Accountancy (055)

CBSE Class 12 Board Examination 2027 – Practice Paper No. 1

Model Answer Paper

Time: 3 hours **Max. Marks: 80**

Model answers show one correct method; any other correct method gets full marks.

PART A – Q.1 to 16 Accounting for Partnership Firms and Companies. Questions 1 to 16 are multiple choice questions of 1 mark each. Choose the correct option. **[16]**

1. Pranav and Qadir are partners sharing profits and losses in the ratio of 3 : 2. Their capitals on 1st April, 2025 were ₹4,00,000 and ₹2,00,000 respectively. The partnership deed provides for interest on capital @ 10% p.a. The firm earned a profit of ₹45,000 for the year ended 31st March, 2026, before allowing interest on capital. The amount of interest on capital allowed to Pranav and Qadir will be:

(A) Pranav ₹30,000 and Qadir ₹15,000 (B) Pranav ₹40,000 and Qadir ₹20,000
(C) Pranav ₹22,500 and Qadir ₹22,500 (D) Pranav ₹27,000 and Qadir ₹18,000

Answer (1 mark)
(A) Pranav ₹30,000 and Qadir ₹15,000
Interest due = ₹40,000 + ₹20,000 = ₹60,000, but profit is only ₹45,000. Interest on capital is an appropriation, so the whole profit is distributed in the ratio of interest 40,000 : 20,000 = 2 : 1 → ₹30,000 and ₹15,000.

2. Sakshi, a partner, withdrew ₹6,000 at the beginning of every quarter during the year ended 31st March, 2026. Interest on drawings is charged @ 8% p.a. The interest on her drawings will be:

(A) ₹720 (B) ₹960
(C) ₹1,200 (D) ₹1,440

Answer (1 mark)
(C) ₹1,200
When equal amounts are withdrawn at the beginning of each quarter, the average period = (12 + 3) ÷ 2 = 7½ months.
Interest = 24,000 × 8/100 × 7.5/12 = ₹1,200.

3. **Assertion (A):** The amount of premium for goodwill brought in cash by a new partner is credited to the capital accounts of the old partners in their sacrificing ratio.
Reason (R): The old partners give up a part of their share of profit in favour of the new partner.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false but Reason (R) is true.
(D) Assertion (A) is true but Reason (R) is false.

Answer (1 mark)
(A) Both are true and R explains A. The old partners are compensated for the share of profit they sacrifice, so the premium is shared in the sacrificing ratio.

4. Ishita and Jatin share profits in the ratio of 5 : 3. They admit Kabir for 1/4th share in future profits. Kabir acquires 1/6th share from Ishita and 1/12th share from Jatin. The new profit sharing ratio of Ishita, Jatin and Kabir will be:

(A) 5 : 3 : 2 (B) 11 : 7 : 6

(C) 15 : 9 : 8 (D) 13 : 5 : 6

Answer (1 mark)
(B) 11 : 7 : 6
Ishita = 5/8 – 1/6 = 11/24; Jatin = 3/8 – 1/12 = 7/24; Kabir = 1/6 + 1/12 = 6/24.
New ratio = 11 : 7 : 6.

5. Ritu and Sohan are partners. Their combined capitals, after all adjustments for revaluation and reserves, are ₹3,80,000. Tanvi is admitted for 1/4th share in profits and brings ₹1,50,000 as her capital. She does not bring any amount for goodwill. The value of the hidden goodwill of the firm is:

(A) ₹2,20,000 (B) ₹1,50,000

(C) ₹70,000 (D) ₹30,000

Answer (1 mark)
(C) ₹70,000
Total capital of the firm on the basis of Tanvi's share = 1,50,000 × 4/1 = ₹6,00,000.
Actual combined capital = 3,80,000 + 1,50,000 = ₹5,30,000.
Hidden goodwill = 6,00,000 – 5,30,000 = ₹70,000.

6. On the admission of a new partner, the following adjustments were agreed: Plant (book value ₹2,40,000) is to be depreciated by 10%; a computer worth ₹18,000, not recorded in the books, is to be brought into the books; and outstanding salary of ₹5,000 is to be recorded. The result of revaluation will be:

(A) Loss ₹11,000 (B) Gain ₹11,000

(C) Loss ₹47,000 (D) Gain ₹13,000

Answer (1 mark)
(A) Loss ₹11,000
Loss: depreciation on plant ₹24,000 + outstanding salary ₹5,000 = ₹29,000. Gain: unrecorded computer ₹18,000.
Net loss = 29,000 – 18,000 = ₹11,000 (debited to old partners' capitals in the old ratio).

7. Prakash, Qasim and Rekha share profits in the ratio of 3 : 2 : 1. Qasim retires and his share is taken over equally by Prakash and Rekha. The new profit sharing ratio of Prakash and Rekha will be:

(A) 3 : 1 (B) 1 : 1

(C) 2 : 1 (D) 5 : 3

Answer (1 mark)
(C) 2 : 1
Qasim's share 2/6 is taken equally (1/6 each).
Prakash = 3/6 + 1/6 = 4/6; Rekha = 1/6 + 1/6 = 2/6 → 4 : 2 = 2 : 1.

8. Devika, a partner with 2/5th share in profits, died on 31st July, 2026. The firm closes its books on 31st March every year. Her share of profit from 1st April, 2026 to the date of her death is to be calculated on the basis of the previous year's profit, which was ₹3,60,000. Her share of profit and the account to be debited for it will be:

(A) ₹48,000; Profit and Loss Suspense A/c
(B) ₹48,000; Devika's Capital A/c
(C) ₹72,000; Profit and Loss Suspense A/c
(D) ₹1,44,000; Profit and Loss Appropriation A/c

Answer (1 mark)
(A) ₹48,000; Profit and Loss Suspense A/c
1 April to 31 July = 4 months. Share = 3,60,000 × 4/12 × 2/5 = ₹48,000.
Entry: Profit and Loss Suspense A/c Dr. To Devika's Capital A/c ₹48,000.

9. On dissolution of a firm, an old computer which was not recorded in the books was taken over by Xavier, a partner, at ₹12,000. The journal entry for this will be:

(A) Realisation A/c Dr. ₹12,000 To Xavier's Capital A/c ₹12,000
(B) Xavier's Capital A/c Dr. ₹12,000 To Realisation A/c ₹12,000
(C) Computer A/c Dr. ₹12,000 To Realisation A/c ₹12,000
(D) Bank A/c Dr. ₹12,000 To Realisation A/c ₹12,000

Answer (1 mark)
(B) An unrecorded asset taken over by a partner is a gain on realisation: Xavier's Capital A/c is debited and Realisation A/c is credited with ₹12,000.

10. On dissolution of a partnership firm, a loan of ₹50,000 given to the firm by Raj, a partner, will be paid:

(A) before paying the outside creditors of the firm
(B) after paying the outside liabilities but before paying the partners' capitals
(C) after paying the partners' capitals
(D) along with the partners' capitals in the profit sharing ratio

Answer (1 mark)
(B) As per Section 48 of the Indian Partnership Act, 1932, assets are used first to pay outside liabilities, then partners' loans (advances) and only then partners' capitals.

11. Malwa Foods Ltd. issued equity shares of ₹10 each at a premium of ₹2 per share, payable ₹3 on application, ₹5 on allotment (including premium) and ₹4 on first and final call. Shalini, who held 800 shares, paid only the application money. Her shares were forfeited after the first and final call. On forfeiture, the amount debited to Securities Premium Reserve A/c will be:

(A) Nil
(B) ₹800
(C) ₹1,600
(D) ₹2,400

Answer (1 mark)
(C) ₹1,600
The premium (₹2 per share) was due with allotment, which Shalini did not pay. Premium not received is cancelled: 800 × ₹2 = ₹1,600 debited to Securities Premium Reserve A/c.

12. Nilgiri Tea Ltd. forfeited 600 equity shares of ₹10 each, fully called up, on which ₹4 per share had been received. Out of these, 400 shares were reissued at ₹8 per share as fully paid up. The amount transferred to Capital Reserve will be:

(A) ₹800
(B) ₹1,600
(C) ₹2,400
(D) ₹1,000

Answer (1 mark)
(A) ₹800
Forfeited amount on 400 reissued shares = 400 × ₹4 = ₹1,600. Discount on reissue = 400 × ₹2 = ₹800.
Capital Reserve = 1,600 – 800 = ₹800.

13. Satpura Cements Ltd. issued 2,000, 9% Debentures of ₹100 each at a discount of 5%, redeemable at a premium of 10%. The amount debited to Loss on Issue of Debentures A/c will be:

(A) ₹10,000
(B) ₹20,000
(C) ₹30,000
(D) ₹2,30,000

Answer (1 mark)
(C) ₹30,000
Loss = discount on issue (2,000 × ₹5 = ₹10,000) + premium payable on redemption (2,000 × ₹10 = ₹20,000) = ₹30,000.

14. As per Section 52 of the Companies Act, 2013, the Securities Premium Reserve **cannot** be used for:

(A) writing off the preliminary expenses of the company
(B) issuing fully paid bonus shares to the members
(C) paying dividend to the shareholders
(D) writing off the discount on issue of debentures

Answer (1 mark)
(C) paying dividend to the shareholders. Securities premium is a capital profit; Section 52 allows its use for the other three purposes but not for dividend.

