B.K. Birla Centre For Education

Date: 15-12-2025 | PRE BOARD EXAMINATION-II | **Duration**: 3 Hrs

Class: XII | Accountancy | **Total Marks** : 80

Instructions to the Students

- Write only question numbers clearly outside the margin (1, 2, 3.i, 5.b, 4.c.ii, etc.).
- Do not write questions or any titles. (For ex. - Do not write **II. Answer the following**).
- After every answer, give a one-line space.
- For Multiple choice Questions - Both Option and Answer should be written.
- Bullet points & Sub-points should be written inside the margin.
- Do not fold / staple the paper.

Section A

Answer all questions: (16 x 1 = 16)

1.a. Creditors in Balance Sheet before dissolution were ₹2,50,000. Half of the creditors accepted furniture of ₹ 1,50,000 at 10% less than the book value and cash of ₹ 10,000 in full settlement of their claims. Remaining creditors were paid availing discount of 5%. What will be the amount with which bank will be credited in the Realisation Account for payment to creditors?

a) ₹ 1,35,000 b) ₹ 1,25,000 c) ₹ 1,18,750 d) ₹ 1,28,750

Answer 🔑

d) ₹ 1,28,750 (1)

Answer Explanation

Amount paid to creditor = 10,000 (paid in cash to creditors) + (2,50,000 - 1,25,000) × 5%

= 10,000 + 1,18,750

= 1,28,750

(OR)

1.b. On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with

a) his/her share of goodwill.
b) goodwill of the firm.
c) shares of goodwill of remaining partners.
d) none of these.

Answer 🔑

a) his/her share of goodwill. (1)

2. Prafful Limited forfeited 15,000 shares of ₹ 20 each on which ₹ 8 (including ₹ 2 premium) was paid. Out of these 13,000 shares were re-issued @ ₹ 19 per share as fully paid up. Determine the amount of Share Forfeited balance.

a) ₹ 90,000 b) ₹ 91,000 c) ₹ 12,000 d) ₹ 16,000

Answer 🔑

c) ₹ 12,000 (1)

3.a. **Assertion (A):** Change in profit sharing ratio leads to dissolution of partnership and not the firm.

Reason (R): Change in profit sharing ratio leads to dissolution of old firm and a new firm comes into existence.

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 correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer ⚩

c) (A) is correct but (R) is wrong (1)

(OR)

3.b. Joya, Liya, and Tiya are partners in a firm who share profits and losses equally. Joya decided to withdraw a fixed amount of Rs.20,000 at the beginning of every month for the specific period of six months, ending on September 30, 2020. If the partnership deed mandates charging interest on drawings at a rate of 5% per annum, determine the total interest on Joya's drawings for that period.

a) ₹1750 b) ₹1000 c) ₹3500 d) ₹6000

Answer ⚩

a) ₹1750 (1)

Answer Explanation

Interest on Joya's Drawings = Total Drawings X Rate of Interest/100 × Average Period/12

$=(20000 \times 6) \times 5/100 \times 3.5/12 = 1750$

4.a. Debentures which are transferable by mere delivery are

a) registered debentures b) first debentures
c) bearer debentures d) second debentures.

Answer ⚩

c) bearer debentures (1)

(OR)

4.b. Match the following:

List 1	List 2
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 Assest consideration.	C) Capital Reserve
4. Excess of Purchase consideration over Value of net assest.	D)Goodwill Account

a) 1- A, 2-B, 3-C, 4-D b) 1- B, 2-A, 3-D, 4-C
c) 1- C, 2-A, 3-B, 4-D d) 1- D, 2-C, 3-A, 4-B

Answer ⚩

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

5. On the basis of the following data, how much final payment will be made to a partner on firm's dissolution? Credit balance of capital account of the partner was ₹50,000. Share of loss on realisation amounted to ₹10,000. Firm's liability taken over by him was for ₹8,000

a) ₹40,000 b) ₹52,000 c) ₹32,000 d) ₹48,000

Answer ⚿

d) ₹48,000 (1)

Answer Explanation

Dr. Partners' Capital A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Realisation A/c (Loss)	10,000	By Balance b/d	50,000
To Bank A/c (Final Payment)	48,000	By Realisation A/c (Liability taken Over)	8,000
	58,000		58,000

6. Ravi and Sohan were partners sharing Profits & Losses in the ratio 2:1. They admitted Nitin into partnership for 30% share. Nitin brought ₹3,60,000 including ₹60,000 for goodwill. After adjusting Revaluation Gain/Loss and Accumulated Profits/Losses, Ravi's capital stood at ₹6,00,000. What was Sohan's capital after these adjustments?

a) ₹3,00,000 b) ₹2,50,000 c) ₹2,00,000 d) ₹3,60,000

Answer ⚿

c) ₹2,00,000 (1)

Answer Explanation

Total firm capital = Ravi's + Sohan's + Nitin's capital portion (excluding goodwill)

=6,00,000+ ?+3,00,000= 11,00,000.

Sohan's capital 11,00,000- 6,00,000- 3,00,000= 2,00,000.

