Marks</th></tr>
<tr><td>1</td><td>Laly, Malu and Neelu are partners sharing profits and losses intheratioof4:3:2. Malu retires and the goodwill is valued at Rs. 72,000. Calculate Malu's share of goodwill and pass the Journal entry for Goodwill. Laly and Neelu decided to share the future profits and losses in the ratio of 5: 3.
Journal
<table>
<tr><th>Particulars</th><th>L.F.</th><th>Debit Amount</th><th>Credit amount</th></tr>
<tr><td>Laly's Capital A/c Dr
Neelu's Capital A/c Dr
To Malu's Capital A/c
(Adjustment of M's share of goodwill made)</td><td></td><td>13,000
11,000</td><td>
24,000</td></tr>
</table>
<u>Working Note</u>:
<u>WN1Calculation of Gaining Ratio</u>
Old Ratio (Laly, Malu and Neelu) = 4:3:2 Malu retires and New Ratio = 5 : 3
Gaining Ratio New Ratio−Old Ratio
Laly's share : 5/8- 4/9 = 13/72 Neelu's share: 3/8-2/9=11/72
∴Gaining Ratio = 13 : 11<u>WN2AdjustmentofGoodwill</u>
Goodwill of the firm = Rs 72,000
Malu's share of goodwill =72000 x 3/9= Rs24000
This share of goodwill is to be debited to remaining Partners' Capital Accounts in their gaining ratio (i.e. 13 : 11).
Lali's share = 24000 x13/24 = 13000 Neelu's share=24000x11/24=11000</td><td></td></tr>
</table>

2

Aparna, Manisha and Sonia are partners sharing profits in the ratio of 3 : 2 : 1. Manisha retired and goodwill of the firm is valued at Rs.1,80,000. Aparna and Sonia decided to share future profits in the ratio of 3 : 2. Pass necessary Journal entries.

Journal

Date	Particulars	L.F.	Debit Amount	Credit Amount
	Aparna's Capital A/c.. Dr		18,000	
	Sonia's Capital A/c Dr		42,000	
	To Manisha's Capital A/c			60,000
	(Manisha's share of goodwill adjusted to Aparna's and Sonia's Capital Account in their gaining ratio)			

3

Murli, Naveen and Omprakash are partners sharing profits in the ratio of 3 /8, 1 / 2 and1/8.Murli retires and surrenders 2/3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. Calculate new profit sharing and the gaining ratio of the remaining partners.

Solution:

OldShareMurli-½

Old share of Naveen – 1/8

Share Acquired by Naveen=2/3of3/8=2/8 Om Prakash = 1/3 of 3/8 = 1/8

New Share of Naveen=(i)+(ii)=1/2+2/8=6/8or3/4 Om Prakash =1/8 +1/8 = 2/ 8 or 1/4

Thus, the New profit sharing Ratio = 3 /4 : 1/ 4 or3:1,

And the Gaining Ratio = 2/8 and1/8 =2:1

4

Kavi, Ravi, Kumar and Guru were partners in a firm sharing profits in the ratio of 3:2:2:1. On 1.2.2017, Guru retired and the new profit-sharing ratio decided between Kavi, Ravi and Kumar were3:1:1. On Guru's retirement the goodwill of the firm was valued at Rs.3,60,000. Showing your working notes cl early, pass necessary journal entry in the books of the firm for the treatment of goodwill on Guru's retirement.

Date	Particulars	LF	Debit Amount	Credit Amount
	Kavi's Capital A/c Dr.		81000	
	To, Ravi's Capital A/c			18000
	To Kumar's Capital A/c			18000
	To Guru 's capital A/c			45000
	(goodwill transferred)			

Sacrifice/gaining ratio

Kavi – 9/40 (gain) Ravi 2/40(sacrifice)

Kumar– 2/40 (sacrifice)

5

Kumar, Lakshya, Manoj and Vrinda are partners sharing profits in the ratio of 3:2:1:4. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of 3: 2. Calculate new profit-sharing ratio of the remaining partners.

Solution:

Kumar: Lakshya:Manoj:Vrinda = 3:2:1:4

Kumar's share taken up by Lakshya = 3/10*3/5=9/50

Lakshya's new share = 2/10+9/50 = 19/50

Kumar's share taken up by Manoj = 3/10*2/5= 6/50

	Manoj's new share = 1/10+6/50 =11/50 Lakshya: Manoj: Vrinda = 19/50: 11/50: 4/10 Lakshya: Manoj: Vrinda =19: 11: 20	
6	Kanak, Kamal and Kanha are partners in a firm. Their fixed capitals were Rs 5,00, 000, Rs10,00,000 and15,00,000 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 from1st April, 2021 to 30th September, 2021 were Rs 6,00,000. Calculate Kanak's share of profit. Pass necessary Journal entry to record Kanak's share of profit. Kanak'sShareofProfitfrom1stApril,2021to30thSeptember, 2021 ^{2,00,000}×Rs6,00,000x$^{1/6}$=Rs.10,000. *20,00,000* Profit &Loss Suspense A/c Dr. 10,000 To Kanak's Capital A/c 10,000	
7	Ajay, Pranav and Vijay are in partnership sharing profits in the ratio of 4:3:1. Pranav takes retirement on 30th June,2019 The firm's profits for various years were : 2016 (profit Rs 10,000), 2017 (loss Rs 10,000), 2018 (profit Rs 40,000) and 2019(profit Rs 50,000). Ajay and Vijay decided to share future profits in the ratio of 3:2. Goodwill is to be valued on the basis of 2 years' purchase of average profit of 4 completed years immediately preceding the year of retirement of a partner. Pass the journal entry to record Pranav's share of goodwill Solution: Goodwill of the firm= (50,000+40,000+10,000+(10,000)/4)*2 G/w = 90000/4=22,500*2=45,000 Pranav's Share of G/w = 45,000*3/8=16,875 GR = 4:1 **Entry:** Ajay's Capital A/c ………….Dr. 13,500 Vijay's Capital A/c …………Dr. 3,375 To Pranav's Capital A/c 16,875 (Being G/w compensated by Ajay and Vijay to Pranav)	
8	*X*, *Y* and *Z* are partners in a firm sharing profits and losses in the ratio of 3:2:1. *Z* retires from the firm on 31st March, 2019. On the date of *Z*'s retirement, the following balances appeared in the books of the firm: General ReserveRs.1,80,000 Profit and Loss Account (Dr.) Rs. 30,000 Workmen Compensation ReserveRs.24,000 (which was no more required) Employees' Provident Fund Rs. 20,000. Pass necessary Journal entries for the adjustment of these items on *Z*'s retirement **Solution:** **Entries** **(a)** General Reserves A/c Dr. 1,80,000 Workmen Compensation Reserves A/c Dr. 24,000 To X's Capital A/c 1,02,000 To Y's Capital A/c 68,000 To Z's Capital A/c 34,000 (b) X's Capital A/c Dr. 15,000 Y's Capital A/c Dr. 10,000 Z's Capital A/c Dr. 5,000 To Profit And Loss A/c 30,000	

LONG ANSWER TYPE QUESTIONS:

<table>
<tr><th>Q.N</th><th>Questions</th><th>Marks</th></tr>
<tr><td>1</td><td>
<p>Radha, Sheela and Meena were in partnership sharing profits and losses in the proportion of 3 : 2 : 1. On April 1, 2019, Sheela retires from the firm. On that date, their Balance Sheet was as follows:</p>
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Trade Creditors</td><td>3,000</td><td>Cash in hand</td><td>1,500</td></tr>
<tr><td>Bills Payable</td><td>4,500</td><td>Cash at Bank</td><td>7,500</td></tr>
<tr><td>Expenses Owing</td><td>4,500</td><td>Debtors</td><td>15,000</td></tr>
<tr><td>General Reserves</td><td>13,500</td><td>Stock</td><td>12,000</td></tr>
<tr><td>Capital A/cs:</td><td></td><td>Factory Premises</td><td>22,500</td></tr>
<tr><td>Radha 15,000</td><td></td><td>Machinery</td><td>8,000</td></tr>
<tr><td>Sheela 15,000</td><td></td><td>Loose Tools</td><td>4,000</td></tr>
<tr><td>Meena 15,000</td><td>45,000</td><td></td><td></td></tr>
<tr><td></td><td>70,500</td><td></td><td>70,500</td></tr>
</table>
<p>The terms were:</p>
<ol type="i">
Goodwill of the firm was valued at ₹ 13,500
Expenses owing to be brought down to ₹ 3,750.
Machinery and Loose Tools are to be valued at 10% less than their book value.
Factory premises are to be revalued at ₹ 24,300.

<p>Prepare: 1. Revaluation account 2. Partner’s capital accounts of the firm after retirement of Sheela.</p>
<p>(Answers: Gain on revaluation 1,350; Capital Balances: Radha 19,050; Meena 16,350; Sheela’s Loan A/c 24,450)</p>
</td><td></td></tr>
<tr><td>2</td><td>
<p>Harsh, Vrinda, and Bhuvnesh are partners sharing profits in the ratio of 3 : 2 : 1. Vrinda retired from the firm due to personal reasons on September 30, 2017. On that date the Balance Sheet of the firm was as follows:</p>
<p>Books of Harsh, Vrinda, and Bhuvnesh
Balance Sheet as on March 31, 2017</p>
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>General Reserves</td><td>12,000</td><td>Bank</td><td>7,000</td></tr>
<tr><td>Sundry Creditors</td><td>15,000</td><td>Debtors</td><td></td></tr>
<tr><td>Bills Payable</td><td>12,000</td><td>6,000</td><td>5,600</td></tr>
<tr><td>Outstanding Salary</td><td>2,200</td><td>(-) Prov. For Doubtful</td><td>9,000</td></tr>
<tr><td>Provision for Legal</td><td>6,000</td><td>Debts(400)</td><td>41,000</td></tr>
<tr><td>Damages</td><td></td><td>Stock</td><td>80,000</td></tr>
<tr><td>Capital A/cs:</td><td></td><td>Furniture</td><td></td></tr>
<tr><td>Harsh 46,000</td><td></td><td>Premises</td><td></td></tr>
<tr><td>Vrinda 30,000</td><td>96,000</td><td></td><td></td></tr>
<tr><td>Bhuvnesh 20,000</td><td></td><td></td><td></td></tr>
<tr><td></td><td>1,43,200</td><td></td><td>1,43,200</td></tr>
</table>
<p>Additional Information:</p>
<ol type="i">
Premises have appreciated by 20%, stock depreciated by 10% and provision for doubtful debts was to be made 5% on debtors. Further, provision for legal damages is to be made for ₹ 1,200 and furniture to be brought up to ₹ 45,000.
Goodwill of the firm be valued at ₹ 42,000.

</td><td></td></tr>
</table>

iii. ₹ 26,000 from Vrinda’s Capital account be transferred to his loan account and balance be paid through bank; if required, necessary loan may be obtained from Bank.
iv. Vrinda share of profit till the date of retirement is to be calculated on the basis of last years’ profit, i.e., ₹ 60,000.
v. New profit sharing ratio of Harsh and Bhuvnesh is decided to be 5 : 1.

Give the necessary ledger accounts of the firm after Vrinda’s retirement.
(Answers: Gain on Revaluation 18,000; Capital balances of partners: Harsh 47,000 and Bhuvnesh 25,000, Payment to Vrinda 38,000; Bank Overdraft 30,400)

3 Aanya, Baani and Chetna were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018 their balance sheet was as follows

Balance Sheet of Aanya, Baani and Chetna
As on 31st March, 2018

Liabilities	Amount	Assets	Amount
Creditors	45,000	Cash	
Employee Provident Fund	13,000	Debtors	42,000
General Reserve	20,000	60,000	
Capital A/c :		(-) Prov. For	
Aanya : 1,60,000		Doubtful Debts	
Baani : 1,20,000		(2,000)	58,000
Chetna : 92,000	3,72,000	Stock	
		Furniture	80,000
		Plant	
			90,000
			1,80,000
	4,50,000		4,50,000

Baani retired on the above date and it was agreed that
(i) Plant and Machinery was undervalued by 10%.
(ii) Provision for doubtful debts was to be increased to 15% on debtors.
(iii) Furniture was to be decreased to ₹ 87,000.
(iv) Goodwill of the firm was valued at ₹ 3,00,000 and Baani’s share was to be adjusted through the capital accounts of Aanya and Chetna.
(v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare revaluation account, partners’ capital accounts and balance sheet of the reconstituted firm.
(Answers: Gain on Revaluation 10,000; Capital balances Aanya 1,00,000 Chetna 50,000; Baani’s Loan A/c 2,52,000; Cash brought in by Aanya 8,000 and taken away by Chetna 8,000)

4 Aditya, Atharv and Aryan were equal partners. Their Balance Sheet as at 31st March 2012 was:

Liabilities	Amount	Assets	Amount
Creditors	60,000	Cash	18,000
Reserve	30,000	Stock	20,000
Profit and Loss A/c	6,000	Furniture	28,000
Capital A/c :		Debtors	
Aditya : 60,000		45,000	
Atharv : 40,000		Less : Provision for	40,000
Aryan : 30,000	1,30,000	Bad debts	1,20,000
		5,000	
		Land & Building	
	2,26,000		2,26,000

Atharv retired on 1st April, 2012. Aditya and Aryan decided to continue the business as equal partners on the following terms:

a) Goodwill of the firm was valued at Rs. 30,000.
b) The Provision for Bad Doubtful debts to be maintained @ 10 % on Debtors.
c) Land and Buildings to be increased to Rs. 1,42,000.
d) Furniture to be reduced by Rs. 6,000.
e) Rent outstanding (not provided for as yet) was Rs. 1,500.

Prepare the Revaluation Account, Partners' Capital Accounts.
(Answers: Gain on Revaluation 15,000; Capital Balances: Aditya 72,000, Aryan 42,000; Atharv's Loan A/c 67,000)

5 Amar, Akbar and Anthony were partners sharing profits as 50%, 30% and 20% respectively. On 31st March, 2013 their balance sheet was as follows

ilities	Amount	Assets	Amou
litors	28,000	Cash	34,000
ident Fund	10,000	Debtors	
stment Fluctuation fund	10,000	47,000	44,000
ital Accounts:		(-) Prov. For Doubtful Debts (3,000)	15,000
r 50,000		Stock	40,000
ar 40,000		Investment	20,000
hony 25,000	1,15,000	Goodwill	10,000
		Profit and Loss A/c	
	1,63,000		1,63,0

On this date, Akbar retired and Amar and Anthony agreed to continue on the following terms
(i) The goodwill of the firm was valued at ₹ 51,000.
(ii) There was a claim for workmen's compensation to the extent of ₹ 6,000.
(iii) Investments were brought down to ₹ 15,000.
(iv) Provision for bad debts was reduced by ₹ 1,000.
(v) Akbar was paid ₹ 10,300 in cash and the balance was transferred to his loan account payable in two equal instalments together with interest @ 12% per annum.
Prepare revaluation account, partners' capital accounts and Akbar's loan account till the loan is finally paid off.
(Answers: Loss on Revaluation 20,000; Capital Balances: Amar 14,071, Anthony 10629; Akbar's Loan A/c 30,000)

6 Ashok, Yogesh and Pushpendra were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 31st March, 2016, their balance sheet was as follows

Liabilities	Amount	Assets	Amount
Creditors	1,10,000	Cash	
Contingency Reserves		Debtors	80,000
Capital Accounts:	60,000	90,000	
Ashok 3,50,000		(-) Prov. For Doubtful	
Yogesh		Debts(10000)	80,000
2,50,000		Stock	1,00,000
Pushpendra 1,50,000	7,00,000	Machine	3,00,000
		Building	2,00,000
		Patent	
		Profit and Loss A/c	60,000
			50,000
	8,70,000		8,70,000

On the above date, Ashok retired and it was agreed that
(i) Debtors of ₹ 4,000 will be written-off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.
(ii) An unrecorded creditor of ₹ 20,000 will be recorded.
(iii) Patents will be completely written-off and 5% depreciation will be charged on stock, machinery and building.

(iv) Yogesh and Pushpendra will share the future profits in the ratio of 3 : 2.
(v) Goodwill of the firm on Ashok's retirement was valued at ₹ 5,40,000.
Pass necessary journal entries for the above transactions in the books of the firm on Ashok's retirement.
(Answers: Journal Entries to be passed)

7 Banti, Chetan and Dinesh are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March, 2014, Chetan retired. On that date the capitals of Banti, Chetan and Dinesh before the necessary adjustments stood at ₹ 2,00,000, ₹ 1,00,000 and ₹ 50,000, respectively. On Chetan's retirement, goodwill of the firm was valued at ₹ 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ₹ 6,000. General reserve stood in the books of the firm at ₹ 30,000.
The amount payable to Chetan was transferred to his loan account. Banti and Dinesh agreed to pay Chetan two yearly instalments of ₹ 75,000 each including interest @ 10% per annum on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.
Prepare Chetan's loan account till it is finally paid showing the working notes clearly.
(Answers: 1st Instalment 75,000 including interest 15,000; 2nd Instalment 75,000 including interest 9,000 and 3rd Instalment 26,400 including interest 2,400)

8 A, B & C are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1, their balance sheet on 31.12.17

Liabilities	Amount	Assets	Amount
Sundry creditors	40,000	Cash in hand	20,000
General Reserve	5,000	Debtors	25,000
Capital accounts		Stock	30,000
A 20,000		Furniture	10,000
B 40,000		Building	50,000
C 30,000	90,000		
	1,35,000		1,35,000

B died on 31st march 2018 and as per partnership deed his executor were entitled for

a. His capital as on the date of last balance sheet.
b. His share in general reserve.
c. His share of goodwill. The goodwill of the firm was valued at 48,000.
d. His share of accrued profit, calculated on the basis of last year's profit. The profit for the last year was Rs. 24,000
e. Interest on capital up to the date of death at 9% per annum.
Prepare B's capital account.

(Answers: Amount transferred to B's Executors A/c Rs. 64,500)

9 Manika, Rekha and Mohit were partners sharing profits in the ratio of 5 : 4 : 1. On 31st March, 2018 their balance sheet was as follows

Liabilities	Amount	Assets	Amount
Sundry creditors	5,00,000	Fixed Assets	9,00,000
General Reserve	2,00,000	Stock	3,00,000
Capital accounts		Debtors	3,00,000
Manika 6,00,000		Cash in Hand	4,50,000
Rekha 4,50,000			
Mohit 2,00,000			
	19,50,000		19,50,000

Rekha died on 1st July, 2018. According to the partnership deed, her executors were entitled to:
(i) Balance in her capital account.

(ii) Her share of goodwill, which is calculated on the basis of average profits of last four years.
(iii) Her share of profit upto the date of death calculated on the basis of average profits of last two years. The time period for which she survived in the year of death will be calculated in months.
(iv) Interest on capital @ 10% p.a. upto the date of death.
The firm's profits for the last four years were 2014-15: ₹ 2,20,000, 2015-16: ₹ 3,00,000: 2016-17: ₹ 3,60,000 and 2017-18: ₹ 3,20,000.
Rekha's executors were paid the amount due immediately. Prepare Rekha's Capital Account to be presented to her executors.

(Answer:

Rekha's Capital A/c

Particulars	Amount	Particulars	Amount
Rekha's Executors A/c	6,95,250	By Balance b/d	4,50,000
		By General Reserves	80,000
		By Manika's Capital A/c	1,00,000
		By Mohit's Capital A/c	20,000
		By IOC	34,000
		By Profit & Loss Suspense A/c	11,250
	6,95,250		6,95,250

10 Sunny, Honey and Rupesh were partners in a firm. On 31st March, 2014 their balance sheet was as follows

Liabilities	Amount	Assets	Amount
creditors	10,000	Plant and Machinery	40,000
General Reserve	30,000	Furniture	15,000
Capitals:		Investment	20,000
Sunny 30,000		Debtors	20,000
Honey 30,000		Stock	25,000
Rupesh 20,000	80,000		
	1,20,000		1,20,000

Honey died on 31st December, 2014. The partnership deed provides that the representatives of the deceased partner shall be entitled to
(i) Balance in the capital account of the deceased partner.
(ii) Interest on capital @ 6% per annum upto the date of his death.
(iii) His share in the undistributed profits or losses as per the balance sheet.
(iv) His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sale of previous year was 20%. Sales of the firm during the year till 31st December, 2014 was ₹ 6,00,000.
Prepare Honey's capital account to be presented to his executors. (Delhi 2015)

(**Answers**: Honey's Capital A/c

Date	Particulars	Amt	Date	Particulars	Amt
2014			2014		
31st Dec	To Honey's Executors A/c	81,350	1Apr	By Balance b/d	30,000
			31Dec	By General Reserves	10,000
			31Dec	By IOC	1,350
			31Dec	By P&L Suspense A/c	40,000
		81,350			81,350

WORKSHEET- 1

TIME: 40 MINS **MM:20**

<table>
<tr><th>Q.NO.</th><th>QUESTIONS</th><th>MARKS</th></tr>
<tr><td>1</td><td>Assertion (A): On the retirement of a partner, the profit-sharing ratio of the remaining partners changes.
Reason (R): The gaining ratio is used to determine the amount payable to the retiring partner as goodwill.
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.</td><td>1</td></tr>
<tr><td>2</td><td>Assertion (A): Revaluation Account is prepared at the time of retirement of a partner.
Reason (R): Revaluation Account is used to calculate the capital of the retiring 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.</td><td>1</td></tr>
<tr><td>3</td><td>Assertion (A): The deceased partner's share of goodwill is credited to his Capital Account.
Reason (R): Goodwill is a part of the partner's right and is distributed among all partners equally.
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.</td><td>1</td></tr>
<tr><td>4</td><td>Assertion (A): The amount due to deceased partner is paid immediately in cash.
Reason (R): The firm is legally bound to make immediate payment to the deceased partner's legal representatives.
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.</td><td>1</td></tr>
<tr><td>5</td><td>A, B and C are partners sharing profits in the ratio 3:2:1. On 31st March, 2024, B retired. On his retirement there was a balance in the Workmen Compensation Reserve Rs. 60,000 and the claim for Workmen Compensation Rs. 24,000. Goodwill was valued at Rs. 60,000. The existing goodwill was Rs. 30,000.
Pass the necessary journal entries.</td><td>3</td></tr>
<tr><td>6</td><td>Ram, Shyam and Mohan were partners in a firm sharing profits in ratio 5:3:2. On 30th June 2025, Shyam died. As per their partnership deed, deceased partner's share of profit will be calculated on the basis of previous year's sales and the profit. The sales and the profit for the year ending 31st March,2024 were 4,00,000 and 80,000 respectively. The sales up to the date of death was 1,50,000. Calculate his share of profit upto death and pass the necessary journal entry.</td><td>3</td></tr>
<tr><td>7</td><td>Param, Anand and Pandey 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:
<table>
<tr><th>Liabilities</th><th></th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Creditors</td><td></td><td>2,00,000</td><td>Bank</td><td>90,000</td></tr>
<tr><td>General Reserves</td><td></td><td>1,50,000</td><td>Stock</td><td>60,000</td></tr>
<tr><td>Capitals:</td><td></td><td></td><td>Debtors</td><td>1,60,000</td></tr>
<tr><td>Param</td><td>1,20,000</td><td></td><td>Investment</td><td>1,40,000</td></tr>
<tr><td>Anand</td><td>2,00,000</td><td></td><td>Furniture</td><td>70,000</td></tr>
<tr><td>Pandey</td><td>80,000</td><td>4,00,000</td><td>Building</td><td>2,30,000</td></tr>
<tr><td></td><td></td><td>7,50,000</td><td></td><td>7,50,000</td></tr>
</table></td><td>4</td></tr>
</table>

<table>
<tr>
<td></td>
<td>Pandey died on 30th September, 2022. On the death of a partner the partnership deed provided for the following:
(i) 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.
(ii) 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 and 2021-22: 60,000.
(iii) Drawings of the deceased partner up to the date of death were 20,000.
(iv) Interest on capital was allowed @ 12% per annum.
Prepare Pandey’s Capital Account to be rendered to his Executors.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Anna, Bina and Teena were partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet on 31st March, 2022 was as follows :
Balance Sheet of Anna, Bina and Teena as at 31st March, 2022
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Creditors</td><td>66,000</td><td>Furniture</td><td>1,12,000</td></tr>
<tr><td>Bills Payable</td><td>59,000</td><td>Stock</td><td>1,77,000</td></tr>
<tr><td>Capitals:</td><td></td><td>Debtors 2,80,000</td><td></td></tr>
<tr><td>Anna 2,00,000</td><td></td><td>Less: Provision for</td><td></td></tr>
<tr><td>Bina 2,00,000</td><td></td><td>Doubtful debts</td><td>2,73,000</td></tr>
<tr><td>Teena 1,00,000</td><td>5,00,000</td><td>(7,000)</td><td>63,000</td></tr>
<tr><td></td><td></td><td>Cash</td><td></td></tr>
<tr><td></td><td>6,25,000</td><td></td><td>6,25,000</td></tr>
</table>
On the above date, Anna retired on the following terms :
(i) Goodwill of the firm was valued at 60,000 and Anna’s share of goodwill was adjusted through the capital accounts of remaining partners.
(ii) Furniture was depreciated by 10,000.
(iii) 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.
Prepare Revaluation and Partners Capital Accounts.</td>
<td>6</td>
</tr>
</table>

Marking Scheme

Q.N	Answers	Mark
1	A	
2	C	
3	C	
4	C	
5	1. For Existing Goodwill: A’s Capital A/c Dr. 15,000 B’s Capital A/c Dr. 10,000 C’s Capital A/c Dr. 5,000 To Goodwill A/c 30,000 2. **Workmen Compensation Reserve A/c** Dr. ₹60,000 To Workmen Compensation Claim A/c ₹24,000	

To A’s Capital A/c ₹18,000

To B’s Capital A/c ₹12,000

To C’s Capital A/c ₹6,000

3.

A’s Capital A/c dr. ₹15,000

C’s Capital A/c Dr. ₹5,000

To B’sCapitalA/c ₹20,000

6 To calculate **Shyam’s share of profit** up to the date of death (**30th June 2025**), based on the previous year’s sales and profit, and then pass the necessary **journal entry**, follow these steps:

Step 1: Calculate Profit Ratio (based on previous year)
- **Previous Year’s Sales (2023–24)** = ₹4,00,000
- **Previous Year’s Profit** = ₹80,000
- **Profit as a percentage of sales** = ₹80,000 / ₹4,00,000 = **20%**

Step 2: Calculate Estimated Profit up to 30th June 2025
- **Sales up to 30th June 2025** = ₹1,50,000
- **Estimated Profit = 20% of ₹1,50,000 = ₹30,000**

Step 3: Calculate Shyam’s Share of Profit
- **Profit Sharing Ratio** = 5 : 3 : 2
- Shyam’s share = **3/10 of ₹30,000 = ₹9,000**

Step 4: Journal Entry

Journal Entry	**₹**
Profit and Loss Suspense A/c Dr.	9,000
To Shyam’s Capital A/c	9,000

(Being Shyam’s share of profit up to date of death credited to his capital account)

7 **Q. Param, Anand and Pandey were partners............................**

Ans.

Books of Param, Anand and Pandey

Dr. ***Pandey’s Capital A/c*** ***Cr.***

Particulars	Amount	Particulars	Amount
To Drawings A/c	20,000	By Balance b/d	80,000
To Pandey’s Executors A/c	1,50,800	By General Reserve A/c	20,000
		By Param’s Capital A/c (G/W)	30,000
		By Anand’s Capital A/c (G/W)	30,000
		By Interest on Capital A/c	4,800
		By P& L Suspense A/c	6,000
	1,70,000		1,70,000

Working Note:

1. Calculation of Goodwill:

Average profits=4,00,000/4= 1,00,000

Firm's Goodwill= 3x1,00,000= 3,00,000

Pandey share of Goodwill= 3,00,000/5= ₹60,000

2. Calculation of Profit:

Pandey share of Profit= 60,000 X 6/12 X 1/5 = ₹6,000

Note: No marks for working notes.

8 **Anna, Bina and teena were partners.............................**

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

Particulars	Amount	Particulars	Amount
To Furniture A/c ½	10,000	By Loss transferred to Partners' Capitals A/c: Anna 5,000 Bina 3,000 Teena 2,000	10,000
	10,0001		10,000

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

Particulars	Anna	Bina	Teena	Particulars	Anna	Bina	Teena
To Revaluation A/c (Loss) To Anna's Capital A/c To Balance c/d	5,000 2,25,000	3,000 12,000 1,85,000	2,000 18,000 80,000	By Balance b/d By Bina's Capital A/c By Teena's Capital A/c	2,00,000 12,000 18,000	2,00,000	2,00,000
	2,30,000	2,00,000	1,00,000		2,30,000	2,00,000	1,00,000
To Cash A/c/ Bank A/c To Balance c/d	2,25,000 ---	 2,45,000	 2,45,000	By Balance b/d By Cash A/c/ Bank A/c	2,25,000 ---	1,85,000 60,000	80,000 1,65,000
	2,25,000	2,45,000	2,45,000		2,25,000	2,45,000	2,45,000

Working note:

1. Gaining Ratio of Bina and Teena= 2:3

2. Calculation of new capitals of remaining partners:

Adjusted Capital of Bina 1,85,000

+ Adjusted Capital of Teena 80,000

+ Amount payable to Anna 2,25,000

Total Capital of new firm 4,90,000

New Capital of Bina 2,45,000

New Capital of Teena 2,45,000

Note: No marks for working notes.

WORKSHEET-2
RETIREMENT AND DEATH

TIME: 40 MINS MM:20

SL NO.	QUESTIONS	MARKS
1	Anu, Monu and Sonu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Monu died on 1st January, 2022. Anu and Sonu will acquire Monu's share in ratio: (a) 1 : 1 (b) 3 : 2 (c) 5 : 3 (d) 5 : 2 (CBSE 2023)	1
2	P,Q and R are partners sharing Profits and losses in the ratio5:3:2. On 31st March, 2024, Q sold his share to P for Rs. 20,000 and 16,000. If the new profit sharing ratio of P and R is 2:1, what is the amount of Goodwill of the firm? ○ 36,000 (B) 1,20,000 (C) 1,80,000 (D) None of the above	1
3	Vijay, Ajay and Sanjay are partners in a firm sharing profits and losses in the ratio of 7 : 5 : 8. Sanjay died on 28th August, 2021. His share in the profits of the firm till the date of his death was determined at 75,000. It will be debited to which of the following accounts? (a) Profit and Loss Suspense Account (b) Profit and Loss Account (c) Profit and Loss Appropriation Account (d) Profit and Loss Adjustment Account (CBSE 2023)	1
4	Raj, Veer and Aryan were partners sharing profits in the ratio 3:2:1. On12th june,2024, Veer died. As per deed, it was decided to calculate deceased partners share of profit up to date of his death, profit of the previous year to be taken as base. The profit for the year ending 31st March, 2024 was 1,80,000. Calculate his share of profit up to death and pass the entry for profit.	3
5	A, B and C are partners sharing profits and Losses in the ratio 5:3:2. On 31st March, 2023, C decided to retire from the firm. On this day Workmen Compensation reserves appears at 80,000 and the claim for the same was 45,000. Investment were valued at 90,000 (Cost Price 1,00,000) and the Investment Fluctuation reserve was 20,000. Goodwill was valued at 60,000 and goodwill appers at 20,000.Journalise.	4
6	Param, Anand and Pandey 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: (see table below)	4

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

Pandey 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 Pandey's Capital account to be rendered to his executors.

7

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	66,000	Furniture	1,12,000
Bills Payable	59,000	Stock	1,77,000
Capitals : —		Debtors2,80,000 Less: provision for Bad debt. (7,000)	2,73,000
Anna 2,00,000		Cash	63,000
Bina 2,00,000			
Teena 1,00,000	5,00,000		
	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 and Prepare Partners’ Capital Accounts.

6

Marking Scheme

Q. NO	Answers	Marks
1	(d) 5:2	1
2	○ 1,20,000	1
3	(a) Profit and Loss Suspense Account	1
4	Solution: Days from 1st April to 12th june = 73 days Veer’s share of profit = (1,80,000*1/6)*73/365 = 6,000 Entry Profit and Loss Suspense A/c Dr. 6,000 To Veer’s Capital A/c 6,000	3
5	Solution: Journal Entries Workmen Compensation reserves a/c Dr. 80,000 To Claim for Workmen Compensation A/c 45,000 To A’s Capital A/c 17,500 To B’s Capital A/c 10,500 To C’s Capital A/c 7,000 Investment Fluctuation Reserve a/c Dr. 80,000 To Investment A/c 10,000 To A’s Capital A/c 5,000 To B’s Capital A/c 3,000 To C’s Capital A/c 2,000 A’s Capital A/c Dr. 7,500 B’s Capital A/c Dr. 4,500 To C’s Capital A/c 12,000	4

<table>
<tr><td></td><td>A’s Capital A/c Dr. 10,000
B’s Capital A/c Dr. 6,000
C’s Capital A/c Dr. 4,000
To Goodwill A/c 20,000</td><td></td></tr>
<tr><td>6</td><td>Pandey' Capital A/c
<table>
<tr><th>Particular</th><th>Amount</th><th>Particular</th><th>Amount</th></tr>
<tr><td>To Drawings</td><td>20,000</td><td>By Balance b/d</td><td>80,000</td></tr>
<tr><td></td><td></td><td>By General Reserve</td><td>20,000</td></tr>
<tr><td>To Pandey’s Executor A/c</td><td>1,50,800</td><td>By Prakash’s Capital</td><td>30,000</td></tr>
<tr><td></td><td></td><td>By Aakash’s Capital</td><td>30,000</td></tr>
<tr><td></td><td></td><td>By P&L suspense A/c</td><td></td></tr>
<tr><td></td><td></td><td>By Int. on Capital</td><td>6,000</td></tr>
<tr><td></td><td></td><td></td><td>4,800</td></tr>
<tr><td></td><td>1,70,800</td><td></td><td>1,70,800</td></tr>
</table></td><td>4</td></tr>
<tr><td>7</td><td>**Loss on Revaluation A/c 10,000; Partners’ Capital A/c balances Bina 2,45,000 and Tina 2,45,000 (after adjustment); Cash brought in by Bina and Teena 60,000 and 1,65,000.**</td><td>6</td></tr>
</table>

CHAPTER-5
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)
3. loan given by firm to partner (assets side)

Format of realization account (nature nominal account)

Dr. Cr.

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** **Case I: Realized by firm Realized from sundry assets ₹ 2,10,000**. Bank Dr. 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	**Assets taken by a partner** **Case I: Partner X took over an asset (book value ₹ 9,000) at 80%.** 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 firm decide to pay remuneration to partner**	
	Realization a/c Dr. To partner's capital a/c	
5.	**When profit on realization is transferred to partner's capital a/c**	
	Realization a/c Dr.	