15. **Assertion (A):** Debenture holders are the creditors of the company.
Reason (R): Interest on debentures is payable only when the company earns a profit.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false but Reason (R) is true.
(D) Assertion (A) is true but Reason (R) is false.

Answer (1 mark)
(D) A is true: a debenture is an acknowledgement of a debt. R is false: interest on debentures is a charge against profit and must be paid even if there is a loss.

16. Aditi and Bhuvan are partners sharing profits in the ratio of 1 : 2 with capitals of ₹2,00,000 and ₹1,00,000 respectively (fluctuating). After the accounts for the year were closed, it was found that interest on capital @ 5% p.a. was omitted. The adjusting entry will be:

(A) Aditi's Capital A/c Dr. ₹5,000 To Bhuvan's Capital A/c ₹5,000
(B) Bhuvan's Capital A/c Dr. ₹5,000 To Aditi's Capital A/c ₹5,000
(C) Bhuvan's Capital A/c Dr. ₹10,000 To Aditi's Capital A/c ₹10,000
(D) Profit and Loss Adjustment A/c Dr. ₹15,000 To Aditi's and Bhuvan's Capital A/cs ₹15,000

Answer (1 mark)
(B) Interest omitted: Aditi ₹10,000, Bhuvan ₹5,000 (total ₹15,000). This ₹15,000 is recovered in the ratio 1 : 2 (Aditi ₹5,000, Bhuvan ₹10,000).
Net effect: Aditi + ₹5,000, Bhuvan – ₹5,000 → Bhuvan's Capital A/c Dr. To Aditi's Capital A/c ₹5,000.

Q.17 to 20 Questions 17 to 20 carry 3 marks each. **[12]**

17. **(A)** Ankit, Bela and Chirag decided to dissolve their firm on 31st March, 2026. After transferring the assets (other than cash and bank) and outside liabilities to the Realisation Account, pass the necessary journal entries for the following:

(I) Trade creditors of ₹45,000 were paid at a discount of 5%.

(II) Ankit took over the investments (book value ₹40,000) at ₹36,000.

(III) Bela agreed to complete the dissolution work for a remuneration of ₹10,000 and to bear all realisation expenses. Actual realisation expenses of ₹8,000 were paid by her.

OR

(B) Priya, Qureshi and Rohan were partners sharing profits in the ratio of 2 : 2 : 1. Their firm was dissolved on 31st March, 2026. Pass the necessary journal entries for the following:

(I) An old computer, not recorded in the books, was sold for ₹9,000.

(II) A liability of ₹15,000 for damages, not recorded in the books, was settled by paying ₹12,000.

(III) The loss on realisation of ₹27,000 was distributed among the partners.

Answer (3 marks)

(A) Journal of the firm of Ankit, Bela and Chirag

S. No.	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(I)	Realisation A/c Dr.		42,750	
	To Bank A/c			42,750
	(Being trade creditors of ₹45,000 paid at a discount of 5%)			
(II)	Ankit's Capital A/c Dr.		36,000	
	To Realisation A/c			36,000
	(Being investments taken over by Ankit)			
(III)	Realisation A/c Dr.		10,000	
	To Bela's Capital A/c			10,000
	(Being remuneration allowed to Bela for completing the dissolution work)			

Note: No entry is passed for the ₹8,000 realisation expenses paid by Bela, because she has agreed to bear them in return for the remuneration of ₹10,000.

OR

(B) Journal of the firm of Priya, Qureshi and Rohan

S. No.	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(I)	Bank A/c Dr.		9,000	
	To Realisation A/c			9,000
	(Being unrecorded asset realised)			
(II)	Realisation A/c Dr.		12,000	
	To Bank A/c			12,000
	(Being unrecorded liability for damages paid)			
(III)	Priya's Capital A/c Dr.		10,800	
	Qureshi's Capital A/c Dr.		10,800	
	Rohan's Capital A/c Dr.		5,400	
	To Realisation A/c			27,000
	(Being loss on realisation transferred to partners' capital accounts in 2 : 2 : 1)			

Marking: (A) Each correct journal entry with narration – 1 mark × 3 (no entry for expenses must be stated in III) · OR (B) Each correct journal entry with narration – 1 mark × 3

Examiner tip: When a partner bears realisation expenses for a fixed remuneration, record only the remuneration (Realisation A/c Dr. To Partner's Capital A/c). Recording the ₹8,000 expenses as well is a common mistake.

18. Varun is a partner in a firm. His drawings during the year ended 31st March, 2026 were as follows:

Date	Amount (₹)
1st June, 2025	20,000
30th September, 2025	12,000
1st December, 2025	16,000
28th February, 2026	8,000

Calculate interest on Varun's drawings @ 9% p.a. using the product method.

Answer (3 marks)

Calculation of interest on drawings (product method)

Date of drawing	Amount (₹)	Months till 31st March, 2026	Product (₹)
1st June, 2025	20,000	10	2,00,000
30th September, 2025	12,000	6	72,000
1st December, 2025	16,000	4	64,000
28th February, 2026	8,000	1	8,000
Total	56,000		**3,44,000**

Interest on drawings = Sum of products × Rate × 1/12

= 3,44,000 × 9/100 × 1/12 = **₹2,580**

Marking: Correct period (months) for each drawing – 1 mark · Correct products and total ₹3,44,000 – 1 mark · Interest ₹2,580 – 1 mark

Examiner tip: Count months up to 31st March: a drawing on 30th September runs for 6 months (October–March). Many students take 7 months here.

19. Sahyadri Agro Ltd. purchased machinery worth ₹4,50,000 from Konkan Tools Ltd. It paid ₹90,000 by cheque and the balance by issuing 9% Debentures of ₹100 each at a premium of 20%.
(I) Calculate the number of debentures issued to Konkan Tools Ltd.
(II) Pass the necessary journal entries in the books of Sahyadri Agro Ltd.

Answer (3 marks)

(I) Amount to be paid by debentures = 4,50,000 – 90,000 = ₹3,60,000.
Issue price of one debenture = 100 + 20 = ₹120.
Number of debentures = 3,60,000 ÷ 120 = **3,000 debentures**.

(II) **Journal of Sahyadri Agro Ltd.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		4,50,000	
	To Konkan Tools Ltd.			4,50,000
	(Being machinery purchased from Konkan Tools Ltd.)			
	Konkan Tools Ltd. Dr.		4,50,000	
	To Bank A/c			90,000
	To 9% Debentures A/c			3,00,000
	To Securities Premium Reserve A/c			60,000
	(Being payment made by cheque of ₹90,000 and 3,000, 9% Debentures of ₹100 each issued at 20% premium)			

Marking: Number of debentures 3,000 – 1 mark · Entry for purchase of machinery – 1 mark · Entry for payment to vendor (bank, debentures, securities premium) – 1 mark

Examiner tip: Divide the balance by the issue price (₹120), not by the face value (₹100). The premium of ₹60,000 goes to Securities Premium Reserve A/c. (NCERT names this account 'Securities Premium Reserve A/c'; 'Securities Premium A/c' is equally acceptable.)

20. The capital employed in the business of Ojas Electricals is ₹8,00,000 and the normal rate of return in this line of business is 12%. The profits of the firm for the last three years were:

Year ended	Profit (₹)
31st March, 2024	1,30,000
31st March, 2025	1,52,000
31st March, 2026	1,47,000

Additional information:
(i) The profit for 2024-25 includes a gain of ₹12,000 from sale of an old delivery van (an abnormal gain).
(ii) The profit for 2025-26 was arrived at after charging an abnormal loss of ₹9,000 caused by a flood.
Calculate the value of goodwill of the firm at three years' purchase of super profits.

Answer (3 marks)

Adjusted (normal) profits

Year ended	Calculation	Normal profit (₹)
31st March, 2024	No adjustment	1,30,000
31st March, 2025	1,52,000 – 12,000 (abnormal gain)	1,40,000
31st March, 2026	1,47,000 + 9,000 (abnormal loss)	1,56,000
Total		**4,26,000**

Average profit = 4,26,000 ÷ 3 = ₹1,42,000
Normal profit = 8,00,000 × 12/100 = ₹96,000
Super profit = 1,42,000 – 96,000 = ₹46,000
Goodwill = 46,000 × 3 = **₹1,38,000**

Marking: Adjusting abnormal gain and loss; average profit ₹1,42,000 – 1 mark · Normal profit ₹96,000 and super profit ₹46,000 – 1 mark · Goodwill ₹1,38,000 – 1 mark

Examiner tip: An abnormal gain is deducted and an abnormal loss is added back to find normal profit; reversing these signs is the commonest error.