7. Debentures represent the:

a) The Investment of Equity-Shareholders b) Directors' shares in a company
c) Short-term Borrowings of a Company d) Long-term Borrowings of a Company

Answer ⚿

d) Long-term Borrowings of a Company (1)

8.a. On dissolution of the firm sundry assets were of ₹ 1,17,000. Monu took part of sundry assets at ₹ 72,000 (being 10% less than the book value). Sonu took remaining sundry assets at 80% of the book value. Realisation Account is to be credited with

a) ₹ 84,000 b) ₹ 1,01,600 c) ₹ 72,000 d) ₹ 1,08,000

Answer ⚿

b) ₹ 1,01,600 (1)

Answer Explanation

Realisation account credited with = amount of asset taken over by Monu and Sonu = 72,000 + {(1,17,000-80,000) × 80%}
= 72,000 + 29,600 = 1,01,600

(OR)

8.b. X Ltd. forfeited 100 shares of ₹10 each, ₹8 called-up for non-payment of allotment money of ₹5 per share (including premium of 2 per share). Out of these, 70 shares were reissued to Ashok as ₹8 called-up, for ₹10 per share. On forfeiture, Share Forfeiture Account will be:

a) Credited by₹700 b) Debited by₹ 200 c) Credited by₹ 500 d) Debited by₹ 500

Answer ⚿

c) Credited by₹ 500 (1)

Answer Explanation

Credited by ₹ 500 share forfeiture account credited with the amount received from the shareholder (100 × (8 - 3)) = ₹ 500

9. If a partner withdraws equal amount at end of each quarter, then are to be considered for interest on total drawings.

a) 4.5 months b) 7.5 months c) 5.5 months d) 6 months

Answer ⚿

a) 4.5 months (1)

Answer Explanation

Time Period = Time Left after First Drawings + Time Left after Last Drawings/2

= (9 + 0)/2 = 4.5months

10.a. Ashok, Trilok and Aalok are partners in profit sharing ratio of 2:3:4 with effect from 1st April, 2021.They decided to share profits in 4:3:3. What is Trilok's gain/sacrifice?

a) Gain 3/100 b) Gain 1/30 c) No gain/sacrifice d) Sacrifice 1/30

Answer ⚿

d) Sacrifice 1/30 (1)

Answer Explanation

Trilok's Sacrifice/(Gain) = Old Ratio- New Ratio

=3/9 - 3/10 = 3/90 = 1/30

(OR)

10.b. **Assertion (A):** A charitable dispensary run by 10 members is deemed to be a partnership firm.

Reason (R): For a partnership business, there must be a business, and there must be sharing of profits among the partners from such business.

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 correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer ⚿

d) (A) is wrong but (R) is correct (1)

11. A, B and C were partners sharing profits and losses in the ratio of 2:2: 1. Books are closed on 31st March every year. C dies on 5th November, 2023. Under the partnership deed, the executors of the deceased partner are entitled to his share of profit to the date of death, calculated on the basis of last year's profit. Profit for the year ended 31st March, 2023 was as ₹ 2,40,000. C's share of profit will be:

a) ₹ 48,000 b) ₹ 28,800 c) ₹ 32,000 d) ₹ 28,000

Answer ⚩

b) ₹ 28,800 (1)

Answer Explanation

12. Mayur and Ankur are partners in a firm, sharing profits and losses in the ratio of 3:2. They decide to admit Kuber as a new partner. Following Kuber's admission, the partners agree on a new profit-sharing ratio of 5:5:3 among Mayur, Ankur, and Kuber, respectively. On the date of Kuber's admission, the goodwill of the firm is valued at ₹1,30,000. Calculate the amount of goodwill that Kuber must bring into the firm in cash.

a) ₹1,00,000 b) ₹30,000 c) ₹1,30,000 d) ₹50,000

Answer ⚩

b) ₹30,000 (1)

Answer Explanation

Kuber's Share = 3/13

Kuber's Share of Goodwill =1, 30000 x 3/13 = ₹30,000

13. Neha and Priya are partners sharing profits and losses in the ratio 2:1. Their capitals were ₹9,00,000 and ₹4,50,000 respectively. The firm had accumulated profits (reserves) of ₹3,00,000. During the year ended March 31, 2025, goods destroyed by theft had a book value of ₹1,20,000 and insurance claim admitted was ₹90,000. After adjustment, the firm's average profit was ₹1,98,000. If the normal rate of return is 12%, calculate the value of goodwill as per Capitalisation of Super Profits method:

a) ₹3,00,000 b) ₹1,50,000 c) ₹2,50,000 d) Nil

Answer ⚩

d) Nil (1)

14. A partner, Anil, took over a Vehicle worth ₹90,000 in full settlement of his loan of ₹1,00,000. The Vehicle had already been transferred to the Realisation Account. How will it affect the Realisation Account?

a) Realisation Account will be credited by ₹1,00,000
b) Realisation Account will be credited by ₹10,000
c) Realisation Account will be credited by ₹90,000
d) No effect on Realisation Account

Answer ⚩

c) Realisation Account will be credited by ₹90,000 (1)

15. Land was appearing in the books at ₹15,00,000 which was overvalued by 20%. What amount will be shown in the Balance Sheet of the reconstituted firm for land?

a) ₹12,50,000 b) ₹18,00,000 c) ₹15,00,000 d) ₹20,00,000

Answer ⚩

a) ₹12,50,000 (1)

Answer Explanation

If overvalued by 20%, book value = 120% of actual value.

Actual value = 15,00,000/120 × 100 = 12,50,000

16. X Ltd. forfeited 500 shares of Rs.10 each, Rs.7 called up, for non-payment of first call of Rs.3 per share. 300 of these shares were reissued at Rs.6 per share as fully paid up. Amount to be transferred to capital reserve will be:

a) Nil b) 600 c) 1800 d) 800

Answer 🔑

a) Nil (1)

Answer Explanation

Amount of forfeiture

$= 500 \text{ shares} \times (7 - 3)$

$= 500 \times 4$

$= 2{,}000$

Amount of forfeiture on 300 shares

$= \frac{2{,}000}{500} \times 300$

$= 1{,}200$

Amount used in Reissue of share

$= 300 \times (100 - 6)$

$= 300 \times 4$

$= 1{,}200$

Amount of Capital Reserve

$= 1{,}200 - 1{,}200$

$= 0$

Answer the following questions: **(4 x 3 = 12)**

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

Answer ⚿

Profit and Loss Appropriation Account

Dr. For the Year ended 31st March 2025

Cr.

