Accountancy (055)

CBSE Class 12 Board Examination 2027 – Practice Paper No. 2

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. Under the fixed capital method, which of the following items is recorded in a partner's **capital account** (and not in the current account)?

(A) Interest on capital (B) Share of profit

(C) Additional capital introduced (D) Drawings

Answer (1 mark)
(C) Additional capital introduced
Under the fixed capital method the capital account changes only when capital is introduced or withdrawn permanently. Interest on capital, salary, share of profit, drawings and interest on drawings all go to the partners' current accounts.

2. Neha's capital in a firm on 1st April, 2025 was ₹3,00,000. She introduced additional capital of ₹60,000 on 1st October, 2025. The partnership deed allows interest on capital @ 10% p.a. Interest on her capital for the year ended 31st March, 2026 will be:

(A) ₹36,000 (B) ₹30,000

(C) ₹31,500 (D) ₹33,000

Answer (1 mark)
(D) ₹33,000
On ₹3,00,000 for 12 months: 3,00,000 × 10/100 = ₹30,000.
On ₹60,000 for 6 months (1st October to 31st March): 60,000 × 10/100 × 6/12 = ₹3,000.
Total = ₹33,000.

3. Karan, a partner, withdrew ₹5,000 at the **end** of every month during the year ended 31st March, 2026. Interest on drawings is charged @ 12% p.a. The interest on his drawings will be:

(A) ₹3,900 (B) ₹3,600

(C) ₹3,300 (D) ₹7,200

Answer (1 mark)
(C) ₹3,300
When equal amounts are withdrawn at the end of each month, the average period = (11 + 0) ÷ 2 = 5½ months.
Interest = 60,000 × 12/100 × 5.5/12 = ₹3,300.

4. **Assertion (A):** On the retirement of a partner, the profit or loss on revaluation is transferred only to the capital accounts of the remaining partners in their new profit sharing ratio.
Reason (R): The change in the values of assets and liabilities relates to the period during which the retiring partner was also a 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)
(C) Assertion (A) is false but Reason (R) is true.
The revaluation profit or loss belongs to all the partners, including the retiring partner, and is shared in the **old** ratio – exactly because the change in values took place while the retiring partner was a partner (R).

5. Kunal and Leena share profits in the ratio of 5 : 3. They admit Manav as a new partner. The new profit sharing ratio of Kunal, Leena and Manav is 3 : 2 : 1. The sacrificing ratio of Kunal and Leena will be:

(A) 5 : 3
(B) 1 : 1
(C) 1 : 3
(D) 3 : 1

Answer (1 mark)
(D) 3 : 1
Kunal: 5/8 – 3/6 = 15/24 – 12/24 = 3/24. Leena: 3/8 – 2/6 = 9/24 – 8/24 = 1/24. Sacrificing ratio = 3 : 1.

6. The average profit of Sagar Traders is ₹1,20,000 and the normal rate of return in its line of business is 10%. Its total assets are ₹14,00,000 and outside liabilities are ₹4,00,000. The value of goodwill by the capitalisation of average profits method will be:

(A) ₹2,00,000
(B) ₹12,00,000
(C) ₹1,20,000
(D) ₹10,00,000

Answer (1 mark)
(A) ₹2,00,000
Capitalised value of average profits = 1,20,000 × 100/10 = ₹12,00,000.
Actual capital employed = 14,00,000 – 4,00,000 = ₹10,00,000.
Goodwill = 12,00,000 – 10,00,000 = ₹2,00,000.

7. Anil, Bina and Chetan are partners sharing profits in the ratio of 5 : 3 : 2. Bina retires, and Anil and Chetan decide to share future profits in the ratio of 3 : 2. The gaining ratio of Anil and Chetan will be:

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

Answer (1 mark)
(B) 1 : 2
Anil: 3/5 – 5/10 = 1/10. Chetan: 2/5 – 2/10 = 2/10. Gaining ratio = 1 : 2.

8. The amount due to a retiring partner is not paid to him at once, and there is no agreement among the partners about it. Under Section 37 of the Indian Partnership Act, 1932, the retiring partner is entitled to:

(A) interest @ 12% p.a. on the unpaid amount

(B) interest @ 6% p.a. on the unpaid amount, or the share of profits earned by the use of his money, at his option

(C) nothing until the amount is fully paid

(D) a share of the future profits of the firm in the old profit sharing ratio

> **Answer** (1 mark)
> **(B)** Section 37 gives the retiring partner (or the legal representative of a deceased partner) the option to receive either interest @ 6% p.a. till the date of payment or the share of profits earned by the use of his money.