Q.21 and 22 Questions 21 and 22 carry 4 marks each. **[8]**

21. Vidarbha Textiles Ltd. was registered with an authorised capital of ₹30,00,000 divided into 3,00,000 equity shares of ₹10 each. It issued 1,20,000 equity shares as follows:
(i) 20,000 equity shares were issued as fully paid up to Shree Builders as purchase consideration for a building.
(ii) 1,00,000 equity shares were offered to the public, payable ₹3 on application, ₹3 on allotment and ₹4 on first and final call. All the shares were subscribed and the amounts were duly received, except the first and final call on 2,500 shares.
Show the share capital in the Balance Sheet of the company as at 31st March, 2026 and prepare the Notes to Accounts.

Answer (4 marks)

Balance Sheet of Vidarbha Textiles Ltd. as at 31st March, 2026 (extract)

Particulars	Note No.	31-03-2026 (₹)
I. EQUITY AND LIABILITIES		

1. Shareholders' Funds		
(a) Share Capital	1	11,90,000

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
3,00,000 Equity Shares of ₹10 each	30,00,000
Issued Capital	
1,20,000 Equity Shares of ₹10 each	12,00,000
Subscribed Capital	
Subscribed and fully paid up	
20,000 Equity Shares of ₹10 each issued to the vendor as fully paid up for consideration other than cash	2,00,000
97,500 Equity Shares of ₹10 each fully paid up	9,75,000
Subscribed but not fully paid up	
2,500 Equity Shares of ₹10 each, fully called up 25,000 Less: Calls in Arrears (2,500 × ₹4) 10,000	15,000
Total	**11,90,000**

Check: Cash received from the public = 10,00,000 – 10,000 = ₹9,90,000; shares to vendor ₹2,00,000; total ₹11,90,000.

Marking: Balance Sheet extract with Note reference – 1 mark · Authorised and Issued capital – 1 mark · Subscribed and fully paid up (vendor shares shown separately, 97,500 shares) – 1 mark · Subscribed but not fully paid up less calls in arrears ₹15,000; total ₹11,90,000 – 1 mark

Examiner tip: Shares issued to a vendor are shown separately with the words 'for consideration other than cash'. Calls in arrears are deducted from 'Subscribed but not fully paid up', not from the total.

22. **(A)** Kavya, Ishaan and Rohan are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their fixed capitals are ₹3,00,000, ₹2,00,000 and ₹1,00,000 respectively. The partnership deed provides:
(i) Interest on capital @ 6% p.a.
(ii) Salary to Rohan @ ₹3,000 per month.
(iii) Commission to Ishaan @ 5% of the net profit after charging interest on capital, salary and such commission.
(iv) 10% of the profit remaining after the above is to be transferred to General Reserve.
The net profit of the firm for the year ended 31st March, 2026 before the above items was ₹1,98,000. Prepare the Profit and Loss Appropriation Account.

OR

(B) Neel, Om and Pari were partners sharing profits in the ratio of 2 : 2 : 1. Pari died on 12th August, 2026. The partnership deed provides that:
(i) Her share of profit till the date of death will be calculated on the basis of sales. Sales for the year ended 31st March, 2026 were ₹15,00,000 and the profit for that year was ₹1,80,000. Sales from 1st April, 2026 to 12th August, 2026 were ₹6,00,000.
(ii) Her share of goodwill will be based on the goodwill of the firm, valued at ₹2,40,000.
Calculate Pari's share of profit and of goodwill, and pass the necessary journal entries.

Answer (4 marks)

(A) In the books of Kavya, Ishaan and Rohan

Dr. Profit and Loss Appropriation Account for the year ended 31st March, 2026 Cr.

Particulars	₹	Particulars	₹
To Interest on Capital:		By Profit and Loss A/c (Net Profit)	1,98,000
Kavya's Capital A/c	18,000		
Ishaan's Capital A/c	12,000		
Rohan's Capital A/c	6,000		
To Rohan's Capital A/c (Salary)	36,000		
To Ishaan's Capital A/c (Commission)	6,000		
To General Reserve A/c	12,000		
To Profit transferred to:			
Kavya's Capital A/c	54,000		
Ishaan's Capital A/c	36,000		
Rohan's Capital A/c	18,000		
Total	**1,98,000**	Total	**1,98,000**

Working notes:

(1) Interest on capital: 3,00,000 × 6% = 18,000; 2,00,000 × 6% = 12,000; 1,00,000 × 6% = 6,000 (total ₹36,000).

(2) Profit after interest and salary = 1,98,000 – 36,000 – 36,000 = ₹1,26,000.

(3) Commission = 1,26,000 × 5/105 = ₹6,000.

(4) Remaining profit = 1,26,000 – 6,000 = 1,20,000; General Reserve 10% = ₹12,000; divisible profit ₹1,08,000 in 3 : 2 : 1 = 54,000 : 36,000 : 18,000.

(Since capitals are fixed, the items may equally be credited to the partners' Current Accounts.)

OR

(B) Rate of profit on sales = 1,80,000 ÷ 15,00,000 × 100 = 12%.

Profit from 1st April to 12th August, 2026 = 6,00,000 × 12% = ₹72,000. Pari's share = 72,000 × 1/5 = **₹14,400**.

Pari's share of goodwill = 2,40,000 × 1/5 = **₹48,000**, borne by Neel and Om in their gaining ratio.

Gaining ratio = 2 : 2 = 1 : 1 → ₹24,000 each.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026 Aug. 12	Profit and Loss Suspense A/c Dr.		14,400	
	To Pari's Capital A/c			14,400
	(Being Pari's share of profit till the date of death credited to her capital account)			
Aug. 12	Neel's Capital A/c Dr.		24,000	
	Om's Capital A/c Dr.		24,000	
	To Pari's Capital A/c			48,000
	(Being Pari's share of goodwill adjusted in the gaining ratio 1 : 1)			

Marking: (A) Interest on capital and salary – 1 mark · Commission ₹6,000 correctly calculated – 1 mark · Transfer to General Reserve ₹12,000 – 1 mark · Division of ₹1,08,000 and correct totals ₹1,98,000 – 1 mark · OR (B) Share of profit ₹14,400 – 1 mark; entry through P&L Suspense A/c – 1 mark; goodwill ₹48,000 in gaining ratio – 1 mark; goodwill entry – 1 mark

Examiner tip: '5% of net profit after charging such commission' means Profit × 5/105, not 5/100. In (B), the deceased partner's share of profit is debited to Profit and Loss Suspense A/c because the books are not closed.

Q.23 to 26 Questions 23 to 26 carry 6 marks each. **[24]**

23. (I) On 1st October, 2025, Vasant Industries Ltd. issued 5,000, 10% Debentures of ₹100 each at a discount of 4%, redeemable at a premium of 6% after five years. The whole amount was payable on application. All the debentures were subscribed and allotted, and the money was duly received. Interest on debentures is payable half-yearly on 31st March and 30th September. The company had a balance of ₹35,000 in its Securities Premium Reserve Account.
Pass the necessary journal entries for the issue of debentures, for debenture interest for the year ended 31st March, 2026, and for writing off the loss on issue of debentures in the same year.
(II) Pass the journal entry for allotment of debentures in each of the following cases:
(a) Ganga Motors Ltd. issued 1,500, 11% Debentures of ₹500 each at par, redeemable at a premium of 10%.
(b) Yamuna Papers Ltd. issued 2,000, 8% Debentures of ₹100 each at a premium of 5%, redeemable at par.

Answer (6 marks)

(I) Journal of Vasant Industries Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 Oct. 1	Bank A/c Dr.		4,80,000	
	To Debenture Application and Allotment A/c			4,80,000
	(Being application money received on 5,000 debentures @ ₹96 each)			
Oct. 1	Debenture Application and Allotment A/c Dr.		4,80,000	
	Loss on Issue of Debentures A/c Dr.		50,000	
	To 10% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			30,000
	(Being 5,000, 10% Debentures allotted at 4% discount, redeemable at 6% premium)			
2026 Mar. 31	Debenture Interest A/c Dr.		25,000	
	To Debentureholders' A/c			25,000
	(Being interest due for six months on ₹5,00,000 @ 10% p.a.)			
Mar. 31	Debentureholders' A/c Dr.		25,000	
	To Bank A/c			25,000
	(Being debenture interest paid)			
Mar. 31	Statement of Profit and Loss Dr.		25,000	
	To Debenture Interest A/c			25,000
	(Being debenture interest transferred to Statement of Profit and Loss)			
Mar. 31	Securities Premium Reserve A/c Dr.		35,000	
	Statement of Profit and Loss Dr.		15,000	
	To Loss on Issue of Debentures A/c			50,000

	(Being loss on issue of debentures written off, first from Securities Premium Reserve and the balance from Statement of Profit and Loss (finance cost))			

Working notes:

(1) Amount received = 5,000 × ₹96 = ₹4,80,000.

(2) Loss on issue = discount 5,000 × ₹4 (₹20,000) + premium on redemption 5,000 × ₹6 (₹30,000) = ₹50,000.

(3) Interest for 1st October, 2025 to 31st March, 2026 = 5,00,000 × 10% × 6/12 = ₹25,000 (on face value).

(4) Loss of ₹50,000 is written off in the year of allotment: ₹35,000 from Securities Premium Reserve and ₹15,000 from Statement of Profit and Loss.