	To partner's capital a/c		
6.	**When loss on realization is distributed** Partner's capital a/c Dr. Realization account		

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 released full
Case II. Debtors released 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	2,000
		Case I By bank/ cash (debtors)	60,000
		Case II By Bank/ cash(debtors)	48,000
		Case III By Bank/ cash(debtors)	52,000
		Case IV By Bank/Cash (only tangible*)	60,000

TREATMENT OF REALISATION EXPENSES

<table>
<tr><td colspan="2">CASE I</td><td colspan="3">CASE II</td></tr>
<tr><td colspan="2">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</td><td colspan="3">Expenses borne/ met by partner (Ram)
Or
Expenses paid by firm on behalf of partner</td></tr>
<tr><td>Expenses paid by firm
Realisation a/c Dr.
To Bank a/c</td><td>Expenses paid by partner
Realisation a/c Dr
To partner's capital a/c</td><td>Expenses paid by firm
Partner's capital a/c Dr.
To Bank a/c</td><td>Expenses paid by partner
NO ENTRY</td><td>Expenses paid by other partner
Ram's capital a/c Dr.
To Mohan's capital a/c</td></tr>
</table>

<table>
<tr><td colspan="4">PASS JOURNAL ENTRIES FOR FOLLOWING</td></tr>
<tr><td rowspan="2">1</td><td colspan="3">Realisation expenses were Rs. 10,000</td></tr>
<tr><td>Realisation a/c Dr.
To Bank a/c</td><td>10,000</td><td>10,000</td></tr>
<tr><td rowspan="2">2</td><td colspan="3">Realisation expenses of Rs 5,000 were paid by Taran, a partner</td></tr>
<tr><td>Realisation a/c Dr.
To Taran's capital a/c</td><td>5,000</td><td>5,000</td></tr>
<tr><td rowspan="2">3</td><td colspan="3">Realisation expenses of rs 5,000 were paid by form on behalf of Madan a partner</td></tr>
<tr><td>Madan's capital a/c
Dr.</td><td>5,000</td><td>5,000</td></tr>
</table>

	To bank a/c		
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		
	Realisation a/c Dr.	20,000	
	To Pawan's capital a/c		20,000
	No entry for 10,000 (responsibility taken by partner)		
5	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
6	Realisation expenses of Rs 5000 were to be born and paid by Karan a partner		
	NO ENTRY		
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
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		
	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
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		
	Pavit's capital a/c Dr	5,000	
	To Hitesh's capital a/c		5,000

TREATMENT OF PARTNER'S LOAN

Balance sheet of A&B

Liabilities	**Amount**	**Assets**	**Amount**
A's loan	**30,000**		

CASE I **No information given about payment of A's loan or** **A's is loan was duly paid by the firm** A's loan a/c Dr 30,000 To bank a/c 30,000	CASE IV **A's loan was settled by giving recorded or unrecorded assets of Rs 29,000** A's loan a/c Dr 29,000 To realisation a/c 29,000 A's loan a/c Dr 1,000 To realisation a/c 1,000
CASE II **A's loan was paid Rs 28,000 in full settlement** A's loan a/c Dr 30,000 To bank a/c 28,000 To realisation a/c 2,000	CASE V **A loan was settled by giving recorded or unrecorded assets of Rs 31,000** A's loan a/c Dr 31,000 To realisation a/c 31,000 Realisation a/c Dr 1,000 To A's loan 1,000
CASEIII **A's loan was settled by paying Rs 32,000** A's loan a/c Dr 30,000 Realisation a/c Dr 2,000 To bank a/c 32,000	CASE VI **A took over stock of Rs 20,000 against his loan and balance in cash** A's loan a/c Dr 30,000 To realisation a/c 20,000 To bank a/c 10,000

TREATMENT OF WORKMAN COMPENSATION RESERVE

Balance sheet of A&B

Liabilities	Amount	Assets	Amount
Workman compensation reserve	50,000		

CASEI **No information given about WCR** General reserve a/c Dr 50,000 To A’s capital a/c 25,000 To B’s capital a/c 25,000	CASE IV **There is a liability for workman compensation of Rs 60,000** Workman compensation reserve a/c Dr 50,000 To realisation a/c 50,000 Realisation a/c Dr 60,000 To bank a/c 60,000
CASE II **There is a liability for workman compensation for Rs 40,000** Workman compensation reserve a/c Dr 50,000 To realisation a/c 40,000 To A’s capital a/c 5,000 To B’s capital a/c 5,000 Realisation a/c Dr 40,000 To bank a/c 40,000	CASE V **There is a liability for workman compensation for Rs 30,000** Realisation a/c Dr 30,000 To bank a/c 30,000
CASE III **There is a liability for workman compensation Rs 50,000** Workman compensation reserve a/c Dr 50,000 To realisation a/c 50,000 Realisation a/c Dr 50,000 To bank a/c 50,000	

MCQs

Sr no	Questions	Marks
1	Pawan, a partner was appointed to look after the process of dissolution of firm for which he was allowed a remuneration of 75,000. Pawan agreed to bear the dissolution expenses. Actual dissolution expenses 60,000 were paid by Pawan. Pawan's capital account will be credited by: (A)₹75,000 (B) ₹15,000 (C) ₹60,000 (D)₹10,000	1
2	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)₹1,90,000 (C)₹90,000 (D)₹10,000	1
3	Sandhya and Suman were partners in a firm sharing profits and losses in the ratio of 3 5. They decided to dissolve the firm on 31st March, 2024. On the date of dissolution, the Balance Sheet of the firm showed a balance of ₹80,000 in sundry debtors and a balance of ₹ 5,000 in provision for bad debts account. How much amount will be transferred to Realisation Account to close Sundry Debtors Account? (A) ₹75,000 (B) ₹80,000 (C) ₹85,000 (D) ₹90,000	67/7/1
4	A, B, and C are partners in the ratio 4:3:3. On dissolution, realization expenses are ₹5,000 and agreed to be borne by B. However, the firm paid the expenses. What adjustment is needed in B's capital account?	1

<table>
<tr><td></td><td>A) Debit B’s capital with ₹5,000
B) Credit B’s capital with ₹5,000
C) No adjustment required
D) Credit B’s capital with ₹10,000</td><td></td></tr>
<tr><td>5</td><td>Partners A and B share profits equally. Upon dissolution, assets worth ₹80,000 were sold for ₹60,000. Liabilities of ₹10,000 were paid. What is the total loss on realization?
A) ₹20,000 B) ₹10,000 C) ₹30,000 D) ₹15,000</td><td>1</td></tr>
<tr><td>6</td><td>A’s capital is ₹50,000 and B’s capital is ₹40,000. Realization loss is ₹30,000. How much loss will B bear if they share profits and losses in the ratio 3:2?
A) ₹12,000 B) ₹18,000 C) ₹15,000 D) ₹10,000</td><td>1</td></tr>
<tr><td>7</td><td>On dissolution, total assets were ₹1,50,000 and liabilities were ₹50,000. Realization expenses were ₹5,000. Assets realized ₹1,20,000. What is the loss on realization?
A) ₹35,000 B) ₹25,000 C) ₹15,000 D) ₹10,000</td><td>1</td></tr>
<tr><td>8</td><td>On dissolution, a machine (book value ₹30,000) was taken over by partner A at ₹25,000. The loss on this transaction is:
A) ₹5,000 B) ₹30,000 C) ₹25,000 D) ₹0</td><td>1</td></tr>
<tr><td>9</td><td>If realization expenses of ₹6,000 are paid by the firm, but partner B had agreed to bear them, what adjustment is required in B’s capital account?
A) Debit ₹6,000 B) Credit ₹6,000 C) No adjustment D) Debit ₹3,000</td><td>1</td></tr>
<tr><td>10</td><td>X, Y, and Z share profits in the ratio 2:2:1. On dissolution, an unrecorded asset is sold for ₹10,000. How much will be credited to Y’s capital account?
A) ₹2,000 B) ₹4,000 C) ₹3,000 D) ₹5,000</td><td>1</td></tr>
<tr><td></td><td><table>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr>
<tr><td>A</td><td>D</td><td>B</td><td>B</td><td>A</td><td>A</td><td>A</td><td>A</td><td>A</td><td>B</td></tr>
</table></td><td></td></tr>
<tr><td>1</td><td>Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Sami and Usha after various assets (other than cash) and external liabilities have been transferred to Realisation Account:
(i) Creditors of 18,000 took over all the investments at ₹11,000. Remaining amount was paid to them through a cheque.
(ii) A debtor whose debt of 23,000 was written off as bad paid 15,000 in full settlement.
(iii) Usha had given a loan of 16,000 to the firm. She accepted 14,000
(iv) Stock of the book value of 20,000 was taken over by Sami and Usha in their profit-sharing ratio.
(v) The firm paid realisation expenses amounting to 9,000 on behalf of Sami.
(vi) The firm had furniture of ₹ 40,000. Usha took over 50% of the furniture at a discount of 10% and the remaining furniture was sold. at a profit of 20% on book value.
<table>
<tr><td>**Solution:**
i Realization a/ c dr. 7000
To bank a/c 7000
ii Bank a/c dr 15,000
To realization a/c 15000
iii Usha’s capital a/c dr 16000
To Bank a/c
14,000
To realisation a/c 2,000</td><td>iv Sami’s capital a/c dr 10000
Usha’s capital dr 10000
To realization a/c 20000
v Sami’s capital a/c dr 9000
To bank a/c 9000
vi Usha’s capital a/c dr 18000
To Bank a/c 2400
To realization a/c 24000</td></tr>
</table></td><td>6
CBSE 2025 67/01/3</td></tr>
<tr><td>2</td><td>Mala, Neela and Kala were in partnership sharing profits in the ratio of 7:2:1 and the Balance Sheet of the firm as at 31st march 2023 was:</td><td>6</td></tr>
</table>

Liabilities	Amount	Assets	Amount
Capitals a/cs		Building	20,000
Mala 12,410		Plant	31,220
Neela 8,650		Goodwill	10,000
Kala 80,6,20	1,01,680	Software	12,400
Creditors	11,210	Stock	11,240
Reserve for depreciation	20,000	Debtors	8,740
on plant		Bank	1,210
		Patents	38,080
	1,32,890		1,32,890

It was agreed to dissolve the partnership as on 31st March, 2023 and the terms of dissolution were-

(a) Mala to take over the building at an agreed amount of 31,500.

(b) Neela, who was to carry on the business, to take over the Goodwill, Stock and Debtors at book value, the Patents at 30,000 and Plant at 5,000. He was also to pay the Creditors.

Prepare realization account, partner's capital account and bank account

Ans loss on realisation Rs 15,200

Mala brings in- Rs 29,730

Neela brings in -Rs 48,160

Kala receives -Rs 79,100

3 Manav and Namit 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 Manav and Namit as at 31st March, 2024

Liabilities	**Amount**	**Assets**	**Amount**
Capitals Manav 400000		Machinery	800000
Namit 600000	10,00000	Investment	500000
Bank overdraft	900000	Debtors	1200000
Creditors	1000000	Stock	300000
		Cash in hand	100000
	2900000		**2900000**

The firm was dissolved on the above date and the following transactions took place:

(i) Stock was given to creditors in full settlement of their account.

(ii) Investments were taken over by Manav at 120% of book value.

(iii) Bad debts amounted to ₹ 2,00,000.

(iv) Machinery was realised at 50% discount.

(v) Realisation expenses amounted to ₹ 1,00,000 which were paid by Namit.

Prepare Realisation Account.

Solution **Realization a/c**

Particulars	Amount	Particulars	Amount
To sundry assets		By sundry liabilities	
Machinery 8,00,000		Bank overdraft 9,00,000	
Investment 5,00,000		Creditors 10,00,000	19,00,000
Debtors 12,00,000		By Manav’s capital a/c	6,00,000
Stock 3,00,000	28,00,000	(investment)	
To Namit’s capital	1,00,000	By bank a/c	
(realization expenses)		Debtors	10,00,000
To bank a/c (bank o/d)	9,00,000	Machinery	4,00,000
To profit transferred to			
Partners capital account			
Manav 60,000			
Namit 40,000	1,00,000		

	39,00,000		39,00,000

4 Pass necessary journal entries for the following transactions on the dissolution of the partnership firm of Mansha and Rajiv after various assets (other than cash) and external liabilities have been transferred to Realisation Account: 6

(a) Mansha's loan of 18,000 was settled by giving her an unrecorded furniture of ₹ 20,000.
(b) Machinery of the book value of 80,000 was sold at a loss of 10%.
(c) A creditor of₹ 40,000 accepted cash21,000 and stock of the book value of 25,000 in full settlement of his claim.
(d) Bank loan of₹ 1,00,000 was paid along with interest of ₹ 10,000.
(e) Investments of the face value of 52,000 were sold in the open market for 63,000 for which a commission of 2,000 was paid to the broker.
(f) Profit and Loss Account balance of 30,000 appeared on the asset side of the balance sheet.

Solution:

a. Mansa's loan account debit 18000
To realization account 18000
b. bank account 72000
To realisation account 72000
C. realisation account debit 21000
To bank account 21000
no entry

d. realisation account one 110000
To bank account 110000
e. bank account 61000
To realisation account 61000
f. Mansa's capital account 15000
Raja's capital account 15000
To profit and loss account 30000

5 Raja, Rajan and Rajani were partners in a firm sharing profits and losses in the ratio of 2:21. On 31st March, 2024, their Balance Sheet was as follows: CBSE 2025 6

Balance Sheet of Raja, Rajan and Rajani as at
31st March, 2024

Liabilities	Amount	Assets	Amount
Capitals:		Land& building	9,00,000
Raja 3.00.000		Plant and machinery	6,00,000
Rajan 4,00,000		Furniture	1,20,000
Rajan 5,00,000	12,00,000	Debtors 80,000	
General reserve	1,60,000	Less provision 8,000	72,000
Creditors	80,000	For doubtful debts	
Raja's loan	3,00,000	Bills receivable	18,000
Mrs. Raja's loan	1,90,000	Stock	1,00,000
Outstanding wages	10,000	Bank	1,30,000
	19,40,000		19,40,000

On the above date, the firm was dissolved. Assets were realized and liabilities were paid off as follows:

(a) Land and Building was sold for ₹ 20,00,000.
(b) Plant and Machinery realized ₹ 40,000 less than their book value and furniture was taken over by the creditors in full settlement of their account.
(c) Debtors and Bills Receivable realized ₹90,000.
(d) 60% of the stock was taken over by Raja at 90% of the book value and the remaining stock realized at 44,000.
(e) Outstanding wages were paid in full.
(f) Mrs. Raja's loan was paid with interest of ₹10,000.
(g) Realization expenses were ₹8,000.

Prepare Realization Account.

Solution: Gain on realization 10,00,000

<table>
<tr><td>6</td><td colspan="2">Pass the necessary journal entries for the following transactions on the dissolution of the firm of Abhay and Mansi after various assets (other than cash) and third- party liabilities have been transferred to Realisation Account:
(a) Abhay took over stock worth 67,000 at ₹ 56,000.
(b) There was an old computer which had been written off completely from the books. It was estimated to realise 4,000. It was taken away by Mansi at the estimated price less 10%.
(c) Unrecorded liabilities of ₹ 7.500 were settled at ₹ 5,000.
(d) Realisation expenses amounting to 8,000 were paid by Abhay.
(e) Investment, whose face value was 15,000, was realized at 40%.
(f) Profit on realisation 24,000 was to be distributed between Abhay and Mansi in their profit sharing ratio which was 2:1.</td><td>6</td></tr>
<tr><td></td><td>**Solution:**
a Abhay’s capital account dr 56000
To realisation account 56000
b Manasi's capital account dr 3600
To realization account 3600
c realisation account dr 5000
To bank account 5000</td><td>d. realisation account dr 8000
To Abhay's capital account 8000
e. bank account dr 6000
To realisation account 6000
f. realisation account dr 24000
To Abhay’s capital account 16000
To Mansi’s capital account 8000</td><td></td></tr>
</table>

WORKSHEET-1

<table>
<tr><td>Sr no</td><td>Questions</td><td>Marks</td></tr>
<tr><td>1</td><td>On dissolution, total assets were ₹1,50,000 and liabilities were ₹50,000. Realization expenses were ₹5,000. Assets realized ₹1,20,000. What is the loss on realization?
A) ₹35,000 B) ₹25,000 C) ₹15,000 D) ₹10,000</td><td>1</td></tr>
<tr><td>2</td><td>Creditors of ₹50,000 were paid ₹48,000 in full settlement. What is the gain on realization?
A. ₹1,000 B. ₹2,000 C. ₹50,000 D. No gain</td><td>1</td></tr>
<tr><td>3</td><td>U and V were partners in a firm sharing profits and losses in the ratio of 32. On 31.03.2022 their firm was dissolved. On that date the Balance Sheet of the firm was as follows:
Balance Sheet of U and V as at 31st March, 2022
<table>
<tr><td>Liabilities</td><td>Amount</td><td>Assets</td><td>Amount</td></tr>
<tr><td>Current liabilities</td><td>5,70,000</td><td>Bank</td><td>1,80,000</td></tr>
<tr><td>Long term loan</td><td>10,30,000</td><td>Other current assets</td><td>8,20,000</td></tr>
<tr><td>Capitals:</td><td></td><td>Fixed assets</td><td>20,70,000</td></tr>
<tr><td>U 7,00,000</td><td></td><td>Profit & loss account</td><td>30,000</td></tr>
<tr><td>V 8,00,000</td><td>15,00,000</td><td></td><td></td></tr>
<tr><td></td><td>31,00,000</td><td></td><td>31,00,000</td></tr>
</table>
Other current assets realised 8,00,000 and fixed assets realised at the book value. Both Current Liabilities and Long-term loan were settled at 10% less than the book value. Expenses on dissolution were 4,000.
Prepare Realisation Account and Partners' Capital Accounts.</td><td>3</td></tr>
<tr><td>4</td><td>The firm of Manjeet, Sujeet and Jagjeet was dissolved on 31st March, 2018. It was agreed that Sujeet will take care of the dissolution related activities and will get 10% of the value of assets realised. Sujeet agreed to bear the realisation expenses. Assets realised 10,00,750 and realisation expenses were 90,000, which were paid from the firm's cash. 4,50,000 were paid to the creditors in full settlement of their claim. Pass necessary Journal entries for the above transactions in the books of the firm.</td><td>3</td></tr>
<tr><td>5</td><td>Aman and Harsh were partners in a firm. They decided to dissolve their firm. Pass necessary Journal entries for the following after assets (other than Cash and Bank) and</td><td>6</td></tr>
</table>

<table>
<tr><td></td><td>outside liabilities have been transferred to Realisation Account:
(a) There was furniture of 50,000. Aman took over 50% of the furniture at 10% discount.
(b) Profit & Loss Account was showing a credit balance of 15,000 on the date of dissolution.
(c) Harsh's loan of 6,000 was settled by paying 5,500.
(d) The firm paid realisation expenses of ₹ 5,000 on behalf of Harsh, a partner.
(e) There was a bill for 1,200 under discount. The bill was received from Soham who became insolvent and a first and final dividend of 25% was received from his estate.
(f) Creditors, to whom the firm owed 6,000, accepted stock of 5,000 at a discount of 5% and the balance in cash.</td><td></td></tr>
<tr><td>6</td><td>C, D, E were partners in a firm sharing profits in the ratio of 3 1:1. Their Balance Sheet as at 31st March, 2022 was as follows:
Balance Sheet of C, D and E as at 31st March, 2022
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Capital a/cs</td><td></td><td>Machinery</td><td>3,20,000</td></tr>
<tr><td>C 4,00,000</td><td></td><td>Investment</td><td>3,00,000</td></tr>
<tr><td>D 2,00,000</td><td></td><td>Stock</td><td>2,00,000</td></tr>
<tr><td>E 1,00,000</td><td>7,00,000</td><td>Debtor</td><td>1,00,000</td></tr>
<tr><td>C’s loan</td><td>1,20,000</td><td>Cash in hand</td><td>2,00,000</td></tr>
<tr><td>Sundry creditors</td><td>1,00,000</td><td></td><td></td></tr>
<tr><td>Bills payable</td><td>2,00,000</td><td></td><td></td></tr>
<tr><td></td><td>11,20,000</td><td></td><td>11,20,000</td></tr>
</table>
On the above date the firm was dissolved due to certain disagreement among the partners:
(i) Machinery of 3,00,000 were given to creditors in full settlement of their account and remaining machinery was sold for ₹10,000.
(ii) Investments realised ₹2,90,000,
(iii) Stock was sold for 1.80,000.
(iv) Debtors for 20,000 proved bad.
(v) Realisation expenses amounted to 10,000,
Prepare Realisation Account.</td><td>6</td></tr>
</table>

Ans 1 A, 2B,

1	A
2	B
3	gain on realization 1,36,000 U and V will receive 7,63,600 and 8,42,400 respectively
4	I bank a/c dr 1,00,0750 III Sujeet’s capital a/c dr 90,000 To realization a/c 1,00,0750 To bank a/c 90,000 II realization a/c dr 100075 IV realization a/c dr 4,50,000 To Sujeet’s capital a/c 100075 To bank a/c 4,50,000
5	**a** Aman’s capital a/c dr 22,500 d Harsh’s capital a/c dr 5,000 To realization a/c 22,500 To bank a/c 5,000 bank a/c dr 2,500 e realization a/c dr 1200 To realization 2,500 To bank a/c 1,200 b profit & loss a/c dr 15,000 bank a/c dr 300 To Aman’s capital a/c 7,500 To realization a/c 300 To Harsh’s capital a/c 7,500 f realization a/c dr 1,250 c Harsh’s loan a/c dr 6,000 To bank a/c 1,250 To bank a/c 6,000
6	loss on realization 2,70,000

WORKSHEET II

<table>
<tr><th>Sr no</th><th>Questions</th><th>Marks</th></tr>
<tr><td>1</td><td>Sandhya and Suman were partners in a firm sharing profits and losses in the ratio of 3 5. They decided to dissolve the firm on 31st March, 2024. On the date of dissolution, the Balance Sheet of the firm showed a balance of ₹80,000 in sundry debtors and a balance of ₹ 5,000 in provision for bad debts account. How much amount will be transferred to Realisation Account to close Sundry Debtors Account?
(A) ₹75,000 (B) ₹80,000 (C) ₹85,000 (D) ₹90,000</td><td>1</td></tr>
<tr><td>2</td><td>If a partner takes over an asset (book value ₹30,000) for ₹28,000, what will be the journal entry?
A. Realisation A/c Dr. ₹30,000
To Partner’s Capital A/c ₹28,000
B. Partner’s Capital A/c Dr. ₹28,000
To Realisation A/c ₹28,000
C. Partner’s Capital A/c Dr. ₹30,000
To Realisation A/c ₹30,000
D. Realisation A/c Dr. ₹28,000
To Partner’s Capital A/c ₹28,000</td><td>1</td></tr>
<tr><td>3</td><td>Shiv and Mohan were partners sharing profits in the ratio of 3:2. Give Journal entries under following situation at the time of dissolution of firm:
(i) Workmen Compensation Reserve in the Balance Sheet was ₹75,000.
(ii) Workmen Compensation Reserve was 60,000 and liability for it was ₹35,000.
(iii) Workmen Compensation Reserve was 60,000 and liability was ₹75,000.</td><td>3</td></tr>
<tr><td>4</td><td>Pass journal entries for the following
(i) Ansh, a partner is to carry out dissolution of the firm at an agreed remuneration of ₹ 10,000.
(ii) Devish, a partner, is paid remuneration of ₹15,000 for dissolution of the firm. Realisation expenses of 8,000 are paid by the firm.
(iii) Realisation expenses of ₹ 5,000 were to be borne by Pulkit, a partner. However, it was paid by Hiteshwari, another partner. It was to be recorded in the books.</td><td>3</td></tr>
<tr><td>5</td><td>Mike and Ajay are partners sharing profits and losses in ratio of the capitals. They decided to dissolve their firm on 31st March, 2022, the date on which the Balance Sheet stood as under:
<table>
<tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr>
<tr><td>Capital a/cs
Mike 6,00,000
Ajay 4,00,000</td><td>10,00,000</td><td>Sundry assets
Cash</td><td>16,30,000
70,000</td></tr>
<tr><td>Workman compensation reserve</td><td>1,00,000</td><td></td><td></td></tr>
<tr><td>Creditors</td><td>2,00,000</td><td></td><td></td></tr>
<tr><td>Bills payable</td><td>60,000</td><td></td><td></td></tr>
<tr><td>Others</td><td>3,40,000</td><td></td><td></td></tr>
<tr><td></td><td>17,00,000</td><td></td><td>17,00,000</td></tr>
</table>
Following additional information is given:
Sundry assets realised 14,00,000 and the liabilities were discharged as follows:
(i) Creditors due on 31st May, 2022, were paid at a discount of 3% per annum.
(ii) Bills Payable were discharged at a rebate of₹ 1,000.
(iii) Workmen Compensation Claim of 40,000 was met.
(iv) Expenses of dissolution amounting to 30,000 were paid.
You are required to prepare:
(a) Realisation Account.
(b) Partners' Capital Accounts.</td><td>6</td></tr>
</table>

6	Rohit, Kunal and Sarthak are partners in a firm. They decided to dissolve their firm. Pass necessary Journal entries for the following after various assets (other than Cash and Bank) and the third- party liability have been transferred to Realisation Account: (a) Kunal agreed to pay his wife's loan of ₹ 6,000. (b) Total Creditors of the firm were 40,000. Creditors of 10,000 were given a piece of furniture of book value 8,000 out of total furniture of book value 28,000 in settlement. Remaining Creditors allowed a discount of 10%. (c) Rohit had given a loan of 70,000 to the firm which was duly paid. (d) A machine which was not recorded in the books was taken by Kunal at ₹3,000, whereas its expected value was 5,000. (e) The firm had a debit balance of 15,000 in the Profit & Loss Account on the date of dissolution. (f) Sarthak paid the realisation expenses of 16,000 out of his private funds, who was to get a remuneration of 15,000 for completing dissolution process and was responsible to bear all the realisation expenses	6

Ans

1 B

2B

3 **i** workman compensation reserve a/c dr 76,000
To Shiv’s capital a/c 45,000
To Mohan’s capital a/c 30,000
ii workman compensation reserve a/c dr 35,000
To realization a/c
Workman compensation reserve a/c dr 25,000
To Shiv’s capital a/c 15,000
To Mohan’s capital a/c 10,000
Realization a/c dr 35,000
To bank a/c 35,000
iii workman compensation a/c dr 60,000
To realisation a/c 60,000
Realization a/c dr 75,000
To bank a/c 75,000

4 i Realization a/c dr 10,000
To A’s capital a/c 10,000
ii realization a/c dr 15,000
To Devish’s capital a/c 15,000
Realization a/c dr 8,000
To Bank/ cash a/c 8,000
iii Pulkit’s capital a/c dr 5,000
To Hiteshwari’s capital a/c 5,000

5 loss on realization 2,58,000

6 a Abhay’s capital account dr 56000 To realisation account 56000 b Manasi's capital account dr 3600 To realization account 3600 c realisation account dr 5000 To bank account 5000	d. realisation account dr 8000 To Abhay's capital account 8000 e. bank account dr 6000 To realisation account 6000 f. realisation account dr 24000 To Abhay’s capital account 16000 To Mansi’s capital account 8000

CHAPTER-6
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:

On Receipt of Share Application Money:

Bank A/c….….Dr.
To Share Application and Allotment a/c
(Being the application money received)

For Allotment of Shares:

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:

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

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	[Agreed value of assets] * [If purchase consideration given is more than net assets]

To Sundry Liabilities A/c To Vendor's A/c ** To Capital Reserve A/c	[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 shareholder) 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 Dr. 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.***

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 mount credited to the Shares forfeiture A/c***

MULTIPLE CHOICE QUESTIONS

1.	Which of the following capital is not shown in the company's Balance Sheet? A. Authorised Capital. B. Issued Capital. C. Subscribed Capital. D. Reserve Capital
2.	As per the provisions of Companies Act, 2013 the amount received as premium on securities cannot be utilized for: A. Issuing fully paid bonus shares to the members. B. Purchase of fixed assets C. Writing off preliminary expenses. D. Buy back of its own shares
3.	Name the head of Capital Clause of Memorandum of Association of a company in which maximum amount of share capital mentioned is called. A. Reserve Capital B. Subscribed Capital C. Authorised Capital D. Issued Capital
4.	Money received in advance from shareholders before it is actually called-up by the directors is: A. Debited to calls in arrear account. B. Credited to calls in advance account C. Debited to calls in advance account. D. Credited to calls in arrear account
5.	Akshita Ltd. issued fully paid shares of ₹ 5,00,000 in purchase consideration of net assets of ₹4,70,000. The balance of ₹ 30,000 will be ______ to _______ account. A debited, Goodwill B debited, Capital Reserve C credited, Capital Reserve D credited, General Reserve
6	Maira Ltd. took over assets of ₹ 12,00,000 and liabilities of ₹ 4,00,000 of Subav Ltd. for an agreed purchase consideration of ₹ 9,00,000. The amount was payable by issue of 11% debentures of ₹ 100 each at 10% discount. The number of debentures issued will be : A 9,000 B 10,000 C 8,000 D 11,000
7.	A company forfeited 400 shares of ₹ 10 each, ₹ 8 per share called up for non-payment of first call of ₹ 2 per share. On forfeiture of these shares, "Share Capital" account will be debited with: A ₹ 4,000 B ₹ 800 C ₹ 3,200 D ₹ 2,000

8.	Xyle Ltd. forfeited 700 shares of ₹ 10 each issued at a premium of 10% for non-payment of allotment money of ₹ 5 per share (including premium) and first and final call of ₹ 3 per share. On On forfeiture of these shares, "Share Forfieture" account will be credited with : A ₹ 7,000 B ₹ 1,400 C ₹ 4,900 D ₹ 2,100
9.	That part of the authorised capital which is actually issued to the public for subscription is called : A Subscribed capital B Issued capital C Authorised capital D Reserve capital
10	Zinki Limited forfeited a share of ₹ 100 issued at a premium of 20% for non-payment of first call of ₹ 30 per share and final call of ₹ 10 per share. The minimum price at which this share can be reissued is : A ₹ 40 B ₹ 60 C ₹ 20 D ₹ 100
11.	A share of ₹ 10 issued at a premium of ₹ 2 per share on which ₹ 8 per share (including premium) have been called and ₹ 6 per share (including premium) is received, is forfeited. Share Capital Account will be debited by : A ₹ 10 B ₹ 8 C ₹ 12 D ₹ 6
12.	A share of ₹ 100 on which ₹ 70 has been received is forfeited for non-payment of final call of ₹ 30. The minimum price at which this share can be re-issued is : A ₹ 70 B ₹ 30 C ₹ 100 D ₹ 130
13.	Which of the following statement is correct regarding subscribed capital ? A It is the amount of share capital which a company is authorised to issue by its Memorandum of Association. B It is that part of authorised capital which is actually issued to the public for subscription. C It is that part of the issued capital which has been actually subscribed by the public. D It is that part of the called-up capital which has been actually received from shareholders.
14	**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
15	BB Ltd. forfeited 4000 shares of ₹ 10 each for non-payment of final call of ₹ 5 per share. The forfeited amount was ₹ 20,000. The minimum amount per share at which these shares can be re-issued will be : A ₹ 6 B ₹ 7 C ₹ 5 D ₹ 4

ANSWERS OF MCQS (01 MARKS)

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

SHORT ANSWER TYPE QUESTIONS (3-4 marks)

1 Geetika Limited forfeited 1,200 shares of ₹ 50 each issued at par for non-payment of final call of ₹ 10 per share. Out of these, 900 shares were reissued at ₹ 45 per share fully paid-up. Pass necessary journal entries related to forfeiture and reissue of shares. **(CBSE 2023)**. **3**

Solutions - **Books of Geetika Ltd.**

Journal

Date	**Particulars**	**LF**	**Debit (₹)**	**Credit (₹)**
	Share Capital A/c Dr		60,000	
	To Forfieted Shares A/c			48,000
	To Shares Allotment A/c			12,000
	(1200 shares forfeited for non-payment of final call			
	Bank A/c Dr		40,500	
	Forfieted Shares A/c Dr		4,500	
	To Share Capital A/c			45,000
	(900 shares reissued at ₹45 per share, fully paid up)			
	Forfieted Shares A/c Dr		31,500	
	To Capital Reserve A/c			31,500
	(Gain on 900 re-issued shares transferred to capital reserve)			

2 A company forfeited 4,000 shares of ₹ 10 each fully called-up, on which application money of ₹ 3 each has been paid. Out of these, 2,000 shares were reissued as fully paid up for ₹18000. Pass necessary journal entries for the above transactions. **.(CBSE 2023)** **3**

Solutions - **Books of A Ltd.**

Journal

Date	**Particulars**	**LF**	**Debit (₹)**	**Credit (₹)**
	Share Capital A/c Dr		40,000	
	To Forfieted Shares A/c			12,000
	To Calls in Arrears A/c			28,000
	(1200 shares forfeited for non-payment of final call)			
	Bank A/c Dr		18,000	
	Forfieted Shares A/c Dr		2,000	
	To Share Capital A/c			20,000
	(900 shares reissued at ₹45 per share, fully paid up)			
	Forfieted Shares A/c Dr		4,000	
	To Capital Reserve A/c			4,000
	(Gain on 900 re-issued shares transferred to capital reserve)			

3 Sunstar Ltd. has an authorised capital of ₹ 20,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 60,000 shares. Applications were received for 58,000 shares. All calls were made and were duly received except the final call of ₹ 3 per share on 2,000 shares. These 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 2023)**

Solutions – **Sunstar Ltd.**

BALANCE SHEET (extract)

As at ……………………….

Particulars	**Note No**	**Amount(₹)**
I Equity and Liabilities		
Shareholders' Funds		
Share Capital	**1**	**5,74,000**

Notes to Accounts

Particulars	**Amount(₹)**
1. Share Capital	
Authorised Capital	
2,00,000 equity shares of ₹10 each	20,00,000
Issued Capital	
60,000 equity shares of ₹10 each	6,00,000
Subscribed Capital	
Subscribed and fully paid up	
56,000 equity shares of ₹10 each	5,60,000
Add: Share Forfieture A/c	14,000
	5,74,000

4 Shringar Ltd. was registered with an authorised capital of ₹ 5,00,000 divided into equity shares of ₹ 10 each. The company issued a prospectus inviting applications for 20,000 equity shares. The amount was payable as follows : On Application and Allotment – ₹ 3 per share, On First call – ₹ 5 per share and On Final call – Balance. Applications were received for 19,000 equity shares and allotment was made to all the applicants. All the amounts were duly received except the first and final call on 5,000 shares. Present the share capital in the Company's Balance Sheet as per Schedule III, Part I of Companies Act, 2013. Also prepare 'Notes to Accounts' for the same. – **.(CBSE 2024 Compartment)**

Solution –

Shringar Ltd.

BALANCE SHEET (extract)

As at ……………………….