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

P & L appropriation A/c (3)

(OR)

17.b. The profit for the five years of a firm are as follows – Year 2013 Rs. 4,00,000; Year 2014 Rs. 3,98,000; Year 2015 Rs. 4,50,000; Year 2016 Rs. 4,45,000 and Year 2017 Rs. 5,00,000. Calculate goodwill of the firm on the basis of 4 years purchase of 5 years average profits.

Answer ⚿

Average Profit = Total Profit of Last 5 Years / No. of years = 21,93,000 /5 = Rs. 4,38,600 (1.5)

Goodwill = Average Profits × No. of years purchased = 4,38,600 × 4 = Rs. 17,54,400 (1.5)

18. Max Services Limited has an authorised capital of 11,000 equity shares of ₹100 each. It issued 5,000 equity shares to public for subscription payable ₹30 on application, ₹30 on allotment and ₹20 on first call and balance on final call. The whole of the issue was called for by the company and all the money was duly received except first and final call money on 500 shares and these shares were forfeited. Out of the forfeited shares, 300 shares were reissued for ₹110 each fully paid up. Show Share Capital and Reserves and Surplus in the Balance Sheet of the company as per Schedule III of Companies Act, 2013 as at 31 March, 2022. Ans:

Answer ⚿

Balance Sheet of Max Services Limited (an extract)
as at 31.03.2022

Equity and Liabilities	Note No.	Current Year (₹)	Previous Year (₹)
Shareholder's Funds :			
Share Capital	1	4,92,000	
Reserves and Surplus	2	21,000	

Notes to Accounts:

Note No.	Particulars		Amount (₹)
(1)	Share Capital :		
	Authorised Capital :		
	11,000 Equity Shares of ₹100 each		11,00,000
	Issued Capital :		
	5,000 Equity Shares of ₹100 each		5,00,000
	Subscribed Capital:		
	Subscribed and fully paid capital:		
	4,800 Equity Shares of ₹100 each	4,80,000	
	Add: Forfeited shares (200 × 60)	12,000	4,92,000
(2)	Reserve and Surplus		
	Securities Premium Reserve	3,000	
	Capital Reserve	18,000	21,000

Balance sheet (2)
Notes (1)

19. Pentex Services Private Limited provides its services in South India. Seeing its growth and success, it decided to expand in other parts of India too, especially North India. This would involve huge expenditure for which the directors decided to issue ₹40,00,000, 12% Debentures of ₹100 each at par to be redeemed at 5% premium after 6 years. It has a balance of ₹60,000 in securities premium reserve. Answer the following questions on the basis of the above information.

(i) State the amount of application money received.

(ii) What amount will be debited to "Loss on Issue of Debentures Account"?

(iii) Pass necessary Journal entry for writing off "Loss on Issue of Debentures Account".

Answer ⚿

₹40,00,000 (1)

₹2,00,000 (1)

Securities Premium A/c Dr. 60,000 Statement of Profit and Loss Dr. 1,40,000 To Loss on issue of Debentures A/c 2,00,000 (1)

20. L, M and N were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 1st April, 2018 they admitted S as a new partner in the firm for 1/5th share in the profits. On S' admission the goodwill of the firm was valued at 3 years purchase of last five years average profits. The profits during the last five year were:

Year ended 31st March	Profit (₹)
2014	4,00,000
2015	3,00,000
2016	2,00,000
2017	50,000
2018	(50,000)

Calculate the value of the goodwill of the firm. Pass necessary journal entry for the treatment of goodwill on S's admission.

Answer ⚷

Average profits = ₹1,80,000 Goodwill = Average profits × Number of years purchase = 1,80,000 × 3 = 5,40,000 S's share of Goodwill = 5,40,000/ 5 = ₹ 1,08,000 (2)

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	S's Current Capital A/c	Dr.		1,08,000	
	To L's Capital A/c				54,000
	To M's Capital A/c				32,400
	To N's Capital A/c				21,600
	(Being adjustment entry made for goodwill)				

Journal (1)

Answer the following questions: (2 x 4 = 8)

21. Rahul Ltd. acquired assets of 20 lakhs and took over creditors of 2 lakhs from Raj Enterprises. Rahul Ltd. issued 8% Debentures of ₹ 100 each at a discount of 10% as purchase consideration. Record necessary Journal entries in the books of Rahul Ltd.

Answer ⚷

Books of Rahul Ltd.
Journal Entries

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Assets A/c	Dr.		20,00,000	
	To Creditors A/c				2,00,000
	To Raj Enterprises A/c (purchased assets of the book value of ₹ 20,00,000 and took over the liabilities of ₹ 2,00,000 from Raj Enterprises at a price of ₹ 18,00,000)				18,00,000
	Raj Enterprises A/c	Dr.		18,00,000	
	Discount on Issue of Debentures A/c (20,000 debentures × 10)	Dr.		2,00,000	
	To 8% Debentures A/c (20,000 × 100) (20,000 debentures of ₹ 100 each issued to Raj Enterprises at a discount of 10% in satisfaction of purchases consideration)				20,00,000

Number of Debentures to be issued = ₹ $\frac{18,00,000}{100-10}$ = 20,000 Debentures

journal (4)

22. What journal entries will be recorded for the following transactions on the dissolution of a firm:

a. Payment of unrecorded liabilities of ₹ 3,200.

b. Stock worth 7,500 is taken by a partner Rohit.

c. Profit on Realisation amounting to 18,000 is to be distributed between the partners Ashish and Tarun in the ratio of 5:7.

d. An unrecorded asset realised 5,500.