9. On the dissolution of a firm, a creditor whose claim was ₹30,000 accepted machinery (book value ₹28,000) in full settlement of his claim. Both the creditors and the machinery had already been transferred to the Realisation Account. The journal entry for this settlement will be:

(A) No entry is required

(B) Creditors A/c Dr. ₹28,000 To Machinery A/c ₹28,000

(C) Realisation A/c Dr. ₹30,000 To Creditors A/c ₹30,000

(D) Creditors A/c Dr. ₹30,000 To Realisation A/c ₹30,000

> **Answer** (1 mark)
> **(A) No entry is required.** The creditor (credit side) and the machinery (debit side) are both already in the Realisation Account; no cash is paid or received, so no further entry is passed.

10. In which of the following cases is a partnership firm **compulsorily** dissolved?

(A) When a partner persistently breaches the partnership agreement

(B) When a partner becomes of unsound mind

(C) When the business can be carried on only at a loss

(D) When all the partners, or all but one partner, become insolvent

> **Answer** (1 mark)
> **(D)** Insolvency of all the partners or of all but one partner leads to compulsory dissolution. The other three are grounds on which the **court** may order dissolution.

11. An offer of securities, or an invitation to subscribe securities, made by a company to a select group of persons through a private placement offer letter (Section 42 of the Companies Act, 2013) is called:

(A) Public issue

(B) Rights issue

(C) Private placement

(D) Bonus issue

> **Answer** (1 mark)
> **(C) Private placement** – shares are offered to a select group of persons and not to the public at large.

12. Satara Steels Ltd. forfeited 500 equity shares of ₹10 each, fully called up, on which the shareholder had paid ₹6 per share. The maximum total discount at which these 500 shares can be reissued as fully paid up is:

(A) ₹3,000

(B) ₹2,000

(C) ₹5,000

(D) ₹1,500

Answer (1 mark)
(A) ₹3,000
The discount on reissue cannot exceed the amount forfeited on those shares: 500 × ₹6 = ₹3,000, i.e. the shares cannot be reissued below ₹4 each.

13. On 1st July, 2025, Latur Pulses Ltd. issued ₹4,00,000, 10% Debentures at a discount of 5%. The debenture interest for the year ended 31st March, 2026 will be:

(A) ₹40,000 (B) ₹28,500
(C) ₹38,000 (D) ₹30,000

Answer (1 mark)
(D) ₹30,000
Interest is calculated on the face value, not on the issue price: 4,00,000 × 10/100 × 9/12 = ₹30,000 (1st July, 2025 to 31st March, 2026).

14. In the Balance Sheet of a company, the balance of Calls in Advance Account is shown under:

(A) Share Capital, added to the paid-up capital (B) Current Liabilities – Other Current Liabilities
(C) Shareholders' Funds – Reserves and Surplus (D) Non-current Liabilities – Long-term Borrowings

Answer (1 mark)
(B) Current Liabilities – Other Current Liabilities. Calls in advance are a liability of the company until the call is made; they are not added to paid-up capital.

15. **Assertion (A):** A company cannot proceed to allot shares unless it has received the minimum subscription.
Reason (R): A company can forfeit the shares of a shareholder who fails to pay the allotment or call money, within the framework of the provisions of its Articles of Association.

(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)
(B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
Allotment is allowed only after minimum subscription (not less than 90% of the issue) is received; forfeiture is a separate matter that arises after allotment.

16. Rakesh, a partner, advanced a loan of ₹1,20,000 to the firm on 1st August, 2025. There is no partnership deed. The interest on his loan for the year ended 31st March, 2026 will be:

(A) ₹4,800 (B) ₹7,200
(C) ₹9,600 (D) Nil

Answer (1 mark)
(A) ₹4,800
In the absence of a deed, interest on a partner's loan is allowed @ 6% p.a. (Section 13): 1,20,000 × 6/100 × 8/12 = ₹4,800. It is a charge against profit.

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

17. **(A)** Mihir, Nandini and Rajat were partners sharing profits and losses in the ratio of 3 : 2 : 1. With effect from 1st April, 2026, they decided to share future profits and losses equally. On that date:
(I) Goodwill of the firm was valued at ₹1,80,000.
(II) The Balance Sheet showed a debit balance of ₹24,000 in the Profit and Loss Account.
(III) The Balance Sheet showed a General Reserve of ₹36,000, which the partners decided to leave undisturbed in the books.
Pass the necessary journal entries.