Particulars	**Note No**	**Amount(₹)**
I Equity and Liabilities		
Shareholders' Funds		
Share Capital	**1**	**1,80,000**

Notes to Accounts

Particulars	**Amount(₹)**
1. ShareCapital	
Authorised Capital	
50,000 equity shares of ₹10 each	5,00,000
Issued Capital	
20,000 equity shares of ₹10 each	2,00,000
Subscribed Capital	
Subscribed and fully paid up	

14,000 equity shares of ₹10 each		1,40,000
Subscribed but not fully paid up		
5,000 equity shares of ₹10 each	50,000	
Less: Calls in arrers (5000 X 2)	10,000	40,000
		1,80,000

5 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 **(CBSE 2023)**

Solutions - **Books of BCG Ltd.**

Journal

Date	Particulars	LF	Debit (₹)	Credit (₹)
	Share Capital A/c Dr. Securities Premium 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 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

6 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. – **(CBSE 2023)**

Solution – **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(₹)**
2. 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

LONG ANSWER TYPE QUESTIONS (6 marks)

1 Qumtan Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows : **6**

On Application and Allotment ₹ 8 per share (including premium ₹ 3)

On First and Final call Balance (including premium)

Applications for 1,60,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Dheeraj, who was allotted 200 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at ₹ 5 per share fully paid up. Pass necessary journal entries in the books of Qumtan Ltd. **.(CBSE 2024)**

Solution – In the books of Qumtan Ltd.

Journal

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr		12,80,000	

	To Equity Share Application & Allotment A/c (Application and Allotment money received for 1,60,000 shares)			12,80,000
2	Equity Share Application & Allotment A/c Dr To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Application money transferred to Share Capital and Securities Premium A/c and Excess money returned)		12,80,000	5,00,000 3,00,000 4,80,000
3	Equity Share First and Final Call A/c Dr To Equity share capital A/c To Securities Premium A/c (Share First and Final Call Money due)		8,00,000	5,00,000 3,00,000
4.	Bank A/c Dr Calls-in –Arrears A/c Dr To Equity Share First and Final Call A/c (Share First and Final Call Money received except on 200 shares)		7,98,400 1,600	8,00,000
5	Equity Share Capital A/c Dr Securities Premium A/c Dr To Calls in Arrears A/c To Share Forfieture A/c (200 equity shares forfeited for nonpayment of first and final call)		2,000 600	1,600 1,000
6	Bank A/c Dr Share Forfeiture A/c Dr To Equity Share Capital A/c (200 shares reissued)		1,000 1,000	2,000

2	Printkit Limited invited applications for issue of 80,000 equity shares of ₹ 10	**6**

each. The amount was payable as follows :

On Application ₹ 3 per share

On Allotment ₹ 2 per share

On First and Final call Balance

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis :

Category A : Applicants for 80,000 shares were allotted 40,000 shares.

Category B: Applicants for 60,000 shares were allotted 40,000 shares.

Excess money received on application was adjusted towards amount due on allotment and first and final call. All the amounts due on allotment and first and final call were duly received. Pass necessary journal entries in the books of Printkit Limited **(CBSE 2024)**

Solution - Journal entries in the books of Printkit Limited

Date	**Particulars**	**LF**	**DR (₹)**	**CR (₹)**
1	Bank A/c Dr To Equity Share Application A/c (Application money received for 1,50,000 shares)		4,50,000	 4,50,000
2	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in advance A/c To Bank A/c (Application money transferred to Share Capital and Excess amount adjusted in allotment and calls and returned)		4,50,000	 2,40,000 1,40,000 40,000 30,000
3	Equity Share Allotment A/c Dr To Equity Share Capital A/c (Allotment money due on 80,000 shares)		1,60,000	 1,60,000
4	Bank A/c Dr To Equity Share Allotment A/c (Allotment money received after adjusting excess application money)		20,000	 20,000
5	Equity Share First and Final Call A/c Dr		4,00,000	 4,00,000

	To Equity Share capital A/c (Share First and Final Call Money due)			
6	Bank A/c Dr Calls-in –Advance A/c Dr To Equity Share 1^{st} and Final Call A/c (Share First and Final Call Money received after adjusting calls in advance)		3,60,000 40,000	 4,00,000

3 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			
Shareholders' Funds			
(a) Share Capital	**1**	**29,80,000**	**25,00,000**

Notes to Accounts as at 31^{st} March, 2023

Note no.	**Particulars**	**31.03.2023**
1.	Share Capital	
	Authorised Capital	45,00,000
	4,50,000 equity shares of ₹10 each	
		25,00,000
	Issued Capital	
	2,50,000 equity shares of ₹10 each	
		25,00,000
	Subscribed Capital	
		NIL
	Subscribed and fully paid up	
		25,00,000
	2,50,000 equity shares of ₹10 each Subscribed but not fully paid up	

Notes to Accounts as at 31^{st} March, 2024

Note no.	**Particulars**	**31.03.2024**
1.	ShareCapital	
	Authorised Capital	45,00,000
	4,50,000 equity shares of ₹10 each	

		30,00,000
	Issued Capital	
	3,00,000 equity shares of ₹10 each	
		29,00,000
	Subscribed Capital	____________
	Subscribed and fully paid up	
	2,90,000 equity shares of ₹10 each Subscribed but not fully paid up	80,000__
	10,000 Equity Shares of ₹10 each	29,80,000
	fully called up 1,00,000	
	Less: Calls –in- Arrears	
	10,000 Equity shares @ ₹ 2 per share 20,000	

Answer the following Questions Based on the above information-.**(CBSE 2024)**
(i) Equity share capital issued during the year 2023–24 amounted to:
(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:
(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:
(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:
(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:
(A) ₹ 20,000 (B) ₹ 80,000 (C) ₹ 1,00,000 (D) ₹ 1,20,000
(vi) If the forfeited shares are reissued at a minimum reissue price, the amount credited to 'Capital Reserve A/c' will be:
(A) Nil (B) ₹ 20,000 (C) ₹ 80,000 (D) ₹ 1,00,000

Answers-. (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

4 Nidiya limited was incorporated on 1stApril 2017 with registered office in Mumbai. The capital clause of memorandum of Association reflected a registered capital of 8, 00, 000 equity shares of Rs.10 each and 1, 00,000 preference shares of Rs.50 each. Since some large investments were required for building and machinery the company in consultation with vendors, Ms. VPS Enterprises, issued 1,00,000 equity shares and 20,000 preference shares at par to them in full consideration of assets acquired. Besides this the company issued 2,00,000 equity shares for cash at par payable as Rs. 3 on application, 2 on allotment, 3 on first call and 2 on second call. Till date second call has not yet been made and all the shareholders have paid except Mr. Ajay who did not pay allotment and calls on his 300 shares and Mr. Vipul who did not pay first call on his 200 shares. Shares of Mr. Ajay were then forfeited and out of them 100 shares were reissued at Rs.12 per share. Based on above information you are required to answer the following questions

(i). Shares issue to vendors of building and machinery, Ms. VPS Enterprises, would be classified as:

A. Preferential Allotment B Employee Stock Option Plan

C. Issue for Consideration other than cash D. Right Issue of Shares

(ii). How many equity shares of the company have been subscribed?

A. 3,00,000 B. 2,99,500 C. 2,99,800 D. None of these

(iii). What is the amount of security premium reflected in the balance sheet at the end of the year?

A. ₹200 B. ₹600 C. ₹400 D. ₹ 1,000

(iv). What amount of share forfeiture would be reflected in the balance sheet?

A. ₹600 B. ₹900 C. ₹200 D. ₹ 300

(v). What amount of share forfeiture would be transferred to capital reserve?

A. ₹600 B. ₹900 C. ₹200 D. ₹ 300

(vi) What is the amount of Authorised capital ?

Answers-. (i) (C) Issue for Consideration other than cash

(ii) C. 2,99,800 (iii) (C) `₹400 (iv) (B) . ₹600

(v) D. ₹ 300 (vi) ₹ 1,30,00,000

5	Mayank Ltd. invited applications for issuing 70,000 equity shares of 100 each. The amount was payable as follows : On Application 20 per share On Allotment 40 per share On First call 20 per share On Second and Final Call Balance Applications for 1,00,000 shares were received and allotment was made to all the applicants on pro-rata basis. Excess application money received with application was adjusted towards sums due on allotment. Jay, a shareholder who had applied for 1,000 shares, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Afterwards the first call was made. Meenakshi, the shareholder of 1,400 shares, failed to pay the first call money and her shares were forfeited just after the first call. The second and final call has not been made. Pass necessary journal entries in the books of the company for the above transactions. **(CBSE 2025)** **Hints to solutions- Amount Received on allotment - ₹ 21,78,000** **Amount Transferred to Share forfeiture A/c on call ₹20,000** **Amount Received on Call - ₹ 1358000** **Amount Transferred to Share forfeiture A/c on call ₹ 84,000**	
6	DDG Ltd. invited applications for issuing 75,000 equity shares of 75 each at a premium of 25 per share. The amount was payable as follows : On Application and Allotment 40 per share On First and Final Call Balance (including premium) Applications for 1,25,000 shares were received. Applications for 25,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on pro-rata basis. Excess money received with applications was adjusted towards sums due on first and final call. Govind, to whom 1,500 shares were allotted, failed to pay the first and final call. Namita who had applied for 2,000 shares also failed to pay the first and final call. Shares of both Govind and Namita were forfeited. Pass the necessary journal entries for the above transactions in the books of DDG Ltd. **(CBSE 2025)** **Hints to solution - Amount Received on Call - ₹ 33,60,000** **Amount Transferred to Share forfeiture A/c on call ₹ 80,000**	
7	Karan Ltd. invited applications for issuing 80,000 equity shares of 80 each at par. The amount was payable as follows : On Application and Allotment 30 per share On First and Final Call Balance Applications for 1,40,000 shares were received. Applications for 20,000 shares were rejected and the money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on first and final call. Ravi, who had applied for 1,200 shares, paid his entire share money along with his application. Chaman, to whom 2,400 shares were allotted, failed to pay the first and final Chaman's shares were forfeited. Pass necessary journal entries for the above transactions in the books of Karan Ltd. Open Calls in Arrears A/c and Calls in Advance A/c whenever necessary. **(CBSE 2025)** **Hints to solution- Amount Received on Call - ₹ 26,88,000** **Amount Transferred to Share forfeiture A/c on call ₹ 1,08,000**	

WORKSHEET-1 (MM 20)

Q No.	Questions	mark
1.	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	1
2.	H Ltd. had allotted 20,000 shares to the applicants of 28,000 shares on pro-rata basis. The amount payable on application was 2 per share. S applied for 840 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from S will be: A. 120 shares; 240 B. 680 shares; 320 C. 640 shares; 400 D. 600 shares, 480	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.	Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R). You are to examine these two statements carefully and select the answers using the code given below: Assertion(A) : Shares can be issued to the Public at the discount. Reason(R) : Shares can be issued to the Public at a discount on reissue of the forfeited shares. 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	1
5	Geetika Limited forfeited 1,200 shares of ₹ 50 each issued at par for non-payment of final call of ₹ 10 per share. Out of these, 900 shares were reissued at ₹ 45 per share fully paid-up. Pass necessary journal entries related to forfeiture and reissue of shares.	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	3
7	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	4

8	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.	6

ANSWERS

1	**A ₹ 5 each**
2	**D 600 shares , 480**
3	**A Writing off capital losses**
4	**D**
5	**Books of Geetika Ltd.** **Journal**

Date	Particulars	LF	Debit (₹)	Credit (₹)
	Share Capital A/c Dr		60,000	
	To Forfieted Shares A/c			48,000
	To Shares Allotment A/c			12,000
	(1200 shares forfeited for non-payment of final call			
	Bank A/c Dr		40,500	
	Forfieted Shares A/c Dr		4,500	
	To Share Capital A/c			45,000
	(900 shares reissued at ₹45 per share, fully paid up)			
	Forfieted Shares A/c Dr		31,500	
	To Capital Reserve A/c			31,500
	(Gain on 900 re-issued shares transferred to capital reserve)			

6

Books of BCG Ltd.

Journal

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

7

-

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(₹)**
2. 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	

8

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	

WORKSHEET-2 (20 marks)

Q No.	**Questions**	**mark**
1.	Money received in advance from shareholders before it is actually called-up by the directors is: A. Debited to calls in arrear account. B. Credited to calls in advance account C. Debited to calls in advance account. D. Credited to calls in arrear account	1
2.	Akshita Ltd. issued fully paid shares of ₹ 5,00,000 in purchase consideration of net assets of ₹4,70,000. The balance of ₹ 30,000 will be ______ to _______ account. A debited, Goodwill B debited, Capital Reserve C credited, Capital Reserve D credited, General Reserve	1
3.	A company forfeited 400 shares of ₹ 10 each, ₹ 8 per share called up for non-payment of first call of ₹ 2 per share. On forfeiture of these shares, “Share Capital” account will be debited with: A ₹ 4,000 B ₹ 800 C ₹ 3,200 D ₹ 2,000	1
4.	Which of the following statement is correct regarding subscribed capital ? A It is the amount of share capital which a company is authorised to issue by its Memorandum of Association. B It is that part of authorised capital which is actually issued to the public for subscription. C It is that part of the issued capital which has been actually subscribed by the public. D It is that part of the called-up capital which has been actually received from shareholders.	1
5	A company forfeited 4,000 shares of ₹ 10 each fully called-up, on which application money of ₹ 3 each has been paid. Out of these, 2,000 shares were reissued as fully paid up for ₹18000. Pass necessary journal entries for the above transactions.	3
6	A Ltd. makes an issue of 10,000 equity shares of Rs. 100 each at a premium of 5%, payable as follows: On application and allotment- Rs.50. On first call- Rs.30. On second & Final call- Rs.25. Members holding 400 shares did not pay the second call and the shares are duly forfeited, 300 of which are re-issued as fully paid at Rs.80 per share. Pass journal entries for forfeiture and reissue of forfeited shares	3
7	Sunstar Ltd. has an authorised capital of ₹ 20,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 60,000 shares. Applications were received for 58,000 shares. All calls were made and were duly received except the final call of ₹ 3 per share on 2,000 shares. These 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 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)** 6

Particulars	**Note no.**	**31.03.2024**	**31.03.2023**
I – Equity and Liabilities			
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.	ShareCapital	
	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
		25,00,000
	Subscribed Capital	
	Subscribed and fully paid up	
	2,50,000 equity shares of ₹10 each	NIL
	Subscribed but not fully paid up	25,00,000

Notes to Accounts as at 31st March, 2024

Note no.	**ShareCapital**	**31.03.2024**
1.	**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	
	2,50,000 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 20,000	80,000
	10,000 Equity shares @ ₹ 2 per share	29,80,000

Answer the following Questions Based on the above information-

(i) Equity share capital issued during the year 2023–24 amounted to:
(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:
(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:
(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: (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:
(A) ₹ 20,000 (B) ₹ 80,000 (C) ₹ 1,00,000 (D) ₹ 1,20,000

(vi) If the forfeited shares are reissued at a minimum reissue price, the amount credited to 'Capital Reserve A/c' will be:
(A) Nil (B) ₹ 20,000 (C) ₹ 80,000 (D) ₹ 1,00,000

ANSWERS

1	**C**
2	**B**
3	**C**
4	**C**
5	**Calls in Arrears ₹ 28,000, Capital Reserve ₹4000**
6	**Ans: Amount transferred to Capital Reserve : Rs 18,000**
7	**₹ 5,60,000 + ₹14000 = ₹ 5,74,000**
8	**Answers-. (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**

CHAPTER-7
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.

Some Important Points:

Ownership: Debenture is a borrowing of the company. Hence debenture holder is a lender

Return: Debenture holder gets interest at the stated rate whether the company earns profit or not.

Security: Debentures may or may not be secured by a charge on the assets of the company

Issue: At Par, At Premium and At Discount

Convertibility: Debentures can be converted into shares

Voting Rights: Debentureholders do not have voting rights

QUESTION BANK FOR ACHIEVERS

<table>
<tr><th>SR NO.</th><th>QUESTION</th></tr>
<tr><td>1</td><td>Shyamla Ltd. purchased machinery of 9,50,000 from Rohini Ltd. The payment was made by issue of 9% debentures of 100 each at a discount of 5% redeemable at a premium of 10% after four years. The number of debentures issued in favour of Rohini Ltd. will be :
(A) 10,000 (B) 9,500 (C) 9,050 (D) 8,636</td></tr>
<tr><td>2</td><td>Collateral security means ___________________security:
(A) Primary (B) Secondary
(C) Government (D) valuable</td></tr>
<tr><td>3</td><td>If X ltd issued 1,000; 10% Debentures of Rs100 each at a discount of 5% but redeemable after 4 years at a premium of 6%, loss on issue of Debentures a/c will be debited by:
(A) 11,000 (B)10,000 (C) 1,00,000 (D)1,10,000</td></tr>
<tr><td>4</td><td>Match the following:
<table><tr><th>LIST-1</th><th>LIST-2</th></tr></table></td></tr>
</table>

1.Debentures are transferable by Mere Delivery	A) Bearer Debentures
2. Debentures redeemable either in Lump Sum or Installments	B)Redeemable Debentures
3. Excess Value of Net Assets consideration.	C) Capital Reserve
4. Excess of Purchase consideration over Value of net assets.	D) Goodwill

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

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

5 ABC took over the assets of Rs7,60,000 and liabilities of Rs 80,000 of Y limited for purchase consideration of Rs5,85,000 payable by the issue of 12% debentures of Rs100 each at a discount of 10%. The number of debentures to be issued is:

(A) 6600 (B) 6500 **(C)** 4500 (D) 5400

7 On 1st October, 2024, Gama limited issued 6000; 11% debentures of rupees 100 each at a premium of 10%, redeemable at a premium of 10%. Loss on issue of debentures will be:

(A) 1,20,000 (B) 60,000

(C)6,00,000 (D)6,60,000

8 Sama limited issued 8000; 10% debentures of rupees 100 each at Rs 98 per debenture. 10% Debentures A/c Will be Credited by:

(A) 9,80,000 (B)10,00,000

(C)7,84,000 (D) 8,00,000

9 Assertion (A): Interest is paid by the company on Debentures issued as collateral security.

Reason(R) : Interest is paid by the company on Debentures, including debentures issued as collateral security In the context of the above statements, which of the following is correct?

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) and Reason (R) are Incorrect.

11 On 1st 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: (A) 2,00,000 (B) 4,00,000 (C) 20,00,000 (D) 40,00,000

12	Keya Ltd. issued 2,00,000, 8% debentures of 100 each at 10% discount on 1st April, 2023. Interest is payable half-yearly on 30th September and 31st March every year. Interest written off on 31st March, 2024 was : (A) 16,00,000 (B) 14,40,000 (C) 8,00,000 (D) 7,20,000
13	Shivalik Ltd. issued 7% debentures of 100 each at a discount of 5% on 1st April, 2023. Discount on issue of debentures, 1,00,000 was completely written off through Statement of Profit and Loss on 31st March, 2024. On issues of debentures, Debentures A/c was credited with ____________. (A) 10,00,000 (B) 20,00,000 (C) 19,00,000 (D) 1,00,000
15	When debentures are issued at par and redeemable at premium, which account is credited? A) Premium on Redemption of Debentures A/c B) Securities Premium A/c C) Profit and Loss A/c D) Share Capital A/c

ANSWERS

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

3-4 MARKS QUESTIONS

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

(i) A debenture issued at Rs.110 repayable at Rs.100.
(ii) A debenture issued at Rs.100 repayable at Rs.105.
(iii) A debenture issued at Rs.105 repayable at Rs.105.

ANS:

Case 1.

(i) Bank A/c	Dr.	110	
To Debenture Application & Allotment A/c			110
(ii) Debenture Application & Allotment A/c	Dr.	110	
To Debentures A/c			100
To Securities Premium A/c			10

Case 2.

(i)	Bank A/c	Dr.	100	
	To Debenture Application & Allotment A/c			100
(ii)	Debenture Application & Allotment A/c	Dr	100	
	Loss on issue of Debentures A/c	Dr	5	
	To Debentures A/c			100

To Premium on Redemption of Debentures A/c 5

Case 3.

(ii) Bank A/c Dr. 105

To Debenture Application & Allotment A/c 105

(iii) Debenture Application & Allotment A/c Dr 105
Loss on issue of Debentures A/c Dr 5

To Debentures A/c 100

To Securities Premium A/c 5

To Premium on Redemption of Debentures A/c 5

2 Kinza Ltd. Issued 4000 8% debentures of rupees 100 at a discount of 10%. The company had a balance of rupees 50000 in securities premium account on the same date.

Pass necessary journal entries for issue of debentures and to write of discount on issue of debenture.

ANS: Journal Entries

Particulars	L.F.	₹ (Dr)	₹ (Cr)
Bank A/c Dr		3,60,000	
To Debentures Application & Allotment A/c			3,60,000
(Being application money received for 4,000; 8% debentures)			
Debentures Application & Allot. A/c Dr.		3,60,000	
Discount on Issue of debentures A/c Dr.		40,000	
To 8% Debentures A/c			4,00,000
(Being 4000; 8% debentures of Rs 100 each issued at 10% discount)			
Securities Premium A/c Dr		40,000	
To Discount on Issue of Deb. A/c			40,000
(Being discount on issue of debentures written off)			

3 Zigma ltd. Issued 15,000; 10% debentures of ₹ 100 each on 1st April,2016. The issue was fully subscribed. According to the terms of issue, interest is payable on half-yearly basis. Pass journal entries for interest for the year ended 31st march,2017.

ANS:

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 Sept. 30	Debentures Interest A/c Dr. To debenture holders' A/c (being the interest on debenture payable for the half-year ended 30th Sept,2017)		75,000	75,000
	Debenture holders A/c Dr. To Bank A/c (being the interest paid to debenture holders)		75,000	75,000
2017 March 31	Debentures Interest A/c Dr. To Debenture holders' A/c (being the interest on debenture payable for the half-year ended 31st march,2017)		75,000	75,000
	Debenture holders A/c Dr. To Bank A/c (being the interest paid to debenture holders)		75,000	75,000
March 31	Statement of Profit and Loss Dr. To Debentures' Interest A/c (being the interest on debentures transferred to statement of profit and loss)		1,50,000	1,50,000

4 Riya Ltd. took a loan of Rs.24,00,000 from State Bank of India against the security of tangible assets. In addition to principal security, it issued 10,000 10% debentures of Rs.150 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**

:Particulars	L.F.	₹ (Dr)	₹ (Cr)
Bank A/c Dr To Bank Loan A/c (Being loan taken from SBI)		24,00,000	24,00,000
Debentures Suspense A/c Dr To 10% Debentures A/c (Being debentures issued as collateral security)		15,00,000	15,00,000

5 Complete the following journal entries:

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Sundry assets A/c Dr ---------?----------Dr To Sundry Liabilities A/c To Saran Ltd. (Being Saran ltd . was taken		29,00,000 ---?----	3,00,000 27,00,000

	over by Varan Ltd. For the purchase consideration of Rs.27,00,000)			
	Param Ltd. Dr --------?---------- Dr To 9% Debentures A/c (Being paying Saran Ltd by issuing a bill of Rs.20,000 and the balance was paid by issue of 9% Debenture of Rs. 100 each at a discount of 10%)		27,00,000 ---?-----	----?----

ANS:

1. Goodwill a/c 1,00,000
2. Discount on issue of Debentures A/c 3,00,000
3. To 9% Debentures 30,00,000

6 A Ltd. purchased assets of book value 40,00,000 and took over liabilities of 5,00,000 from Bajwa 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 A Ltd. for the above transactions.

ANS: **Journal in the books of A Ltd**

Date	Particulars	L.F.	₹ (Dr)	₹ (Cr)
	Assets A/c Dr Goodwill A/c Dr To Liabilities A/c To Bajwa Ltd. (Being business of Bajwa Ltd. taken over at Rs 36,00,000)		40,00,000 1,00,000	5,00,000 36,00,000
	Bajwa Ltd. Dr To 7% Debentures A/c To Securities Premium A/c (Being 30,000; 7% debentures of Rs 100 each issued at a premium of 20%)		36,00,000	30,00,000 6,00,000

LONG ANSWER QUESTIONS- 6 MARKS

SR N | **QUESTION**

1

X Ltd. Has 4,000, 12% debentures of Rs.100 each on 1st April 2023. According to the terms of issue, interest on debentures is payable half yearly on 30th September and 31st March. Pass necessary journal entries for interest on debentures as on 31st March, 2024.

ANS:

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2023 Sept. 30	Debentures interest A/c Dr. To Debenture Holders' A/c (being the interest on debenture payable for the half-year ended 30th Sept,2017)		24,000	24,000
	Debenture Holders A/c Dr. To Bank A/c (being the interest paid to debenture holders)		24,000	24,000
2024 March 31	Debentures' interest A/c Dr. To Debenture holder' A/c (being the interest on debenture payable for the half-year ended 31st march,2017)		24,000	24,000
	Debenture holders A/c Dr. To Bank A/c (being the interest paid to debenture holders)		24,000	24,000
March 31	Statement of profit and loss Dr. To Debentures' interest A/c (being the interest on debentures transferred to statement of profit and loss)		48,000	48,000

2

(xvi) On 1st April, 2024, Tuzu Ltd. issued Rs. 50,00,000 10% debentures of Rs 100 each at a discount of 10%. These debentures were redeemable at a premium of 5% after four years. Pass necessary journal entries.

(xvii) Bizza Ltd. issued 6,000 11% debentures of Rs 100 each to its vendor Poorv and Sons. These debentures were issued at 15% premium for the consideration of plant purchased. A cheque of Rs. 3,50,000 also issued to vendor. Pass necessary journal entries.

Hint:-(i):

a) Bank A/c 45,00,000; b) Debentures Application and Allotment A/c 45,00,000; c)Loss on issue of Debentures A/c 7,50,000: d) Premium on Redemption of Debentures A/c 2,50,000

(ii): Plant A/c 10,40,000; 12% Debentures A/c 6,00,000; Securities Premium A/c 90,000

3

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

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

ANS:

(i)	Bank A/c Dr. To Debenture Application & allot. A/c (Application Money Received on 9% Deb.)	2,70,000	2,70,000
	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 (Appl. money transferred to Debentures A/c)	2,70,000 45,000 30,000	3,00,000 45,000
(ii)	Bank A/c Dr. To Debenture Application & allotment A/c (Application Money Received on 12 % Deb.)	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 Deb. A/c)	1,10,000 5.000	1,00,000 10,000 5,000
(iii)	Bank A/c Dr. To Debenture Application & allot. A/c (Application Money Received on 9% Deb.)	5,00,000	5,00,000
	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 Deb. A/c)	5,00,000 25,000	5,00,000 25,000

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

(i) Issued 7,500, 10% debentures of ₹ 100 each at a premium of 10% payable at a par.

(ii) Issued 10,000, 12% debentures of ₹ 50 each with a premium of 10%, payable at a premium of 20%

(iii) Issued 10,000, 12% debentures of ₹ 50 each at par and payable at a premium of 10%.

Hint:-

(i): Bank A/c 8,25,000; 10%Debentures A/c 7,50,000; Securities Premium A/c 75,000

(ii): Bank A/c 5,5,000; 12%Debentures A/c 5,00,000; Securities Premium A/c 50,000: loss on issue of debenture A/c 1,00,000;

(iii): Bank A/c 5,00,000; 10%Debentures A/c 5,00,000; loss on issue of debenture A/c 50,000

5 Suhana Ltd. wants to establish a new plant. For this a huge investment was required on the part of the company. The company decided to raise the required funds through issue of debentures. For this, Suhana Ltd invited applications, 7% debentures of Rs.100 each at a premium of Rs.70 per debenture, repayable after 5 years along with the same amount of premium. The full amount was payable on application. Applications were received for 20,000 debentures. The company decided to make pro-rata allotment. Answer the following questions on the basis on information provided above:

A. How much amount will be received at the time of application?

B. While issuing debentures, what amount will be credited to 7% Debentures Account.

C. How much amount will be credited to Securities Premium Reserve Account.

D. How much amount will be credited on Premium on Redemption of Debentures Account.

E. The excess application money received on 5,000 debentures will be adjusted to which account?

F. What journal will be passed to write off loss on issue of debentures account.

Ans: A) Rs.34,00,000 B) Rs.15,00,000 C) Rs.10,50,000 D) Rs.10,50,000 E) To Bank A/c F) Security Premium A/c Dr and Loss on Issue of Debentures A/c Cr

6

(i) Rob Ltd. bought the business of Som Ltd on 1st April, 2022 constituting of sundry assets of Rs. 5,60,000 and Creditors of Rs. 1,00,000. Rs. 1,00,000 was paid in cash on 3rd April,2022 and for the balance, 6% debentures of Rs. 100 each, were issued at a premium of 20% om 5th April, 2022. Pass the necessary journal entries in the books of Rob Ltd.

(ii) Zax Ltd has 10,000, 9% debentures of Rs 100 each outstanding in the books of accounts as on 31st March, 2020 to be redeemed on 31st March, 2025. Show how will you disclose debentures in the Balance Sheet.

Ans:

(i)-Hint: 6% Debentures A/c 3,00,000 and Securities premium A/c 60,000

No. of Debentures: 3,60,000/120 = 3,000

(ii)- Balance Sheet

as at 31st March, 2020

Particulars	Note No.	Amount
EQUITY AND LIABILITIES		
1. Non-Current Liabilities		
Long-term Borrowings		10,00,000

Notes to Accounts

Particulars	Amount
1. **Long-term Borrowings**	
10,000, 9% Debentures of Rs. 100 each	10,00,000

7

Visitors Ltd. has decided to start a new showroom. The Finance Manager of the company has estimated the capital requirements at Rs.12,50,000. The company has arranged Rs.5,00,000 from the internal sources to start the showroom.

It has also decided to call the unpaid amount of Rs.3 per share on its 10,000 equity shares.

The requirement of the remaining capital was fulfilled by raising a loan from Bank of India payable after five years. 8% Debentures of Rs.100 each were issued for 1.5 times more amount than that of loan as collateral security.

The management raised the following questions:

1. What will be the total requirement of the loan raised by the company?
2. What will be the total number of debentures issued by the company?
3. Is the company liable to pay the interest on these debentures?
4. How debentures will be shown in the financial statements of the company when Company has recorded the issue of debentures by passing a journal entry in the books of the company.

5. How will you classify the loan raised as per the schedule III of the Companies Act, 2013?

Ans:

i. The company’s total requirement for the loan will be calculated as follows: 12,50,000 – (5,00,000 + 30,000) = Rs.7,20,000
ii. Debentures issued as collateral security are of nominal value.10,800, 8% Debentures of Rs.100 each of Rs.10,80,000
iii. No, the Company is not liable to pay the interest on these debentures because debentures are issued as collateral security.
iv. The debenture issued as collateral security will be shown as follows in the financial statements of the company (in Notes to Accounts under sub head long term borrowings)

Loan from Bank Of India		7,20,000
8% Debenures	10,80,000	
Less: Debentures suspense A/C (issued as collateral security)	10,80,000	NIL
		7,20,000

v. The loan raised by the company will be shown as Long-term Borrowings under head Non-current Liabilities in the Balance Sheet.