(II) Journal

Case	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Debenture Application and Allotment A/c Dr.		7,50,000	
	Loss on Issue of Debentures A/c Dr.		75,000	
	To 11% Debentures A/c			7,50,000
	To Premium on Redemption of Debentures A/c			75,000
	(Being 1,500, 11% Debentures of ₹500 each issued at par, redeemable at 10% premium)			
(b)	Debenture Application and Allotment A/c Dr.		2,10,000	
	To 8% Debentures A/c			2,00,000
	To Securities Premium Reserve A/c			10,000
	(Being 2,000, 8% Debentures of ₹100 each issued at 5% premium, redeemable at par)			

Marking: (I) Receipt of application money – ½ mark · Allotment entry with Loss on Issue and Premium on Redemption – 1½ marks · Debenture interest entries (due, paid, transferred) – 1 mark · Writing off loss from Securities Premium Reserve and Statement of P&L – 1 mark · (II) (a) – 1 mark; (b) – 1 mark

Examiner tip: Debenture interest is always calculated on the face value (₹5,00,000), never on the issue price. Loss on issue is written off first from Securities Premium Reserve.

24. Ananya and Bhavesh are partners in a firm sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2026 was as follows:

Balance Sheet of Ananya and Bhavesh as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	72,000	Bank	58,000
Workmen Compensation Reserve	30,000	Debtors 1,10,000 Less: Provision for Doubtful Debts 4,000	1,06,000
General Reserve	50,000	Stock	1,48,000
Capital Accounts:		Plant	2,40,000
Ananya	3,20,000	Building	1,60,000
Bhavesh	2,40,000		
Total	**7,12,000**	Total	**7,12,000**

On 1st April, 2026 they admitted Chitra as a new partner for 1/4th share in future profits, which she acquired equally from Ananya and Bhavesh. It was agreed that:

1. Goodwill of the firm is valued at ₹1,60,000. Chitra will bring her share of goodwill (premium) in cash, besides her capital of ₹2,00,000.
2. Stock is revalued at ₹1,60,000 and Building is appreciated by 20%.
3. Plant is to be depreciated by 10%.
4. Provision for doubtful debts is to be maintained at 5% on debtors.
5. A claim of ₹18,000 on account of workmen compensation is admitted.

On the basis of the above information, answer the following questions:

I. The new profit sharing ratio of Ananya, Bhavesh and Chitra will be:
(A) 9 : 6 : 5 (B) 19 : 11 : 10
(C) 3 : 2 : 1 (D) 11 : 19 : 10

II. The amount of premium for goodwill brought in by Chitra will be:
(A) ₹1,60,000 (B) ₹32,000
(C) ₹40,000 (D) ₹20,000

III. The premium for goodwill will be credited to:
(A) Ananya ₹24,000 and Bhavesh ₹16,000 (B) Ananya ₹20,000 and Bhavesh ₹20,000
(C) Ananya, Bhavesh and Chitra in the new ratio (D) Ananya ₹19,000 and Bhavesh ₹11,000

IV. The net gain on revaluation will be:
(A) ₹30,500 (B) ₹6,500
(C) ₹42,500 (D) ₹18,500

V. The excess of Workmen Compensation Reserve over the claim (₹12,000) will be:
(A) credited to Revaluation Account (B) credited to the capital accounts of Ananya and Bhavesh in 3 : 2
(C) credited to the capital accounts of all three partners in the new ratio (D) debited to Revaluation Account

VI. The balance of Ananya's Capital Account after all the above adjustments will be:
(A) ₹3,68,300 (B) ₹3,81,100
(C) ₹3,88,300 (D) ₹3,96,300

Answer (6 marks)
I. (B) 19 : 11 : 10 – Ananya 3/5 – 1/8 = 19/40; Bhavesh 2/5 – 1/8 = 11/40; Chitra 10/40.
II. (C) ₹40,000 – 1,60,000 × 1/4.
III. (B) Ananya ₹20,000 and Bhavesh ₹20,000 – premium is shared in the sacrificing ratio, which is 1/8 : 1/8 = 1 : 1.

IV. (D) ₹18,500 – Gains: stock 12,000 + building 32,000 = 44,000. Losses: plant 24,000 + provision (5,500 – 4,000) 1,500 = 25,500. Net gain = ₹18,500.

V. (B) – the reserve belongs to the old partners; the claim ₹18,000 is met from it and the excess ₹12,000 is credited to Ananya and Bhavesh in the old ratio 3 : 2.

VI. (C) ₹3,88,300 – 3,20,000 + General Reserve 30,000 + WCR excess 7,200 + revaluation gain 11,100 + premium 20,000 = ₹3,88,300.

Marking: 1 mark for each correct answer (I–VI) – 6 × 1 = 6 marks

Examiner tip: When the new partner takes her share equally from the old partners, the sacrificing ratio is 1 : 1, not the old ratio. The excess Workmen Compensation Reserve goes to the old partners' capital accounts, not to Revaluation Account.

25. **(A)** Divya, Esha and Farhan were partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2026 was as follows:

Balance Sheet of Divya, Esha and Farhan as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	85,000	Bank	70,000
Bills Payable	25,000	Debtors	1,20,000
General Reserve	60,000	Stock	1,30,000
Capital Accounts:		Furniture	60,000
Divya	3,00,000	Machinery	2,40,000
Esha	2,00,000	Land and Building	2,00,000
Farhan	1,50,000		
Total	**8,20,000**	Total	**8,20,000**

Esha retired on 31st March, 2026 on the following terms:

(i) Goodwill of the firm was valued at ₹2,00,000. Divya and Farhan will share future profits in the ratio of 3 : 2.

(ii) Land and Building was appreciated by 15% and Machinery was depreciated by 10%.

(iii) A provision for doubtful debts @ 5% was to be created on debtors.

(iv) Stock was to be reduced to ₹1,22,000.

(v) An investment of ₹15,000, not recorded in the books, was taken over by Esha.

(vi) Esha was to be paid ₹50,000 by cheque and the balance was to be transferred to her loan account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

OR

(B) Gauri, Harsh and Isha were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2026 was as follows:

Balance Sheet of Gauri, Harsh and Isha as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	60,000	Bank	35,000
Bills Payable	20,000	Debtors 75,000 Less: Provision for Doubtful Debts 5,000	70,000
Harsh's Loan	30,000	Stock	80,000
General Reserve	25,000	Investments	40,000
Capital Accounts:		Furniture	30,000
Gauri	1,20,000	Machinery	1,40,000
Harsh	90,000		
Isha	50,000		
Total	**3,95,000**	Total	**3,95,000**

The firm was dissolved on that date. Assets were realised and liabilities were paid as follows:

(i) Gauri took over the investments at ₹36,000 and Isha took over the furniture at ₹22,000.

(ii) Debtors realised ₹68,000; stock realised 90% of its book value and machinery was sold for ₹1,25,000.

(iii) Creditors were paid ₹58,000 in full settlement and bills payable were paid in full.

(iv) An old computer, not recorded in the books, was sold for ₹6,000.

(v) Realisation expenses of ₹4,000 were paid by Harsh on behalf of the firm.

(vi) Harsh's loan was paid off.

Prepare the Realisation Account, Partners' Capital Accounts and Bank Account.

Answer (6 marks)

(A) In the books of Divya, Esha and Farhan

Dr. Revaluation Account Cr.

Particulars	₹	Particulars	₹
To Machinery A/c (10% depreciation)	24,000	By Land and Building A/c (15% appreciation)	30,000
To Provision for Doubtful Debts A/c (5% of 1,20,000)	6,000	By Esha's Capital A/c (unrecorded investment taken over)	15,000
To Stock A/c (1,30,000 – 1,22,000)	8,000		
To Gain on revaluation transferred to:			
Divya's Capital A/c (5/10)	3,500		
Esha's Capital A/c (3/10)	2,100		
Farhan's Capital A/c (2/10)	1,400		
Total	**45,000**	Total	**45,000**

Dr. Partners' Capital Accounts Cr.

Particulars	Divya ₹	Esha ₹	Farhan ₹	Particulars	Divya ₹	Esha ₹	Farhan ₹
To Esha's Capital A/c (goodwill)	20,000	–	40,000	By Balance b/d	3,00,000	2,00,000	1,50,000
To Revaluation A/c (investment)	–	15,000	–	By General Reserve A/c	30,000	18,000	12,000
To Bank A/c	–	50,000	–	By Revaluation A/c	3,500	2,100	1,400
To Esha's Loan A/c	–	2,15,100	–	By Divya's Capital A/c (goodwill)	–	20,000	–
To Balance c/d	3,13,500	–	1,23,400	By Farhan's Capital A/c (goodwill)	–	40,000	–
Total	**3,33,500**	**2,80,100**	**1,63,400**	Total	**3,33,500**	**2,80,100**	**1,63,400**

Balance Sheet of Divya and Farhan as at 31st March, 2026 (after Esha's retirement)

Liabilities	₹	Assets	₹
Creditors	85,000	Bank (70,000 – 50,000)	20,000
Bills Payable	25,000	Debtors 1,20,000 Less: Provision for Doubtful Debts 6,000	1,14,000
Esha's Loan	2,15,100	Stock	1,22,000
Capital Accounts:		Furniture	60,000
Divya	3,13,500	Machinery (2,40,000 – 24,000)	2,16,000
Farhan	1,23,400	Land and Building (2,00,000 + 30,000)	2,30,000
Total	**7,62,000**	Total	**7,62,000**

Working notes:

(1) Gaining ratio: Divya 3/5 – 5/10 = 1/10; Farhan 2/5 – 2/10 = 2/10 → 1 : 2.