Answer ⚿

JOURNAL

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
(a)	Realisation A/c	Dr.		3,200	
	To Bank A/c				3,200
	(Being Unrecorded liabilities paid)				
(b)	Rohit's Capital A/c	Dr.		7,500	
	To Realisation A/c				7,500
	(Being Stock is taken over by Rohit)				
(c)	Realisation A/c	Dr.		18,000	
	To Ashish's Capital A/c				7,500
	To Tarun's Capital A/c				10,500
	(Being Profit on Realisation is transferred to Partners' Capital Account in ratio 5:7)				
(d)	Bank A/c	Dr.		5,500	
	To Realisation A/c				5,500
	(Being Unrecorded asset realised)				

Note: If an asset is given in full settlement of a liability, then no entry is passed for such settlement.

Journal (4)

Answer the following questions: (4 x 6 = 24)

23. Tarun, Varun and Arun are partners in a firm sharing profits in the ratio 5:4:1. Their Balance Sheet as at 31st March, 2022 was as follows:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts :			Goodwill	27,000
Tarun	85,000		Land	64,000
Varun	54,000		Machinery	34,000
Arun	36,000	1,75,000	Patenrts	2,000
General Reserve		20,000	Stock	25,000
Outstanding Expenses		14,000	Debtors	50,000
Creditors		47,000	Bank	54,000
		2,56,000		2,56,000

It was agreed that Tarun will retire on the following terms:

(i) The Goodwill of the firm is valued at two years purchase of the average annual profits of the preceding three years. The profits for the last three years were ₹34,000, ₹42,000 and ₹50,000.

(ii) Provision for doubtful debts at 10% on Debtors to be created.

(iii) Land revalued at ₹82,000 and Machinery at ₹24,000.

(iv) Sundry Creditors have agreed to accept 5% less.

(v) Patents were valueless. Prepare Revaluation A/c and Partners' Capital Accounts

Answer ⚿

Dr. Revalutaion A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts A/c	5,000	By Land A/c	18,000
To Machinery A/c	10,000	By Creditors A/c	2,350
To Patents A/c	2,000		
To Profits transferred to :			
Tarun's Capital A/c	1,675		
Varun's Capital A/c	1,340		
Arun's Capital A/c	335		
	20,350		20,350

Revaluation A/c (2)

Dr. Partners' Capital A/c Cr.

Particulars	Tarun (₹)	Varun (₹)	Arun (₹)	Particulars	Tarun (₹)	Varun (₹)	Arun (₹)
To Goodwill A/c	13,500	10,800	2,700	By Balance b/d	85,000	54,000	36,000
To Tarun's Capital A/c	—	33,600	8,400	By General Reserve A/c	10,000	8,000	2,000
To Tarun's Loan A/c	1,25,175	—	—	By Revaluation A/c	1,675	1,340	335
To Balance c/d	—	18,940	27,235	By Varun's Capital A/c	33,600	—	—
(Bal. Fig.)				By Arun's Capital A/c	8,400	—	—
	1,38,675	63,340	38,335		1,38,675	63,340	38,335

Capital A/c (3)

Working Notes :

Calculation of Goodwill :

$$\text{Total Profits} = ₹\,34,000 + ₹\,42,000 + ₹\,50,000 = ₹\,1,26,000$$

$$\text{Average Profit} = \frac{1,26,000}{3} = ₹\,42,000$$

$$\text{Goodwill} = 2 \times 42,000 = ₹\,84,000$$

$$\text{Tarun's Share } \frac{5}{10} \times 84,000 = ₹\,42,000$$

$$\text{Gain Ratio} = 4:1$$

WN (1)

24. Following is the Balance Sheet of Luna, Nora and Elena as on 31" March, 2022 who shared profits in the ratio 3 : 2 : 1. They decided to dissolve their firm.

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital Accounts :		Bank		69,500
Luna	1,70,000	Accruced Interest		3,500
Nora	1,40,000	Debtors	72,000	
Elena	1,20,000	Less : Provision for		
Investment Fluctuation Reserve	24,000	doubtful debts	(8000)	64,000
Loan	32,000	Stock		70,000
Employees Provident Fund	42,000	Investment		75,000
Bills Payable	18,000	Furniture		98,000
Sundry Creditors	26,000	Machinery		1,32,000
		Goodwill		60,000
	5,72,000			5,72,000

Agreed terms of dissolution were as follows :

(i) Sundry Creditors agreed to take over an unrecorded asset as full and final payment.

(ii) Nora took over half the stock at 10% discount and also agreed to settle the Bills Payable.

(iii) Remaining stock realised 55% of the book value.

(iv) ₹7,000 of Debtors proved bad.

(v) Other assets realised :

Machinery : ₹1,15,050

Furniture : ₹76,000

Accrued Interest : Full amount

Goodwill ₹24,000.

(vi) Investments were sold in the market at a loss of 10%.

(vii) Firm had to pay ₹6,300 for outstanding rent which was not provided for in the books.

(viii) Realisation expenses were ₹3,000 paid by Elena.

Prepare Realisation A/c and Partners' Capital Accounts.

Answer

Dr.		Realisation A/c			Cr.
Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets :			By Provision for Debtors		8,000
Accrued Interest	3,500		By Investment Fluctuation Reserve		24,000
Debtors	72,000		By Loan		32,000
Stock	70,000		By Employees Provident Fund		42,000
Investment	75,000		By Bills Payable		18,000
Furniture	98,000		By Sundry Creditors		26,000
Machinery	1,32,000		By Nora's Capital A/c (Stock)		31,500
Goodwill	60,000	5,10,500	By Bank :		
To Elena's Capital A/c (Realisation Expenses)		3,000	Stock	19,250	
To Nora's Capital A/c (B/P)		18,000	Debtors	65,000	
To Bank :			Machinery	1,15,050	
Outstanding rent	6,300		Furniture	76,000	
Loan	32,000		Accrued interest	3,500	
Employees Provident Fund	42,000	80,300	Goodwill	24,000	
			Investment	67,500	3,70,300

Realisation A/c (3)