WORKSHEET-1

TIME : 40 Minutes MM: 20

SR	QUESTION	MARKS
1	**CBSE BOARD QP 67/4/1 (2024)** ***Assertion (A):*** Interest on bearer debentures is paid to a person who produces the interest coupon attached to such debentures. ***Reason I:*** Bearer debentures are transferred by way of delivery and the company does not keep any record of these debenture holders. (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 67/4/1 (2024)** Arnav Ltd. purchased assets worth ₹24,00,000 by issuing 9% debentures of ₹100 each at 4% discount for payment of purchase consideration. The number of debentures issued to vendor were: (A) 24,000 (B) 25,000 (C) 30,000 (D) 28,000	1
3	**CBSE BOARD QP 67/ 6/1 (2025)** 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	1
4	**CBSE BOARD QP 67/4/1 (2024)** On 1st May, 2023 Amrit Ltd. issued 10,000; 10% debentures of ₹ 100 each at a Premium of 10% and redeemable at a premium of 10%. Loss on Issue of Debentures A/c will be: (A) 2,00,000 (B) 1,30,000 (C) 1,00,000 (D) 80,000	1
5	**CBSE BOARD QP 67/4/1 (2024)** Mahesh Ltd. purchased Plant and Machinery from Ish Ltd. for 4,50,000. Rs. 50,000 paid by Cheque to Ish Ltd. and the balance by issue of 6% Debentures of 100 each, at a discount of 20%. Pass necessary journal entries for the above transactions in the books of Mahesh Ltd.	3
6	**CBSE BOARD QP 67/5/1 (2024)** On 1st April, 2022, Ninza Ltd. issued 4,000, 8% debentures of Rs 100 each at a discount of 10%. The company had balance of Rs. 50,000 in Securities Premium account on same date. Pass the necessary journal entries for issue of debentures and to write off discount on issue of debentures.	3
7	**CBSE BOARD QP 67/1/1 (2025)** Pass necessary journal entries for issue of debentures for the following transactions:	4

	(iii) Kiero Ltd. Issued 80,000, 9% debentures of 100 each at par, redeemable at a premium of 10%. (iv) Naro Ltd. Issued 50,000, 10% debentures of 100 each at a premium of 5%, redeemable at a premium of 10%.	
8	**CBSE BOARD QP 67/4/1 (2025)** Pass necessary journal entries relating to issue of debentures and to write of discounts/ loss on issue of debentures in the books of Ajanta Ltd. in the following cases: (i)200, 9% debentures of Rs. 1000 each are issued at 10% discount and redeemable at par. Balance in Securities Premium account is Rs. 15,000. (ii)300, 11% debentures of Rs. 1000 each are issued at 5% discount and redeemable at a premium of 10%. Balance in Securities Premium account is Rs. 35,000 .	6

HINTS:

SR NO.	HINTS
5	Ish Ltd.- 4,50,000; Discount on issue of Debentures A/c 1,00,000**;**
6	Discount on issue of Debentures A/c 40,000
7	(i)Loss on issue of Debentures A/c 8,00,000 (ii) Securities Premium A/c 2,50,000; Premium on Redemption of Debentures A/c 5,00,000
8	(i)Loss on issue of Debentures A/c 20,000 (ii) Loss on issue of Debentures A/c 45,000; Premium on Redemption of Debentures A/c 30,000

WORKSHEET-2

TIME:45 MINUTES MM:20

SR NO.	QUESTION	MARKS
1	**CBSE BOARD PAPER 67/4/1 (2025)** Shivalik Ltd. issued 7% debentures of Rs. 100 each at a discount of 5% on 1st April, 2023. Discount on issue of debentures, Rs. 1,00,000 was completely written off through Statement of Profit and Loss on 31st March, 2024. On issue of debentures, 'Debentures Account' was credited with------------------. (A)10,00,000 (B) 20,00,000 (C) 19,00,000 (D) 1,00,000	1
2	**CBSE BOARD PAPER 67/2/1 (2024)** Maharaja Ltd. took over assets of Rs. 15,00,000 and liabilities of Rs. 2,00,000 of Dolphin Ltd. for an agreed purchase consideration of Rs. 12,60,000. It was agreed that the purchase consideration will be paid by issuing 11% debentures of Rs. 100 each at a discount of 10%. The number of debentures issued will be: (A)13,000 (B) 12,600 (C) 10,000 (D) 14,000	1
3	**CBSE BOARD PAPER 67/1/3 (2023)** Rohit Ltd. issued 2,000, 9% Debentures of Rs. 100 each at Rs. 95 per debenture. 9% Debentures Account will be credited by: (A)13,000 (B) 12,600 (C) 10,000 (D) 14,000	1
4	**CBSE BOARD PAPER 67/4/1 (2025)** Keya Ltd. issued 2,00,000, 8% debentures of Rs. 100 each at 10% discount on 1st April, 2023. Interest is payable half- yearly on 30th September and 31at March every year. Interest written off on 31st March, 2024 was: (A)1,90,000 (B) 1,10,000 (C) 2,00,000 (D) 10,000	1
5	**CBSE BOARD PAPER 67/4/1 (2025)** Mallark Ltd. purchased assets of book value Rs. 40,00,000 and took over liabilities of Rs. 5,00,000 from Naroha Ltd. It was agreed that the purchase consideration, Rs. 36,00,000 be paid by by issuing 7% debentures of Rs. 100 each at a premium of 20%. Record the journal entries in the book of Mallark Ltd. for the above transactions.	3
6	**CBSE BOARD PAPER 67/3/1 (2024)** Gundola Ltd. took over assets of Rs. 9,00,000 and liabilities of Rs. 3,00,000 from AK Ltd. for an agreed purchase consideration of Rs. 14,00,000. The payment was made through a bank draft of Rs. 5,00,000 and the remaining by issue of 8% debentures at a discount of 10%. Record the journal entries in the book of Gundola Ltd. for the above transactions.	3
7	**CBSE BOARD PAPER 67/5/1 (2025)** On 1st April, 2023, GI Ltd. issued 40,000, 12% debentures of Rs. 100 each at a premium of 10%, redeemable at par after five years. The company closes its books 31st March every year. Pass necessary journal entries in the books of the company for issue of debentures and payment of interest for the year ended 31st March, 2024.	4

8	**CBSE BOARD PAPER 67/1/1 (2023)** Pass the journal entries for issue of debentures for the following transactions: (i)Gagan Ltd. issued Rs.10,00,000 9% debentures of ₹ 100 each at a premium of 5%, redeemable at par after 4 years. (ii)KS Ltd. issued Rs. 10,00,000 10 % debentures of ₹ 100 each at par, redeemable at a premium of 10% after four years. (iii)QR Ltd. issued Rs. 10,00,000 9% debentures of ₹ 100 each at a discount of 10%, and redeemable at a premium of 5%.	6

Hints:

Sr No	Hints
5	Goodwill-1,00,000; Debenture Account- 30,00,000 and Securities Premium-6,00,000
6	Goodwill-8,00,000; Discount on Issue of Debenture Account- 1,00,000
7	Securities Premium-4,00,000; 30th Sept, Debenture Interest-2,40,000; 31st March, Debenture Interest-2,40,000
8	(i)Securities Premium-50,000 (ii) Loss on Issue of Debenture Account- 1,00,000 (iii) Discount on Issue of Debenture Account- 1,50,000

CHAPTER-8

ANALYSIS OF FINANCIAL 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	Current Assets	Other Current Assets

within the operating cycle		
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. Match the followings:

A. Loose Tools	I. Property, Plant and Equipments-Intangible Assets
B. Mining Rights	II. Non-Current Liabilities
C. Premium on Redemption of Debentures	III. Inventories
D. Deferred Tax Liabilities	IV. Other Non-Current Liabilities

(a) A-III, B-I, C-IV, D-II (b) A-II, B-III, C-IV, D-I

(c) A-IV, B-III, C-I, D-II (d) A-I, B-II, C-IV, D-III

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.	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.	
4.	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	
5.	When a bad position of the business is tried to be depicted as good, it is known as ----------- (a) Personal Bias (b) price level changes (c) window dressing (d) All of the above	
6.	**Assertion (A):** Horizontal analysis can be done by preparing Comparative Statements. **Reason (R):** In Horizontal analysis figures of two or more years are placed side – by – side to facilitate comparison. As such, Comparative Statements are Horizontal Analysis. In context of the above two statements,which of the following is correct? (a) Both (A) and (R) are true, but (R) is not correct explanation of (A). (b) Both (A) and (R) are true and (R) is the correct explanation of (A). (c) Both (A) and (R) are false. (d) (A) is false, but (R) is true.	
7.	**Assertion (A):** Intra – firm analysis means comparing the financial data of the same firm for two or more accounting periods. **Reason (R):** Inter – firm analysis means comparing the financial data of two or more enterprises for the same accounting period. In the context of the above two statements, which of the following is correct? (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) Both (A) and (R) are false. (d) (A) is false, but (R) is true.	
	Read the following case study and answer questions **7 to 10** on the basis of the same. *AKL* Ltd is a company that deals in manufacturing of pharmaceutical products. Rakul has recently been hired as an assistant to the accountant of AKL Ltd. The accountant of the firm Mr. Rahul asks Rakul to go for financial statement analysis of the firm to assess the financial position of the firm. To judge the knowledge and capabilities of	

	Rakul, Mr. Rahul asked him to analyse the financial statements from the viewpoint of various parties interested in the firm e.g., the management, the lenders, the investors, labor unions, government etc.	
7.	Provision for Employee benefits will be shown under the .... of the Current Liabilities head of the Balance Sheet. (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provision	
8.	Which of the following statements will primarily be utilised by Rakul for the purpose of financial statement analysis? (a) Balance sheet and Cash Flow statement (b) Statement of profit and loss and Cash Flow Statement (c) Balance Sheet and Statement of profit and loss (d) Cash Flow Statement and Fund Flow Statement	
9	If Rakul is to analyse the financial statements for the investors, what should he consider? (a) Firm's present and future profitability (b) Ability to pay its long-term lenders (c) Firm's capital structure (d) Both (a) and (c)	
10.	While analyzing the financial statements, Rakul should be conscious of which of the following? (a) Window dressing of financial statements (b) Changes in accounting policies of a firm (c) Personal judgements (d) All of the above	
	Answers: (1) a (2) d (3) d (4) d (5) c (6) b (7) d (8) b (9) d (10) d	

	<u>Short Answer Type Questions (3/4 Marks Each)</u>	
1.	M Limited is a company listed on recognized stock exchange in India having its registered office in New Delhi. The Company is engaged in sale, purchase, maintenance, of Auto mobile related products and also provides consultancy services in India M Ltd. Is in the process of preparing its Balance Sheet as per Schedule III, Part I of the Companies Act, 2013 and provides its true and fair view of the financial position. Based on the above case study question choose the correct alternative for question (i)- (iii):	
	(i) Under which head and sub-head will the company show 'Stores and Spares' in its Balance Sheet? (a) Head: Fixed Assets Sub head ; tangible assets (b) Head: Non-Current Assets Sub head ; other non-current asset (c) Head: Current Assets Sub head ; Inventories	

(d) Head: Current Assets Sub head ; other current asset

(ii) The management of *M* Ltd. wants to analyze its Financial Statements. The main objective of such analysis.

(a) To know the financial strength

(b) To make the comparative study with other firms.

(c) To know the efficiency of the management. (d) All of the above.

(iii) The management of *M* Ltd. wants to analyze its Financial Statements. Identify the limitation of financial Statement Analysis from the following:

(a) Window Dressing (b) Determining Profit or Loss

(c) Increase Managerial Efficiency (d) None of these

Ans. (i) (c) Head: Current Assets Sub head ; Inventories

(ii) (d) All of the above.

(iii) (a) Window Dressing

2. 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.

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%**

3. Under what heads the following items on the Assets side of the Balance Sheet of a Company will be presented:

(i) Sundry Debtors (ii) Patents and Trade Marks (iii) Shares in D.C.M. Limited (iv) Bills Receivable (v) Advances recoverable in cash within the operating cycle (vi) Prepaid Insurance

Ans.

Items	Major Head	Sub Head
(i) Sundry Debtors	Current Assets	Trade Receivables
(ii) Patents and Trade Marks	Non-Current Assets	Property, Plant and Equipment and Intangible Assets-Intangible Assets
(iii) Shares in D.C.M. Limited	Non-Current Assets	Non-Current Investments
(iv) Bills Receivable	Current Assets	Trade receivables
(v) Advances recoverable in cash within the operating cycle	Current Assets	Short Term Loans and Advances
(vi) Prepaid Insurance	Current Assets	Other Current Assets

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. 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.

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**

6. 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	Absolute Amount	% of Total

	No.	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		6,00,000	20,00,000		
Inventory				30	40
Total		**20,00,000**	**50,00,000**	**100**	**100**

7. 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.

Comparative Statement of Profit and Loss

As at 31.03.2023 and 31.03.2024

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**

8. 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.

Case	**Current/Non-Current Liabilities**	**Reason**
1	Current Liabilities	Operating Cycle is more than the period of payment.
2	Current Liabilities	Payment Period is more than the period of Operating Cycle and equal to 12 months from the date of Balance Sheet.
3	Non-Current Liabilities	Payment Period is more than the period of Operating Cycle and after 12 months from the date of Balance Sheet.
4	Current Liabilities	Operating Cycle is more than the period of payment.
5	Non-Current Liabilities	Payment Period is more than the period of Operating Cycle and after 12 months from the date of Balance Sheet.
6	Current Liabilities	Payment Period is more than the period of Operating Cycle and equal to 12 months from the date of Balance Sheet.

9. 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:

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%

Ans.

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%

Comparative Statement of Profit & Loss

10. From the following Balance Sheet of Nayak Ltd. Prepare a Comparative Balance Sheet:

Balance Shet of Nayak Ltd. As at 31st March, 2024

Particulars	**Note No.**	**31.3.2024 (₹)**	**31.3.2023 (₹)**
I. EQUITY AND LIABILITIES			
1. Shareholder's Fund			
Share Capital		6,00,000	4,00,000
2. Non-Current Liabilities			
Long-term Borrowings		2,25,000	1,50,000
3. Current Liabilities			
Trade Payable		75,000	50,000
Total		**9,00,000**	**6,00,000**
II. ASSETS			
1. Non-Current Assets		6,75,000	4,50,000
Fixed Tangible Assets			
2. Current Assets		1,50,000	1,00,000
Inventories		75,000	50,000
Cash and Cash Equivalents			
Total		**9,00,000**	**6,00,000**

Ans.

Common Size Balance Sheet of ZXT Ltd.

As at 31.03.2023 and 31.03.2024

Particulars	Note No.	31.03.2023	31.03.2024	Absolute Change	% Change
I. Equity and Liabilities					
1. Shareholders' Fund					
Share Capital		4,00,000	6,00,000	2,00,000	50
2. Non-Current Liabilities					
Long-Term Borrowings		1,50,000	2,25,000	75,000	50
3. Current Liabilities					
Trade Payables		50,000	75,000	25,000	50
Total		**6,00,000**	**9,00,000**	**3,00,000**	**50**
II. Assets					
1. Non-Current Assets					
Property, Plant and Equipment and Intangible Assets		4,50,000	6,75,000	2,25,000	50
2. Current Assets					
Inventory			1,50,000		
Cash & Cash Equivalents		1,00,000	75,000	50,000	50
Total		50,000		25,000	50
		6,00,000	**9,00,000**	**3,00,000**	**100**

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-1)

(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-2)

(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-9

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
2. Assessing Operational Efficiency
3. Facilitating Comparative Analysis
4. Analysing Profitability
5. Evaluating Solvency
6. Assisting in Decision Making
7. Forecasting and Planning
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 $\frac{\text{Shareholder Funds}}{\text{Total Assets}}$ 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 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 **X 100** Net Sales	This ratio indicates the relationship between gross profits and net sales. Higher ratio shows low cost of goods sold.
Operating Ratio: **COGS + Operating Exp.** **X 100** **Net Sales**	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 **X 100** Net Sales	It indicates overall efficiency of the business. Higher the ratio, better the business.
Return on Investment: (Capital Employed) PBIT & D **X 100** Capital Employed	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) There are current assets ₹ 5,00,000 and current liabilities ₹ 3,00,000 of a firm. managers wish to make current ratio 2:1. State the current liabilities to be paid by ₹:
(A) 50,000   (B) 1,50,000   (C) 1,00,000   (D) 2,00,000
(2) If there are opening inventory ₹ 60,000; closing inventory ₹ 30,000; cost of revenue from operation ₹ 3,60,000 then inventory turnover ratio will be:
(A) 2 times   (B) 6 times   (C) 4 times   (D) 8 times
(3) If there are credit revenue from operations ₹ 12,00,000; Trade Receivables turnover ratio 6 times and opening trade receivables ₹ 1,60,000 then the amount of closing trade receivables will be ₹:
(A) 1,60,000   (B) 2,40,000   (C) 2,00,000   (D) 3,00,000
(4) Net profit after interest but before tax ₹ 3,50,000; 15% long-term debts ₹ 10,00,000. Capital employed ₹ 12,50,000. Return on capital employed will be:
(A) 60%   (B) 40%   (C) 80%   (D) 20%
(5) If total sales are ₹ 2,50,000 and credit sales are 25% of cash sales. The credit sales will be ₹:
(A) 50,000   (B) 2,50,000   (C) 16,000   (D) 3,00,000

Answers:

(1) C	(2) D	(3) B	(4) B	(5) A

Three/Four marks Questions

(1) A business has a Current ratio of 3:1 and a Quick ratio of 1.2:1. If the Working capital is ₹1,80,000. What is the value of current liabilities?

Sol.:

Let's Current Liabilities be X, therefore, Current Assets = 3X and Quick Assets = 1.2X

Working Capital = Current Assets – Current Liabilities

1,80,000 = 3X – X;   2X = 1,80,000;   X = **90,000** i.e. **current liabilities**

Current Assets = 2,70,000;   **Quick Assets = 1,08,000**;   Stock = Current Asset – Quick Assets

Stock = 2,70,000 – 1,08,000 = **1,62,000**.

(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**

Competency Based Questions

(01) Read the following and answer the questions given below:

	(2022-23)	(2023-24)
Inventory on 31st March	7,00,000	17,00,000
Revenue from Operations	50,00,000	75,00,000

Gross profit 25% on cost of revenue from operations

In the year 2022-23, inventory increase by ₹ 2,00,000.

(1) Calculate inventory turnover ratio for the year 2022-23.
(A) 6.07 times (B) 6.67 times (C) 5 times (D) 8.33 times

(2) Cost of revenue from operations for the year 2023-24 ₹:
(A) 40,00,000 (B) 50,00,000 (C) 75,00,000 (D) 60,00,000

(3) Inventory turnover ratio is a part of:
(A) Solvency ratio (B) Liquidity ratio (C) Activity ratio (D) Profitability ratio

(4) Which year inventory ratio is better for the above firm?
(A) 2022-23 (B) 2023-24 (C) both are equal (D) neither in 2022-23 nor 2023-24

(02) Read the following and answer the questions given below:

Opening Inventory	3,20,000	Administrative expense	80,000
Closing Inventory	4,00,000	Selling expenses	40,000
Purchase	14,00,000	Income Tax	1,00,000
Wages	3,70,000	Profit on sale of fixed asset	20,000
Carriage Inwards	1,50,000	Revenue from operations	24,00,000

(1) Operating ratio?
(A) 60% (B) 81.66% (C) 66.6% (D) 72%

(2) Operating profit ratio?
(A) 18.34% (B) 24% (C) 20% (D) 30%

(3) How much should be total of operating ratio and operating profit ratio?
(A) Not related to each other (B) Any value (C) 100% (d) 120%

(4) Amount of net profit ₹?
(A) 4,00,000 (B) 4,60,000 (C) 3,80,000 (D) 5,00,000

(03) Cash revenue from operation ₹ 1,00,000; Credit Revenue from operations ₹ 3,00,0000. Gross profit 30% on revenue from operations; Inventory turnover ratio times. If the opening inventory is 75% of closing inventory and closing inventory is 30% of revenue from operations.

(1) Cost of revenue from operations ₹:
(A) 3,00,000 (B) 1,20,000 (C) 4,00,000 (D) 2,80,000

(2) Average inventory is ₹:
(A) 2,00,000 (B) 60,000 (C) 1,05,000 (D) 1,50,000

(3) What is the effect of increase in value of closing inventory by ₹ 20,000. If the inventory turnover ratio is three times?
(A) Increase (B) Decrease (C) Neither increase nor decrease (D) Can't say

(4) Find the opening inventory and closing inventory if opening inventory is 75% of closing inventory and closing inventory is 30% of revenue from operations:
(A) 90,000 & 1,20,000 (B) 1,20,000 & 90,000
(C) 3,00,000 & 1,00,000 (D) 1,00,000 & 2,00,000

(04) Read the following and answer the questions given below:

Plant & Machinery	10,00,000	Land & Building	6,00,000
Motor Car	3,70,000	Furniture	1,50,000

Stock	4,50,000	Debtors	90,000
Cash at Bank	3,40,000	Non-Current Liabilities	10,00,000
Current Liabilities	6,20,000		

(1) Proprietary Ratio?
(A) 0.33 (B) 0.46 (C) 0.67 (D) 0.51

(2) How much is the total assets?
(A) ₹ 21,00,000 (B) ₹ 26,60,00,000 (C) ₹ 30,00,000 (D) ₹ 25,30,000

(3) What is the effect of Issue of new equity shares against purchase of machinery, when proprietary ratio is 0.6:1?
(A) Increases (B) Decreases (C) No Change (D) None of the above

(4) Proprietary ratio indicates the proportion of total assets funded by ---------------.
(A) Creditors (B) Borrowed funds (C) Shareholders funds (D) Total Debts

Answers:

(1)	(1) (B); (2) (D) (3) (C) (4) (A)	**(3)**	(1) (D) (2) (C) (3) (B) (4) (A)
(2)	(1) (B) (2) (A) (3) (C) (4) (B)	**(4)**	(1) (B) (2) (C) (3) (A) (4) (C)

Short Answer Type Questions

(1) From the following details obtained from the financial statements of Jeev Ltd.
Calculate Interest Coverage Ratio.
Net Profit after Tax ₹ 1,20,000; 12% Long-term Debt ₹ 20,00,000 and Tax Rate 40%.

Answer:

Net Profit before Tax =	1,20,000 x 100/60	=	2,00,000
Add: Interest on 12% long-term debt	12% of 20,00,000		2,40,000
Net profit before interest and tax			**4,40,000**

Interest Coverage Ratio = NPBIT / Interest on LTB; = 4,40,000 / 2,40,000 = **1.83 times**.

(2) Calculate Inventory Turnover or Stock Turnover Ratio from the following information:
Revenue from Operations ₹ 2,50,000. Gross Profit ₹ 61,000; Inventory in the beginning of the year ₹ 75,000; Inventory at the end of the year ₹ 10,000.

Answer: Cost of Revenue from Operations = 2,50,000 – 61,000 = 1,89,000.
Average Inventory = (75,000 + 10,000) / 2 = 42,500.
ITR = 1,89,000 / 42,500 = **4.45 times.**

(3) Average Inventory carried by a trader is ₹ 1,38,000. Stock Turnover Ratio is 9 times. Goods are sold at a profit of 20% on cost. Find out the profit. **Answer: 2,48,400.**

(4) Compute the Gross Profit Ratio from the following information:
Revenue from Operations is ₹ 4,00,000; Gross Profit is 25% on cost of revenue from operations.

Answer: Gross Profit = 80,000; GPR = 80,000 / 4,00,000 x 100 = 20%

(5) X Ltd has a current ratio of 3.5 and quick ratio of 2. If excess of current assets over quick assets represented by inventories is ₹ 24,000. Calculate Current Assets and Current Liabilities.

Answer: Let the current liabilities be x; CA = 3.5 x and QA = 2x
Inventories = CA – QA; 24,000 = 3.5 x – 2 x; 24,000 = 1.5 x; x = 16,000
CL = 16,000. CA = 3.5 x; = 3.5 x 16,000 = 56,000. **CA 56,000.**

(6) Calculate Gross Profit ratio and Operating ratio from the information given below:
Revenue from Operations ₹ 3,40,000; Cost of Revenue from Operations ₹ 1,20,000; Selling expenses ₹ 80,000; Administrative expenses ₹ 40,000.

Answer: GP = Revenue from operations – Cost of revenue from operation; = 3,40,000 – 1,20,000
Gross Profit = 2,20,000; **GPR = (**2,20,000 / 3,40,000) x 100 = **64.71%**
Operating Cost = 1,20,000 + 80,000 + 40,000 = 2,40,000
OR = (Operating Cost / Revenue from operation) x 100; (2,40,000/3,40,000) x100 = **70.59%**

(7) The Current ratio of a company is 2.5. Which of the following transactions would improve, decline and not change it:

(a) Purchase of goods on credit	**Reduce/Decline**
(b) Sale of goods costing ₹ 10,000 for ₹ 12,000 on credit	**Improve**
(c) Selling a fixed asset at a loss	**Improve**
(d) Purchase of goods for cash	**No Change**
(e) Payment to trade creditors	**Improve**

(f) Borrowing money on a promissory note (B/P) **Reduce/Decline**

(8) From the following, ascertain Debt to Equity Ratio: Equity Share Capital ₹ 2,00,000; General Reserve ₹ 1,50,000; 10% Debentures ₹ 1,50,000; Current Liabilities ₹ 1,00,000.

Ans.: 0.43:1

(9) Calculate Proprietary Ratio, if Total Assets to Debt Ratio is 2:1; Debt is ₹ 5,00,000. Equity Share Capital is 0.5 times of debt. Preference Share Capital is 25% of Equity Share Capital. Net Profit before Tax is ₹ 10,00,000 and Rate of Tax is 40%.

Ans.: 0.912:1

(10) Opening Inventory ₹ 25,000; Closing Inventory ₹ 35,000; Revenue from Operations ₹ 3,20,000 and Gross Profit Ratio 25% on revenue from operations.

Calculate (a) Inventory Turnover Ratio (b) Average Age of Inventory

Ans.: (a) ITR 8 times (b) 46 days

(11) From the following: calculate –

(a) Current Ratio (b) Quick Ratio (c) Working Capital Turnover Ratio

Trade Receivables ₹ 4,00,000; Inventory ₹ 1,60,000; Marketable Securities ₹ 80,000; Cash ₹ 1,20,000 Prepaid expenses ₹ 40,000; Bills Payables ₹ 1,60,000 & Revenue from Operations ₹ 20,00,000.

Ans.: (a) 2:1 (b) 1.5:1 (c) 5 times

(12) From the following information: Calculate – (a) Debt to Equity Ratio (b) Interest Coverage Ratio Share Capital ₹ 90,000; General Reserve ₹ 50,000; 12% Loan from Bank ₹ 80,000; Revenue from Operations for the year ₹ 1,50,000; Tax paid during the year ₹ 25,000 and Profit after interest and Tax ₹ 60,000.

Ans.: Debt – Equity Ratio **0.4:1** ICR **9.85 times**

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 current assets of X Ltd are ₹ 2,00,000 and its current liabilities are ₹ 1,50,000. If its working capital turnover ratio is 6 times, its revenue from operations will be ₹ --------

(A) 2,00,000 (B) 3,00,000 C) 2,50,000 (D) 1,50,000

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.

Hint for Answer:

1 (D)	2 (B) / (C)	3 (B)	4(B)	5(B)/(C)	6(D)	7(D)	8(B)

Work-Sheet II (20 marks)

01. Which of the following statement is incorrect? (1 mark)
(A) Liquidity ratios are calculated to measure the short-term solvency of the business
(B) Current ratio is also known as Acid-Test Ratio
(C) Solvency ratios are calculated to determine the ability of the business to service its debt in the long-run
(D) Proprietary ratio expresses the relationship of proprietor's funds to meet net assets / total assets

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

______________is known as Acid-Test Ratio?
(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. Which of the following will not be part of liquid assets?
(A) Inventories (B) Bills receivables (C) Paid in advance (D) both A and C

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. Calculate: (a) Quick Ratio (b) Debt-Equity Ratio from the following information. (3 marks)

Total Debt ₹ 8,00,000	Inventory ₹ 2,20,000	Long Term Debts ₹ 6,00,000
Working Capital ₹ 2,40,000	Shareholders' Funds ₹ 12,00,000	

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 Inventory Turnover Ratio:
Revenue from Operation ₹ 80,00,000; Opening Inventory ₹ 10,00,000;
Gross Profit Ratio 25%
Closing Inventory is 2 times more than the Opening Inventory.

Hint for Answer:

1 (B)	2 (B) / (A)	3 (B)	4(B)	5(D)/(C)	6(D)	7(D)	8(B)

CHAPTER-10

CASH FLOW STATEMENT (AS-3)

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. develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.

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-v) 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.

Benefits of Cash Flow Statement:
i) Cash Flow Statement helps in knowing the exact figure of cash inflows and outflows from various operations of the business.
ii) Cash flow statement used in preparing the cash budget for future needs.
iii) It provides the information about various investing and financing cash transactions take place during the 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 d.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		

<u>* Without accumulated depreciation</u>

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)

Particul	Amt	Particulars	A
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

<u>Treatment of tax</u>

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 +)

Higher Order Thinking Skills (HOTS)

Q.1 Which of the following is not an investing cash flow?

(A) Purchase of marketable securities for ₹25,000 cash.
(B) Sale of land for ₹28,000 cash.
(C) Sale of 2,500 shares (held as investment) for 15 each.
(D) Purchase of equipment for ₹500 cash.

Q.2 X Ltd. purchased furniture for₹ 20,00,000 paying 60% by issue of equity shares of Rs. 10 each and the balance by a cheque. This transaction will result in:

(A) Cash used in investing activities 20,00,000.
(B) Cash generated from financing activities₹ 12,00,000.
(C) Increase in cash and cash equivalents₹ 8,00,000.
(D) Cash used in investing activities₹ 8,00,000.

Q.3 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

Q.4 While computing cash from operating activities, which of the following item(s) will be added to the net profit?

i. Decrease in value of inventory
ii. Increase in share capital
iii. Increase in the value of trade receivables
iv. Increase in the amount of outstanding expenses

(A) Only (i) (B) Only (i) and (ii)
(C) Only (i) and (iii) (D) Only (i) and (iv)

Q.5 Statement-I: 'Shree Ltd.' was carrying on a business of packaging in Delhi and earned good profits in the past years. The company wanted to expand its business and required additional funds. To meet its requirements, the company issued equity shares of ₹ 30,00,000. It purchased a computerized machine of ₹ 20,00,000. During the current year, the Net Profit of the company was ₹ 15,00,000. Cash flows from operating, investing and financing activities from the above transactions will be ₹ 15,00,000; (₹ 20,00,000); ₹ 30,00,000 respectively.

Statement-II: The patents of X Ltd. increased from ₹ 3,00,000 in 2021-22 to ₹ 3,50,000 in 2022-23. It will be taken as purchase of Patents of ₹ 50,000 and will be shown under Cash outflow from Investing Activities.

(A) Both the statements are true. (B) Both the statements are false.
(C) Only Statement-I is true. (D) Only Statement-II is true.

Q.6 **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.

Q.7 There are two statements :

Statement I : The balance in the Statement of Profit and Loss in the Balance Sheet of Samta Ltd. showed a deficit of 2,00,000 on 31.03.2023 and a surplus of 3,00,000 on 31.3.2024. 5,00,000 will be considered as profit earned during the year for preparing Cash Flow Statement.

Statement II : On 31.03.2023 the goodwill account of Zeeta Ltd. showed a balance of 4,00,000 and on 31.03.2024 it showed a balance of 5,00,000. 1,00,000 will be considered as goodwill acquired during the year for the preparation of Cash Flow Statement.

(A) Both the statements are true. (B) Both the statements are false.
(C) Only Statement-I is true. (D) Only Statement-II is true.

Q.8 Which of the following statements is correct?

(A) Investments in shares are excluded from cash equivalents unless they are in, substance, cash equivalents.

(B) Short-term marketable securities which can be readily converted into cash are not treated as cash equivalents.

(C) In case of a financial enterprise, interest received, and dividend received are classified as investing activities while dividend paid and interest paid on debentures are operating activities.

(D) Provision for tax made during the year should be classified as an outflow from operating activity.

Q.9 Statement I : Issue of Debentures will result in inflow of cash.

Statement II : Issue of Debentures to the vendors for purchase of machinery will result in outflow of cash.

Choose the correct option from the following :

(A) Both statements are correct.
(B) Both statements are incorrect.
(C) Statement I is correct and Statement II is incorrect.
(D) Statement I is incorrect and Statement II is correct.

Q.10 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

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

LONG QUESTIONS (06 MARKS)

Q.1 a) From the following information, calculate Cash flow from Operating Activities.

Additional information:

- Proposed dividend for the year ended March 31st, 2023 and March 31st, 2024 was ₹ 1,50,000 and ₹ 1,80,000 respectively.

Particulars	31 March 2023	31 March 2024
Surplus i.e Balance in Statement of Profit and Loss	6,00,000	5,00,000
Provision for Tax	1,00,000	1,20,000
Trade Receivables	2,00,000	2,40,000
Trade Payables	1,50,000	2,00,000
Goodwill	2,00,000	1,50,000

b) From the following information calculate Cash Flow from Investing Activities: CBSE 2025

Particulars	31 March 2023	31 March 2024
Machinery (Cost)	20,00,000	28,00,000
Accumulated	4,00,000	6,50,000

Depreciation		

Additional Information:

i) Machinery costing ₹ 50,000 (Book Value ₹ 40,000) was lost by fire and insurance claim of ₹ 32,000 was received.

ii) Depreciation charged during the year was ₹ 3,50,000.

iii. A part of Machinery costing ₹ 2,50,000 was sold at a loss of ₹ 20,000.

Ans.

Particulars	**Details**	**Amount**
Profit Earned during the year	(1,00,000)	
Add: Proposed dividend of previous year	1,50,000	
Provision for tax for current year	1,20,000	
Profit before tax and extraordinary items	1,70,000	
Non-operating and Non Cash Items:		
Add: Goodwill amortized	50,000	
Operating profit before tax and changes in working capital	2,20,000	
Add: Increase in trade payable	50,000	
Less: increase in trade receivables	(40,000)	
Cash generated from operations	2,30,000	
Less: Income tax paid	1,00,000	
Cash flow from operating activities		1,30,000

b)

Dr. Accumulated Depreciation account

Particulars	Amount	Particular	Amount
To Machinery A/c (prev. dep on machine damaged)	10,000	By Balance b/d	4,00,000
To Machinery A/c (prev. dep on machine sold)	90,000	By Depreciation A/c (Charged during the year)	3,50,000
To Balance c/d	6,50,000		
	7,50,000		7,50,000

Machinery Account

Particulars	Amount	Particular	Amount
To Balance b/d	20,00,000	By Accu. Depreciation A/c	10,000
To Bank A/c (Balancing figure)	11,00,000	By Insurance Company	32,000
		By loss by fire A/c	8,000

		By Bank By Loss on sale account BY Accum..Depreciation A/c By Balance C/d	1,40,000 20,000 90,000 28,00,000
	31,00,000		31,00,000

Investing Activities

Sale of Machinery	1,40,000
Claim received from Insurance Company	32,000
Machinery Purchased	(11,00,000)
Cash Outflow from Investing Activities	(9,28,000)

Q. 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. (CBSE 2025)

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

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

Ans. 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)

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)

Q. 4 Calculate ‘Cash flow 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:

1. A machine costing ₹ 60,000 (depreciation provided thereon ₹ 18,000) was sold for ₹ 48,000. Depreciation charged during the year was ₹ 60,000.
2. Dividend received from Pinnacle Ltd. ₹ 40,000.
3. Interest received on 10% Long Term Investments ₹ 45,000.
4. Patents were sold at their book value. (CBSE 2024)

Ans.

Cash Flow from Investing Activities

Particulars	Amount
Sale of 10% Long Term Investment	2,00,000
Purchase of Machinery (Note No.1)	(3,02,000
Sale of Machinery	48,000
Purchase of Goodwill	(40,000)
Purchase of Investments in Shares of Pinnacle Ltd	(9,00,000)
Dividend Received from Pinnacle Ltd	40,000
Interest Received on 10% Long Term Investment	45,000
Sale of Patents	1,50,000
Net Cash used in Investing Activities	(7,59,000)

Working Note No. 1

Plant and Machinery A/c

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	60,000
To Bank A/c(Purchase)	3,02,000	By Balance c/d	8,00,000
	9,08,000		9,08,000

Q.5 From the following Balance Sheet of Nishant Ltd. as at 31st March, 2023, calculate 'Cash Flows From Operating Activities'.

Particulars	Note No.	31.3.2023 (₹)	31.3.2022 (₹)
I – Equity and Liabilities :			
1. Shareholders' Funds			
(a) Share Capital		6,00,000	5,50,000
(b) Reserves and Surplus	1	1,50,000	1,00,000
2. Non-Current Liabilities			
(a) Long-term Borrowings	2	1,20,000	85,000
3. Current Liabilities			
(a) Trade Payables		89,500	1,02,000
(b) Short-term Provisions	3	25,000	38,500
		9,84,500	8,75,500
II – Assets :			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets			
(i) Tangible Assets/Property, Plant and Equipment	4	5,35,000	4,25,000
(ii) Intangible Assets		20,000	56,000
2. Current Assets			
(a) Current Investments		1,20,000	75,000
(b) Inventories		64,500	60,000
(c) Trade Receivables		85,000	71,500
(d) Cash and Cash Equivalents		1,60,000	1,87,500
		9,84,500	8,75,500

Notes to Accounts

Note No.	Particulars	31.3.2023 (₹)	31.3.2022 (₹)
1	Reserves and Surplus		
	Surplus i.e. Balance in Statement of Profit and Loss	1,50,000	1,00,000
	Total	1,50,000	1,00,000
2	Long-term Borrowings		
	10% Debentures	1,20,000	85,000
	Total	1,20,000	85,000
3	Short-term Provisions		
	Provision for Tax	25,000	38,500
	Total	25,000	38,500
4	Tangible Assets / Property, Plant and Equipment		
	Machinery	6,35,000	5,00,000
	Less: Accumulated Depreciation	(1,00,000)	(75,000)
	Total	5,35,000	4,25,000
5	Intangible Assets		
	Goodwill	20,000	56,000
	Total	20,000	56,000

Additional Information :

(i) A piece of machinery costing ₹ 12,000 on which accumulated depreciation was ₹8,000 was sold for ₹ 3,000.

(ii) Interest paid on 10% Debentures amounted to ₹ 8,500.