(2) Esha's share of goodwill = 2,00,000 × 3/10 = ₹60,000, debited to Divya ₹20,000 and Farhan ₹40,000.

(3) General Reserve ₹60,000 shared 5 : 3 : 2 = 30,000 : 18,000 : 12,000.

(4) Amount due to Esha = ₹2,65,100; paid ₹50,000; loan ₹2,15,100.

OR

(B) In the books of Gauri, Harsh and Isha

Dr. Realisation Account Cr.

Particulars	₹	Particulars	₹
To Debtors A/c	75,000	By Provision for Doubtful Debts A/c	5,000
To Stock A/c	80,000	By Creditors A/c	60,000
To Investments A/c	40,000	By Bills Payable A/c	20,000
To Furniture A/c	30,000	By Gauri's Capital A/c (investments)	36,000
To Machinery A/c	1,40,000	By Bank A/c (debtors)	68,000
To Bank A/c (creditors)	58,000	By Bank A/c (stock, 90% of 80,000)	72,000
To Bank A/c (bills payable)	20,000	By Bank A/c (machinery)	1,25,000
To Harsh's Capital A/c (realisation expenses)	4,000	By Isha's Capital A/c (furniture)	22,000
		By Bank A/c (unrecorded computer)	6,000
		By Loss on realisation transferred to:	
		Gauri's Capital A/c	13,200
		Harsh's Capital A/c	13,200
		Isha's Capital A/c	6,600
Total	**4,47,000**	Total	**4,47,000**

Dr. Partners' Capital Accounts Cr.

Particulars	Gauri ₹	Harsh ₹	Isha ₹	Particulars	Gauri ₹	Harsh ₹	Isha ₹
To Realisation A/c (assets taken over)	36,000	–	22,000	By Balance b/d	1,20,000	90,000	50,000
To Realisation A/c (loss)	13,200	13,200	6,600	By General Reserve A/c	10,000	10,000	5,000
To Bank A/c (final payment)	80,800	90,800	26,400	By Realisation A/c (expenses)	–	4,000	–
Total	**1,30,000**	**1,04,000**	**55,000**	Total	**1,30,000**	**1,04,000**	**55,000**

Dr. Bank Account Cr.

Particulars	₹	Particulars	₹
To Balance b/d	35,000	By Realisation A/c (creditors)	58,000
To Realisation A/c (debtors)	68,000	By Realisation A/c (bills payable)	20,000
To Realisation A/c (stock)	72,000	By Harsh's Loan A/c	30,000
To Realisation A/c (machinery)	1,25,000	By Gauri's Capital A/c	80,800
To Realisation A/c (computer)	6,000	By Harsh's Capital A/c	90,800
		By Isha's Capital A/c	26,400
Total	**3,06,000**	Total	**3,06,000**

Note: Harsh's loan (₹30,000) is paid after the outside liabilities but before the partners' capitals. The Bank Account closes with nil balance (₹3,06,000 each side).

Marking: (A) Revaluation Account with gain ₹7,000 – 2 marks · Partners' Capital Accounts (goodwill, reserve, Esha's loan ₹2,15,100) – 2 marks · Balance Sheet totalling ₹7,62,000 – 2 marks · OR (B) Realisation Account with loss ₹33,000 – 3 marks · Partners' Capital Accounts – 2 marks · Bank Account – 1 mark

Examiner tip: An unrecorded asset taken over by the retiring partner is credited to Revaluation A/c and debited to that partner's capital. On dissolution, Harsh's loan is not transferred to Realisation A/c; it is paid directly from Bank.

26. **(A)** Deccan Spices Ltd. invited applications for 60,000 equity shares of ₹10 each at a premium of ₹2 per share, payable as follows:
₹5 on application (including premium ₹2); ₹4 on allotment; ₹3 on first and final call.
Applications were received for 96,000 shares. Applications for 6,000 shares were rejected and the money refunded. Shares were allotted to the remaining applicants on a pro-rata basis, and the excess application money was adjusted towards allotment.
Meera, who had applied for 2,700 shares, failed to pay the allotment money and the first and final call. Her shares were forfeited after the call. Later, 1,200 of the forfeited shares were reissued at ₹8 per share as fully paid up.
Pass the necessary journal entries in the books of Deccan Spices Ltd.

OR

(B) Malvan Fisheries Ltd. offered 50,000 equity shares of ₹10 each at par to the public, payable as: ₹2 on application, ₹3 on allotment, ₹2 on first call and ₹3 on second and final call.
Applications were received for 48,000 shares, and all of them were allotted. All money was duly received except that:
(i) A shareholder holding 1,000 shares paid both the calls along with the allotment money.
(ii) Another shareholder holding 600 shares failed to pay the first and the second calls. His shares were forfeited after the second and final call, and all of them were reissued at ₹8 per share as fully paid up.
Pass the necessary journal entries in the books of Malvan Fisheries Ltd. (Calls-in-Arrears Account is not maintained.)

Answer (6 marks)

(A) Journal of Deccan Spices Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		4,80,000	
	To Equity Share Application A/c			4,80,000
	(Being application money received on 96,000 shares @ ₹5 per share)			
	Equity Share Application A/c Dr.		4,80,000	
	To Equity Share Capital A/c			1,80,000
	To Securities Premium Reserve A/c			1,20,000
	To Equity Share Allotment A/c			1,50,000
	To Bank A/c			30,000
	(Being application money transferred to share capital and securities premium reserve, excess adjusted on allotment and money refunded on 6,000 rejected applications)			
	Equity Share Allotment A/c Dr.		2,40,000	
	To Equity Share Capital A/c			2,40,000
	(Being allotment money due on 60,000 shares @ ₹4 per share)			
	Bank A/c Dr.		87,300	
	To Equity Share Allotment A/c			87,300
	(Being allotment money received except from Meera on 1,800 shares)			
	Equity Share First and Final Call A/c Dr.		1,80,000	

	To Equity Share Capital A/c			1,80,000
	(Being first and final call money due on 60,000 shares @ ₹3 per share)			
	Bank A/c Dr.		1,74,600	
	To Equity Share First and Final Call A/c			1,74,600
	(Being call money received except on 1,800 shares)			
	Equity Share Capital A/c Dr.		18,000	
	To Equity Share Allotment A/c			2,700
	To Equity Share First and Final Call A/c			5,400
	To Share Forfeiture A/c			9,900
	(Being 1,800 shares of Meera forfeited for non-payment of allotment and call money)			
	Bank A/c Dr.		9,600	
	Share Forfeiture A/c Dr.		2,400	
	To Equity Share Capital A/c			12,000
	(Being 1,200 forfeited shares reissued at ₹8 per share as fully paid up)			
	Share Forfeiture A/c Dr.		4,200	
	To Capital Reserve A/c			4,200
	(Being gain on reissue of 1,200 forfeited shares transferred to Capital Reserve)			

Working notes:

(1) Pro-rata ratio = 90,000 applied : 60,000 allotted = 3 : 2. Meera applied for 2,700 shares → allotted 2,700 × 2/3 = 1,800 shares.

(2) Excess application money = (90,000 – 60,000) × ₹5 = ₹1,50,000. Meera's excess = 900 × ₹5 = ₹4,500.

(3) Meera's unpaid allotment = 1,800 × ₹4 – 4,500 = ₹2,700. Allotment received = 2,40,000 – 1,50,000 – 2,700 = ₹87,300.

(4) Amount forfeited = share capital part of application money on allotted shares (1,800 × ₹3 = ₹5,400) + excess adjusted on allotment (₹4,500) = ₹9,900. The premium was received with application, so Securities Premium Reserve A/c is not debited.

(5) Forfeiture on 1,200 shares = 9,900 × 1,200/1,800 = ₹6,600; less discount on reissue (1,200 × ₹2) ₹2,400 = Capital Reserve ₹4,200. (Balance ₹3,300 stays in Share Forfeiture A/c for the 600 shares not yet reissued.)