			By Loss transferred to (Bal. Fig.) :		
			Luna's Capital A/c		30,000
			Nora's Capital A/c		20,000
			Elena's Capital A/c		10,000
		6,11,800			6,11,800

Realisation A/c (1)

Dr.			Partners' Capital A/c				Cr.
Particulars	Luna (₹)	Nora (₹)	Elena (₹)	Particulars	Luna (₹)	Nora (₹)	Elena (₹)
To Realisation A/c	—	31,500	—	By Balance b/d	1,70,000	1,40,000	1,20,000
To Realisation A/c	30,000	20,000	10,000	By Realisation A/c	—	18,000	3,000
To Bank A/c (Bal. Fig.)	1,40,000	1,06,500	1,13,000				
	1,70,000	1,58,000	1,23,000		1,70,000	1,58,000	1,23,000

Capital A/c (2)

25.a. Fill in the missing information in the journal entries given below:

In the books of Max Steel Limited

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		....	
	To				....
	(Being application money received on 1,00,000 shares @ ₹5 per application including ₹2 for premium)				
	Equity Share Application A/c	Dr.		....	
	To Equity Share Capital A/c				....
	To				....
	To				1,25,000
	To				....
	(Being application money adjusted. 25,000 applications were rejected and pro-rota allotment was made in the ratio of 3:2 to the remaining applicants. Excess of application money was adjusted towards Share Allotment a/c)				
	....	Dr.		....	
	To Equity Share Capital A/c				....
	To				....
	(Being money due on allotment @ ₹5 per share including ₹2 for premium)				
	Bank A/c	Dr.		....	
	To Equity Share Allotment A/c				....
	(Being amount received on allotment except on 500 shares allotted to Amit)				
	....	Dr.		....	
	To Equity Share Capital A/c				....
	To				....
	(Being First & final call amount due @ ₹5 per share including ₹1 for premium)				
	Bank A/c	Dr.		....	
	To Equity Share First & Final Call A/c				....
	(Being First & final call amount received except shares held by Amit and Sumit who applied for 1,500 shares)				
	Share Capital A/c	Dr.		....	
	....	Dr.		....	
	To				....
	To Share First & Final Call A/c				....
	To				....
	(Being shares of Amit and Sumit forfeited for non-payment of amount due)				
	....	Dr.		11,000	
	To Equity Share Capital A/c				....
	To				....
	(Being re-issue of 1,000 forfeited shares @ ₹11 per share fully paid. These shares included all shares held by Amit)				
	Share forfeited A/c	Dr.		....	
	To Capital Reserve A/c				....
	(Being Profit made on forfeited shares transferred to capital reserve)				

Answer ⚷

In the books of Max Steel Limited

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		5,00,000	
	To Equity Share Application A/c			5,00,000
	(Being application money received on 1,00,000 shares @ ₹5 per application including ₹2 for premium)			
	Equity Share Application A/c Dr.		5,00,000	
	To Equity Share Capital A/c			1,50,000
	To Securities Premium A/c			1,00,000
	To Bank A/c			1,25,000
	To Share Allotment A/c			1,25,000
	(Being application money adjusted 25,000 applications were rejected and pro-rata allotment was made in the ratio of 3:2 to the remaining applicants. Excess of application money was adjusted towards Share Allotment a/c)			
	Equity Share Allotment A/c Dr.		2,50,000	
	To Equity Share Capital A/c			1,50,000
	To Securities Premium A/c			1,00,000
	(Being money due on allotment @ ₹5 per share including ₹2 for premium)			

Journal (2)

Bank A/c Dr.		1,23,750	
To Equity Share Allotment A/c			1,23,750
(Being amount received on allotment except on 500 shares allotted to Amit)			
Equity Share First and Final Call A/c Dr.		2,50,000	
To Equity Share Capital A/c			2,00,000
To Securities Premium A/c			50,000
(Being First & final call amount due @ ₹5 per share including ₹1 for premium)			
Bank A/c Dr.		2,42,500	
To Equity Share First and Final Call A/c			2,42,500
(Being first and final call amount received except shares held by Amit and Sumit who applied for 1,500 shares)			

Journal (2)

	Share Capital A/c Dr.		15,000	
	Securities Premium A/c		2,500	
	To Share Allotment A/c			1,250
	To Share First & Final Call A/c			7,500
	To Share Forfeited A/c			8,750
	(Being shares of Amit and Sumit forfeited for non-payment of amount due)			
	Bank A/c Dr.		11,000	
	To Equity Share Capital A/c			10,000
	To Securities Premium A/c			1,000
	(Being re-issue of 1,000 forfeited shares @ ₹11 per share fully paid. These shares included all shares held by Amit)			
	Share Forfeited A/c Dr.		5,750	
	To Capital Reserve A/c			5,750
	(Being profit on forfeited shares transferred to capital reserve)			

Journal (2)

(OR)

25.b. Asha, Deepa, and Lata are partners in a firm, sharing profits and losses in the ratio of 3:2:1. The partnership is dissolved upon the decision of Deepa to retire. After all necessary adjustments relating to the revaluation of assets and liabilities, treatment of goodwill, and distribution of accumulated profits and reserves have been carried out, the capital accounts of the continuing partners, Asha and Lata, show credit balances of ₹1,60,000 and ₹80,000, respectively. The remaining partners agree to fix their capital in the firm according to their new profit-sharing ratio. You are required to calculate the new capital balances of Asha and Lata and record the necessary journal entries to account for the actual cash brought in or withdrawn by the partners to meet the new capital requirements.