Ans. Cash Flows from Operating Activities

Particulars	Amount ₹	Amount ₹
Net Profit before Tax & Extraordinary items	75,000	
Adjustment for non-cash and non-operating items: Add: Depreciation on machinery	33,000	
Loss on sale of machinery	1,000	
Interest on debentures	8,500	
Goodwill written off	36,000	
Operating Profit before Working Capital changes	1,53,500	
Less: Decrease in Trade Payables	(12,500)	
Increase in Inventories	(4,000)	

Increase in Trade Receivables	(13,500)	
Cash generated from Operations	1,23,500	
Less: Tax paid	(38,500)	
Net Cash Inflows from Operating Activities		85,000

Calculation of Net Profit before Tax and Extraordinary items:

Net Profit for the year = 50,000
Add: Provision for Tax = 25,000
Net Profit before Tax & Extraordinary items = 75,000

Working Notes:

Dr. Accumulated Depreciation A/c Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	8,000	By Balance b/d	75,000
To Balance c/d	1,00,000	By Depreciation A/c (Balancing Fig.)	33,000
	1,08,000		1,08,000

Note: No marks to be awarded for the working notes.

Work-Sheet I (20 marks)

1	An investment normally qualifies as cash equivalent only when it has a Short maturity, of says, -------------from the date of acquisition. (a) Three months or more (b) Six months or less (c) One year or less (d) Three months or less	1
2	Which of the following activities are operating activities for the purpose of preparing 'Cash Flow Statement' ? (i) Dividend and Interest received on securities. (ii) Payment of employee benefits expenses. (iii) Cash receipts from royalties and fees. (iv) Issue of shares against purchase of machinery. (a) (i), (ii) and (iii) (b) (ii), (iii) and (iv) (c) (i), (ii) and (iv) (d) (ii) and (iii)	1
3	The activities that result in changes in the size and composition of the owners capital & borrowing of enterprise are called _____ (A) Operating Activities (B) Financing Activities (C) Managerial Activities (D) Investing Activities	1
4	X Ltd. purchased furniture for₹ 20,00,000 paying 60% by issue of equity shares of Rs. 10 each and the balance by a cheque. This transaction will result in: (A) Cash used in investing activities 20,00,000. (B) Cash generated from financing activities₹ 12,00,000.	1

<table>
<tr><td></td><td>(C) Cash used in investing activities₹ 8,00,000.
(D) Increase in cash and cash equivalents₹ 8,00,000.</td><td></td></tr>
<tr><td>5</td><td>Statement I : Issue of Debentures will result in inflow of cash.
Statement II : Issue of Debentures to the vendors for purchase of machinery will result in outflow of cash.
Choose the correct option from the following :
(A) Both statements are correct.
(B) Both statements are incorrect.
(C) Statement I is correct and Statement II is incorrect.
(D) Statement I is incorrect and Statement II is correct.</td><td>1</td></tr>
<tr><td>6</td><td>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.</td><td>3</td></tr>
<tr><td>7</td><td>From the following Balance Sheet of Nishant Ltd. as at 31st March, 2023, calculate ‘Cash Flows From Operating Activities’.
<table>
<tr><td>Particulars</td><td>Note No.</td><td>31.3.2023 (₹)</td><td>31.3.2022 (₹)</td></tr>
<tr><td>I – Equity and Liabilities :</td><td></td><td></td><td></td></tr>
<tr><td>1. Shareholders’ Funds</td><td></td><td></td><td></td></tr>
<tr><td>(a) Share Capital</td><td></td><td>6,00,000</td><td>5,50,000</td></tr>
<tr><td>(b) Reserves and Surplus</td><td>1</td><td>1,50,000</td><td>1,00,000</td></tr>
<tr><td>2. Non-Current Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>(a) Long-term Borrowings</td><td>2</td><td>1,20,000</td><td>85,000</td></tr>
<tr><td>3. Current Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>(a) Trade Payables</td><td></td><td>89,500</td><td>1,02,000</td></tr>
<tr><td>(b) Short-term Provisions</td><td>3</td><td>25,000</td><td>38,500</td></tr>
<tr><td></td><td></td><td>9,84,500</td><td>8,75,500</td></tr>
<tr><td>II – Assets :</td><td></td><td></td><td></td></tr>
<tr><td>1. Non-Current Assets</td><td></td><td></td><td></td></tr>
</table></td><td>6</td></tr>
</table>

(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets			
(i) Tangible Assets/Property, Plant and Equipment	4	5,35,000	4,25,000
(ii) Intangible Assets		20,000	56,000
2. Current Assets			
(a) Current Investments		1,20,000	75,000
(b) Inventories		64,500	60,000
(c) Trade Receivables		85,000	71,500
(d) Cash and Cash Equivalents		1,60,000	1,87,500
		9,84,500	8,75,500

Notes to Accounts

Note No.	Particulars	31.3.2023 (₹)	31.3.2022 (₹)
1	Reserves and Surplus		
	Surplus i.e. Balance in Statement of Profit and Loss	1,50,000	1,00,000
	Total	1,50,000	1,00,000
2	Long-term Borrowings		
	10% Debentures	1,20,000	85,000
	Total	1,20,000	85,000
3	Short-term Provisions		
	Provision for Tax	25,000	38,500
	Total	25,000	38,500
4	Tangible Assets / Property, Plant and Equipment		
	Machinery	6,35,000	5,00,000
	Less: Accumulated Depreciation	(1,00,000)	(75,000)
	Total	5,35,000	4,25,000
5	Intangible Assets		
	Goodwill	20,000	56,000
	Total	20,000	56,000

Additional Information :

<table>
<tr><td></td><td>(i) A piece of machinery costing ₹ 12,000 on which accumulated depreciation was ₹8,000 was sold for ₹ 3,000.

(ii) Interest paid on 10% Debentures amounted to ₹ 8,500.</td><td></td></tr>
<tr><td>8</td><td>Calculate ‘Cash flow from investing activities’ from the following information-
<table>
<tr><th>Particulars</th><th>31.03.2024 (₹)</th><th>31.03.2023 (₹)</th></tr>
<tr><td>10% Long Term Investments</td><td>2,50,000</td><td>4,50,000</td></tr>
<tr><td>Plant and Machinery</td><td>8,00,000</td><td>6,00,000</td></tr>
<tr><td>Goodwill</td><td>1,40,000</td><td>1,00,000</td></tr>
<tr><td>Investment in shares of ‘Pinnacle Ltd.’</td><td>14,00,000</td><td>5,00,000</td></tr>
<tr><td>Patents</td><td>–</td><td>1,50,000</td></tr>
</table>
Additional Information:

1. A machine costing ₹ 60,000 (depreciation provided thereon ₹ 18,000) was sold for ₹ 48,000. Depreciation charged during the year was ₹ 60,000.

2. Dividend received from Pinnacle Ltd. ₹ 40,000.

3. Interest received on 10% Long Term Investments ₹ 45,000.

4. Patents were sold at their book value.</td><td>6</td></tr>
</table>

Answer

1	D	1
2	D	1
3	B	1
4	C	1
5	C	1
6	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 machines. b) Payments of RS 250,000 to acquire shares is an investing activity and an outflow of cash, where as 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.	3

7 Ans. Cash Flows from Operating Activities 6

Particulars	Amount ₹	Amount ₹
Net Profit before Tax & Extraordinary items	75,000	
Adjustment for non-cash and non-operating items: Add: Depreciation on machinery	33,000	
Loss on sale of machinery	1,000	
Interest on debentures	8,500	
Goodwill written off	36,000	
Operating Profit before Working Capital changes	1,53,500	
Less: Decrease in Trade Payables	(12,500)	
Increase in Inventories	(4,000)	
Increase in Trade Receivables	(13,500)	
Cash generated from Operations	1,23,500	
Less: Tax paid	(38,500)	
Net Cash Inflows from Operating Activities		85,000

Calculation of Net Profit before Tax and Extraordinary items:

Net Profit for the year = 50,000

Add: Provision for Tax = 25,000

Net Profit before Tax & Extraordinary items = 75,000

Working Notes:

Dr. Accumulated Depreciation A/c Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	8,000	By Balance b/d	75,000
To Balance c/d	1,00,000	By Depreciation A/c (Balancing Fig.)	33,000
	1,08,000		1,08,000

Note: No marks to be awarded for the working notes.

8 Cash Flow from Investing Activities 6

Particulars	Amount
Sale of 10% Long Term Investment	2,00,000

Purchase of Machinery (Note No.1)	(3,02,000
Sale of Machinery	48,000
Purchase of Goodwill	(40,000)
Purchase of Investments in Shares of Pinnacle Ltd	(9,00,000)
Dividend Received from Pinnacle Ltd	40,000
Interest Received on 10% Long Term Investment	45,000
Sale of Patents	1,50,000
Net Cash used in Investing Activities	(7,59,000)

Working Note No. 1

Plant and Machinery A/c

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	60,000
To Bank A/c(Purchase)	3,02,000	By Balance c/d	8,00,000
	9,08,000		9,08,000

Worksheet-2 (20 marks)

1	Which of the following are regarded as financial activities in the cash flow? a) The interest that is paid b)The issue of preference share c) The redemption of the preference share d) All of the above	1
2	Which of the following must be eliminated to calculate cash flow shown in the profit and loss account converted into receipts and payments? 1. a) Non-cash expenses from the expenses which were incurred 2. b) The non-cash revenue from the revenue which is earned 3. c) Both a and b 4. d) None of the above	1
3	**Statement-I:** ‘Shree Ltd.’ was carrying on a business of packaging in Delhi and earned good profits in the past years. The company wanted to expand its business and required additional funds. To meet its requirements, the company issued equity shares of ₹ 30,00,000. It purchased a computerized machine of ₹ 20,00,000. During the current year, the Net Profit of the company was ₹ 15,00,000. Cash flows from operating, investing and financing activities from the above transactions will be ₹ 15,00,000; (₹ 20,00,000); ₹ 30,00,000 respectively. **Statement-II:** The patents of X Ltd. increased from ₹ 3,00,000 in 2021-22 to ₹ 3,50,000 in 2022-23. It will be taken as purchase of Patents of ₹ 50,000 and will be shown under Cash outflow from Investing Activities. (A) Both the statements are true. (B) Both the statements are false.	1

(C) Only Statement-I is true. (D) Only Statement-II is true.

4 Which of the following statements is correct? 1

(A) Investments in shares are excluded from cash equivalents unless they are in, substance, cash equivalents.

(B) Short-term marketable securities which can be readily converted into cash are not treated as cash equivalents.

(C) In case of a financial enterprise, interest received, and dividend received are classified as investing activities while dividend paid and interest paid on debentures are operating activities.

(D) Provision for tax made during the year should be classified as an outflow from operating activity.

5 Interest paid by an investment company will come under which kind of activity while preparing a cash flow statement? 1

(A) Cash Flow from Investing Activities.

(B) Cash Flow from Financing Activities.

(C) No Cash Flow.

(D) Cash Flow from Operating Activities.

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 investing activities. 1

7 a) From the following information, calculate Cash flow from Operating Activities. 6

Particulars	31 March 2023	31 March 2024
Surplus i.e Balance in Statement of Profit and Loss	6,00,000	5,00,000
Provision for Tax	1,00,000	1,20,000
Trade Receivables	2,00,000	2,40,000
Trade Payables	1,50,000	2,00,000
Goodwill	2,00,000	1,50,000

Additional Information:

• Proposed Dividend for the year ended March 31, 2023 and March 31, 2024 was ₹ 1,50,000 and ₹ 1,80,000 respectively.

a) From the following information calculate the Cash from Investing Activities

Particulars	31 March 2023	31 March 2024
Machinery (Cost)	20,00,000	28,00,000
Accumulated Depreciation	4,00,000	6,50,000

Additional Information:

j) Machinery costing ₹ 50,000 (Book Value ₹ 40,000) was lost by fire and insurance claim of ₹ 32,000 was received.

ii) Depreciation charged during the year was ₹ 3,50,000.

iii. A part of Machinery costing ₹ 2,50,000 was sold at a loss of ₹ 20,000.

8 On 31st March 2024 following is the Balance Sheet of Bhavik Ltd. 6

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	D	1
2	C	1
3	A	1
4	A	1
5	D	1
6	(see 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 **Ans.** 6

Particulars	**Details**	**Amount**
Profit Earned during the year	(1,00,000)	
Add: Proposed dividend of previous year	1,50,000	
Provision for tax for current year	1,20,000	
Profit before tax and extraordinary items	1,70,000	
Non-operating and Non Cash Items:		
Add: Goodwill amortized	50,000	
Operating profit before tax and changes in working capital	2,20,000	
Add: Increase in trade payable	50,000	
Less: increase in trade receivables	(40,000)	
Cash generated from operations	2,30,000	
Less: Income tax paid	1,00,000	
Cash flow from operating activities		1,30,000

b)

Dr. Accumulated Depreciation account

Particulars	Amount	Particular	Amount
To Machinery A/c (prev. dep on machine damaged)	10,000	By Balance b/d	4,00,000
To Machinery A/c (prev. dep on machine sold)	90,000	By Depreciation A/c (Charged during the year)	3,50,000
To Balance c/d	6,50,000		
	7,50,000		7,50,000

Machinery Account

Particulars	Amount	Particular	Amount
To Balance b/d	20,00,000	By Accu. Depreciation A/c	10,000
To Bank A/c (Balancing figure)	11,00,000		32,000
		By Insurance Company	8,000

		By loss by fire A/c By Bank By Loss on sale account BY Accum..Depreciation A/c By Balance C/d	1,40,000 20,000 90,000 28,00,000
	31,00,000		31,00,000

Investing Activities

Sale of Machinery	1,40,000
Claim received from Insurance Company	32,000
Machinery Purchased	(11,00,000)
Cash Outflow from Investing Activities	(9,28,000)

8	(a) Net Cash used in Investing Activities- (6,00,000) (b) Cash Flows from Financing Activities- (3,00,000)	6

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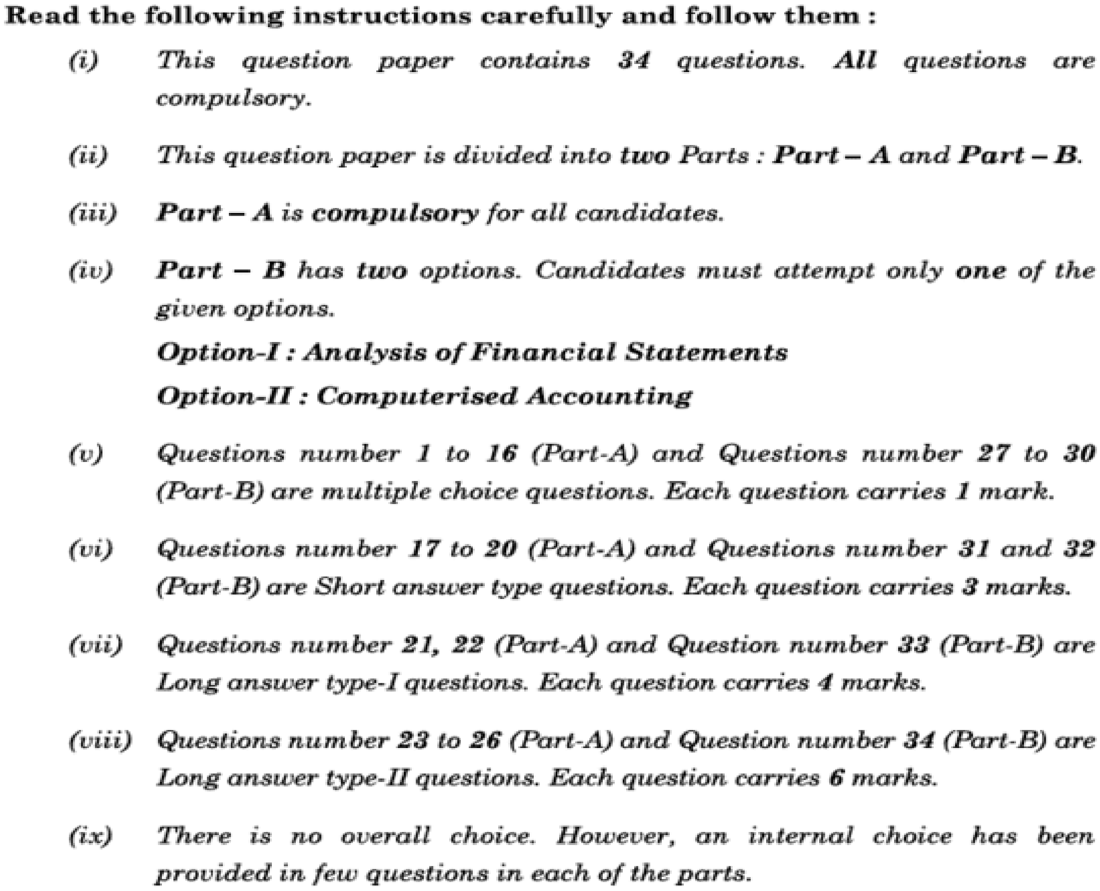


Read the following instructions carefully and follow them :

- *(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

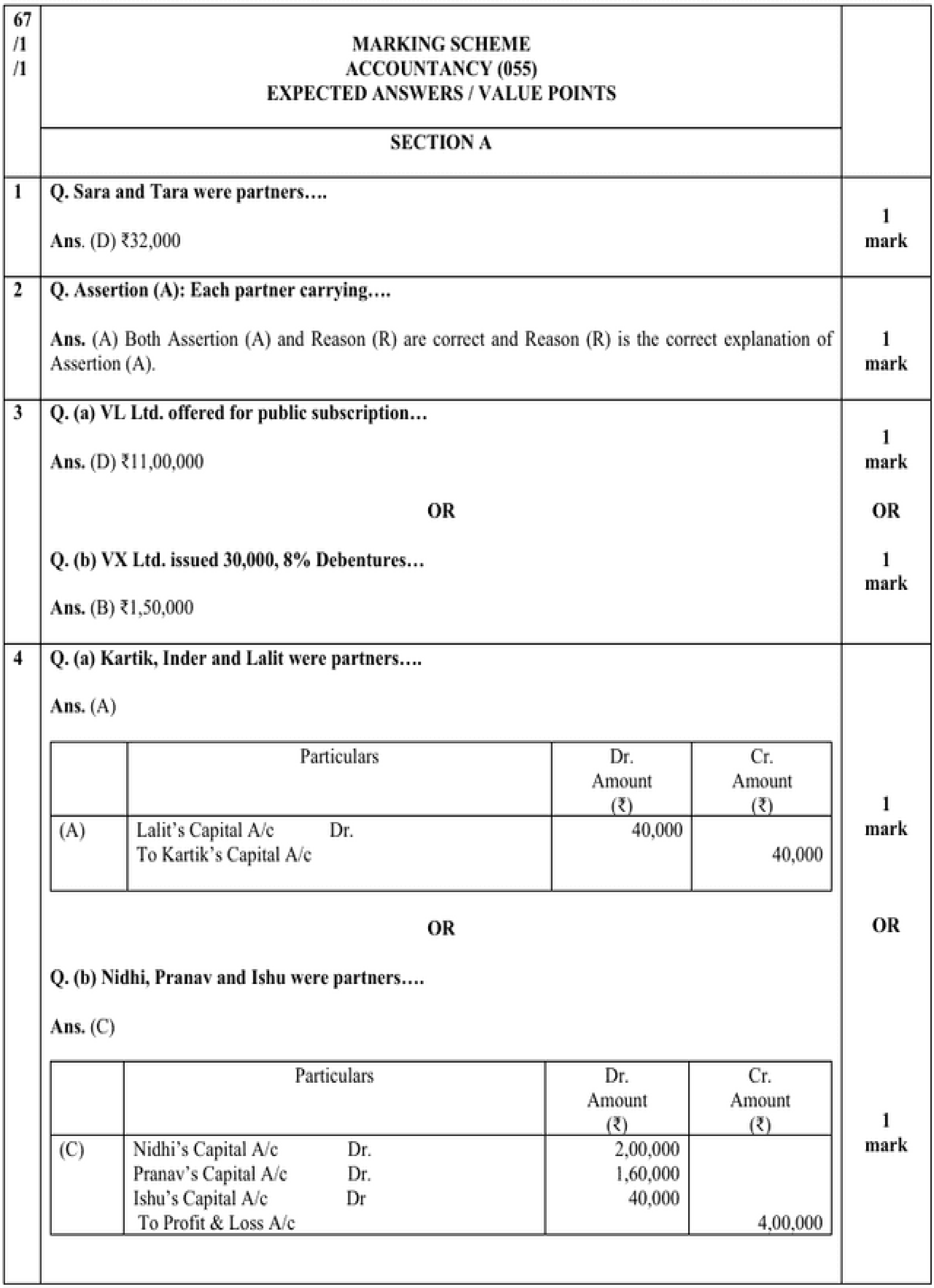
Additional Information :
A machine costing ₹ 50,000 on which accumulated depreciation was ₹ 20,000 was sold at a profit of 10%.

(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

CBSE BOARD MARKING SCHEME 2025 67-1-1



<table>
<tr><td>67
/1
/1</td><td>MARKING SCHEME
ACCOUNTANCY (055)
EXPECTED ANSWERS / VALUE POINTS

SECTION A</td><td></td></tr>
<tr><td>1</td><td>Q. Sara and Tara were partners….

Ans. (D) ₹32,000</td><td>1 mark</td></tr>
<tr><td>2</td><td>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).</td><td>1 mark</td></tr>
<tr><td>3</td><td>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</td><td>1 mark

OR

1 mark</td></tr>
<tr><td>4</td><td>Q. (a) Kartik, Inder and Lalit were partners….

Ans. (A)

<table>
<tr><th></th><th>Particulars</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td>(A)</td><td>Lalit's Capital A/c Dr.
To Kartik's Capital A/c</td><td>40,000</td><td>
40,000</td></tr>
</table>

OR

Q. (b) Nidhi, Pranav and Ishu were partners….

Ans. (C)

<table>
<tr><th></th><th>Particulars</th><th>Dr. Amount (₹)</th><th>Cr. Amount (₹)</th></tr>
<tr><td>(C)</td><td>Nidhi's Capital A/c Dr.
Pranav's Capital A/c Dr.
Ishu's Capital A/c Dr
To Profit & Loss A/c</td><td>2,00,000
1,60,000
40,000
</td><td>

4,00,000</td></tr>
</table>
</td><td>1 mark

OR

1 mark</td></tr>
</table>

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

14 **Q. Arushi, Vivaan and Mitali were partners..**

Ans. (C) ₹52,000

1 mark

15 **Q. Ashmit, Veena and Rohan were partners in a firm…**

Ans.(A) Ashmit ₹3,75,000 and Rohan ₹1,25,000

1 mark

16 **Q. Nita, Vidur and Mita were partners in a firm…**

Ans. (D) ₹5,00,000

1 mark

17 **Q. Zaina, Yash and Kiran were partners in a firm..**

Ans.

Books of Zaina, Yash and Kiran
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2024 July1	Profit and Loss Suspense A/c Dr. To Zaina's Capital A/c (Zaina's share of profit transferred to her capital account)		15,000	 15,000

1 ½

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)

1 ½ + 1 ½ = 3 marks

18 **Q. (a) The firm of Amish, Nitish and Misha…**

Ans.

Books of Amish, Nitish and Misha
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	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)		30,000 30,000	 60,000

1½

+

Adjustment Table

Partners	Dr. Profits (₹) 2:2:1	Cr. Profits (₹) 1:1:1	Ner Effect	
			Dr. (₹)	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

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. To Vidhi's Capital A/c To Manas's Capital A/c To Ansh's Capital A/c (Profit distributed among the partners in their profit sharing ratio)		2,00,000	 40,000 60,000 1,00,000
"	Vidhi's Capital A/c Dr. Manas's Capital A/c Dr. To Ansh's Capital A/c (Deficiency for Ansh borne by Vidhi and Manas equally)		10,000 10,000	 20,000

1½
+
1½
=
3 marks

<u>Alternate Answer:</u>

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. To Vidhi's Capital A/c To Manas's Capital A/c To Ansh's Capital A/c (Profit distributed among the partners in their profit sharing ratio with guaranteed amount to Ansh)		2,00,000	 30,000 50,000 1,20,000

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.		4,00,000	
	Goodwill A/c Dr.		30,000	
	To Liabilities A/c			70,000
	To Marvel Ltd.			3,60,000
	(Assets and liabilities of Marvel Ltd. taken over)			
	Marvel Ltd. Dr.		3,60,000	
	To 11% Debentures A/c			3,00,000
	To Securities Premium A/c			60,000
	(Issue of 3,000 debentures at a premium of 20%)			

1½
+
1 ½
=
3
Marks
OR

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.		6,00,000	
	To Liabilities A/c			1,00,000
	To Rabi Ltd.			3,60,000
	To Capital Reserve A/c			1,40,000
	(Assets and liabilities of Rabi Ltd. taken over)			
	Rabi Ltd. Dr.		3,60,000	
	Discount on issue of debentures A/c Dr.		40,000	
	To 10% Debentures A/c			4,00,000
	(Issue of 4,000 debentures at a discount of 10%)			

1½
+
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:

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……………………………………………………………………$\boxed{1}$

3 marks

21 **Q. Pass necessary journal entries………..**

Ans.
(i)

Books of Kiero Ltd.
Journal

Date	**Particulars**		**L.F.**	**Dr. Amount (₹)**	**Cr. Amount (₹)**
	Bank A/c	Dr.		80,00,000	
	To Debenture Application and Allotment A/c				80,00,000
	(Debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		80,00,000	
	Loss on Issue of Debentures A/c	Dr.		8,00,000	
	To 9% Debentures A/c				80,00,000
	To Premium on Redemption of Debentures A/c				8,00,000
	(Debenture application money transferred to debentures and premium on redemption of debentures account)				

(1 x 2)

(ii)

Books of Naro Ltd.
Journal

Date	**Particulars**		**L.F.**	**Dr. Amount (₹)**	**Cr. Amount (₹)**
	Bank A/c	Dr.		52,50,000	
	To Debenture Application and Allotment A/c				52,50,000
	(Debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		52,50,000	
	Loss on Issue of Debentures A/c	Dr.		5,00,000	
	To 10% Debentures A/c				50,00,000
	To Securities Premium A/c				2,50,000
	To Premium on Redemption of Debentures A/c				5,00,000
	(Debenture application money transferred to debentures and premium on redemption of debentures account)				

\+

(1 x 2)
=
4
marks

22 **Q. Raja, Bharat and Vedika were partners in…**

Ans.

Books of Raja, Bharat and Vedika

Vedika's Capital A/c

Dr. **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	**1 x 6** **=** **6 marks**
	Bank 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	
	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 28,000	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	

	Bank A/c Dr.		16,000	
	Share Forfeiture A/c Dr.		24,000	
	To Equity Share capital A/c			40,000
	(Reissue of 4,000 shares at ₹4 per share fully paid)			

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.		2,40,000	
	Securities Premium A/c Dr.		30,000	
	To Share Forfeiture A/c			60,000
	To Share Allotment A/c			90,000
	To Share First Call A/c			1,20,000
	(3000 shares forfeited for non-payment of allotment and first call money)			
	or			
	Share Capital A/c Dr.		2,40,000	
	Securities Premium A/c Dr.		30,000	
	To Share Forfeiture A/c			60,000
	To Calls in Arrears A/c			2,10,000
	(3000 shares forfeited for non-payment of allotment and first call money)			
	Bank A/c Dr.		1,80,000	
	To Share Capital A/c			1,60,000
	To Securities Premium A/c			20,000
	(Reissue of 2,000 shares @₹90 per share ₹80 paid up)			
	Share Forfeiture A/c Dr.		40,000	
	To Capital Reserve A/c			40,000
	(Balance in share forfeiture account transferred to capital reserve)			

(1 x 3)

+

(ii)

Books of Avian Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Share Capital A/c Dr.		90,000	
	To Share Forfeiture A/c			50,000
	To Share First Call/ Calls in Arrears A/c			40,000
	(10,000 shares forfeited for non-payment of first call money)			
	Bank A/c Dr.		36,000	
	Share Forfeiture A/c Dr.		4,000	
	To Share Capital A/c			40,000
	(Reissue of 4,000 shares @₹9 per share fully paid up)			
	Share Forfeiture A/c Dr.		16,000	
	To Capital Reserve A/c			16,000
	(Balance in share forfeiture account transferred to capital reserve)			

(1 x 3)

=

6 marks

	General Reserve A/c Dr.		50,000	
	To Ashish's Capital A/c			20,000
	To Vinit's Capital A/c			20,000
	To Reema's Capital A/c			10,000
	(General Reserve credited to partners' capital accounts)			
	Ashish's Capital A/c Dr.		12,000	
	Reema's Capital A/c Dr.		12,000	
	To Vinit's Capital A/c			24,000
	(Vinit's share of goodwill adjusted in the capital accounts of Ashish and Reema in the gaining ratio)			
	Vinit's Capital A/c Dr.		2,48,000	
	To Cash A/c			20,000
	To Vinit's Loan A/c			2,28,000
	(Vinit was paid ₹20,000 on retirement, and the balance transferred to his loan account)			

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

Particulars	**Absolute Amounts** 2022-23 (₹)	**Absolute Amounts** 2023-24 (₹)	**Percentage of Revenue from operations** 2022-23 (%)	**Percentage of Revenue from operations** 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…………………………………………………… $\boxed{1}$

Capital employed= Shareholders Funds+ Debentures

4 marks

⇨ 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 $\frac{1}{5}^{\text{th}}$ 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 $\frac{1}{4}^{\text{th}}$ 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 $\frac{1}{5}^{\text{th}}$ 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 $\frac{1}{5}^{\text{th}}$ 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 $\frac{1}{7}^{\text{th}}$ 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

1 mark

OR

Q. (b) Sakshi, Kiara and Gunjan….

Ans. (A) ₹3,00,000

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.	
(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 (₹)	
	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 (₹)	
(i)		Machinery A/c Dr. To Sujata Ltd. (Assets and liabilities of Rabi Ltd. taken over)		36,00,000	36,00,000	**1** **+**

	(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

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

1 ½
=
3
marks

21 **Q. Ridyum Ltd. issued……….**

Ans.

Books of Ridyum Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)	
	Bank A/c Dr. To Debenture Application A/c (Debenture application money received)		10,00,000	10,00,000	**1**
	Debenture Application A/c Dr. To 9% Debentures A/c (Debenture application money transferred to debentures account)		10,00,000	10,00,000	**1**
	Debenture Allotment A/c Dr. To 9% Debentures A/c To Securities Premium A/c (Debenture allotment money due)		17,50,000	15,00,000 2,50,000	**1**
	Bank A/c Dr. To Debenture Allotment A/c (Debenture allotment money received)		17,50,000	17,50,000	**1** **=** **4** **marks**

22 **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

1

(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

(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

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 (₹)
	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
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of forfeited shares transferred to capital reserve)		1,800	 1,800

(1 x 3)

(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
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of forfeited shares transferred to capital reserve)		2,400	 2,400

(1 x 3)

=

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	70,000
		By Loss transferred to:	
		Bittu's Capital A/c 40,000 ½	
		Chintu's Capital A/c 30,000 ½	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

Q. (b) Rupal, Shanu and Trisha were partners in a firm...

Ans.

Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock	80,000	By Fixed Assets A/c	2,40,000
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	1,60,000		
	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.

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Revenue from operations}}{\text{Average Trade Receivables}} \ldots\ldots\ldots\ldots \boxed{1}$$

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... $\boxed{1}$

4 Marks

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Revenue from operations}}{\text{Average Trade Receivables}}$$

⇨ 4 = ₹6,00,000/ Average Trade Receivables

⇨ **Average Trade Receivables**= ₹1,50,000

$$\text{Average Trade Receivables} = \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$$

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

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 .... $\boxed{1}$

4 marks

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.. $\boxed{1}$

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 $\frac{1}{5}^{\text{th}}$ 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 approp**riation 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 1st 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 1st April, 2023. Discount on issue of debentures, ₹ 1,00,000 was completely written off through Statement of Profit and Loss on 31st 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 1st April, 2023. Interest is payable half-yearly on 30th September and 31st March every year. Interest written off on 31st 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***

<table>
<tr><td></td><td><i><u>OR</u></i>
(b) Q. Minimum Subscription for allotment of shares ………………………….
Ans. (B) - Issued</td><td><i><u>OR</u></i>
<i>1 mark</i></td></tr>
<tr><td>14</td><td>(a) Q. Shivalik Ltd. issued ……………………..
Ans. (B) - ₹ 20,00,000
<i><u>OR</u></i>
(b) Q. Keya Ltd. issued ……………………..
Ans. (A) - ₹ 16,00,000</td><td><i>1 mark</i>
<i><u>OR</u></i>
<i>1 mark</i></td></tr>
<tr><td>15</td><td>(a) Q. Tavish, Umesh and Varun were partners ……………………..
Ans. (A) - $\frac{21}{72}$
<i><u>OR</u></i>
(b) Q. Asit, Sonu and Hina were partners ……………………..
Ans. (D) - ₹ 10,00,000</td><td><i>1 mark</i>
<i><u>OR</u></i>
<i>1 mark</i></td></tr>
<tr><td>16</td><td>(a) Q. Ajit, Biswas and Chitra were partners ……………………..
Ans. (C) - ₹ 45,000
<i><u>OR</u></i>
(b) Q. Isha, Julie and Kavita were partners ……………………..
Ans. (A) - ₹ 20,000</td><td><i>1 mark</i>
<i><u>OR</u></i>
<i>1 mark</i></td></tr>
<tr><td>17</td><td>Q. Alok, Sameer and Tushar were partners ……………………..
Ans.
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
April 1</td><td>Tushar's Capital A/c Dr.
To Alok's Capital A/c
To Sameer's Capital A/c
(Adjustment entry due to change in profit sharing ratio)</td><td></td><td>1,00,000</td><td>
50,000
50,000</td></tr>
</table>
<i>Working Notes</i>
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)</td><td><i>(1)</i>
<i>+</i>
<i>(1)</i></td></tr>
</table>

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 (Net Profit)		6,50,000
Abhay's Capital	4,00,000		By Interest on Drawings		
Sujoy's Capital	3,00,000	7,00,000	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
	Bank A/c Dr. To Debenture Allotment A/c (Allotment amount received.)		2,80,000	 2,80,000

(1 x 4)

= 4 marks

22 Q. Gopal, Heera and Iqbal were partners ……………………………….

Ans.