OR

(B) Journal of Malvan Fisheries Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		96,000	
	To Equity Share Application A/c			96,000
	(Being application money received on 48,000 shares @ ₹2)			
	Equity Share Application A/c Dr.		96,000	
	To Equity Share Capital A/c			96,000
	(Being application money transferred to share capital on allotment of 48,000 shares)			
	Equity Share Allotment A/c Dr.		1,44,000	
	To Equity Share Capital A/c			1,44,000
	(Being allotment money due @ ₹3 per share)			

	Bank A/c Dr.		1,49,000	
	To Equity Share Allotment A/c			1,44,000
	To Calls in Advance A/c			5,000
	(Being allotment money received along with calls in advance on 1,000 shares @ ₹5)			
	Equity Share First Call A/c Dr.		96,000	
	To Equity Share Capital A/c			96,000
	(Being first call money due @ ₹2 per share)			
	Bank A/c Dr.		92,800	
	Calls in Advance A/c Dr.		2,000	
	To Equity Share First Call A/c			94,800
	(Being first call money received (except on 600 shares) and calls in advance adjusted)			
	Equity Share Second and Final Call A/c Dr.		1,44,000	
	To Equity Share Capital A/c			1,44,000
	(Being second and final call money due @ ₹3 per share)			
	Bank A/c Dr.		1,39,200	
	Calls in Advance A/c Dr.		3,000	
	To Equity Share Second and Final Call A/c			1,42,200
	(Being second and final call money received (except on 600 shares) and balance of calls in advance adjusted)			
	Equity Share Capital A/c Dr.		6,000	
	To Equity Share First Call A/c			1,200
	To Equity Share Second and Final Call A/c			1,800
	To Share Forfeiture A/c			3,000
	(Being 600 shares forfeited for non-payment of first and second calls)			
	Bank A/c Dr.		4,800	
	Share Forfeiture A/c Dr.		1,200	
	To Equity Share Capital A/c			6,000
	(Being 600 forfeited shares reissued at ₹8 per share as fully paid up)			
	Share Forfeiture A/c Dr.		1,800	
	To Capital Reserve A/c			1,800
	(Being balance of Share Forfeiture A/c transferred to Capital Reserve)			

Working notes:

(1) Calls in advance = 1,000 × (2 + 3) = ₹5,000; adjusted ₹2,000 on first call and ₹3,000 on second call.

(2) First call received in cash = 96,000 – 2,000 (advance) – 1,200 (defaulter) = ₹92,800; second call = 1,44,000 – 3,000 – 1,800 = ₹1,39,200.

(3) Forfeited amount = 600 × ₹5 = ₹3,000; discount on reissue = 600 × ₹2 = ₹1,200; Capital Reserve = ₹1,800.

Marking: (A) Application and its transfer with refund/adjustment – 1 mark · Allotment due and receipt ₹87,300 – 1 mark · Call due and receipt – 1 mark · Forfeiture entry (forfeiture ₹9,900) – 1½ marks · Reissue and Capital Reserve ₹4,200 – 1½ marks · OR (B) Application and allotment entries with calls in advance – 2 marks · Call entries with adjustment of calls in advance – 2 marks · Forfeiture – 1 mark · Reissue and Capital Reserve – 1 mark

> **Examiner tip:** Transfer to Capital Reserve only the forfeited amount on the shares actually reissued (₹6,600 – ₹2,400), not the whole forfeiture balance. Premium already received with application is never cancelled on forfeiture.

PART B – OPTION I Analysis of Financial Statements. Questions 27 to 30 carry 1 mark each, 31 and 32 carry 3 marks each, 33 carries 4 marks and 34 carries 6 marks. **[20]**

27. From the following information, the cash flow from operating activities will be:
Profit before tax ₹1,50,000 (no income tax was paid during the year); Depreciation ₹20,000; Increase in trade receivables ₹30,000; Decrease in inventories ₹10,000; Increase in trade payables ₹12,000.

(A) ₹1,62,000 (B) ₹1,38,000
(C) ₹1,86,000 (D) ₹1,42,000

> **Answer** (1 mark)
> **(A) ₹1,62,000**
> 1,50,000 + 20,000 (depreciation) – 30,000 (increase in receivables) + 10,000 (decrease in inventories) + 12,000 (increase in payables) = ₹1,62,000.

28. **Assertion (A):** When the current ratio of a company is 2 : 1, payment of ₹50,000 to trade payables will increase the current ratio.
Reason (R): When the current ratio is more than 1 : 1, an equal decrease in current assets and current liabilities increases the ratio.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false but Reason (R) is true.
(D) Assertion (A) is true but Reason (R) is false.

> **Answer** (1 mark)
> **(A)** Both are true and R explains A. Example: current assets ₹2,00,000 and current liabilities ₹1,00,000; after paying ₹50,000 the ratio becomes 1,50,000 : 50,000 = 3 : 1.

29. Bharat Finance Ltd. is a financial enterprise whose main business is investing in shares. Dividend of ₹4,00,000 received by it on its investments will be shown in its Cash Flow Statement as:

(A) Cash inflow from operating activities
(B) Cash inflow from investing activities
(C) Cash inflow from financing activities
(D) A non-cash item, not shown

> **Answer** (1 mark)
> **(A) Cash inflow from operating activities**. For a financial enterprise, interest and dividend received arise from its principal revenue-producing activity (AS-3).

30. Credit revenue from operations of a company is ₹9,00,000. Trade receivables at the beginning and at the end of the year are ₹1,40,000 and ₹1,60,000 respectively. The Trade Receivables Turnover Ratio is:

(A) 5.63 times (B) 6 times
(C) 6.43 times (D) 3 times

> **Answer** (1 mark)
> **(B) 6 times**
> Average trade receivables = (1,40,000 + 1,60,000) ÷ 2 = ₹1,50,000. Ratio = 9,00,000 ÷ 1,50,000 = 6 times.

31. **(A)** From the following information, prepare a Comparative Balance Sheet of Jalgaon Pipes Ltd.:

Particulars	31-03-2026 (₹)	31-03-2025 (₹)
I. Equity and Liabilities		
Share Capital	12,00,000	10,00,000
Reserves and Surplus	1,50,000	2,00,000
Long-term Borrowings	5,00,000	4,00,000
Current Liabilities	2,50,000	2,00,000
Total	**21,00,000**	**18,00,000**
II. Assets		
Property, Plant and Equipment and Intangible Assets	15,00,000	12,00,000
Current Assets	6,00,000	6,00,000
Total	**21,00,000**	**18,00,000**

OR

(B) From the following information for the year ended 31st March, 2026, prepare a Common Size Statement of Profit and Loss of Ratnagiri Canning Ltd.:
Revenue from operations ₹8,00,000; Other income ₹40,000; Cost of materials consumed ₹4,40,000; Employee benefits expenses ₹80,000; Other expenses ₹1,20,000; Tax rate 30%.

Answer (3 marks)

(A) Comparative Balance Sheet of Jalgaon Pipes Ltd. as at 31st March, 2025 and 2026

Particulars	31-03-2025 (₹)	31-03-2026 (₹)	Absolute Change (₹)	Percentage Change (%)
I. EQUITY AND LIABILITIES				
1. Shareholders' Funds				
(a) Share Capital	10,00,000	12,00,000	2,00,000	20.00
(b) Reserves and Surplus	2,00,000	1,50,000	(50,000)	(25.00)
2. Non-current Liabilities				
Long-term Borrowings	4,00,000	5,00,000	1,00,000	25.00
3. Current Liabilities	2,00,000	2,50,000	50,000	25.00
Total	18,00,000	21,00,000	3,00,000	16.67
II. ASSETS				
1. Non-current Assets: Property, Plant and Equipment and Intangible Assets	12,00,000	15,00,000	3,00,000	25.00
2. Current Assets	6,00,000	6,00,000	0	0.00
Total	18,00,000	21,00,000	3,00,000	16.67

(Figures in brackets show a decrease.)

OR

(B) Common Size Statement of Profit and Loss of Ratnagiri Canning Ltd. for the year ended 31st March, 2026

Particulars	Absolute Amount 2025-26 (₹)	% of Revenue from Operations
I. Revenue from Operations	8,00,000	100
II. Other Income	40,000	5
III. Total Income (I + II)	8,40,000	105
IV. Expenses:		
Cost of Materials Consumed	4,40,000	55
Employee Benefits Expenses	80,000	10
Other Expenses	1,20,000	15

Total Expenses	6,40,000	80
V. Profit before Tax (III – IV)	2,00,000	25
Less: Tax @ 30%	60,000	7.5
VI. Profit after Tax	**1,40,000**	**17.5**

Marking: (A) Absolute changes – 1 mark · Percentage changes (each item and totals) – 1½ marks · Correct format with headings – ½ mark · OR (B) Profit before tax and profit after tax – 1 mark; percentages of revenue from operations – 1½ marks; format – ½ mark

Examiner tip: Percentage change is always calculated on the previous year's figure (2024-25). In a Common Size Statement of Profit and Loss, Revenue from Operations (not Total Income) is taken as 100.

32. Under which major heads and sub-heads will the following items be shown in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013?
(I) Loose tools
(II) Mining rights
(III) Unpaid dividend

Answer (3 marks)

Item	Major Head	Sub-head
(I) Loose tools	Current Assets	Inventories
(II) Mining rights	Non-current Assets	Property, Plant and Equipment and Intangible Assets – Intangible Assets
(III) Unpaid dividend	Current Liabilities	Other Current Liabilities

Marking: Each item with correct major head (½) and sub-head (½) – 1 mark × 3

Examiner tip: Loose tools are inventories, not Property, Plant and Equipment. Unpaid dividend is an 'Other Current Liability', not a short-term provision.