Answer 🔑

Calculation of New Capitals of the Continuing Partners

Particulars	Amount (₹)
Balance in Asha's Capital (after all adjustments)	1,60,000
Balance in Lata's Capital	80,000
Total Capital of the New Firm	2,40,000

Calculation Based on the New Profit Sharing Ratio of 3 : 1:

$$\text{Asha's New Capital} = 2,40,000 \times \frac{3}{4} = 1,80,000$$

$$\text{Lata's New Capital} = 2,40,000 \times \frac{1}{4} = 60,000$$

Calculation of capital (2)

Calculation of Cash to be Brought In or Withdrawn

Particulars	Asha	Lata
	Amount (₹)	Amount (₹)
New Capitals	1,80,000	60,000
Existing Capitals	1,60,000	80,000
Cash to be Brought In / (Withdrawn)	20,000 (Brought In)	(20,000) (Withdrawn)

Calculation of cash (2)

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.	20,000	
	To Asha's Capital A/c			20,000
	(Cash brought in by Asha)			
	Lata's Capital A/c	Dr.	20,000	
	To Bank A/c			20,000
	(Surplus capital withdrawn by Lata)			

Journal (2)

26.a. Blue Housing Corporation Limited invited applications for 8,00,000 equity shares of ₹10 each at a premium of ₹40 per share. The amount was payable as follows:

On application ₹35 per share: (including ₹30 premium)

On allotment ₹8 per share : (including ₹4 premium)

On first and final call : Balance

Applications for 7,70,000 shares were received. Shares were allotted to all the applicants. Lalit to whom 70,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Amit, the holder of 5,000 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 10,000 shares were reissued at ₹50 per share fully paid-up. The re-issued shares included all the shares of Amit. Pass necessary journal entries for the above transactions in the books of Blue Housing Corporation Limited.

Answer

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (7,70,000 ×35)	Dr.		2,69,50,000	
	To Equity Share Application A/c				2,69,50,000
	(Being share application money received on 7,70,000 equity shares @ ₹35 per share including premium)				
	Equity Share Application A/c	Dr.		2,69,50,000	
	To Equity Share Capital A/c (7,70,000 × 5)				38,50,000
	To Securities Premium Reserve A/c (7,70,000 × 30)				2,31,00,000
	(Being share application money transferred)				
	Equity Share Allotment A/c	Dr.		61,60,000	
	To Equity Share Capital A/c (7,70,000 × 4)				30,80,000
	To Securities Premium Reserve A/c (7,70,000 × 4)				30,80,00
	(Being allotment money due on 7,70,000 equity shares @ ₹8 per share including premium of ₹4 each)				

Journal (2)

	Bank A/c	Dr.		56,00,000	
	To Equity Share Allotment A/c (7,00,000 × 8)				56,00,000
	(Being share allotment money received on 7,00,000 equity shares @ ₹8 per share including premium)				
	Equity Share Capital A/c (70,000 × 9)	Dr.		6,30,000	
	Securities Premium Reserve A/c (70,000 × 4)	Dr.		2,80,000	
	To Forfeited Shares A/c (70,000 × 5)				3,50,000
	To Equity Share Allotment A/c (70,000 × 8)				5,60,000
	(Being 70,000 shares forfeited for non-payment of allotment of ₹8 per share including premium)				
	Equity Share First and Final Call A/c (7,00,000 × 7)	Dr.		49,00,000	
	To Equity Share Capital A/c (7,00,000 × 1)				7,00,000
	To Securities Premium Reserve A/c (7,00,000 × 6)				42,00,000
	(Being share first and final call due on 7,00,000 equity shares @ ₹7 per share including premium of ₹6 each)				
	Bank A/c (6,95,000 × 7)			48,65,000	
	To Equity Share First and Final Call A/c				48,65,000
	(Being share first and final call money received on 6,95,000 equity shares @ ₹7 per share including premium)				

Journal (2)

	Equity Share Capital A/c (5,000 × 10)	Dr.		50,000	
	Securities Premium Reserve A/c (5,000 × 6)	Dr.		30,000	
	To Forfeited Shares A/c (5,000 × 9)				45,000
	To Equity Share First and Final Call A/c (5,000 × 7)				35,000
	(Being 5,000 shares forfeited for non-payment of first and final call of ₹7 per share including premium)				
	Bank A/c (10,000 × 50)			5,00,000	
	To Equity Share Capital A/c (10,000 × 10)				1,00,000
	To Securities Premium Reserve A/c (10,000 × 40)				4,00,000
	(Being re-issue of 10,000 forfeited shares @ ₹50 per share as fully paid-up)				
	Forfeited Shares A/c	Dr.		70,000	
	To Capital Reserve A/c				70,000
	(Being balance of forfeited shares account transferred to capital reserve)				

Journal (2)

(OR)

26.b. a) Pass the necessary journal entries for 'Issue of Debenture' for the following:

i. Arman Ltd. issued 750, 12% Debentures of ₹100 each at a discount of 10% redeemable at a premium of 5%.

ii. Sohan Ltd. issued 800, 9% Debentures of ₹100 each at a premium of 20 per debenture redeemable at a premium of ₹10 per Debenture.

b) X Ltd. obtained a loan of ₹4,00,000 from IDBI Bank. The company issued 5,000 9%. Debentures of ₹100 each as a collateral security for the same.

Show how these items will be presented in the Balance Sheet of the company.