Dr. **Iqbal's Executor's Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
2023			2022		
March 31	To Bank A/c ***(½)***	2,40,000	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			2023		
March 31	To Bank A/c ***(½)***	2,20,000	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)***		By Sundry Liabilities t/f: ***(½)***	
Machinery 7,00,000		Creditors 6,00,000	
Investments 4,00,000		Bills Payable 2,00,000	8,00,000
Debtors 11,00,000			
Stock 2,00,000	24,00,000	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
		By Madhur's Capital A/c (St) ***(½)***	1,00,000
To Bank A/c (Bills Payable) ***(1)***	2,00,000	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.		60,00,000	
	To Equity Share Application and Allotment A/c			60,00,000
	(Application amount received on 3,00,000 shares)			
	Equity Share Application and Allotment A/c Dr.		60,00,000	
	To Equity Share Capital A/c			6,00,000
	To Securities Premium A/c			34,00,000
	To Calls in Advance A/c			15,00,000
	To Bank A/c			5,00,000
	(Application amount transferred to share capital, securities premium, calls in advance and returned)			
	Equity Share First and Final Call A/c Dr.		20,00,000	
	To Equity Share Capital A/c			14,00,000
	To Securities Premium A/c			6,00,000
	(First and Final call amount due on 2,00,000 shares)			
	Bank A/c Dr.		4,95,000	
	Calls in Advance A/c Dr.		15,00,000	
	Calls in Arrear A/c Dr.		5,000	
	To Equity Share First and Final Call A/c			20,00,000
	(First and Final call received with exception on 1,500 shares and calls in advance adjusted)			
	Equity Share Capital A/c Dr.		15,000	
	Securities Premium A/c Dr.		4,500	
	To Share Forfeiture A/c			14,500
	To Calls in Arrears A/c			5,000
	(1500 shares forfeited due to non-payment of first and final call money)			

(1) **+** ***(1½)*** **+** ***(1)*** **+** ***(1½)*** **+** ***(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.		80,00,000	
	To Debenture Application and Allotment A/c			80,00,000
	(Application amount received on 80,000 debentures)			
"	Debenture Application and Allotment A/c Dr.		80,00,000	
	Loss on Issue of Debentures A/c Dr.		4,00,000	
	To 8% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Application amount transferred to debentures a/c and provision made for premium on redemption of debentures)			
2024 March31	Interest on Debenture A/c Dr.		6,40,000	
	To Debenture Holders A/c			6,40,000
	(Interest on debentures due)			
"	Debenture Holders A/c Dr.		6,40,000	
	To Bank A/c			6,40,000
	(Interest on debentures paid)			
"	Statement of Profit and Loss Dr.		6,40,000	
	To Interest on Debenture A/c			6,40,000
	(Interest on debentures written off)			
"	Securities Premium A/c Dr.		3,00,000	
	Statement of Profit and Loss Dr.		1,00,000	
	To Loss on Issue of Debenture A/c			4,00,000
	(Loss on issue of debentures written off)			

(1 x 6) = 6 marks

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)

Capital of new firm = 8,50,000 + 5,00,000 + 3,00,000
= ₹ 16,50,000

= 6 marks

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 ………………………**

1 mark

Ans. (D) - Comparative Statements

<u>*OR*</u> *<u>OR</u>*

(b) Q. While preparing Common Size Statement ………………………………….

Ans. (A) - Revenue from Operations

1 mark

30 **(a) Q. Cash Flow Statement is prepared ……………………..**

Ans. (A) – Accounting Standard 3 — ***1 mark***

OR

(b) Q. Which of the following statements …………………………

Ans. (D) - Payment of employee benefit expenses will result in cash outflow from operating activities. — ***1 mark***

31 **Q. Classify the following items under major heads and sub heads. ……………………….**

Ans.

S.N.	**Item**	**Major Head**	**Sub Head**
(a)	Prepaid Expenses	Current Assets	Other Current Assets
(b)	Capital Work in Progress	Non-Current Assets	Property, Plant and Equipment and Intangible Assets
(c)	Interest accrued and due on debentures	Current Liabilities	Other Current Liabilities

(½ x6) = 3 marks

32 **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

Particulars	**Absolute Amounts 31.3.2024 ₹**	**% of Revenue from Operations 31.3.2024**	
I. INCOME			
Revenue from Operations	20,00,000	100	*(½)*
Other Income	5,00,000	25	*(½)*
TOTAL REVENUE	**25,00,000**	**125**	
II. EXPENSES			
Cost of Materials Consumed	12,00,000	60	*(½)*
Employee Benefit Expenses	6,00,000	30	*(½)*
Depreciation	2,00,000	10	*(½)*
TOTAL EXPENSES	**20,00,000**	**100**	
III. Profit Before Tax (I-II)	**5,00,000**	**25**	*(½)*

= 3 marks

33 **(a) Q. From the following information, calculate Interest ……………………..**

Ans.

- Interest Coverage Ratio = $\frac{\text{Profit Before Interest and Tax}}{\text{Interest on Long Term borrowings}}$ — ***(1)***

+

- Profit Before Tax = Profit After Tax x 100/70
  = 6,30,000 x 100/70
  = ₹ 9,00,000 — ***(1)***

+

- Profit Before Interest and Tax = Profit Before Tax + Interest on Debentures
  = 9,00,000 + 3,00,000
  = ₹ 12,00,000 — ***(1)***

+

- Interest Coverage Ratio = $\frac{12,00,000}{3,00,000}$ ***(1)***
  = 4 times

= 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 ***(1)***
  Revenue from Operation = ₹ 10,00,000

+

- 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 ***(1)***
  ₹ 8,00,000 = Credit Revenue from Operation

+

- 5 = $\frac{8,00,000}{\text{Average Trade Receivable}}$
  Average Trade Receivable = ₹ 1,60,000 ***(½)***

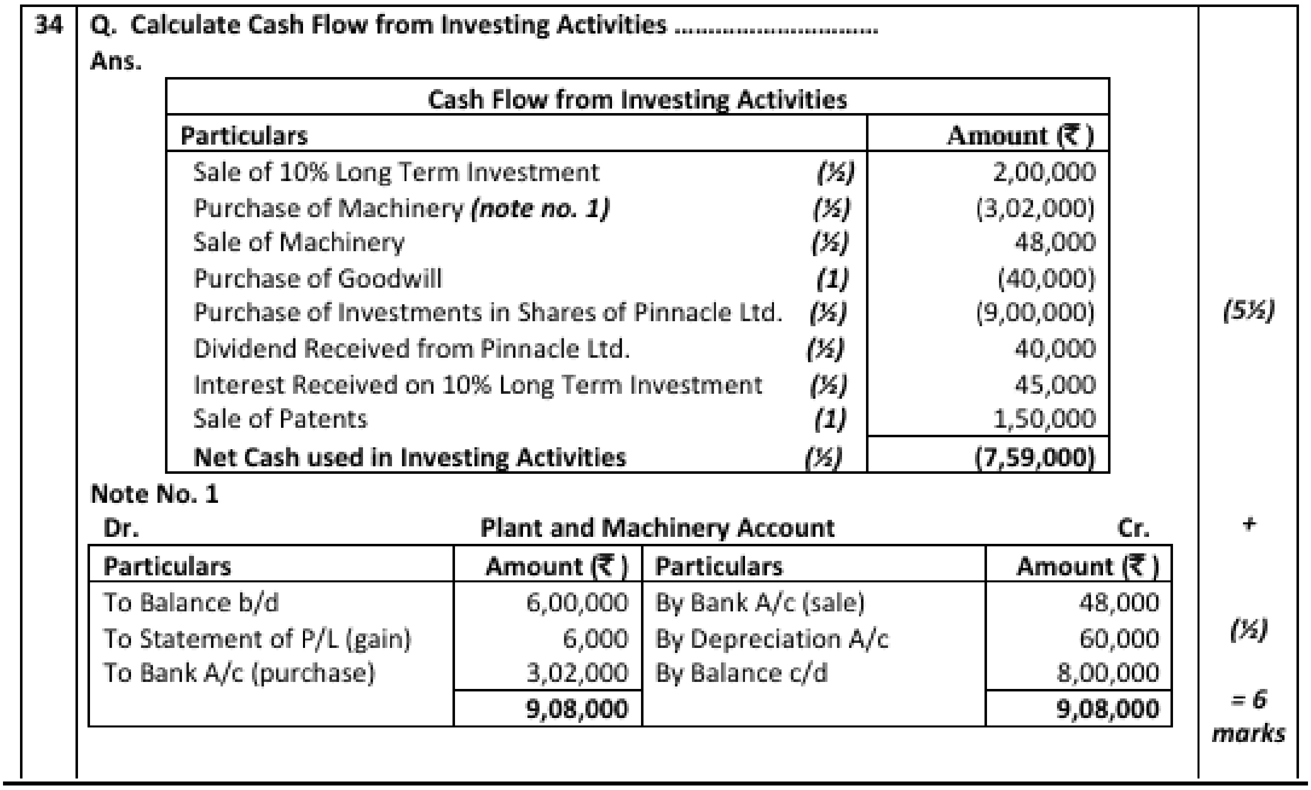
- Average Trade Receivable = $\frac{\text{Opening Trade Receivables + Closing Trade Receivable}}{2}$

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 ***(½)***
₹ 1,40,000 = Opening Trade Receivable ***+***

₹ 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

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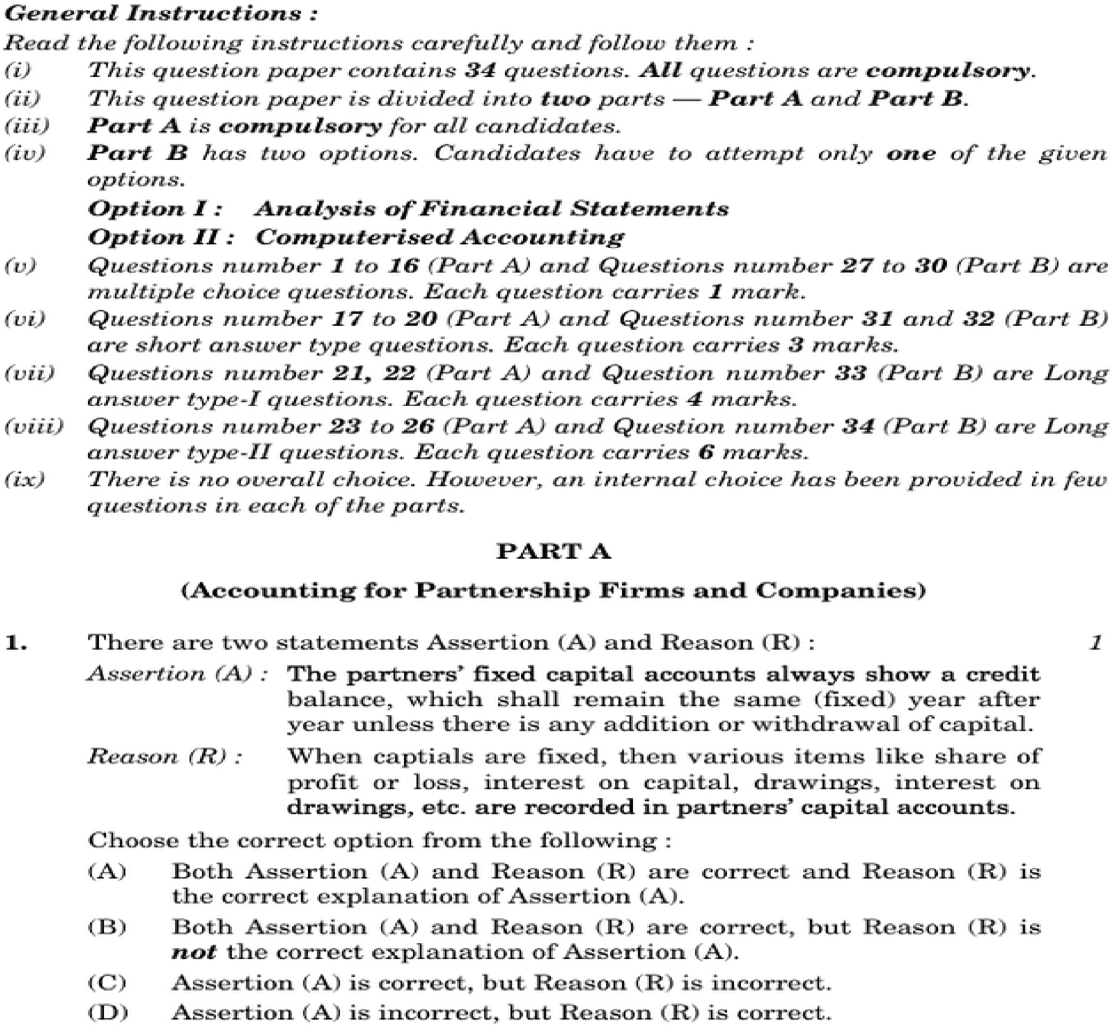

General Instructions :

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. There are two statements Assertion (A) and Reason (R) : *1*

Assertion (A) : **The partners' fixed capital accounts always show a credit** balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital.

Reason (R) : When captials are fixed, then various items like share of profit or loss, interest on capital, drawings, interest on **drawings, etc. are recorded in partners' capital accounts.**

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.

2. (a) Rani, Maharani and Laxmi were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 2. On 1st April, 2024 they admitted Reena as a new partner for $\frac{1}{5}$th share in the profits of the firm. Reena acquired her share from Rani and Maharani in the ratio of 3 : 2. The new profit sharing ratio between Rani, Maharani, Laxmi and Reena will be : *1*

(A) 51 : 59 : 40 : 50 (B) 51 : 59 : 50 : 40
(C) 59 : 51 : 50 : 40 (D) 40 : 51 : 59 : 50

OR

(b) 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 : *1*

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

3. 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 : *1*

(A) ₹ 15,000 (B) ₹ 28,000
(C) ₹ 2,000 (D) ₹ 13,000

4. Sun and Moon were partners in a firm sharing profits and losses equally. Their fixed capitals were ₹ 5,00,000 each. After the accounts for the year ended 31st March, 2024 were prepared, it was discovered that interest on capital @ 10% p.a. was not credited to the partners' current accounts as provided in the partnership deed.
The rectifying adjustment entry for the same will be : *1*

	Particulars	Debit Amount (₹)	Credit Amount (₹)
(A)	No Entry		
(B)	Sun's Current A/c Dr. To Moon's Current A/c	50,000	 50,000
(C)	Moon's Current A/c Dr. To Sun's Current A/c	50,000	 50,000
(D)	Sun's Current A/c Dr. Moon's Current A/c Dr. To Profit and Loss Appropriation A/c	50,000 50,000	 1,00,000

5. John and Harry were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2023, they admitted Dinesh as a new partner for $\frac{1}{4}$th share in the profits of the firm with a guarantee that his share in the profits shall be at least ₹ 1,00,000. The net profit of the firm for the year ended 31st March, 2024 was ₹ 2,80,000. John's share in the profits of the firm after giving the guaranteed amount of profit to Dinesh will be : *1*

(A) ₹ 1,40,000 (B) ₹ 1,20,000
(C) ₹ 1,00,000 (D) ₹ 70,000

6. (a) Jeeta Ltd. forfeited 300 shares of ₹ 100 each for the non-payment of final call of ₹ 10 per share. The amount credited to share forfeiture account will be : *1*

(A) ₹ 30,000 (B) ₹ 27,000
(C) ₹ 9,000 (D) ₹ 3,000

OR

(b) Meeta Ltd. invited applications for issuing 30,000 equity shares of ₹ 10 each. Applications for 29,500 shares were received. Allotment was made in full. A shareholder holding 100 shares failed to pay the first call of ₹ 2 per share. His shares were forfeited. The second call of ₹ 3 per share was not yet made. The amount debited to share capital account, on the forfeiture of shares will be : *1*

(A) ₹ 3,00,000 (B) ₹ 2,95,000
(C) ₹ 700 (D) ₹ 300

7. The debentures that can be transferred by way of delivery and the company does not keep any record of the debentures holders are called : *1*

(A) Redeemable debentures (B) Convertible debentures
(C) Zero Coupon Rate debentures (D) Bearer debentures

8. (a) Sudha, a partner withdrew ₹ 12,000 on 31st October, 2023 for her personal use. Interest on drawings is charged @ 6% p.a. The interest on Sudha's drawings for the year ended 31st March, 2024 will be : *1*

(A) ₹ 300 (B) ₹ 30
(C) ₹ 3,000 (D) ₹ 150

OR

(b) The partnership deed should be prepared as per the provisions of which of the following Acts ? *1*

(A) The Companies Act, 2013
(B) The Indian Partnership Act, 1932
(C) The Indian Stamp Act
(D) The Cooperative Societies Act

9. 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 ? *1*

(A) Partners' Capital Account
(B) Profit and Loss Appropriation Account
(C) Interest on Drawings Account
(D) Profit and Loss Account

10. On the dissolution of the partnership firm of Raman, Hari and Suresh, realisation expenses ₹ 17,000 were paid by a debtor of ₹ 75,000 on behalf of the firm. The remaining amount was received from him along with interest of ₹ 2,000 for delayed payment. Realisation Account will be ___________ by ___________. *1*

(A) debited, ₹ 17,000 (B) credited, ₹ 50,000
(C) debited, ₹ 77,000 (D) credited, ₹ 60,000

11. Paratigm Ltd. issued 40,000, 11% debentures of ₹ 100 each at a discount of 5%, redeemable at a premium. On issue of these debentures 'Loss on Issue of Debentures Account' was debited with ₹ 4,00,000. The amount of premium on redemption of debentures was : *1*

(A) ₹ 4,00,000 (B) ₹ 2,00,000
(C) ₹ 4,40,000 (D) ₹ 20,000

12. (a) On 1st April, 2023, Viya Ltd. issued 20,000, 10% debentures of ₹ 100 each at a premium of 10%. The total amount of interest on debentures for the year ended 31st March, 2024 will be : *1*

(A) ₹ 2,000 (B) ₹ 2,20,000
(C) ₹ 2,00,000 (D) ₹ 20,000

OR

(b) Radhya Ltd. issued 5,000, 9% debentures of ₹ 100 each at ₹ 97 per debenture. The 9% debentures account will be credited by : *1*

(A) ₹ 4,85,000 (B) ₹ 5,00,000

(C) ₹ 4,50,000 (D) ₹ 50,000

13. X Ltd. invited applications for issuing 90,000 equity shares of ₹ 100 each. The amount per share was payable as follows :

On Application – ₹ 20
On Allotment – ₹ 50
On First and final call – Balance

Applications for 2,00,000 shares were received. An applicant who had applied for 5,000 shares paid the entire share money with the application. The total application money received by the company was : *1*

(A) ₹ 44,00,000 (B) ₹ 40,00,000

(C) ₹ 18,00,000 (D) ₹ 90,00,000

14. A, B and C were partners in a firm sharing profits and losses in the ratio of 8 : 5 : 3. It was decided that with effect from 1st April, 2024, profits and losses will be shared in the ratio of 6 : 5 : 5. Due to change in the **profit sharing ratio, A's gain or sacrifice will be :** *1*

(A) $\frac{1}{8}$ gain (B) $\frac{2}{8}$ gain

(C) $\frac{1}{8}$ sacrifice (D) $\frac{2}{8}$ sacrifice

15. (a) On 1st April, 2024, the Balance Sheet of Radha and Mohan showed a loan of ₹ 10,000 given by Mohan to the firm. The firm was **dissolved on this date. Mohan's loan will be discharged by crediting** which of the following account ? *1*

(A) Realisation Account
(B) **Mohan's Capital Account**
(C) **Mohan's Current Account**
(D) Bank Account

OR

(b) Which of the following events does ***not*** result in reconstitution of a firm ? *1*

(A) Dissolution of partnership

(B) Dissolution of partnership firm

(C) Death of a partner

(D) Change in profit sharing ratio of existing partners

16. Ajay and Parth were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2024, they admitted Vinod as a new partner in the firm. The new profit sharing ratio on Vinod's admission was 2 : 1 : 1. Ajay's sacrifice on Vinod's admission was : *1*

(A) $\frac{1}{12}$ (B) Nil

(C) $\frac{1}{6}$ (D) $\frac{1}{4}$

17. Suman and Lata were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, their capital accounts showed balances of ₹ 1,50,000 and ₹ 2,00,000, respectively. The partnership deed provided for interest on capital @ 8% p.a. Show the treatment of interest on capital in the following cases if :

(i) The firm earned a profit of ₹ 14,000 for the year ended 31st March, 2024.

(ii) The firm earned a profit of ₹ 60,000 for the year ended 31st March, 2024. *3*

18. (a) Abha and Sara were partners in a firm. Their capitals were : Abha ₹ 3,00,000 and Sara ₹ 2,00,000. The normal rate of return in similar business is 10%. The profits of the firm of Abha and Sara for the last three years were :

2021 – 22 – ₹ 60,000
2022 – 23 – ₹ 90,000
and 2023 – 24 – ₹ 1,20,000

Calculate goodwill of the firm on the following basis :

(i) Four years purchase of the average profits for the last three years.

(ii) Capitalisation of super-profits. *3*

OR

(b) Vijay, Ravi and Raman were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2024, they admitted Kamal as a new partner for $\frac{1}{10}$th share in the profits. It was decided that new profit sharing ratio will be 4 : 2 : 3 : 1. On **Kamal's admission, the goodwill of the firm was valued at** ₹ 6,00,000. Kamal brought his share of goodwill premium in cash.

(i) Calculate the sacrificing ratio.

(ii) Pass necessary journal entries for the treatment of goodwill on Kamal's admission.

Show your working notes clearly. *3*

19. (a) KM Ltd. acquired assets worth ₹ 7,20,000 and took over liabilities of ₹ 2,00,000 of LS Ltd. for a purchase consideration of ₹ 9,60,000. KM Ltd. issued 12% debentures of ₹ 100 each at a discount of 4% in favour of LS Ltd. for payment of purchase consideration.

Pass necessary journal entries for the above transactions in the books of KM Ltd. *3*

OR

(b) Varsha Ltd. invited applications for issuing 2,000, 12% debentures of ₹ 100 each at a premium of ₹ 30 per debenture. Full amount was payable on application. Applications were received for 5,000 debentures. Applications for 3,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants.

Pass necessary journal entries for the above transactions in the books of Varsha Ltd. *3*

20. Aman, Govind and Guru were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Sudarshan was admitted for $\frac{1}{4}$th share in the profits of the firm. The new profit sharing ratio between Aman, Govind, Guru and Sudarshan was agreed at 9 : 5 : 4 : 6. The total capital of the new firm was agreed upon as ₹ 3,60,000. Sudarshan will bring $\frac{1}{4}$th of this as his capital. The capitals of the other partners were also to be adjusted according to the new profit sharing ratio. The capitals of Aman, Govind and Guru after all adjustments stood at ₹ 60,000, ₹ 80,000 and ₹ 45,000 respectively.

Calculate the new capitals of Aman, Govind and Guru. Also pass necessary journal entries for the above transactions in the books of the firm. *3*

21. Sudha, Sudama and Sulochna were partners in a firm sharing profits equally. On 31st March, 2020, Sudha retired. On the date of retirement ₹ 2,40,000 became due to her. Sudama and Sulochana agreed to pay Sudha in four equal yearly instalments plus interest @ 10% p.a. on the unpaid balance starting from 31st March, 2021. The firm closes its books on 31st March every year.

Prepare Sudha's loan account till it is fully paid. *4*

22. On 1st April, 2023, GI Ltd. issued 40,000, 12% debentures of ₹ 100 each at a premium of 10%, redeemable at par after five years. The company closes its books on 31st March every year. Interest on debentures is payable half-yearly on 30th September and 31st March every year.

Pass necessary journal entries in the books of the company for issue of debentures and payment of interest for the year ended 31st March, 2024. *4*

23. (a) Radhika Ltd. invited applications for issuing 40,000 equity shares of ₹ 100 each at a premium of ₹ 50 per share. The amount was payable as follows :

On Application and Allotment	–	₹ 40 per share (including ₹ 10 premium)
On First call	–	₹ 45 per share (including ₹ 5 premium)
On Second and final call	–	Balance

Applications for 39,000 shares were received. Allotment was made in full to all the applicants. Dinu, to whom 100 shares were allotted, failed to pay the first call money. His shares were immediately forfeited. The forfeited shares were re-issued thereafter at ₹ 70 per share fully paid up. The second and final call was not yet made.

Pass necessary journal entries for the above transactions in the books of Radhika Ltd. *6*

OR

(b) Sona Ltd. invited applications for issuing 60,000 equity shares of ₹ 50 each. The amount was payable as follows :

On Application — ₹ 20 per share
On Allotment — ₹ 25 per share
On First and final call — Balance

Applications for 90,000 shares were received. Applications for 10,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Rahul, to whom 600 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately. Afterwards, the first and final call was made. Mona, to whom 1,000 shares were allotted, failed to pay the first and final call. Her shares were also forfeited.

Pass necessary journal entries in the books of Sona Ltd. for the above transactions. *6*

24. (a) Kishore and Ranjan were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2024, their Balance Sheet was as follows :

Balance Sheet of Kishore and Ranjan as at 1st April, 2024

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		1,80,000	Cash in hand	30,000
General Reserve		20,000	Debtors	1,20,000
Capitals :			Stock	1,50,000
Kishore	6,00,000		Furniture	1,00,000
Ranjan	4,00,000	10,00,000	Land and Building	8,00,000
		12,00,000		12,00,000

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

(i) Singh will bring ₹ 1,50,000 as his capital and ₹ 50,000 as his share of goodwill premium.
(ii) The value of stock will be reduced by 10% and Land and Building will be appreciated by 10%.
(iii) Furniture will be revalued at ₹ 90,000.
(iv) A provision for doubtful debts will be created on sundry debtors at 5%.
(v) Investments worth ₹ 10,000 not mentioned in the Balance Sheet will be taken into account.
(vi) A creditor of ₹ 1,000 is not likely to claim his money and is to be written off.

Pass necessary journal entries for the above transactions in the books of the firm on Singh's admission. *6*

OR

(b) 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 :

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

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,50,000	Cash at Bank	1,30,000
General Reserve		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		Patents	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 Account and Partners' Capital Accounts on Arti's retirement. *6*

25. Madhavan, Chatterjee and Pillai were partners in a firm sharing profits and losses in ratio of 2 : 1 : 2. On 31st March, 2024, their Balance Sheet was as follows :

Balance Sheet of Madhavan, Chatterjee and Pillai as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,10,000	Cash at Bank		4,05,000
Outstanding Expenses		17,000	Stock		2,20,000
Mrs. Madhavan's Loan		2,00,000	Debtors	95,000	
Chatterjee's Loan		1,70,000	Less : Provision for Doubtful Debts	5,000	90,000
Capitals :			Land and Building		1,82,000
Madhavan	2,00,000		Plant and Machinery		1,00,000
Chatterjee	1,00,000				
Pillai	2,00,000	5,00,000			
		9,97,000			9,97,000

On the above date, the firm was dissolved and the following transactions took place :

(i) Debtors were taken over by the creditors in full settlement of their account.

(ii) **Madhavan agreed to pay Mrs. Madhavan's loan.**

(iii) 50% of the stock was taken over by Chatterjee at 10% less than the book value. The remaining stock was sold at a profit of 20%.

(iv) Land and Building was taken over by Pillai for ₹ 10,00,000 and Plant and Machinery was sold as scrap for ₹ 20,000.

(v) Realisation expenses ₹ 17,000 were paid by cheque.

Prepare Realisation Account. *6*

26. ABC Ltd. was registered with authorised capital of ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each. On 1st April, 2024, the company offered to the public for subscription, 1,00,000 shares. Applications for 99,000 shares were received and allotment was made in full to all the applicants. A shareholder holding 9,000 shares failed to pay the final call of ₹ 3 per share.

Answer the following questions :

(i) The authorised capital of the company is : *1*

(A) ₹ 10,00,000 (B) ₹ 9,90,000

(C) ₹ 1,00,00,000 (D) ₹ 99,45,000

(ii) The issued capital of ABC Ltd. is : *1*

(A) ₹ 1,00,000 (B) ₹ 99,000

(C) ₹ 94,500 (D) ₹ 10,00,000

(iii) The amount of calls-in-arrears will be : *1*

(A) ₹ 27,000 (B) ₹ 90,000

(C) ₹ 2,97,000 (D) Nil

(iv) **The 'subscribed and fully paid up capital' of ABC Ltd. will be :** *1*

(A) ₹ 10,00,000 (B) ₹ 9,00,000

(C) ₹ 99,00,000 (D) ₹ 98,73,000

(v) **'Subscribed but not fully paid up capital' of ABC Ltd. will be :** *1*

(A) ₹ 98,73,000 (B) ₹ 8,73,000

(C) ₹ 90,000 (D) ₹ 63,000

(vi) **The amount of 'Share Capital' presented is the Balance Sheet of ABC Ltd. will be :** *1*

(A) ₹ 9,63,000 (B) ₹ 98,73,000

(C) ₹ 9,90,000 (D) ₹ 1,00,00,000

PART B

Option – I

(Analysis of Financial Statements)

27. (a) Operating ratio of a company is 63%. Its gross profit ratio is 20%. What will be its operating profit ratio ? *1*

(A) 27% (B) 23%

(C) 43% (D) 83%

OR

(b) Which of the following is ***not*** a purpose of analysis of financial statements ? *1*

(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.

28. Ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources are called : *1*

(A) Activity Ratios (B) Profitability Ratios

(C) Solvency Ratios (D) Liquidity Ratios

29. (a) The activities that result in changes in the size and composition of the owners' capital and borrowings of the enterprise are called __________. *1*

(A) Operating Activities (B) Investing Activities

(C) Managerial Activities (D) Financing Activities

OR

(b) Which of the following transactions will ***not*** result in the inflow of cash ? *1*

(A) Cash deposited in the bank ₹ 80,000

(B) Payment of salaries ₹ 50,000

(C) Issue of 9% debentures ₹ 10,00,000

(D) Purchase of machinery ₹ 2,00,000

30. *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. *1*

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.

31. Under which major headings and sub-headings (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ? *3*

(a) Livestock

(b) Loose Tools

(c) Design

32. From the following Balance Sheet of Nayak Ltd. prepare a Comparative Balance Sheet : *3*

Balance Sheet of Nayak Ltd. as at 31st March, 2024

Particulars	31.3.2024 (₹)	31.3.2023 (₹)
I – Equity and Liabilities :		
1. **Shareholders' Funds**		
Share Capital	6,00,000	4,00,000
2. Non-Current Liabilities		
Long-term borrowings	2,25,000	1,50,000
3. Current Liabilities		
Trade Payables	75,000	50,000
Total	9,00,000	6,00,000
II – Assets :		
1. Non-Current Assets		
Property, Plant and Equipment and Intangible Assets	6,75,000	4,50,000
2. Current Assets		
(a) Inventories	1,50,000	1,00,000
(b) Cash and Cash Equivalents	75,000	50,000
Total	9,00,000	6,00,000

33 (a) The current ratio of Jack Ltd. is 3·2 : 1 and the quick ratio is 1·5 : 1. The excess of current assets over quick assets was represented by inventories which were ₹ 68,000. Calculate : *4*

(i) Current Assets

(ii) Quick Assets

(iii) Current Liabilities

OR

(b) From the following information obtained from the books of **KVK Ltd., calculate 'Net Assets Turnover Ratio' and 'Debt Equity Ratio' :** *4*

Information	Amount (₹)
Preference Share Capital	8,00,000
Equity Share Capital	12,00,000
General Reserve	2,00,000
Balance in the Statement of Profit and Loss	6,00,000
15% Debentures	4,00,000
12% Loan	4,00,000
Revenue from Operations for the year 2023 – 24	72,00,000

34. (a) The following information has been extracted from the books of Ram Lal Ltd. :

Particulars	31.3.2024 (₹)	31.3.2023 (₹)
Surplus : Balance in Statement of Profit and Loss	17,00,000	8,00,000
Patents	–	50,000
Sundry Debtors	5,80,000	4,20,000
Sundry Creditors	1,40,000	60,000
Cash and Cash Equivalents	2,00,000	90,000

Additional Information :
Interim dividend paid during the year was ₹ 1,20,000.
Calculate Cash Flows from Operating Activities.

(b) The following information has been extracted from the books of Lata Ltd. :

Particulars	31.3.2024 (₹)	31.3.2023 (₹)
Machinery (Cost)	70,00,000	50,00,000
Accumulated Depreciation	10,00,000	8,00,000

Additional Information :

(i) During the year a piece of machinery costing ₹ 1,40,000 on which accumulated depreciation was ₹ 90,000, was sold at a gain of ₹ 10,000.

(ii) Depreciation charged during the year amounted to ₹ 2,90,000.

Calculate Cash Flows from Investing Activities. *6*

CBSE BOARD MARKING SCHEME 2025 67-5-1

MARKING SCHEME

Senior Secondary School Examination 2025

ACCOUNTANCY (Subject Code–055)

[Paper Code: 67/5/1]

Maximum Marks: 80

PART -A

(ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES)

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
1	**Q. There are two statements.....................................** **Ans.** (C) Assertion (A) is correct, but Reason (R) is incorrect.	1 mark
2	**Q.(a) Rani, Maharani and Laxmi..............................** **Ans.** (B) 51:59:50:40 **OR** **Q.(b) Ravita, Savita, Kavita and Babita………………..** **Ans.** (A) 2:1:1	1 mark OR 1 mark
3	**Q. On dissolution of a firm........................** **Ans.** (D) ₹13,000	1 mark
4	**Q. Sun and Moon were partners.......................................** **Ans.** (A) No entry	1 mark
5	**Q. John and Harry were partners....................................** **Ans.** (B) ₹1,20,000	1 mark
6	**Q.(a) Jeeta Ltd. forfeited 300 shares.....................................** **Ans.** (B) ₹27,000 **OR** **Q.(b) Meeta Ltd. invited applications………………………....** **Ans.** (C) ₹700	1 mark OR 1 mark
7	**Q. The debentures that can be.......................................** **Ans.** (D) Bearer Debentures	1 mark
8	**Q. (a) Sudha, a partner withdrew...** **Ans.** (A) ₹300 **OR** **Q. (b) The partnership deed should be...** **Ans.** (C) The Indian Stamp Act	1 mark OR 1 mark
9	**Q. Manoj , Dilip and Rajinder were ....** **Ans.** Partners' Current A/c ***Note: As there is no option in MCQ for the correct answer, therefore, 1 mark is to be awarded to all the examinees.***	1 mark
10	**Q. On the dissolution of the partnership.................................** **Ans.** (D) credited, ₹60,000	1 mark

11	**Q. Paratigm Ltd. issued 40,000, 11% debentures..** **Ans.** (B) ₹2,00,000	**1 mark**
12	**Q. (a) On 1st April, 2023, Viya Ltd..................................** **Ans.** (C) ₹2,00,000 **OR** **Q. (b) Radhya Ltd. issued 5,000, 9% debentures.................................** **Ans.** (B) ₹5,00,000	**1 mark** **OR** **1 mark**
13	**Q. X Ltd. invited applications for..........................** **Ans.** (A) ₹44,00,000	**1 mark**
14	**Q. A, B, and C were partners..** **Ans.** (C) 1/8 sacrifice	**1 mark**
15	**Q.(a) On 1st April, 2024, the Balance sheet.............................** **Ans.** (D) Bank A/c **OR** **Q.(b) Which of the following events…………………………** **Ans.** (B) Dissolution of partnership firm	**1 mark** **OR** **1 mark**
16	**Q. Ajay and Parth were partners...............................** **Ans.** (C) 1/6	**1 mark**
17	**Q. Suman and Lata were partners…………………….**	**1½ x 2 =3 marks**

Ans. (i)

Dr. ***Profit & Loss Appropriation A/c*** ***Cr.***

for the year ended 31st March, 2024

Particulars	***Amount ₹***	***Particulars***	***Amount ₹***
Interest on Capital:		P & L A/c (Net Profit)	14,000
Suman 6,000			
Lata 8,000 (1½)	14,000		
	14,000		14,000

(ii)

Dr. ***Profit & Loss Appropriation A/c*** ***Cr.***

for the year ended 31st March, 2024

Particulars	***Amount ₹***	***Particulars***	***Amount ₹***
Interest on Capital:		P & L A/c (Net Profit)	60,000
Suman 12,000			
Lata 16,000 (1½)	28,000		
Profit transferred to capital accounts:			
Suman 19,200			
Lata 12,800	32,000		
	60,000		60,000

Alternatively,

Alternative

(i) As the profit for the year is ₹14,000, which is less than the amount of interest on capital due to partners, i.e. ₹28,000 (₹12000+₹16000), therefore, interest will be paid to the extent of available profits i.e. ₹14,000 in the ratio of interest on capital (3:4).