33. **(A)** From the following information of Nashik Agro Products Ltd., calculate (I) Inventory Turnover Ratio and (II) Trade Payables Turnover Ratio:
Revenue from operations ₹12,00,000; Gross profit 25% on revenue from operations; Inventory at the beginning ₹1,40,000 and at the end ₹1,60,000; Credit purchases are 80% of total purchases; Trade payables at the beginning ₹85,000 and at the end ₹99,000. (There were no direct expenses.)
OR
(B) The current ratio of Aurangabad Auto Parts Ltd. is 1.5 : 1 (current assets ₹3,00,000; current liabilities ₹2,00,000). State, with reasons, whether each of the following transactions will increase, decrease or not change the current ratio:
(I) Purchased goods on credit for ₹40,000.
(II) Purchased furniture for ₹50,000 by cheque.
(III) Sold a machine of book value ₹60,000 for ₹70,000 in cash.
(IV) Collected ₹30,000 from trade receivables.

Answer (4 marks)
(A) (I) Gross profit = 25% of 12,00,000 = ₹3,00,000. Cost of revenue from operations = 12,00,000 – 3,00,000 = ₹9,00,000.
Average inventory = (1,40,000 + 1,60,000) ÷ 2 = ₹1,50,000.
Inventory Turnover Ratio = Cost of revenue from operations ÷ Average inventory = 9,00,000 ÷ 1,50,000 = **6 times**.
(II) Purchases = Cost of revenue from operations + Closing inventory – Opening inventory = 9,00,000 + 1,60,000 – 1,40,000 = ₹9,20,000.
Net credit purchases = 80% of 9,20,000 = ₹7,36,000.
Average trade payables = (85,000 + 99,000) ÷ 2 = ₹92,000.

Trade Payables Turnover Ratio = 7,36,000 ÷ 92,000 = **8 times**.

OR

(B)

Transaction	Effect	Reason
(I) Credit purchase ₹40,000	Decrease	Inventory (current asset) and trade payables (current liability) both rise by ₹40,000. New ratio = 3,40,000 : 2,40,000 = 1.42 : 1. Equal increase in both reduces a ratio that is above 1.
(II) Furniture purchased by cheque ₹50,000	Decrease	Cash (current asset) falls by ₹50,000 while furniture is a non-current asset; current liabilities do not change. New ratio = 2,50,000 : 2,00,000 = 1.25 : 1.
(III) Machine sold for ₹70,000 cash	Increase	Cash (current asset) rises by ₹70,000; machine is a non-current asset, so current liabilities do not change. New ratio = 3,70,000 : 2,00,000 = 1.85 : 1.
(IV) Collection from trade receivables ₹30,000	No change	One current asset (cash) increases and another (trade receivables) decreases by the same amount; total current assets remain ₹3,00,000.

Marking: (A) Cost of revenue from operations and average inventory – 1 mark · Inventory Turnover Ratio 6 times – 1 mark · Purchases and credit purchases – 1 mark · Trade Payables Turnover Ratio 8 times – 1 mark · OR (B) Each transaction: correct effect with reason – 1 mark × 4

Examiner tip: Inventory Turnover Ratio uses cost of revenue from operations, not revenue. For Trade Payables Turnover first find purchases from the inventory equation, then take only the credit part.

34. From the following Balance Sheet of Sangli Engineering Ltd. as at 31st March, 2026 and the additional information, prepare a Cash Flow Statement:

Balance Sheet of Sangli Engineering Ltd. as at 31st March, 2026

Particulars	Note No.	31-03-2026 (₹)	31-03-2025 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	2,90,000	1,70,000
2. Non-current Liabilities			
Long-term Borrowings	2	3,00,000	2,00,000
3. Current Liabilities			
(a) Trade Payables		1,10,000	90,000
(b) Short-term Provisions	3	50,000	40,000
Total		**17,50,000**	**13,00,000**
II. ASSETS			
1. Non-current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	4	9,30,000	7,20,000
(ii) Intangible Assets (Goodwill)		40,000	60,000
(b) Non-current Investments		60,000	1,00,000
2. Current Assets			
(a) Inventories		1,80,000	1,50,000
(b) Trade Receivables		1,25,000	1,40,000
(c) Cash and Cash Equivalents		4,15,000	1,30,000
Total		**17,50,000**	**13,00,000**

Notes to Accounts

Note No.	Particulars	31-03-2026 (₹)	31-03-2025 (₹)
1	**Reserves and Surplus**		
	General Reserve	80,000	50,000
	Surplus, i.e. Balance in Statement of Profit and Loss	2,10,000	1,20,000
	Total	**2,90,000**	**1,70,000**
2	**Long-term Borrowings**		
	9% Debentures	3,00,000	2,00,000
3	**Short-term Provisions**		
	Provision for Tax	50,000	40,000
4	**Property, Plant and Equipment**		
	Machinery	11,50,000	9,00,000
	Less: Accumulated Depreciation	(2,20,000)	(1,80,000)
	Total	**9,30,000**	**7,20,000**

Additional information:

(i) During the year, a machine costing ₹1,00,000 (accumulated depreciation ₹40,000) was sold for ₹52,000.

(ii) Additional 9% Debentures of ₹1,00,000 were issued on 1st April, 2025. Interest on debentures for the year was paid.

(iii) Non-current investments costing ₹40,000 were sold at a profit of ₹6,000.

(iv) An interim dividend of ₹40,000 was paid during the year.

(v) Provision for tax made during the year was ₹50,000.

Answer (6 marks)

Cash Flow Statement of Sangli Engineering Ltd. for the year ended 31st March, 2026

Particulars	₹	₹
A. Cash Flows from Operating Activities		
Net Profit before Tax (Note 1)		2,10,000
Adjustments for non-cash and non-operating items:		
Add: Depreciation on machinery	80,000	
Add: Goodwill written off	20,000	
Add: Loss on sale of machinery	8,000	
Add: Interest on debentures	27,000	
Less: Profit on sale of investments	(6,000)	1,29,000
Operating Profit before Working Capital Changes		3,39,000
Add: Increase in trade payables	20,000	
Add: Decrease in trade receivables	15,000	
Less: Increase in inventories	(30,000)	5,000
Cash Generated from Operations		3,44,000
Less: Income tax paid		(40,000)
Net Cash from Operating Activities		**3,04,000**
B. Cash Flows from Investing Activities		
Purchase of machinery	(3,50,000)	
Sale of machinery	52,000	
Sale of non-current investments	46,000	
Net Cash used in Investing Activities		**(2,52,000)**
C. Cash Flows from Financing Activities		
Issue of equity shares	2,00,000	
Issue of 9% debentures	1,00,000	
Interest paid on debentures	(27,000)	
Interim dividend paid	(40,000)	
Net Cash from Financing Activities		**2,33,000**
Net Increase in Cash and Cash Equivalents (A + B + C)		**2,85,000**
Add: Cash and Cash Equivalents at the beginning		1,30,000
Cash and Cash Equivalents at the end		**4,15,000**

Working notes:

(1) Net profit before tax

Increase in Surplus (2,10,000 – 1,20,000) 90,000 + Transfer to General Reserve (80,000 – 50,000) 30,000 + Interim dividend 40,000 = Net profit after tax ₹1,60,000; add Provision for tax made ₹50,000 = **₹2,10,000**.

(2) Interest on debentures = 3,00,000 × 9% = ₹27,000 (all debentures were outstanding for the whole year).

(3) Goodwill written off = 60,000 – 40,000 = ₹20,000.

Dr. Machinery Account Cr.

Particulars	₹	Particulars	₹
To Balance b/d	9,00,000	By Bank A/c (sale)	52,000
To Bank A/c (purchases – balancing figure)	3,50,000	By Accumulated Depreciation A/c	40,000

		By Statement of Profit and Loss (loss on sale)	8,000
		By Balance c/d	11,50,000
Total	**12,50,000**	Total	**12,50,000**

Dr. Accumulated Depreciation Account Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	40,000	By Balance b/d	1,80,000
To Balance c/d	2,20,000	By Statement of Profit and Loss (depreciation – balancing figure)	80,000
Total	**2,60,000**	Total	**2,60,000**

Dr. Provision for Tax Account Cr.

Particulars	₹	Particulars	₹
To Bank A/c (tax paid – balancing figure)	40,000	By Balance b/d	40,000
To Balance c/d	50,000	By Statement of Profit and Loss	50,000
Total	**90,000**	Total	**90,000**

Dr. Non-current Investments Account Cr.

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Bank A/c (sale)	46,000
To Statement of Profit and Loss (profit on sale)	6,000	By Balance c/d	60,000
Total	**1,06,000**	Total	**1,06,000**

Marking: Net profit before tax ₹2,10,000 (working) – 1 mark · Operating activities: adjustments and working capital changes; net cash ₹3,04,000 – 2 marks · Investing activities ₹(2,52,000) with Machinery and Accumulated Depreciation accounts – 1½ marks · Financing activities ₹2,33,000 – 1 mark · Reconciliation with opening and closing cash – ½ mark

Examiner tip: Start from net profit BEFORE tax, then deduct tax actually paid (found from Provision for Tax A/c). Interest on debentures is added back in operating activities and shown as an outflow in financing activities.