OR

(B) Dev and Alka were partners sharing profits and losses in the ratio of 3 : 2. On 1st April, 2026, they admitted Faiz as a new partner for 1/5th share in future profits. Goodwill of the firm was valued at ₹1,00,000. Faiz brought ₹1,50,000 as his capital, but he could bring only ₹12,000 out of his share of goodwill (premium) in cash. Pass the necessary journal entries.

Answer (3 marks)

(A) Journal of the firm

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026 Apr. 1	Rajat's Capital A/c Dr.		30,000	
	To Mihir's Capital A/c			30,000
	(Being adjustment for goodwill on change in profit sharing ratio – gaining partner compensates sacrificing partner)			
Apr. 1	Mihir's Capital A/c Dr.		12,000	
	Nandini's Capital A/c Dr.		8,000	
	Rajat's Capital A/c Dr.		4,000	
	To Profit and Loss A/c			24,000
	(Being debit balance of Profit and Loss A/c written off in the old ratio 3 : 2 : 1)			
Apr. 1	Rajat's Capital A/c Dr.		6,000	
	To Mihir's Capital A/c			6,000
	(Being adjustment for General Reserve, which is to be left undisturbed)			

Working notes:

(1) Old shares 3/6, 2/6, 1/6; new shares 2/6 each. Mihir sacrifices 1/6, Nandini neither gains nor sacrifices, Rajat gains 1/6.

(2) Goodwill: 1,80,000 × 1/6 = ₹30,000 payable by Rajat to Mihir.

(3) General Reserve left in the books: 36,000 × 1/6 = ₹6,000 payable by Rajat to Mihir.

OR

(B) Journal of the firm

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026 Apr. 1	Bank A/c Dr.		1,62,000	
	To Faiz's Capital A/c			1,50,000
	To Premium for Goodwill A/c			12,000

	(Being capital and part of the premium for goodwill brought in by Faiz)			
Apr. 1	Premium for Goodwill A/c Dr.		12,000	
	To Dev's Capital A/c			7,200
	To Alka's Capital A/c			4,800
	(Being premium brought in credited to sacrificing partners in 3 : 2)			
Apr. 1	Faiz's Current A/c Dr.		8,000	
	To Dev's Capital A/c			4,800
	To Alka's Capital A/c			3,200
	(Being the balance of Faiz's share of goodwill (₹8,000) not brought in, adjusted through his current account)			

Working notes:

(1) Faiz's share of goodwill = 1,00,000 × 1/5 = ₹20,000; brought in ₹12,000, not brought ₹8,000.

(2) No other ratio is given, so Faiz acquires his share from Dev and Alka in their old ratio; sacrificing ratio = 3 : 2.

(3) The unpaid part (₹8,000) is debited to Faiz's current account (it may also be debited to his capital account) and credited to the sacrificing partners.

Marking: (A) Goodwill adjustment entry – 1 mark · Profit and Loss (Dr.) balance written off in old ratio – 1 mark · General Reserve adjustment entry – 1 mark · OR (B) Entry for cash brought in – 1 mark; premium credited to sacrificing partners – 1 mark; entry for unpaid share of goodwill – 1 mark

Examiner tip: When reserves or accumulated losses are to be left undisturbed, pass only one adjustment entry for the net effect (gaining partner Dr., sacrificing partner Cr.). A partner whose share does not change is left out of the entry.

18. Tejas, Uma and Varsha are partners sharing profits and losses in the ratio of 2 : 2 : 1. Their fixed capitals are ₹4,00,000, ₹3,00,000 and ₹2,00,000 respectively. The net profit of ₹1,80,000 for the year ended 31st March, 2026 was distributed among them without providing for the following terms of the partnership deed:

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

(ii) Salary to Varsha @ ₹2,000 per month.

Show your working in a statement and pass the necessary adjusting entry on 1st April, 2026.