Suman's interest on capital= 14000x 3/7= ₹ 6,000

Lata's interest on capital= 14000x 4/7= ₹8,000

(ii) As the profit for the year is ₹60,000, which is sufficient to pay the amount of interest on capital due to partners, therefore, Full interest will be paid.

Suman's interest on capital= ₹ 12,000

Lata's interest on capital= ₹16,000

1½ x 2 =3 marks

18

Q.(a) Abha and Sara were partners…………………

Ans. (i) Goodwill = No. of years' purchase x Average Profits

Total Profits= ₹60,000+₹90,000+₹1,20,000= ₹2,70,000

Average Profits= 2,70,000/3= ₹90,000

Goodwill= 4 x 90,000= ₹3,60,000

(ii) Goodwill = Super Profits x 100/ Rate of return

Capital Employed= ₹3,00,000+ ₹2,00,000= ₹5,00,000

Normal Profit =10% of ₹5,00,000 = ₹50,000

Super Profit = Average Profit- Normal Profit

Super Profit= ₹90,000- ₹50,000 = ₹40,000

Goodwill= ₹40,000 x 100/10= ₹4,00,000

1½+1½ =3 marks

OR

OR

Q.(b) Vijay, Ravi and Raman were partners………….

Ans. (i)Sacrificing share= Old share- New share

Vijay= 5/10- 4/10= 1/10 (Sacrifice)

Ravi= 3/10-2/10= 1/10 (Sacrifice)

Raman= 2/10-3/10= (1/10) (Gain)

Sacrificing ratio of Vijay and Ravi is 1:1, while Raman is gaining.

1

(ii) ***Books of Vijay, Ravi, Raman & Kamal***

Journal

Date	*Particulars*	*L.F*	*Dr. Amount ₹*	*Cr. Amount ₹*
2024 April 1	Cash A/c Dr. To Premium for goodwill A/c (Cash brought in by Kamal as premium for goodwill)		60,000	 60,000
2024 April 1	Premium for goodwill A/c Dr. Raman's Capital A/c Dr. To Vijay's Capital A/c To Ravi's Capital A/c (Premium brought by Kamal and Raman's share of gain credited to Vijay and Ravi in sacrificing ratio)		60,000 60,000	 60,000 60,000

\+ **1** + **1**

=3 marks

Working notes:

Goodwill of firm= ₹6,00,000

Kamal's share of goodwill= 1/10 x 6,00,000= ₹60,000

19

Q.(a) KM Ltd. acquired assets……………………..

Ans. ***Books of KM Ltd.***

Journal

Date	*Particulars*	*L.F*	*Dr. Amount* ₹	*Cr. Amount* ₹
	(i) Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To LS Ltd. (Assets acquired and liabilities taken over from LS Ltd.)		7,20,000 4,40,000	2,00,000 9,60,000
	(ii) LS Ltd. Dr. Discount on issue of Debentures A/c Dr. To 12% Debentures A/c (Amount of purchase consideration settled through issue of 10,000, 12% Debentures at a discount of 4%)		9,60,000 40,000	10,00,000

1½ + 1½ =3 marks

OR

Q.(b) Varsha Ltd. invited applications………………..

Ans. ***Books of Varsha Ltd.***

Journal

Date	*Particulars*	*L.F*	*Dr. Amount* ₹	*Cr. Amount* ₹
	(i) Bank A/c Dr. To Debenture Application and Allotment A/c (Receipt of application money on 5,000, 12% Debentures of ₹100 each issued at a premium of ₹30 per Debenture)		6,50,000	6,50,000
	(ii) Debenture Application and Allotment A/c Dr. To 12% Debentures A/c To Securities Premium A/c To Bank A/c (Transfer of Debenture application money to Debentures account, Securities premium account and balance refunded)		6,50,000	2,00,000 60,000 3,90,000

1 + 2 =3 marks

20

Q. Aman, Govind and Guru were partners……………. Ans.

Ans. ***Calculation of New Capitals of partners:***

New Firm's Capital ₹3,60,000 in new ratio 9:5:4:6

Aman = 9/24 x 3,60,000= ₹1,35,000

Govind =5/24 x 3,60,000= ₹75,000

Guru =4/24 x 3,60,000= ₹60,000

Sudarshan =6/24 x 3,60,000 =₹90,000

1

Books of Aman, Guru, Govind & Sudarshan

Journal

Date	*Particulars*	*L.F*	*Dr. Amount ₹*	*Cr. Amount ₹*
	Cash A/c / Bank A/c Dr. To Sudarshan's Capital A/c To Aman's Capital A/c To Guru's Capital A/c (Cash brought in by Sudarshan for capital and by Aman & Guru for capital adjustment)		1,80,000	 90,000 75,000 15,000
	Govind's Capital A/c Dr. To Cash A/c (Cash paid to Govind)		5,000	 5,000

\+
1½
\+
½
=3 marks

***Working notes*:**

Calculation of amount of cash to be brought into the firm or to be paid to the partners:

	Aman	Govind	Guru
New capital	₹1,35,000	₹75,000	₹60,000
Adjusted capital	₹60,000	₹80,000	₹45,000
	Brought ₹75,000	Paid ₹5,000	Brought ₹15,000

Note: No marks for working notes.

21 **Q. Sudha, Sudama and Sulochna were partners…………**

Ans.

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

Date	*Particulars*	*Amount*	*Date*	*Particulars*	*Amount*
2020 March 31	To Balance c/d	2,40,000	2020 March 31	By Sudha's Capital A/c	2,40,000
		2,40,000			**2,40,000**
2021 March 31	To Bank A/c	84,000	2020 April 1	By Balance b/d	2,40,000
March 31	To Balance c/d	1,80,000	2021 March 31	By Interest A/c	24,000
		2,64,000			**2,64,000**
2022 March 31	To Bank A/c	78,000	2021 April 1	By Balance b/d	1,80,000
March 31	To Balance c/d	1,20,000	2022 March 31	By Interest A/c	18,000
		1,98,000			**1,98,000**
2023 March 31	To Bank A/c	72,000	2022 April 1	By Balance b/d	1,20,000
March 31	To Balance c/d	60,000	2023 March 31	By Interest A/c	12,000
		1,32,000			**1,32,000**
2024 March 31	To Bank A/c	66,000	2023 April 1	By Balance b/d	60,000
			2024 March 31	By Interest A/c	6,000
		66,000			**66,000**

½
\+
1
\+
1
\+
1
\+
½
=4 marks

22 **Q. On 1st April, 2023, GI Ltd. issued…………………**

Ans. ***Books of GI Ltd.***

Journal

Date	*Particulars*	*L.F*	*Dr. Amount* ₹	*Cr. Amount* ₹	
2023 April 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Receipt of application money on 40,000, 12% Debentures of ₹100 each issued at a premium of 10%)		44,00,000	 44,00,000	1 +
,,	Debenture Application and Allotment A/c Dr. To 12% Debentures A/c To Securities Premium A/c (Transfer of Debenture application money to Debentures account and Securities premium account)		44,00,000	 40,00,000 4,00,000	1 +
2023 Sept 30	Debenture Interest A/c Dr. To Debentureholders A/c (Interest due on debentures for six months)		2,40,000	 2,40,000	½ +
,,	Debentureholders A/c Dr. To Bank A/c (Payment of interest to debentureholders)		2,40,000	 2,40,000	½ +
2024 March 31	Debenture Interest A/c Dr. To Debentureholders A/c (Interest due on debentures for six months)		2,40,000	 2,40,000	½ +
,,	Debentureholders A/c Dr. To Bank A/c (Payment of interest to debentureholders)		2,40,000	 2,40,000	½ **=4 marks**

23 **Q.(a) Radhika Ltd. invited applications………………**

Ans. ***In the books of Radhika Ltd.***

Journal

Date	*Particulars*	*L.F*	*Dr. Amount* ₹	*Cr. Amount* ₹
	Bank A/c Dr. To Equity Share Application & Allotment A/c (Application money received on 39,000 shares)		15,60,000	 15,60,000
	Equity Share Application & Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Application money transferred to share capital A/c and securities premium A/c on allotment of shares)		15,60,000	 11,70,000 3,90,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on first call)		17,55,000	 15,60,000 1,95,000
	Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share First Call A/c (First call money received, except on 100 shares)		17,50,500 4,500	 17,55,000

	Alternatively, Bank A/c Dr. To Equity Share First Call A/c (First Call money received, except on 100 shares)		17,50,500	17,50,500	
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (100 shares forfeited for non-payment of first call money)		7,000 500	 3,000 4,500	
	Alternatively, Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Equity Share First Call A/c (100 shares forfeited for non-payment of first call money)		7,000 3,000	 3,000 4,500	
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (100 shares reissued at ₹70 per share as fully paid up)		7,000 3,000	 10,000	**1x6** **=6 marks**

OR **OR**

Q.(b) Sona Ltd. invited applications……………..

Ans. *In the books of Sona Ltd.*

Journal

Date	*Particulars*	*L.F*	*Dr. Amount* ₹	*Cr. Amount* ₹	
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 90,000 shares)		18,00,000	18,00,000	½
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money on 60,000 shares transferred to share capital A/c and securities premium A/c, amount on 10,000 shares refunded and the excess amount adjusted to share allotment account)		18,00,000	 12,00,000 4,00,000 2,00,000	+ 1 +
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment)		15,00,000	15,00,000	½ +
	Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share Allotment A/c (Allotment money received, except on 600 shares)		10,89,000 11,000	 11,00,000	1

Particulars	L.F	Dr. Amount ₹	Cr. Amount ₹	Marks
Alternatively, Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received, except on 600 shares)		10,89,000	10,89,000	+
Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (600 shares forfeited for non-payment of allotment money) ***Alternatively,*** Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c (600 shares forfeited for non-payment of allotment money)		27,000 27,000	16,000 11,000 16,000 11,000	1 +
Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Amount due on First call on 59,400 shares)		2,97,000	2,97,000	½
Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share First and Final Call A/c (First call money received, except on 1,000 shares) ***Alternatively,*** Bank A/c Dr. To Equity Share First and Final Call A/c (Allotment money received, except on 1000 shares)		2,92,000 5,000 2,92,000	2,97,000 2,92,000	+ ½ +
Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (1000 shares forfeited for non-payment of First and Final Call money) ***Alternatively,*** Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Share First and Final Call A/c (1000 shares forfeited for non-payment of First and Final Call money)		50,000 50,000	45,000 5,000 45,000 5,000	1 =6 marks

24 **Q.(a) Kishore and Ranjan were partners………………..**

Ans.

Books of Kishore, Ranjan and Singh

Journal

Date	*Particulars*	*L.F*	*Dr. Amount ₹*	*Cr. Amount ₹*
2024 April 1	Cash A/c / Bank A/c Dr. To Singh's Capital A/c To Premium for goodwill A/c (Amount brought in by Singh as share of capital and share of premium for goodwill)		2,00,000	 1,50,000 50,000

,,	Premium for goodwill A/c Dr. To Kishore's Capital A/c To Ranjan's Capital A/c (Adjustment for goodwill in sacrificing ratio)		50,000	 30,000 20,000	
,,	General Reserve A/c Dr. To Kishore's Capital A/c To Ranjan's Capital A/c (Distribution of general reserve in old ratio)		20,000	 12,000 8,000	
,,	Revaluation A/c Dr. To Stock A/c To Furniture A/c To Provision for doubtful debts A/c (Assets revalued and provision for doubtful debts created) ***Note: If an examinee has passed separate entry for each revaluation, full credit is to be given.***		31,000	 15,000 10,000 6,000	
,,	Land & Building A/c Dr. Investments A/c Dr. Creditors A/c Dr. To Revaluation A/c (Assets revalued and liabilities reassessed) ***Note: If an examinee has passed separate entry for each revaluation, full credit is to be given.***		80,000 10,000 1,000	 91,000	
,,	Revaluation A/c Dr. To Kishore's Capital A/c To Ranjan's Capital A/c (Distribution of gain on revaluation in old ratio)		60,000	 36,000 24,000	**1x6 =6 marks**

OR

OR

Q.(b) Arti, Bharti and Gayatri were partners…………..

Ans.

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

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

½x4=2

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

Particulars	Arti ₹	Bharti ₹	Gayatri ₹	Particulars	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

+

½x8=4

=6 marks

25

Q. Madhavan, Chatterjee and Pillai were partners…………

Ans.

Dr. ***Realisation A/c*** *Cr.*

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Sundry Assets: **(1)**		By Sundry Liabilities: **(1)**	
Stock 2,20,000		Creditors 1,10,000	
Debtors 95,000		Outstanding Expenses 17,000	
Land & Building 1,82,000		Mrs. Madhavan's Loan 2,00,000	
Plant & Machinery 1,00,000	5,97,000	Provision for doubtful debts 5,000	3,32,000
To Madhavan's Capital A/c **(½)** (Mrs. Madhavan's Loan)	2,00,000	By Chatterjee's Capital A/c (Stock) **(½)**	99,000
To Bank A/c: **(1)**		By Pillai's Capital A/c **(½)** (Land & Building)	10,00,000
Outstanding expenses 17,000			
Realisation expenses 17,000	34,000		
		By Bank A/c: **(1)**	
To Profit transferred to: **(½)**		Stock 1,32,000	
Madhavan's Capital A/c 3,00,800		Plant & Machinery 20,000	1,52,000
Chatterjee's Capital A/c 1,50,400			
Pillai's Capital A/c 3,00,800	7,52,000		
	15,83,000		**15,83,000**

=6 marks

26

Q. ABC Ltd. was registered with authorised capital…………….

Ans.

(i) (C) ₹1,00,00,000

(ii) (D) ₹10,00,000

(iii) (A) ₹27,000

(iv) (B) ₹9,00,000

(v) (D) ₹63,000

(vi) (A) ₹9,63,000

1x6
=6 marks

PART-B
OPTION-I
(ANALYSIS OF FINANCIAL STATEMENTS)

27 **Q.(a) Operating ratio of a company…………………..** — **1 mark**

Ans. 37%

Note: As there is no option in MCQ for the correct answer, therefore, 1 mark is to be awarded to all examinees.

OR — **OR**

Q.(b) Which of the following…………………………. — **1 mark**

Ans. (C) To just study the reports of the company.

28 **Q. Ratios that are calculated………………………….** — **1 mark**

Ans. (A) Activity Ratios

29 **Q.(a) The activities that result in changes…………….** — **1 mark**

Ans. (D) Financing Activities

OR — **OR**

Q.(b) Which of the following transactions……………… — **1 mark**

Ans. (A)/ (B)/ (D) / (A,B,D)

Note: As there are more than one correct answer, therefore, 1 mark is to be awarded to the examinees, who have given all the three options or any of the three as correct answer.

30 **Q. Statement I: In case of non-financial ………………** — **1 mark**

Ans. (D) Statement I is true and statement II is false.

31 **Q. Under which major headings……………………..**

Ans.

S.No.	*Items*	*Heads*	*Sub Heads*
(a)	Livestock	Non-Current Assets	Property, Plant & Equipment & Intangible Assets- Property, Plant & Equipment
(b)	Loose tools	Current Assets	Inventories
(c)	Design	Non-Current Assets	Property, Plant & Equipment & Intangible Assets- Intangible Assets

½x6 =3 marks

32 **Q. From the following Balance Sheet of Nayak Ltd.………………….**

Ans. **Comparative Balance Sheet of Nayak Ltd.**

As at 31st March 2024

Particulars	**Note No.**	**31.3.2023** ₹	**31.3.2024** ₹	**Absolute Change** ₹	**Percentage Change** %	
I. Equity & Liabilities						
1. Shareholder's Fund						
Share Capital		4,00,000	6,00,000	2,00,000	50	½
2. Non-Current liabilities						
Long Term Borrowings		1,50,000	2,25,000	75,000	50	½
3. Current Liabilities						
Trade Payables		50,000	75,000	25,000	50	½
Total		**6,00,000**	**9,00,000**	**3,00,000**	**50**	

Particulars	Note No.					Marks
II. Assets						
1. Non-Current Assets						
Property, Plant & Equipment & Intangible Assets		4,50,000	6,75,000	2,25,000	50	½
2. Current Assets						
Inventories		1,00,000	1,50,000	50,000	50	½
Cash & Cash Equivalents		50,000	75,000	25,000	50	½
Total		**6,00,000**	**9,00,000**	**3,00,000**	**50**	**=3 marks**

33

Q.(a) The current ratio of ....

Ans.

Current Ratio= $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ **(½)**

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

Current Assets=3.2 Current Liabilities

Quick Ratio= $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$ **(½)**

1.5= $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$

Quick Assets =1.5 Current Liabilities

Current Assets- Quick Assets = Inventory
3.2 Current Liabilities– 1.5 Current Liabilities= 68,000
1.7 Current Liabilities = 68,000
Current Liabilities= 40,000

(i) Current Assets= 40,000 x 3.2= ₹1,28,000 **(1)**
(ii)Quick Assets= 40,000 x 1.5= ₹60,000 **(1)**
(iii)Current Liabilities= ₹40,000 **(1)**

=4 marks

OR

Q.(b) From the following information..................

Ans. (i)Net Assets Turnover Ratio= $\frac{\text{Revenue From Operations}}{\text{Net Assets or Capital Employed}}$ **(½)**

Net Assets or Capital Employed= Debt + Equity= 8,00,000+ 28,00,000= ₹36,00,000 **(1)**

Net Assets Turnover Ratio= $\frac{72,00,000}{36,00,000}$ = 2 times **(½)**

2

+

(ii)Debt Equity Ratio= $\frac{\text{Long Term Debt}}{\text{Equity or Shareholder's Funds}}$ **(½)**

Debt= Debentures + Loan= 4,00,000+ 4,00,000= ₹8,00,000 **(½)**

Equity or Shareholder's Funds= Preference Share Capital + Equity share Capital + General Reserve + Balance in Statement of P&L

= 8,00,000+12,00,000+ 2,00,000+ 6,00,000= ₹28,00,000 **(½)**

Debt Equity Ratio= $\frac{8,00,000}{28,00,000}$ = 2:7= 0.28:1 **(½)**

2

=4 marks

34 **Q.(a) The following information…………………………**

Ans. ***Alternative (i)- If patents are assumed to be amortised:***

Alternative (i)

Ram Lal Ltd.

Cash flows from Operating Activities

Particulars	*Amount* ₹
Net Profit before Tax & Extraordinary items	10,20,000
Adjustment for non-cash and non-operating items:	
Add: Patents written off	50,000
Operating Profit before Working Capital changes	10,70,000
Add: Increase in Current Liabilities (Creditors)	80,000
Less: Increase in Current Assets (Debtors)	(1,60,000)
Net Cash Inflows from Operating Activities	9,90,000

2

\+

Calculation of Net Profit before Tax and Extraordinary items:

Net Profit for the year = 9,00,000
Add: Interim Dividend = 1,20,000
Net Profit before Tax & Extraordinary items = 10,20,000

1

=3marks

Alternative (ii)

Alternative (ii)- If patents are assumed to be sold:

Ram Lal Ltd.

Cash flows from Operating Activities

Particulars	*Amount* ₹
Net Profit before Tax & Extraordinary items	10,20,000
Operating Profit before Working Capital changes	10,20,000
Add: Increase in Current Liabilities (Creditors)	80,000
Less: Increase in Current Assets (Debtors)	(1,60,000)
Net Cash Inflows from Operating Activities	9,40,000

2

\+

Calculation of Net Profit before Tax and Extraordinary items:

Net Profit for the year = 9,00,000
Add: Interim Dividend = 1,20,000
Net Profit before Tax & Extraordinary items = 10,20,000

1

=3 marks

34 **Q.(b) The following information…………………………**

Ans.

Lata Ltd.

Cash flows from Investing Activities

Particulars	*Amount* ₹
Purchase of Machinery (W.N. 1)	(21,40,000)
Sale of Machinery	60,000
Net Cash used in Investing Activities	(20,80,000)

1
+1
+ ½

Working Note No.1:

Dr.		*Machinery A/c*	*Cr.*
Particulars	₹	*Particulars*	₹
To Balance b/d	50,00,000	By Accumulated Depreciation A/c	90,000
To Statement of P&L	10,000	By Bank A/c	60,000
To Bank A/c(Balancing Fig.)	21,40,000	By Balance c/d	70,00,000
	71,50,000		71,50,000

\+ ½

=3 marks

Dr.		*Accumulated Depreciation A/c*	*Cr.*
Particulars	₹	*Particulars*	₹
To Machinery A/c	90,000	By Balance b/d	8,00,000
To Balance c/d	10,00,000	By Depreciation A/c	2,90,000
	10,90,000		10,90,000

Sale Price= 1,40,000- 90,000 +10,000= ₹60,000

Total 6 marks

CBSE BOARD QUESTION PAPER 2025 67-6-1

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. A, B and C were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. D was admitted as a new partner for $\frac{1}{5}^{\text{th}}$ share in the profits of the firm. D acquired his share entirely from A. The new profit sharing ratio between A, B, C and D will be : *1*

(A) 5 : 2 : 2 : 1

(B) 3 : 3 : 2 : 2

(C) 3 : 2 : 3 : 2

(D) 4 : 3 : 2 : 1

2. Ravi, Mohan and Vinod were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The partnership deed provided that interest on **partners' drawings will be charged @ 12% p.a. Starting from 1st** July, 2023, Mohan withdrew ₹ 20,000 every month for his personal use. For the year ended 31st **March, 2024 interest on Mohan's drawings will be** charged for ___________ months. *1*

(A) $6\frac{1}{2}$ (B) 6

(C) $5\frac{1}{2}$ (D) 5

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

4. (a) A portion of the uncalled capital reserved by a company to be called only in the event of winding up of the company, is called : *1*

(A) Subscribed but not fully paid up capital
(B) Unissued capital
(C) Reserve capital
(D) Subscribed capital

OR

(b) When applications for more shares of a company are received than the number of shares offered to the public for subscription, it is known as : *1*

(A) Over subscription (B) Full subscription
(C) Subscription at premium (D) Under subscription

5. (a) Manav, Mayank and Manish were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2024, their Balance Sheet showed a debit balance of ₹ 60,000 in the Profit and Loss Account. They decided that from 1st April, 2024 they will share profits in the ratio of 2 : 2 : 1. The journal entry for writing off the debit balance of Profit and Loss Account on reconstitution of the firm will be : *1*

Manav, Mayank and Manish
JOURNAL

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(A)	**Manav's Capital A/c Dr.**	**30,000**	
	Mayank's Capital A/c Dr.	**18,000**	
	Manish's Capital A/c Dr.	**12,000**	
	To Profit and Loss A/c		**60,000**
(B)	**Manav's Capital A/c Dr.**	**24,000**	
	Mayank's Capital A/c Dr.	**24,000**	
	Manish's Capital A/c Dr.	**12,000**	
	To Profit and Loss A/c		**60,000**
(C)	**Mayank's Capital A/c Dr.**	**6,000**	
	To Manav's Capital A/c		**6,000**
(D)	**Manav's Capital A/c Dr.**	**6,000**	
	To Mayank's Capital A/c		**6,000**

OR

(b) Murthy and Madhavan were partners in a firm sharing profits and losses in the ratio of 3 : 1. They admitted Shriniwas as a new partner in the firm. On admission of Shriniwas, there existed a balance of ₹ 8,00,000 in debtors account and a balance of ₹ 50,000 in provision for bad debts account. Debtors of ₹ 60,000 proved bad and hence were written off. It was decided to maintain a provision for bad debts at 10% of the debtors. The revaluation account will be debited by ________ on the reconstitution of the firm. *1*

(A) ₹ 80,000 (B) ₹ 10,000

(C) ₹ 84,000 (D) ₹ 74,000

6. (a) Manas Ltd. forfeited 600 shares of ₹ 10 each for the non-payment of first call of ₹ 2 per share. The final call of ₹ 3 per share was not yet called. In the journal entry for forfeiture of shares, 'Share Forfeiture Account' will be : *1*

(A) Debited by ₹ 1,200
(B) Credited by ₹ 1,200
(C) Debited by ₹ 3,000
(D) Credited by ₹ 3,000

OR

(b) Rajesh Ltd. forfeited 300 equity shares of ₹ 100 each, ₹ 70 called up for the non-payment of first call of ₹ 20 per share. Out of these shares, 100 shares were reissued @ ₹ 100 per share, ₹ 70 paid up. How much balance will remain in the share forfeiture account after reissue of 100 shares ? *1*

(A) ₹ 10,000
(B) ₹ 3,000
(C) ₹ 21,000
(D) ₹ 5,000

7. Shyamla Ltd. purchased machinery of ₹ 9,50,000 from Rohini Ltd. The payment was made by issue of 9% debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10% after four years. The number of debentures issued in favour of Rohini Ltd. will be : *1*

(A) 10,000
(B) 9,500
(C) 9,050
(D) 8,636

8. (a) Mohan, a partner, withdrew ₹ 80,000 from the business for his personal use during the year ended 31st March, 2024. Interest on drawings was to be charged @ 12% per annum. Interest on Mohan's drawings will be : *1*

(A) ₹ 9,600
(B) ₹ 4,800
(C) ₹ 800
(D) ₹ 1,600

OR

(b) The following account is debited for allowing interest on partners' capital : *1*

(A) Profit and Loss Account
(B) Partners' Current Account
(C) Interest on Capital Account
(D) Partners' Capital Account

9. Daman, Mohit and Paras were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Daman retires. Mohit and Paras decided to share future profits and losses in the ratio of 5 : 3. The gaining ratio of Mohit and Paras will be : *1*

(A) 21 : 11
(B) 3 : 2
(C) 5 : 3
(D) 1 : 1

10. In the event of dissolution of a partnership firm, the order of payment of losses including deficiencies of capital shall be : *1*

(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.

11. Ashok and Avinash were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, their capitals were ₹ 10,00,000 and ₹ 15,00,000 respectively. After the accounts for the year ending 31st March, 2024 were prepared, it was discovered that interest on capital at the rate of 10% per annum, as provided for in the partnership deed, was not credited to the partners' capital accounts before distribution of profits. Had the interest on capital been duly provided, the firm's divisible profit would have : *1*

(A) Reduced by ₹ 2,50,000 (B) Increased by ₹ 2,50,000

(C) No change in the profits (D) Reduced by ₹ 25,000

12. Debentures which can be transferred by way of delivery and the company does not keep any record of the debentureholders are called : *1*

(A) Secured Debentures (B) Redeemable Debentures

(C) Registered Debentures (D) Bearer Debentures

13. Java Ltd. forfeited 600 equity shares of ₹ 100 each ₹ 80 called up for the non-payment of first call of ₹ 20 per share. These shares were reissued at ₹ 90 per share fully paid up. The amount transferred to 'Capital Reserve' will be : *1*

(A) ₹ 36,000 (B) ₹ 30,000

(C) ₹ 48,000 (D) ₹ 54,000

14. Uma and Veena were partners in a firm sharing profits and losses in the ratio of 4 : 5. On 1st April, 2024 they decided to admit Usha as a new partner for $\frac{1}{4}$th share in the profits of the firm. On Usha's admission it was decided that the goodwill of the firm will be valued equal to the previous year's profit. The profit for the year ended 31st March, 2024 were ₹ 5,76,000. However, to arrive at this profit, both the opening stock and closing stock were overvalued by ₹ 50,000. The goodwill of the firm will be : *1*

(A) ₹ 5,76,000 (B) ₹ 6,76,000
(C) ₹ 4,76,000 (D) ₹ 7,76,000

15. (a) 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 Raghav's capital account after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was ₹ 2,20,000. Sona and Mona agreed to pay him ₹ 4,00,000 in full settlement of his claim. Raghav's share of goodwill in the firm was : *1*

(A) ₹ 2,20,000 (B) ₹ 1,80,000
(C) ₹ 4,00,000 (D) ₹ 40,000

OR

(b) Giri and Shyam were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals were ₹ 1,60,000 and ₹ 1,00,000 respectively. Hema was admitted for $\frac{1}{5}$th share in the profits of the firm. Hema brought ₹ 1,50,000 as her capital. The goodwill of the firm on Hema's admission was : *1*

(A) ₹ 4,10,000 (B) ₹ 7,50,000
(C) ₹ 3,40,000 (D) ₹ 2,50,000

16. Sharma, Verma and Khan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31st December, 2024 Khan died. Khan's share in the profits of the firm till the date of his death was to be calculated on the basis of the profit of the previous year. During the year ended 31st March, 2024 the firm earned a profit of ₹ 6,00,000. The treatment for Khan's share in the profits of the firm till the date of his death will be : *1*

(A) Khan's Capital Account will be debited by ₹ 90,000 and Profit and Loss Suspense Account will be credited by ₹ 90,000.
(B) Profit and Loss Suspense Account will be debited by ₹ 90,000 and Khan's Capital Account will be credited by ₹ 90,000.
(C) Khan's Capital Account will be debited by ₹ 1,20,000 and Profit and Loss Suspense Account will be credited by ₹ 1,20,000.
(D) Profit and Loss Suspense Account will be debited by ₹ 1,20,000 and Khan's Capital Account will be credited by ₹ 1,20,000.

17. On 1st April, 2023, Jain and Gupta started a partnership firm with fixed capitals of ₹ 15,00,000 and ₹ 12,00,000 respectively. They decided to share profits and losses in the ratio of 3 : 2. On 1st July, 2023, Jain withdrew ₹ 1,00,000 from this capital and Gupta introduced further capital of ₹ 2,00,000. Partnership deed provided for interest on capital @ 10% p.a. During the year Jain withdrew ₹ 50,000 and Gupta withdrew ₹ 60,000 for their personal use. Interest on drawings was to be charged @ 18% p.a. After preparing Profit and Loss Appropriation Account for the year ended 31st March, 2024, ₹ 72,000 and ₹ 48,000 were credited respectively to the current accounts of Jain and Gupta as their share of divisible profit.

Prepare Current Accounts of Jain and Gupta. *3*

18. (a) Aman, Raj and Suresh were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 8. Suresh was guaranteed a minimum profit of ₹ 5,00,000 per year. Any deficiency on this account was to be borne by Aman and Raj equally. The net profit of the firm for the year ended 31st March, 2024 was ₹ 8,00,000.

Prepare Profit and Loss Appropriation Account of Aman, Raj and Suresh for the year ended 31st March, 2024. *3*

OR

(b) Jay and Vijay were partners in a firm sharing profits and losses in the ratio of 7 : 3. Their respective fixed capitals were ₹ 9,00,000 and ₹ 7,00,000. The partnership deed provided for interest on capital @ 8% per annum. After preparing the accounts for the year ended 31st March, 2024, it was discovered that interest on capital was allowed @ 9% per annum.

Showing your workings clearly, pass the necessary journal entry to rectify the error. *3*

19. (a) Sandhya Ltd. took over the assets of ₹ 50,00,000 and liabilities of ₹ 7,00,000 of Guman Ltd. for purchase consideration of ₹ 40,00,000. The payment of purchase consideration was made by issue of 9% debentures of ₹ 100 each at a premium of 25% to Guman Ltd.

Pass necessary journal entries for the above transactions in the books of Sandhya Ltd. *3*

OR

(b) Pass necessary journal entries in the books of RR Ltd. for issue of debentures in the following cases : *3*

(i) Issued 9,000, 9% debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years.

(ii) Issued 5,000, 11% debentures of ₹ 100 each at a premium of 10%, redeemable at a premium of 5% after 5 years.

---

20. Jeevan and Kavi were partners in a firm with capitals of ₹ 12,00,000 and ₹ 15,00,000 respectively. Annual salary of the partners was ₹ 2,00,000 each. The market rate of interest was 10%. During the previous three years the profits were ₹ 8,00,000, ₹ 9,00,000 and ₹ 7,00,000. The goodwill of the firm is to be valued at 2 years' purchase of the last 3 years' average super profits.

Calculate the goodwill of the firm. *3*

21. JK Ltd. forfeited 6,000 equity shares of ₹ 10 each issued at a premium of ₹ 2 per share for the non-payment of first call of ₹ 2 per share. The second and final call of ₹ 2 per share had not yet been made. The forfeited shares were reissued at a discount of ₹ 3 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company. Also prepare 'Share Forfeiture Account'. *4*

22. Chandni, Bhanu and Garima were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm closes its books on 31st March every year. On 1st October, 2024, Chandni died. On that date her capital account showed a credit balance of ₹ 3,00,000. On the date of Chandni's death, the firm had a general reserve of ₹ 60,000. The partnership deed provided that on the death of a partner, her representatives will be entitled to the following :

(i) Balance in the capital account and interest on the same @ 10% p.a.

(ii) Her share in the goodwill of the firm. The goodwill of the firm on Chandni's death was valued at ₹ 1,20,000.

(iii) Her share in the profits of the firm to be calculated on the basis of the previous year's profit. The profit of the firm for the year ended 31st March, 2024 was ₹ 4,50,000.

Prepare Chandni's Capital Account to be presented to her executors. *4*

23. (a) DDG Ltd. invited applications for issuing 75,000 equity shares of ₹ 75 each at a premium of ₹ 25 per share. The amount was payable as follows :

On Application and Allotment — ₹ 40 per share
On First and Final Call — Balance (including premium)

Applications for 1,25,000 shares were received. Applications for 25,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on pro-rata basis.

Excess money received with applications was adjusted towards sums due on first and final call. Govind, to whom 1,500 shares were allotted, failed to pay the first and final call. Namita, who had applied for 2,000 shares, also failed to pay the first and final call. Shares of both Govind and Namita were forfeited.

Pass the necessary journal entries for the above transactions in the books of DDG Ltd. *6*

OR

(b) Karan Ltd. invited applications for issuing 80,000 equity shares of ₹ 80 each at par. The amount was payable as follows :

On Application and Allotment — ₹ 30 per share

On First and Final Call — Balance

Applications for 1,40,000 shares were received. Applications for 20,000 shares were rejected and the money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on first and final call. Ravi, who had applied for 1,200 shares, paid his entire share money along with his application. Chaman, to whom 2,400 shares were allotted, failed to pay the first and final call. Chaman's shares were forfeited.

Pass necessary journal entries for the above transactions in the books of Karan Ltd. Open 'Calls-in-Arrears Account' and 'Calls-in-Advance Account', wherever necessary. 6

24. (a) 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 at 31st 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	
Capitals :			Less : Provision for Doubtful Debts	5,000	85,000
Ratan	3,60,000		Plant and Machinery		2,50,000
Singh	2,40,000		Land and Building		4,50,000
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 was valued at ₹ 60,000 and the retiring partner's share was 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.