PART B – OPTION II Computerised Accounting (attempt this option INSTEAD OF Option I). Questions 27 to 30 carry 1 mark each, 31 and 32 carry 3 marks each, 33 carries 4 marks and 34 carries 6 marks. **[20]**

27. Cells B2:B60 of a sales worksheet show the region (North, South, East or West) of each invoice. Which formula gives the number of invoices of the North region?

(A) =COUNT(B2:B60)
(B) =COUNTA(B2:B60)
(C) =COUNTIF(B2:B60,"North")
(D) =COUNTBLANK(B2:B60)

Answer (1 mark)
(C) =COUNTIF(B2:B60,"North") – COUNTIF(range, criteria) counts only the cells in the range that meet the given criterion. COUNT counts only numbers, COUNTA counts all non-blank cells and COUNTBLANK counts empty cells.

28. Cell D5 contains the formula =B5*C$2. When this formula is copied to cell E8, the reference C$2 will become:

(A) C$2
(B) D$2
(C) D$5
(D) C2

Answer (1 mark)
(B) D$2 – C$2 is a mixed reference: the row (2) is fixed by the $ sign but the column is relative. Copying one column to the right changes C to D, while the row stays 2.

29. The feature of a Computerised Accounting System which allows the volume of data processing to be changed in tune with the growth in the size of the business is known as:

(A) Reliability
(B) Scalability
(C) Transparency and control
(D) Accuracy and speed

Answer (1 mark)
(B) Scalability – CAS can be used for any size of business and the volume of data processing can be changed as the business grows.

30. In an Accounting Information System, the ageing schedule of receivables and reports of overdue accounts are generated by the:

(A) Cash and bank sub-system
(B) Sales and accounts receivable sub-system
(C) Purchase and accounts payable sub-system
(D) Costing sub-system

Answer (1 mark)
(B) Sales and accounts receivable sub-system – it records sales, maintains the sales ledger and receivables, and reports collections, overdue accounts and the ageing schedule of receivables.

31. **(A)** Explain the three security features provided by accounting software.
OR
(B) Explain sequential codes, block codes and mnemonic codes used in the codification of accounts, giving one example of each.

Answer (3 marks)
(A)
(1) **Password security:** A password is the key that allows access to the system. User rights are defined as per the organisation's policy, so a person may be given access to one set of data and denied access to another.
(2) **Data audit:** It shows who made what changes in the original data. This fixes responsibility for any manipulation and ensures data integrity (similar to an audit trail).
(3) **Data vault:** The software gives additional security by encrypting the data, so that it cannot be read or interpreted even if it lands in the wrong hands.
OR
(B)
(1) **Sequential codes:** Numbers or letters are assigned in consecutive order, usually to source documents such as cheques, invoices and vouchers. Example: invoices numbered 001, 002, 003 ...
(2) **Block codes:** A range of numbers is divided into blocks, each reserved for a group of accounts. Example: 1000–1999 Assets, 2000–2999 Liabilities.
(3) **Mnemonic codes:** Alphabets or abbreviations are used as codes, which are easy to remember. Example: HQ for Head Quarters, CA for Cash Account.

Marking: (A) Each feature correctly explained – 1 mark × 3 · OR (B) Each code explained with an example – 1 mark × 3

Examiner tip: Give the name of the feature and say what it protects against; a one-word list earns only half the marks.

32. Jyoti Traders, a wholesale business, still keeps its accounts by hand. Its owner complains that the monthly reports reach him late, old records take a long time to trace, and the processing of a growing number of entries is becoming costly. Explain any three advantages the firm would gain by changing over to a Computerised Accounting System.

Answer (3 marks)

Any three of the following, explained:

(1) **Timely generation of reports and information in the desired format:** reports such as the trial balance or debtors' list are produced instantly, so the owner gets monthly reports on time.

(2) **Efficient record keeping:** data are stored in a well-organised database and any old record can be retrieved quickly.

(3) **Economy in the processing of accounting data:** a large number of entries is processed at a lower cost per entry.

(4) **Effective control over the system:** built-in checks and controls ensure that only correct and authorised data are entered.

(5) **Confidentiality of data is maintained:** user rights and passwords restrict access to the data.

Marking: Any three correct advantages, each explained (preferably linked to the firm's problems) – 1 mark each

Examiner tip: Write each advantage as a full sentence; 'speed', 'accuracy' alone are not enough for full marks.

33. **(A)** Rupali took a loan of ₹6,00,000 at 9% p.a. interest, repayable in 5 equal annual instalments at the end of each year. The loan amount is in cell B1, the rate in B2 and the number of years in B3. Write the Excel formula to calculate the annual instalment and explain each argument of the function used.

OR

(B) A machine costs ₹2,50,000; its estimated salvage value is ₹25,000 and useful life is 5 years. Write the syntax of the SLN and DB functions, explain their arguments and calculate the annual depreciation by the straight line method.

Answer (4 marks)

(A) Formula: **=PMT(B2, B3, -B1)** (or =PMT(9%, 5, -600000)), which gives an annual instalment of about ₹1,54,255.47.

Syntax: PMT(rate, nper, pv, [fv], [type])

(1) **rate** – interest rate per period (9% per year).

(2) **nper** – total number of payments (5).

(3) **pv** – present value, i.e. the loan amount (₹6,00,000); entered with a minus sign so that the instalment shows as a positive figure.

(4) **fv** – future value or balance wanted after the last payment; optional, taken as 0.

(5) **type** – 0 or omitted if payments are due at the end of the period; 1 if at the beginning. Here payments are at the end, so type is 0.

OR

(B) SLN(cost, salvage, life) – returns straight line depreciation for one period.

DB(cost, salvage, life, period, [month]) – returns depreciation for a given period by the fixed-declining (written down value) method.

Arguments: **cost** – original cost of the asset (₹2,50,000); **salvage** – value at the end of its life (₹25,000); **life** – number of periods of useful life (5); **period** – the period for which depreciation is required (DB only); **month** – number of months in the first year, optional (taken as 12).

Straight line depreciation: =SLN(250000, 25000, 5) = (2,50,000 – 25,000) ÷ 5 = **₹45,000 per year**.

Marking: (A) Correct PMT formula – 1 mark · Explanation of the arguments (rate, nper, pv, fv, type) – 3 marks · OR (B) Syntax of SLN and DB – 1 mark · Explanation of the arguments – 2 marks · SLN depreciation ₹45,000 – 1 mark

Examiner tip: In PMT, the rate and the number of periods must match: for monthly instalments divide the annual rate by 12 and multiply the years by 12.

34. Shivneri Traders prepares its monthly payroll in a spreadsheet. Employee names are in column A and Basic Pay in column B, starting from row 5. The rates are entered once: DA rate 40% in cell L2, HRA rate 20% in cell L3 and PF rate 12% in cell L4. TDS for each employee is entered directly in column H. The rules are:

• DA = Basic Pay × DA rate; HRA = Basic Pay × HRA rate.

• Transport Allowance = ₹2,000 if Basic Pay is ₹30,000 or more, otherwise ₹1,500.

• Total Earnings = Basic Pay + DA + HRA + Transport Allowance.

• PF = (Basic Pay + DA) × PF rate.

• Total Deductions = PF + TDS; Net Salary = Total Earnings – Total Deductions.

(I) Write the formulas for cells C5 (DA), D5 (HRA), E5 (Transport Allowance), F5 (Total Earnings), G5 (PF), I5 (Total Deductions) and J5 (Net Salary).

(II) Why should the cells L2, L3 and L4 be referred to with absolute addresses in these formulas?

(III) Calculate the Net Salary of an employee whose Basic Pay is ₹32,000 and TDS is ₹2,500.

Answer (6 marks)

(I)

Cell	Item	Formula
C5	Dearness Allowance (DA)	=B5*L2
D5	House Rent Allowance (HRA)	=B5*L3
E5	Transport Allowance (TA)	=IF(B5>=30000,2000,1500)
F5	Total Earnings (Gross Salary)	=B5+C5+D5+E5 (or =SUM(B5:E5))
G5	Provident Fund (PF)	=(B5+C5)*L4
I5	Total Deductions	=G5+H5
J5	Net Salary	=F5-I5

(II) The formulas of row 5 are copied down to the other rows. A relative address (L2) would change to L3, L4 … while copying and pick up wrong or blank cells. The absolute address (L2) stays fixed, so every employee's DA, HRA and PF are calculated at the same rates, and a change in a rate needs to be made in only one cell.

(III)

Item	Calculation	₹
Basic Pay		32,000
DA	40% of 32,000	12,800
HRA	20% of 32,000	6,400
TA	Basic Pay ≥ 30,000	2,000
Total Earnings		53,200
PF	12% of (32,000 + 12,800)	5,376
TDS	Given	2,500
Total Deductions		7,876
Net Salary	53,200 – 7,876	**45,324**

Marking: (I) Formulas for C5, D5 – 1 mark · IF formula for E5 – 1 mark · F5, G5, I5, J5 – 2 marks · (II) Reason for absolute address – 1 mark · (III) Net Salary ₹45,324 – 1 mark

Examiner tip: Every formula must start with '='. In the IF function the condition is 'B5>=30000' – using '>' instead of '>=' gives the wrong allowance to an employee earning exactly ₹30,000.

All the best for your exam!