Answer (3 marks)

Statement showing the adjustment

Particulars	Tejas (₹)	Uma (₹)	Varsha (₹)	Total (₹)
Interest on capital @ 6% (to be credited)	24,000	18,000	12,000	54,000
Salary to Varsha (to be credited)	–	–	24,000	24,000
Total to be credited	24,000	18,000	36,000	78,000
Less: Profit wrongly distributed, now debited in 2 : 2 : 1	(31,200)	(31,200)	(15,600)	(78,000)
Net effect	**(7,200) Dr.**	**(13,200) Dr.**	**20,400 Cr.**	**Nil**

Adjusting entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026 Apr. 1	Tejas's Current A/c Dr.		7,200	
	Uma's Current A/c Dr.		13,200	
	To Varsha's Current A/c			20,400
	(Being adjustment for interest on capital and salary omitted in the accounts of 2025-26)			

(The whole profit of ₹1,80,000 was already distributed, so the omitted items are credited and the same total of ₹78,000 is taken back from all partners in the profit sharing ratio 2 : 2 : 1.)

Marking: Interest on capital and salary calculated – 1 mark · Amount debited in profit sharing ratio and net effect – 1 mark · Correct single adjusting entry through current accounts – 1 mark

Examiner tip: Capitals are fixed, so the adjustment goes through the current accounts. Pass one net entry; do not reverse the whole profit distribution.

19. Wardha Cotton Ltd. purchased the running business of Ramesh Ginning Co. The assets taken over were: Land and Building ₹6,00,000; Plant and Machinery ₹3,20,000; Stock ₹1,80,000 and Debtors ₹1,00,000. It also took over creditors of ₹1,40,000. The purchase consideration of ₹11,10,000 was paid ₹1,50,000 by cheque and the balance by issuing equity shares of ₹10 each at a premium of 20%.

(I) Calculate the number of equity shares issued to Ramesh Ginning Co.

(II) Pass the necessary journal entries in the books of Wardha Cotton Ltd.

Answer (3 marks)

(I) Amount to be paid in shares = 11,10,000 – 1,50,000 = ₹9,60,000. Issue price = 10 + 20% of 10 = ₹12.

Number of shares = 9,60,000 ÷ 12 = **80,000 equity shares**.

(II) Journal of Wardha Cotton Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c Dr.		6,00,000	
	Plant and Machinery A/c Dr.		3,20,000	
	Stock A/c Dr.		1,80,000	
	Debtors A/c Dr.		1,00,000	
	Goodwill A/c Dr.		50,000	
	To Creditors A/c			1,40,000
	To Ramesh Ginning Co. A/c			11,10,000
	(Being business of Ramesh Ginning Co. purchased; excess of purchase consideration over net assets debited to Goodwill)			
	Ramesh Ginning Co. A/c Dr.		11,10,000	
	To Bank A/c			1,50,000
	To Equity Share Capital A/c			8,00,000
	To Securities Premium Reserve A/c			1,60,000
	(Being purchase consideration discharged by cheque and by issue of 80,000 equity shares of ₹10 each at a premium of ₹2 per share)			

Working note: Net assets = (6,00,000 + 3,20,000 + 1,80,000 + 1,00,000) – 1,40,000 = ₹10,60,000. Purchase consideration ₹11,10,000 is more than the net assets, so the excess ₹50,000 is Goodwill.

Marking: Number of shares 80,000 – 1 mark · Entry for purchase of business with Goodwill – 1 mark · Entry for discharge of purchase consideration – 1 mark

Examiner tip: Find goodwill or capital reserve by comparing the purchase consideration with net assets (assets – liabilities taken over). The premium is credited to Securities Premium Reserve, not to Share Capital.

20. Gopal and Lalit were partners sharing profits and losses in the ratio of 3 : 2. On 1st April, 2025, they admitted Ira as a new partner for 1/5th share in profits, which she acquired from Gopal and Lalit in their old ratio. Ira was guaranteed a minimum profit of ₹60,000 per year; any deficiency was to be borne by Gopal and Lalit in the ratio of 3 : 1. Lalit is entitled to a salary of ₹2,000 per month. The net profit of the firm for the year ended 31st March, 2026 was ₹2,64,000. Prepare the Profit and Loss Appropriation Account.

Answer (3 marks)

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

Particulars	₹	Particulars	₹
To Lalit's Current A/c (salary)	24,000	By Profit and Loss A/c (net profit)	2,64,000
To Profit transferred to:			
Gopal's Current A/c (1,15,200 – 9,000)	1,06,200		
Lalit's Current A/c (76,800 – 3,000)	73,800		
Ira's Current A/c (48,000 + 12,000)	60,000		
Total	**2,64,000**	Total	**2,64,000**

Working notes:

(1) New ratio: Gopal 3/5 – 3/25 = 12/25; Lalit 2/5 – 2/25 = 8/25; Ira 5/25. New ratio = 12 : 8 : 5.