Prepare Revaluation Account and Partners' Capital Accounts. *6*

OR

(b) Mita and Vihaan were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024 their Balance Sheet was as follows :

Balance Sheet of Mita and Vihaan as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		2,00,000	Cash		50,000
Capitals :			Sundry Debtors	2,00,000	
			Less : Provision for doubtful debts	7,000	1,93,000
Mita	4,00,000		Stock		2, 50,000
Vihaan	3,00,000	7,00,000	Plant and Machinery		3,50,000
			Patents		57,000
		9,00,000			9,00,000

On the above date, Zen was admitted as a new partner for $\frac{4}{15}$th share in the profits on the following terms :

(i) Zen will bring ₹ 3,00,000 as his capital and his share of goodwill premium in cash. On Zen's admission, goodwill of the firm was valued at ₹ 4,12,500.

(ii) The provision for bad debts will be maintained at 5% of the debtors.

(iii) Stock will be valued at ₹ 2,00,000, plant and machinery at ₹ 4,00,000 and patents at ₹ 1,20,000.

(iv) There was a bill of ₹ 30,000 for goods purchased which was omitted from the books.

Pass necessary journal entries for the above transactions in the books of the firm on Zen's admission. *6*

25. Lalit and Madan were partners in a firm sharing profits and losses in the ratio of 7 : 3. On 31st March, 2024 their firm was dissolved. After transferring sundry assets (other than cash) and third party liabilities to Realisation Account, the following transactions took place :

(i) The firm had stock of ₹ 2,00,000. 40% of this stock was taken over by a creditor of ₹ 1,00,000 in full settlement of his claim. The remaining stock was sold at a loss of 10%.

(ii) The remaining creditors were paid ₹ 2,10,000.

(iii) Plant and Machinery of ₹ 5,00,000 were accepted by Mrs. Madan against the settlement of her loan of ₹ 5,40,000.

(iv) Debtors of ₹ 3,50,000 were sold to a debt collection agency who charged a commission of ₹ 25,000.

(v) Investments of ₹ 1,00,000 were taken over by the partners in their profit sharing ratio.

(vi) Expenses of dissolution were ₹ 8,000.

Pass necessary journal entries for the above transactions in the books of the firm. *6*

26. The following information has been obtained from the Balance Sheet of Jay Ltd. as at 31st March, 2024 :

Balance Sheet of Jay Ltd. as at 31st March, 2024

Particulars	Note No.	Amount (₹)
I – Equity and Liabilities :		
1 **Shareholders' Funds**		
(a) Share Capital	1	71,80,000

Notes to Accounts :

Note No.	Particulars	Amount (₹)	Amount (₹)
1	Authorised capital 1,00,000 Equity Shares of ₹ 100 each		1,00,00,000
	Issued capital 75,000 Equity Shares of ₹ 100 each		75,00,000
	Subscribed capital Subscribed and fully paid up 71,000 Equity Shares of ₹ 100 each		71,00,000
	Subscribed but not fully paid up 1,000 Equity Shares of ₹ 100 each	1,00,000	
	Less : Calls in Arrears	(20,000)	80,000
			71,80,000

Answer the following questions :

(i) The total number of shares offered to the public for subscription are : *1*

(A) 71,000

(B) 70,400

(C) 70,000

(D) 75,000

(ii) The amount of unissued share capital of the company is : *1*

(A) ₹ 25,00,000

(B) ₹ 29,00,000

(C) ₹ 29,60,000

(D) ₹ 20,32,000

(iii) The subscribed capital of the company is : *1*

(A) ₹ 71,80,000

(B) ₹ 71,00,000

(C) ₹ 80,00,000

(D) ₹ 1,00,00,000

(iv) The registered capital of the company is : *1*

(A) ₹ 71,80,000

(B) ₹ 80,00,000

(C) ₹ 1,00,00,000

(D) ₹ 71,00,000

(v) The amount per share not received on the shares shown under **'subscribed but not fully paid up capital' is :** *1*

(A) ₹ 100 (B) ₹ 20

(C) ₹ 1,000 (D) ₹ 80,000

(vi) **If the shares shown under 'subscribed but not fully paid up capital' are forfeited, 'Share Forfeiture Account' will appear at :** *1*

(A) ₹ 20,000

(B) ₹ 80,000

(C) ₹ 1,00,000

(D) ₹ 71,00,000

PART B
OPTION – I
(Analysis of Financial Statements)

27. (a) 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 __________. *1*

(A) Common Size Statement

(B) Comparative Statement

(C) Cash Flow Statement

(D) Financial Statement

OR

(b) ________ ratios indicate the speed at which activities of the business are being performed. *1*

(A) Liquidity (B) Solvency

(C) Profitability (D) Activity

28. **The Current Ratio of Magnum Ltd. is 2·5 : 1. Which of the following** transactions will result in decrease in this ratio ? *1*

(A) Purchased goods for cash ₹ 73,000

(B) Cash collected from debtors ₹ 41,000

(C) Outstanding salaries paid ₹ 62,000

(D) Repayment of long term loan ₹ 8,00,000

29. (a) Which of the following transactions will result in outflow of cash ? *1*

(A) Cash payments to and on behalf of the employees

(B) Cash receipts from royalties

(C) Issue of shares

(D) Dividend received from investments in other enterprises

OR

(b) In case of a non-financial enterprise, payment of dividend is considered as a/an : *1*

(A) Operating Activity

(B) Investing Activity

(C) Financing Activity

(D) Both Investing and Financing Activity

30. There are two statements :

Statement I : The balance in the Statement of Profit and Loss in the Balance Sheet of Samta Ltd. showed a deficit of ₹ 2,00,000 on 31.03.2023 and a surplus of ₹ 3,00,000 on 31.3.2024. ₹ 5,00,000 will be considered as profit earned during the year for preparing Cash Flow Statement.

Statement II : On 31.03.2023 the goodwill account of Zeeta Ltd. showed a balance of ₹ 4,00,000 and on 31.03.2024 it showed a balance of ₹ 5,00,000. ₹ 1,00,000 will be considered as goodwill acquired during the year for the preparation of Cash Flow Statement.

Choose the correct option from the following : *1*

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Statement I is true, Statement II is false.

(D) Statement II is true, Statement I is false.

31. Show 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) Stock-in-trade

(b) Motor Vehicles

(c) Provision for tax

32. From the following information, prepare a Common Size Statement of Profit and Loss of QLM Ltd. for the year ended 31st March, 2023 and 31st March, 2024. *3*

Particulars	2022 – 23 (₹)	2023 – 24 (₹)
Revenue from operations	40,00,000	50,00,000
Cost of revenue from operations	20,00,000	25,00,000
Other expenses	4,00,000	5,00,000
Tax Rate 50%		

33. (a) The following information has been obtained from the books of Vivek Ltd. : *4*

	₹
10% Debentures	15,00,000
Current Liabilities	2,00,000
Non-Current Assets	25,00,000
Current Assets	7,00,000

During the year ended 31st March, 2024, net profit after interest and tax amounted to ₹ 4,10,000. Tax paid was ₹ 40,000. Calculate Return on Investment.

OR

(b) **Calculate 'Operating Ratio' from the following information :** *4*

	₹
Revenue from operations	
Cash	5,00,000
Credit	20,00,000
Purchases	
Cash	2,00,000
Credit	10,00,000
Carriage Inward	20,000
Salaries	1,45,000
Increase in inventory	50,000
Wages	85,000

34. From the following Balance Sheet of Bose Ltd. as at 31^{st} March, 2024, calculate 'Cash Flows from Operating Activities'. *6*

Balance Sheet of Bose Ltd. as at 31^{st} March, 2024

Particulars	Note No.	31.03.2024 (₹)	31.03.2023 (₹)
I – Equity and Liabilities :			
1. **Shareholders' Funds**			
(a) Share Capital		37,00,000	25,00,000
(b) Reserves and Surplus	1	5,00,000	12,00,000
2 Non-Current Liabilities			
Long term borrowings	2	20,00,000	18,00,000
3. Current Liabilities			
(a) Short term borrowings		6,00,000	5,50,000
(b) Trade Payables		5,00,000	3,50,000
Total		73,00,000	64,00,000
II – Assets :			
1. Non-Current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	3	45,00,000	41,00,000
(ii) Intangible Assets	4	3,00,000	5,00,000
2. Current Assets			
(a) Current Investments		5,00,000	2,00,000
(b) Inventories		8,00,000	10,00,000
(c) Trade Receivables		10,00,000	2,00,000
(d) Cash and Cash equivalents		2,00,000	4,00,000
Total		73,00,000	64,00,000

Notes to Accounts :

Note No.	Particulars	31.3.2024 (₹)	31.3.2023 (₹)
1	Reserves and Surplus		
	(i.e. Balance in the Statement of Profit and Loss)	5,00,000	12,00,000
2	Long Term Borrowings		
	10% Debentures	20,00,000	18,00,000
3	Property, Plant and Equipment		
	Plant and Machinery	50,00,000	44,00,000
	Less : Accumulated Depreciation	5,00,000	3,00,000
		45,00,000	41,00,000
4	Intangible Assets		
	Goodwill	3,00,000	5,00,000

Additional Information :

(i) A piece of machinery costing ₹ 4,00,000 on which accumulated depreciation was ₹ 3,00,000 was sold at a loss of ₹ 70,000.

(ii) 10% Debentures of 2,00,000 were issued on 31.3.2024.

CBSE BOARD MARKING SCHEME 2025 67-6-1

<table>
<tr><td></td><td>MARKING SCHEME
SENIOR SCHOOL CERTIFICATE EXAMINATION, 2025
SUBJECT: ACCOUNTANCY 055 (PAPER CODE-67/6/1)</td><td></td></tr>
<tr><td>Q. No.</td><td>EXPECTED ANSWER / VALUE POINTS</td><td>Marks</td></tr>
<tr><td></td><td>PART—A
(Accounting for Partnership Firms and Companies)</td><td></td></tr>
<tr><td>1.</td><td>Q. A, B and C were partners in a firm……………….
Ans. (B) 3:3:2:2</td><td>1 mark</td></tr>
<tr><td>2.</td><td>Q. Ravi, Mohan and Vinod were partners in a firm …………….
Ans. (D) 5</td><td>1 mark</td></tr>
<tr><td>3.</td><td>Q. There are two statements Assertion(A) and Reason(R):
Ans. (C) Assertion(A) is correct, but Reason(R) is incorrect.</td><td>1 mark</td></tr>
<tr><td>4.</td><td>Q.(a) A portion of the uncalled capital reserved by a company………
Ans. (C) Reserve capital
OR
Q.(b) When applications for more shares of a company are received……
Ans. (A) Over subscription</td><td>1 mark
OR
1 mark</td></tr>
<tr><td>5.</td><td>Q.(a) Manav, Mayank and Manish were partners…………….
Ans. (A)
<table>
<tr><th></th><th>Particulars</th><th>Dr. Amount(₹)</th><th>Cr. Amount(₹)</th></tr>
<tr><td>(A)</td><td>Manav's Capital A/c Dr.
Mayank's Capital A/c Dr.
Manish's Capital A/c Dr.
To Profit and Loss A/c</td><td>30,000
18,000
12,000
</td><td>

60,000</td></tr>
</table>
OR
Q.(b) Murthy and Madhavan were partners……………………..
Ans. (C) ₹84,000</td><td>1 mark
OR
1 mark</td></tr>
<tr><td>6.</td><td>Q.(a) Manas Ltd. forfeited 600 shares………………
Ans. (D) Credited by ₹3,000
OR
Q.(b) Rajesh Ltd. forfeited 300 equity shares……………………
Ans. (A) ₹10,000</td><td>1 mark
OR
1 mark</td></tr>
<tr><td>7.</td><td>Q. Shyamla Ltd. purchased machinery of ………………………..
Ans. (A) 10,000</td><td>1 mark</td></tr>
<tr><td>8.</td><td>Q.(a) Mohan, a partner, withdrew ………………………………
Ans. (B) ₹4,800</td><td>1 mark</td></tr>
</table>

<table>
<tr><td></td><td>OR
Q.(b) The following account is debited …………………………
Ans. (C) Interest on Capital Account</td><td>OR
1 mark</td></tr>
<tr><td>9.</td><td>Q. Daman, Mohit and Paras were partners in a firm………………
Ans. (A) 21:11</td><td>1 mark</td></tr>
<tr><td>10.</td><td>Q. In the event of dissolution of a partnership firm, ……………….
Ans. (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.</td><td>1 mark</td></tr>
<tr><td>11.</td><td>Q. Ashok and Avinash were partners in a firm……………………..
Ans. (A) Reduced by ₹2,50,000</td><td>1 mark</td></tr>
<tr><td>12.</td><td>Q. Debentures which can be transferred by way of delivery………
Ans. (D) Bearer Debentures</td><td>1 mark</td></tr>
<tr><td>13.</td><td>Q. Java Ltd. forfeited 600 equity shares ……………………………….
Ans. (B) ₹30,000</td><td>1 mark</td></tr>
<tr><td>14.</td><td>Q. Uma and Veena were partners in a firm sharing profits and losses……..
Ans. (A) ₹5,76,000</td><td>1 mark</td></tr>
<tr><td>15.</td><td>Q.(a) Sona, Mona and Raghav were partners in a firm………………….
Ans. (B) ₹1,80,000
OR
Q.(b) Giri and Shyam were partners in a firm………………………….
Ans. (C) ₹3,40,000</td><td>1 mark
OR
1 mark</td></tr>
<tr><td>16.</td><td>Q. Sharma, Verma and Khan were partners in a firm…………………..
Ans. (B) Profit and Loss Suspense Account will be debited by ₹90,000 and Khan's Capital Account will be credited by ₹90,000.</td><td>1 mark</td></tr>
<tr><td>17.</td><td>Q. On 1st April, 2023, Jain and Gupta…………………………………………
Ans.
Dr. Partners' Current A/c Cr.
<table>
<tr><th>Particulars</th><th>Jain(₹)</th><th>Gupta(₹)</th><th>Particulars</th><th>Jain(₹)</th><th>Gupta(₹)</th></tr>
<tr><td>To Drawings A/c $\boxed{\frac{1}{2}}$</td><td>50,000</td><td>60,000</td><td>By Interest on capital A/c $\boxed{1}$</td><td>1,42,500</td><td>1,35,000</td></tr>
<tr><td>To Interest on drawings A/c $\boxed{\frac{1}{2}}$</td><td>4,500</td><td>5,400</td><td>By Profit & Loss Appropriation A/c $\boxed{\frac{1}{2}}$</td><td>72,000</td><td>48,000</td></tr>
<tr><td>To balance c/d $\boxed{\frac{1}{2}}$</td><td>1,60,000</td><td>1,17,600</td><td></td><td></td><td></td></tr>
<tr><td></td><td><u>2,14,500</u></td><td><u>1,83,000</u></td><td></td><td><u>2,14,500</u></td><td><u>1,83,000</u></td></tr>
</table></td><td>3 marks</td></tr>
<tr><td>18.</td><td>Q. (a) Aman, Raj and Suresh were partners in a firm sharing…………………..
Ans.</td><td></td></tr>
</table>

In the books of Aman, Raj and Suresh
Profit and Loss Appropriation A/c
Dr. For the year ending 31 March, 2024 Cr.

Particulars	**Amount(₹)**	**Particulars**	**Amount(₹)**
To Profit transferred to: Aman's capital A/c 2,50,000 Less: Deficiency borne (50,000)	2,00,000 ½	By Profit and Loss A/c (Net Profit) 1	8,00,000
Raj's capital A/c 1,50,000 Less: Deficiency borne (50,000)	1,00,000 ½		
Suresh's capital A/c 4,00,000 Add: Deficiency recovered from Aman 50,000 Raj 50,000	5,00,000 1		
	8,00,000		**8,00,000**

3 marks

OR

Q.(b) Jay and Vijay were partners in a firm……………………….

Ans.

In the books of Jay and Vijay
Journal

Date	**Particulars**	**L.F.**	**Dr. Amount(₹)**	**Cr. Amount(₹)**
2024 April 1	Vijay's Current A/c Dr. To Jay's Current A/c (Rectification entry for interest on capital provided at 9% instead of 8%)		2,200	2,200

1 ½

+

Working notes:

Adjustment Table

Particulars	**Jay(₹)**	**Vijay(₹)**	**Total(₹)**
1% Excess Interest on capital taken back	9,000 Dr.	7,000 Dr.	16,000 Cr.
Profit of ₹16,000 distributed in the profit sharing ratio 7:3	11,200 Cr.	4,800 Cr.	16,000 Dr.
Net Effect	2,200 Cr.	2,200 Dr.	------

(Note: Full credit is to be given if an examinee has shown working notes correctly in any other manner)

1 ½
=
3 marks

19. **Q. (a) Sandhya Ltd. took over the assets…………………….**

Ans.

In the books of Sandhya Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)	
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Guman Ltd. To Capital Reserve A/c (Assets and liabilities of Guman Ltd. taken over)		50,00,000	7,00,000 40,00,000 3,00,000	1 +
	Guman Ltd. Dr. To 9% Debentures A/c To Securities Premium A/c (Purchase consideration settled by issue of 32,000 9% debentures of ₹100 each at 25% premium)		40,00,000	32,00,000 8,00,000	2 = 3 marks

OR | **OR**

Q.(b) Pass necessary journal entries in the books of ………………..

Ans.

In the books of RR Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)	
	(i) Bank A/c Dr. To Debenture Application and Allotment A/c (Application money received on 9000 9% debentures of ₹100 each issued at 10% discount)		8,10,000	8,10,000	½
	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 (9,000 9% debentures of ₹100 each, issued at 10% discount, redeemable at 5% premium) OR Debenture Application and Allotment A/c Dr. Discount on issue of Debentures A/c Dr. Loss on issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (9,000 9% debentures of ₹100 each, issued at 10% discount, redeemable at 5% premium)		8,10,000 1,35,000 8,10,000 90,000 45,000	9,00,000 45,000 9,00,000 45,000	+ 1 +

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)	
	(ii) Bank A/c Dr. To Debenture Application and Allotment A/c		5,50,000	5,50,000	½

<table>
<tr><td></td><td><table>
<tr><td></td><td>(Application money received on 5,000 11% debentures of ₹100 each issued at 10% premium)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Debenture Application and Allotment A/c Dr.
Loss on issue of Debentures A/c Dr.
To 11% Debentures A/c
To Securities Premium A/c
To Premium on redemption of Debentures A/c
(5,000 11% debentures of ₹100 each, issued at 10% premium, redeemable at 5% premium)</td><td></td><td>5,50,000
25,000</td><td>

5,00,000
50,000
25,000</td></tr>
</table></td><td>+
1
=
3 marks</td></tr>
<tr><td>20.</td><td>Q. Jeevan and Kavi were partners in a firm with capitals …………………

Ans.
Goodwill = Average Super profit/Super Profit x Number of years' purchase
Super Profits= Average Profits – Normal Profits
Average profits= $\frac{8,00,000+9,00,000+7,00,000}{3}$
= ₹8,00,000
Average profits after salary to partners= 8,00,000 – 4,00,000
= ₹4,00,000
1 ½

Normal Profits = Capital employed x normal rate of return/100
Normal profits = (12,00,000+15,00,000) x 10/100
= ₹2,70,000
Average Super Profit/Super Profit= 4,00,000 - 2,70,000
= ₹1,30,000
Goodwill = 1,30,000 x 2
= ₹2,60,000
1 ½

Alternatively,

Interest on capital employed = (12,00,000+15,00,000) x 10/100
= 27,00,000 x 10/100 = ₹ 2,70,000
Add: Partner's salary = 2,00,000 x 2 =₹ 4,00,000
Normal Profits = 6,70,000
Average profits= $\frac{8,00,000+9,00,000+7,00,000}{3}$
= ₹8,00,000
1 ½

Average Super profit /Super Profit = Average Profit – Normal Profit
= 8,00,000 - 6,70,000
= ₹ 1,30,000
Goodwill = Average Super profit / Super profit x Number of years' purchase
= 1,30,000 x 2
= ₹2,60,000
1 ½</td><td>3 marks</td></tr>
<tr><td>21.</td><td>Q. JK Ltd. forfeited 6,000 equity shares……………………………..</td><td></td></tr>
</table>

Ans.

In the books of JK Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)
	Equity Share Capital A/c Dr.		48,000	
	To Shares Forfeited/Forfeiture A/c			36,000
	To Equity Share First Call A/c / To Calls in Arrears A/c			12,000
	(6,000 equity shares, ₹8 per share called up, forfeited for non payment of first call of ₹2 per share)			
	Bank A/c Dr.		42,000	
	Shares Forfeited/Forfeiture A/c Dr.		18,000	
	To Equity Share Capital A/c			60,000
	(6,000 equity shares re-issued at a discount of ₹3 per share, fully paid-up)			
	Shares Forfeited/Forfeiture A/c Dr.		18,000	
	To Capital Reserve A/c			18,000
	(Gain on re-issue of shares transferred to capital reserve)			

1 x 3

= 3

+

Dr. Share Forfeiture/Forfeited A/c Cr.

Particulars	Amount(₹)	Particulars	Amount(₹)
To Equity Share Capital A/c	18,000	By Equity Share Capital A/c	36,000
To Capital Reserve A/c	18,000		
	36,000		**36,000**

1

=4 marks

22. **Q. Chandni, Bhanu and Garima were partners ……………….**

Ans.

In the books of Chandni, Bhanu and Garima

Dr. Chandni's Capital A/c Cr.

Particulars	Amount(₹)	Particulars	Amount(₹)
To Chandni's Executor's A/c ½	5,17,500	By Balance b/d ½	3,00,000
		By General Reserve A/c ½	30,000
		By Interest on capital A/c ½	15,000
		By Bhanu's capital A/c ½	36,000
		By Garima's capital A/c ½	24,000
		By Profit and Loss Suspense A/c 1	1,12,500
	5,17,500		**5,17,500**

4 marks

23. **Q. (a) DDG Ltd. invited applications for ……………………………….**

Ans.

In the books of DDG Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)
	Bank A/c Dr.		50,00,000	
	To Equity Share Application and Allotment A/c			50,00,000

1

	(Amount received at the time of application on 1,25,000 equity shares)				+
	Equity Share Application and Allotment A/c Dr.		50,00,000		
	To Equity Share Capital A/c			30,00,000	
	To Bank A/c			10,00,000	
	To Calls in Advance A/c			10,00,000	1 ½
	(Money received at the time of application transferred to share capital account, amount refunded for applications rejected and balance transferred to call in advance account)				+
	Equity Share First and Final Call A/c Dr.		45,00,000		
	To Equity Share Capital A/c			26,25,000	1
	To Securities Premium A/c			18,75,000	
	(First and final call due on 75,000 equity shares @ ₹60 per share including premium of ₹25 per share)				+
	Bank A/c Dr.		33,60,000		
	Calls in Advance A/c Dr.		10,00,000		
	Calls in Arrears A/c Dr.		1,40,000		1 ½
	To Equity Share First and Final Call A/c			45,00,000	
	(First and final call money received except for 3,000 equity shares)				+
	OR				
	Bank A/c Dr.		33,60,000		
	Calls in Advance A/c Dr.		10,00,000		
	To Equity Share First and Final Call A/c			43,60,000	
	(First and final call money received except for 3,000 equity shares)				
	Equity Share Capital A/c Dr.		1,12,500		
	Securities Premium A/c Dr.		37,500		
	To Forfeited Shares A/c			80,000	½
	To Calls in Arrears A/c/ To Equity Share First and Final call A/c			70,000	+
	(1,500 equity shares of ₹75 each, forfeited for non-payment of first and final call)				
	Equity Share Capital A/c Dr.		1,12,500		
	Securities Premium A/c Dr.		37,500		½
	To Forfeited Shares A/c			80,000	
	To Calls in Arrears A/c / To Equity Share First and Final call A/c			70,000	=
	(1,500 equity shares of ₹75 each, forfeited for non-payment of first and final call)				6 marks

(Note: If an examinee has given combined entry for the above two entries of forfeiture, full credit is to be given)

OR

OR

Q.(b) Karan Ltd. invited applications for issuing 80,000 equity shares……………

Ans.

In the books of Karan Ltd.

Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)	
	Bank A/c Dr		42,60,000		
	To Equity Share Application and Allotment A/c			42,60,000	1

		(Amount received at the time of application on 1,40,000 equity shares)				
		Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Bank A/c To Calls in Advance A/c (Money received at the time of application transferred to share capital account, amount refunded for applications rejected and balance transferred to call in advance account)		42,60,000	24,00,000 6,32,000 12,28,000	+ 1 ½ +
		Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and final call due on 80,000 equity shares @ ₹50 per share)		40,00,000	40,00,000	1
		Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (First and final call money received except for 2,400 equity shares)		26,88,000 12,28,000 84,000	40,00,000	+ 1 ½ +
		Equity Share Capital A/c Dr. To Forfeited Shares A/c To Calls in Arrears A/c (2,400 equity shares of ₹80 each forfeited for non-payment of first and final call)		1,92,000	1,08,000 84,000	1 = 6 marks

24. **Q.(a) Ratan, Singh and Sharma were partners in a firm sharing……………………**

Ans.

In the books of Ratan, Singh and Sharma

Dr. Revaluation A/c Cr.

Particulars	Amount(₹)	Particulars	Amount(₹)
To Plant and Machinery A/c	50,000	By Land and Building A/c By Provision for bad debts A/c	49,500 500
	50,000		50,000

½ x 3
= 1 ½

+

Dr. Partners' Capital A/c Cr.

Particulars	Ratan (₹)	Singh (₹)	Sharma (₹)	Particulars	Ratan (₹)	Singh (₹)	Sharma (₹)
To Profit and loss A/c ½	40,000	40,000	20,000	By Balance b/d ½	3,60,000	2,40,000	1,00,000
To Sharma's capital A/c ½	30,000	30,000		By General Reserve A/c ½	1,20,000	1,20,000	60,000
To Bank/Cash A/c ½			2,00,000	By Ratan's capital A/c ½			30,000
To Balance c/d ½	4,50,000	4,50,000		By Singh's capital A/c ½			30,000
				By Bank A/c ½	40,000	1,60,000	
	5,20,000	5,20,000	2,20,000		5,20,000	5,20,000	2,20,000

4 ½

=6marks

OR

OR

Q.(b) Mita and Vihaan were partners in a firm……………………

Ans.

In the books of Mita, Vihaan and Zen
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)
2024 March 31	Cash A/c Dr. To Zen's capital A/c To Premium for Goodwill A/c (Cash brought by Zen as capital and his share of goodwill)		4,10,000	 3,00,000 1,10,000
,,	Premium for Goodwill A/c Dr. To Mita's capital A/c To Vihaan's capital A/c (Zen's share of goodwill distributed between the old partners in sacrificing ratio)		1,10,000	 66,000 44,000
,,	Revaluation A/c Dr. To Provision for Bad Debts A/c To Stock A/c To Outstanding Bill for Purchases A/c (Revaluation account debited for increase in provision for bad debts, decrease in stock and recording bill for purchases)		83,000	 3,000 50,000 30,000
,,	Plant and Machinery A/c Dr. Patents A/c Dr. To Revaluation A/c (Plant and machinery and patents revalued)		50,000 63,000	 1,13,000
,,	Revaluation A/c Dr. To Mita's capital A/c To Vihaan's capital A/c (Gain on revaluation transferred to old partners in old ratio)		30,000	 18,000 12,000

(Note: If an examinee has passed separate entry for each revaluation, full credit is to be given)

1 ½
+
1
+
1 ½
+
1
+
1
= 6 marks

25. Q. Lalit and Madan were partners in a firm ………………………..

Ans.

In the books of Lalit and Madan
Journal

Date	Particulars	L.F.	Dr. Amount(₹)	Cr. Amount(₹)
2024 March 31	(i) Cash/Bank A/c Dr. To Realisation A/c (Part of stock sold at loss of 10%)		1,08,000	 1,08,000
,,	(ii) Realisation A/c Dr. To Cash/Bank A/c (Creditors paid)		2,10,000	 2,10,000
,,	(iii) No entry			
,,	(iv) Cash/Bank A/c Dr. To Realisation A/c		3,25,000	 3,25,000

	(Cash recovered by debt collection agency after debiting their commission)				
,,	(v) Lalit's capital A/c Dr. Madan's capital A/c Dr. To Realisation A/c (Investments taken over by partners in profit sharing ratio)		70,000 30,000	1,00,000	
,,	(vi) Realisation A/c Dr. To Cash/Bank A/c (Realisation expenses paid)		8,000	8,000	**1 x 6 = 6 marks**

26.	**Q. The following information has been obtained from………………** **Ans.** (i) (D) 75,000 (ii) (A) ₹25,00,000 (iii) (A) ₹71,80,000 (iv) (C) ₹1,00,00,000 (v) (B) ₹20 (vi) (B) ₹80,000	**1 x 6 = 6 marks**
	PART B **OPTION-I** **(Analysis of Financial Statements)**	
27.	**Q.(a) The statement that shows changes in all items……….** **Ans.** (B) Comparative Statement **OR** **Q.(b) ____ratios indicate the speed at which ………………………** **Ans.** (D) Activity	**1 mark** **OR** **1 mark**
28.	**Q. The Current Ratio of Magnum Ltd. is 2.5:1………………** **Ans.** (D) Repayment of long term loan ₹8,00,000	**1 mark**
29.	**Q. (a) Which of the following transactions…………………** **Ans.** (A) Cash payments to and on behalf of the employees **OR** **Q.(b) In case of a non-financial enterprise,………………..** **Ans.** (C) Financing Activity	**1 mark** **OR** **1 mark**
30.	**Q. There are two statements…………………………** **Ans.** (A) Both the Statements are true.	**1 mark**
31.	**Q. Show the following items under major heads………………….** **Ans.**	

Items	Major head	Sub-head
(a) Stock-in-Trade	Current Assets	Inventories
(b) Motor Vehicles	Non Current Assets	Property, Plant and Equipment and Intangible Assets: Property, Plant and Equipment
(c) Provision for tax	Current Liabilities	Short Term Provisions

½ x 6

= 3 marks

32. **Q. From the following information, ………………**

Ans.

Common Size Statement of Profit and Loss of QLM Ltd.
for the years ended 31 March 2023 and 2024

Particulars	Note No.	Absolute Amounts(₹)		Percentage of Revenue from Operations(%)	
		2022-23	2023-24	2022-23	2023-24
Revenue from Operations		**40,00,000**	**50,00,000**	**100**	**100**
Less: Expenses:					
Cost of Revenue from Operations		20,00,000	25,00,000	50	50
Other Expenses		4,00,000	5,00,000	10	10
Total Expenses		**24,00,000**	**30,00,000**	**60**	**60**
Profit before Tax		16,00,000	20,00,000	40	40
Less: Tax @50%		8,00,000	10,00,000	20	20
Profit after Tax		**8,00,000**	**10,00,000**	**20**	**20**

½
½
½
½
½
½
= 3 marks

33. **Q.(a) The following information has been…………………………..**

Ans. Return on Investment= $\frac{\text{Net Profit before interest and tax}}{\text{Capital employed}} \times 100$

Interest on 10% debentures = 10/100 x 15,00,000
= ₹1,50,000 $\boxed{1}$

Net Profit before interest and tax
=Net Profit after interest and tax + Tax + Interest on 10%debentures
= 4,10,000 + 40,000 + 1,50,000
= ₹6,00,000 $\boxed{1}$

Capital employed = Non Current Assets + Current Assets – Current Liabilities
= 25,00,000 + 7,00,000 – 2,00,000
= ₹30,00,000 $\boxed{1}$

Return on Investment= $\frac{\text{Net Profit before interest and tax}}{\text{Capital employed}} \times 100$

Return on Investment = $\frac{6,00,000}{30,00,000} \times 100$

= 20% $\boxed{1}$

1x4

=4 marks

<table>
<tr><td></td><td>OR

Q.(b) Calculate ‘Operating Ratio’ ……………………………..

Ans.

$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Revenue from operations}} \times 100$……………………………… $\boxed{1}$

Operating Cost = Cost of revenue from operations + Operating expenses

Cost of revenue from operations =2,00,000+ 10,00,000+ 20,000-50,000+85,000
= ₹12,55,000

Operating expenses = ₹1,45,000

Operating Cost = 12,55,000 + 1,45,000
= ₹14,00,000 $\boxed{1}$

Revenue from operations = Cash Revenue from Operations + Credit Revenue from Operations
= 5,00,000 + 20,00,000
= ₹25,00,000 $\boxed{1}$

$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Revenue from operations}} \times 100$

$\text{Operating ratio} = \frac{14,00,000}{25,00,000} \times 100$
=56% $\boxed{1}$</td><td>OR

1x4

=4 marks</td></tr>
<tr><td>34.</td><td>Q. From the following Balance Sheet of Bose Ltd. ……………………………..

Ans.
Calculation of Cash Flows from Operating Activities:
<table>
<tr><th>Particulars</th><th></th><th>Amount(₹)</th></tr>
<tr><td>Net Profit before Tax and Extraordinary Items</td><td></td><td>(7,00,000) $\boxed{\frac{1}{2}}$</td></tr>
<tr><td>Add: Non-Cash & Non-Operating Items:</td><td></td><td></td></tr>
<tr><td>Depreciation on Machinery</td><td>5,00,000 $\boxed{\frac{1}{2}}$</td><td></td></tr>
<tr><td>Goodwill written off</td><td>2,00,000 $\boxed{\frac{1}{2}}$</td><td></td></tr>
<tr><td>Interest on 10% debentures</td><td>1,80,000 $\boxed{\frac{1}{2}}$</td><td></td></tr>
<tr><td>Loss on sale of Machinery</td><td>70,000 $\boxed{\frac{1}{2}}$</td><td>9,50,000</td></tr>
<tr><td>Operating Profit before Working Capital Changes</td><td></td><td>2,50,000 $\boxed{\frac{1}{2}}$</td></tr>
<tr><td>Add: <u>Increase in Current Liabilities</u>
<u>& Decrease in Current Assets</u></td><td></td><td></td></tr>
<tr><td>Increase in Trade Payables</td><td>1,50,000</td><td>$\boxed{\frac{1}{2}}$</td></tr>
<tr><td>Decrease in Inventories</td><td>2,00,000</td><td>$\boxed{\frac{1}{2}}$</td></tr>
<tr><td>Less: <u>Decrease in Current Liabilities</u>
<u>& Increase in Current Assets</u></td><td></td><td></td></tr>
<tr><td>Increase in Trade Receivables</td><td>(8,00,000) $\boxed{\frac{1}{2}}$</td><td>(4,50,000)</td></tr>
<tr><td>Cash generated from operations</td><td></td><td>(2,00,000)</td></tr>
<tr><td>Less: Tax paid</td><td></td><td>NIL</td></tr>
<tr><td>Net cash used in operating activities</td><td></td><td>(2,00,000) $\boxed{\frac{1}{2}}$</td></tr>
</table></td><td>(1/2 x10)

= 5

+</td></tr>
</table>

------------------THE END ---------