Answer

Journal

Date	Particulars	Debit	Credit
	Bank A/c Dr	67,500	
	To Debenture Application and allotment A/c		67,500
	(Being applications received)		
	Debenture Application and allotment A/c Dr	67,500	
	Loss on issue of Debntures A/c Dr	11,250	
	To 12% Debentures A/c		75,000
	To Premium redemption of debentures A/c		3,750
	(Being Debentures issued at discount redeemable at premium)		

Journal (2)

	Particulars	Debit	Credit
	Bank A/c Dr	96,000	
	To Debenture Application and allotment A/c		96,000
	(Being applications received)		
	Debenture Application and allotment A/c Dr	96,000	
	Loss on issue of Debentures A/c Dr	8,000	
	To 12% Debentures A/c		80,000
	To Securities Premium A/c		16,000
	To Premium on Redemption A/c		8,000
	(Being Debentures issued at discount redeemable at premium)		

Journal (2)

Balance sheet Extract of X Ltd

Particulars	Note no.	Rs
1. Equity &Liabilities		
Non current liabilities		
Long term borrowings	1	4,00,000

Notes to accounts

1. Long term borrowings	
Loan from IDBI	
(Secured by issue of 5000, 9% debentures of Rs.100 each as collateral security)	4,00,000

Balance sheet extract (2)

Section B

Answer all questions: **(4 x 1 = 4)**

27. 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

Answer

c) Horizontal (1)

28.a. _____ will result in increase in Liquid Ratio without affecting the Current Ratio.

a) Sale of Stock at cost price b) Sale of stock at loss
c) Sale of stock at profit d) Sale of investments at cost

Answer

a) Sale of Stock at cost price (1)

(OR)

28.b. **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 Statements 1 and 2 are true
b) Both Statements 1 and 2 are false
c) Statement 1 is true and Statement 2 is false
d) Statement 1 is false and Statement 2 is true

Answer

a) Both Statements 1 and 2 are true (1)

29.a. Z Ltd. purchased a building for ₹50,00,000 from J. Ltd. paying 40% by the issue of 9% Debentures and the balance by cheque. The above transaction will result in:

a) Decrease in cash and cash equivalents ₹ 20,00,000.
b) Cash used in investing activities ₹ 20,00,000.
c) Cash generated from financing activities ₹20,00,000.
d) Cash used in investing activities ₹ 30,00,000.

Answer ⚩

d) Cash used in investing activities ₹ 30,00,000. (1)

(OR)

29.b. **Assertion (A):** The Debt to Equity Ratio is a liquidity ratio.

Reason (R): It measures a company's ability to meet its long-term obligations.

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 correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer ⚩

d) (A) is wrong but (R) is correct (1)

30. Net profit after tax is 1,20,000; 10% Debentures are of ₹ 2,00,000; Capital Employed is 16,00,000. Rate of Tax 40%. Return on Investment (ROI) will be____.

a) 25% b) 22% c) 13.75% d) 20%

Answer ⚩

c) 13.75% (1)

Answer Explanation

Net profit before any tax = $\frac{Net\ profit\ After\ Tax}{1-Tax\ rate}$ + Interest on long term Borrowing

Net profit before Interest and tax = $\frac{1,20,000}{1-0.4} + 20,000$ = 2,20,000

Return on investment = $\frac{Net\ profit\ Before\ Interest\ and\ Tax}{Capital\ employed} \times 100$

Return on investment = $\frac{2,20,000}{16,00,000} \times 100$ = 13.75%

Answer the following questions: (2 x 3 = 6)

31.a. Complete the Comparative Statement of Profit and Loss based on the data provided:

Particulars	2017-18	2018-19	Absolute Change	% Change
Revenue from Operations	16,00,000	24,00,000	?	?
Less : Employees Benefit Expenses	6,00,000	?	?	50%
Less : Other Expenses	2,00,000	?	1,00,000	?
Profit before Tax	8,00,000	?	?	25%
Tax @ 30%	?	?	60,000	?
Profit after Tax	5,60,000	?	1,40,000	?

Answer

Corrected Comparative Statement of Profit and Loss :

Particulars	2017-18	2018-19	Absolute Change	% Change
Revenue from Operations	16,00,000	24,00,000	8,00,000	50%
Less : Employees Benefit Expenses	6,00,000	9,00,000	3,00,000	50%
Less : Other Expenses	2,00,000	3,00,000	1,00,000	50%
Profit before Tax	8,00,000	10,00,000	2,00,000	25%
Tax @ 30%	2,40,000	3,00,000	60,000	25%
Profit after Tax	5,60,000	7,00,000	1,40,000	25%

Comparative statement (2)

Working Note :

1. Revenue from Operations :

$$\text{Absolute Change} = 24,00,000 - 16,00,000 = 8,00,000$$

$$\% \text{ Change} = \frac{8,00,000}{16,00,000} \times 100 = 50\%$$

2. Employees Benefit Expenses :

$$\text{2018-19 Value} = 6,00,000 + \frac{50}{100} \times 6,00,000 = 9,00,000$$

$$\text{Absolute Change} = 9,00,000 - 6,00,000 = 3,00,000$$

3. Other Expenses :

$$\text{2018-19 Value} = 2,00,000 + 1,00,000 = 3,00,000$$

$$\% \text{ Change} = \frac{1,00,000}{2,00,000} \times 100 = 50\%$$

WN (0.5)

4. Profit before Tax :

$$\text{2018-19 Value} = 8,00,000 + \frac{25}{100} \times 8,00,000 = 10,00,000$$

$$\text{Absolute Change} = 10,00,000 - 8,00,000 = 2,00,000$$

$$\% \text{ Change} = \frac{2,00,000}{8,00,000} \times 100 = 25\%$$

5. Tax @ 30% :

$$\text{2017-18 Tax} = 30\% \times 8,00,000 = 2,40,000$$

$$\text{2018-19 Tax} = 30\% \times 10,00,000 = 3,00,000$$

$$\text{Absolute Change} = 3,00,000 - 2,40,000 = 60,000$$

$$\% \text{ Change} = \frac{60,000}{2,40,000} \times 100 = 25\%$$

6. Profit after Tax :

$$\text{2018-19 Value} = 10,00,000 - 3,00,000 = 7,00,000$$

$$\text{Absolute Change} = 7,00,000 - 5,60,000 = 1,40,000$$

$$\% \text{ Change} = \frac{1,40,000}{5,60,000} \times 100 = 25\%$$

WN (0.5)

(OR)

31.b. 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:

Land

Advances paid for furniture

Accrued Interest on Investments

Short-Term Loan from Bank

Provision for Repairs

Outstanding Audit Fees

Answer 🔑

Items	Heading	Sub-Heading
Land	Non-Current Assets	Property, Plant & Equipment
Advances paid for furniture	Non-Current Assets	Long-Term Loans & Advances
Accrued Interest on Investments	Current Assets	Other Current Assets
Short-Term Loan from Bank	Current Liabilities	Short-Term Borrowings
Provision for Repairs	Current Liabilities	Short-Term Provisions
Outstanding Audit Fees	Current Liabilities	Other Current Liabilities

Heads and Sub heads (3)

32. Profit & Loss Statements for the years ended 31st March 2023 and 2022:

Particulars	Note No.	31st March 2023	31st March 2022
		₹	₹
Revenue from Operations		48,00,000	50,00,00
Finance Costs		27,50,000	30,00,000
Employee benefit Expenses		5,00,000	4,00,000
Other Expenses		80,000	1,00,000
Income Tax		40%	35%

Calculate percentage changes from 2022 to 2023.

Answer

Comparative Statement of Profit and Loss of Freehand Ltd.
As on 31st March 2022 and 2023

Particulars	Note No.	2021-22	2022-23	Absolute Change	Percentage Change (%)
		₹	₹	₹	
Revenue from Operations		50,00,000	48,00,000	(2,00,000)	(4.00)
Less: Expenses:					
(a) Employee Benefit Expenses		4,00,000	5,00,000	1,00,000	25.00
(b) Change in Inventories		30,00,000	27,50,000	(2,50,000)	(8.33)
(c) Other Expenses		1,00,000	80,000	(20,000)	(20.00)
Total Expenses		35,00,000	33,30,000	(1,70,000)	(4.86)
Profit before Tax (Revenue-Expenses)		15,00,000	14,70,000	(30,000)	(2.00)
Less: Tax		5,25,000	5,88,000	63,000	12.00
Profit after tax		**9,75,000**	**8,82,000**	**(93,000)**	**(9.54)**

Comparative statement (3)

Answer the following questions: **(1 x 4 = 4)**

33.a. i) Cost of goods sold Rs.12,00,000; Revenue from operation Rs.16,00,000; Operating Expenses Rs.80,000.Calculate Operating ratio and Operating profit ratio.
ii) Net profit after tax Rs.4,00,000; Tax rate = 50%. Shareholders Fund Rs.15,00,000; Non-current Assets 20,00,000; Non –Current liabilities Rs.3,00,000.
Calculate Return on Capital Employed.

Answer ⚿

Operating ratio = Cost of Goods Sold + Operating Expenses /Revenue from Operations X 100 (0.5)

12,00,000 + 80,000/16,00,000 X 100 = 80% (1)

Operating profit ratio + Operating Ratio = 100% So Operating profit ratio = 100 % - Operating Ratio = 100 – 80 = 20% (0.5)

ROCE = Net profit before Interest Dividend and Tax /Capital Employed X 100 (0.5)

NPBT =Net profit after Tax + Tax = 4,00,000 + 4,00,000 = 8,00,000 (0.5)

Capital Employed = Shareholders Fund + Non- current Liabilities =15,00,000 + 3,00,000 = 18,00,000 (0.5)

8,00,000 /18,00,000 X 100 = 44.44% (0.5)

(OR)

33.b. Current Ratio of ABC Limited is 2.5 : 1. State with reasons whether the following transactions will increase, decrease, or have no change on the ratio:
(a) Bills Payable discharged
(b) Bill Receivable dishonoured
(c) Old machinery sold for cash at a profit of ₹20,000
(d) Purchased an office printer on credit

Answer ⚿

Ratio will increase: Both Current Assets (Cash/Bank) and Current Liabilities (Bills Payable) will decrease by the same amount, but since the ratio is greater than 1, the decrease will lead to an increase in the ratio. (1)

No change: This transaction has no impact on either Current Assets or Current Liabilities. The Bills Receivable are already part of Current Assets and upon dishonour, the amount becomes a debtor (also a Current Asset), so there is no net change. (1)

Ratio will increase: Current Assets (Cash) will increase due to the sale of the fixed asset. Current Liabilities remain unchanged. (1)

Ratio will decrease: Current Liabilities (Creditors) will increase, while Current Assets remain unchanged. (1)

Answer the following question: **(1 x 6 = 6)**

34. Calculate Cash Flow from Operating Activities from the following:

i. Profit after considering the following items but before tax is 2,50,000:

Particulars	₹
Depreciation on Fixed Assets	1,00,000
Amortisation of Goodwill	50,000
Transfer to General Reserve	70,000
Gain (Profit) on Sale of Land	30,000

ii. Following is the position of current assets and current liabilities:

Particulars	Closing Balances (₹)	Opening Balances (₹)
Trade Receivables	2,30,000	2,20,000
Trade Payables	1,00,000	1,50,000
Prepaid Expenses	40,000	60,000

CASH FLOW FROM OPERATING ACTIVITIES

Particulars		₹
Net Profit before Tax		2,50,000
Add: Transfer to General Reserve		70,000
Net Profit before Tax and Extraordinary Items		3,20,000
Add: Non-cash Expenses:		
Depreciation on Fixed Assets	1,00,000	
Amortisation of Goodwill	50,000	1,50,000
		4,70,000
Less: Non-operating Income:		
Gain (Profit) on Sale of Land		30,000
Operating Profit before Working Capital Changes		4,40,000
Less: Decrease in Current Liabilities:		
Trade Payables	50,000	
Increase in Current Assets:		
Trade Receivables	10,000	60,000
		3,80,000
Add: Decrease in Current Assets:		
Prepaid Expenses		20,000
Cash Flow from Operating Activities		**4,00,000**

Cash flow statement (5)

Answer

Note: Net Profit before Tax: Profit of the year 2,50,000 Add: Transfer to general reserve 70,000 3,20,000 (1)