(2) Divisible profit = 2,64,000 – 24,000 = ₹2,40,000. Shares: Gopal ₹1,15,200; Lalit ₹76,800; Ira ₹48,000.

(3) Deficiency of Ira = 60,000 – 48,000 = ₹12,000, borne by Gopal ₹9,000 and Lalit ₹3,000 (3 : 1).

Marking: New profit sharing ratio 12 : 8 : 5 – ½ mark · Salary and divisible profit – ½ mark · Shares of profit before guarantee – 1 mark · Deficiency borne 9,000 / 3,000 and final shares – 1 mark

Examiner tip: Divide the profit in the new ratio first; only then compare the guaranteed partner's share with the guarantee. The deficiency is borne in the agreed 3 : 1, not in the profit sharing ratio. (Examiner note: the question does not say whether capitals are fixed; credit to the partners' Capital Accounts instead of Current Accounts is equally correct.)

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

21. Godavari Paper Ltd. offered 40,000 equity shares of ₹10 each to the public at a premium of ₹3 per share, payable as follows: ₹3 on application; ₹6 on allotment (including the premium of ₹3) and ₹4 on first and final call. Applications were received for 37,000 shares, and the directors allotted shares to all the applicants. All the money due was received except the first and final call on 1,500 shares held by Vinod. The company maintains a Calls-in-Arrears Account.

Pass the necessary journal entries in the books of Godavari Paper Ltd.

Answer (4 marks)

Journal of Godavari Paper Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,11,000	
	To Equity Share Application A/c			1,11,000
	(Being application money received on 37,000 shares @ ₹3 per share)			
	Equity Share Application A/c Dr.		1,11,000	
	To Equity Share Capital A/c			1,11,000

	(Being application money transferred to share capital on allotment of 37,000 shares)			
	Equity Share Allotment A/c Dr.		2,22,000	
	To Equity Share Capital A/c			1,11,000
	To Securities Premium Reserve A/c			1,11,000
	(Being allotment money due @ ₹6 per share including premium ₹3)			
	Bank A/c Dr.		2,22,000	
	To Equity Share Allotment A/c			2,22,000
	(Being allotment money received)			
	Equity Share First and Final Call A/c Dr.		1,48,000	
	To Equity Share Capital A/c			1,48,000
	(Being first and final call money due @ ₹4 per share)			
	Bank A/c Dr.		1,42,000	
	Calls-in-Arrears A/c Dr.		6,000	
	To Equity Share First and Final Call A/c			1,48,000
	(Being call money received except on 1,500 shares held by Vinod)			

Note: Applications for 37,000 shares are 92.5% of the 40,000 shares offered – not less than the minimum subscription of 90% – so shares were allotted to all the applicants (under-subscription).

Marking: Application money received – ½ mark · Application money transferred to share capital – ½ mark · Allotment due with Securities Premium Reserve – 1 mark · Allotment money received – ½ mark · Call due – ½ mark · Call received with Calls-in-Arrears – 1 mark

Examiner tip: With under-subscription, every entry is based on the number of shares actually allotted (37,000), not on the 40,000 offered.

22. **(A)** Rana, Sudha, Tara and Uday were partners sharing profits and losses in the ratio of 3 : 3 : 2 : 2. Tara retired on 31st March, 2026, and Rana, Sudha and Uday decided to share future profits in the ratio of 5 : 4 : 1. Goodwill was to be valued by capitalising the super profits at the normal rate of return. The capital employed in the firm was ₹12,00,000 and the normal rate of return was 10%. The profits of the last three years were ₹1,38,000, ₹1,47,000 and ₹1,65,000. Goodwill already appeared in the books at ₹40,000.

Calculate the value of goodwill and the gaining ratio, and pass the necessary journal entries for the treatment of goodwill.

OR

(B) Nilesh and Parth are partners sharing profits and losses in the ratio of 3 : 2 with fixed capitals of ₹5,00,000 and ₹3,00,000 respectively. On 1st April, 2025, Nilesh's Current Account had a credit balance of ₹20,000 and Parth's Current Account had a debit balance of ₹8,000. The partnership deed provides for interest on capital @ 8% p.a. and a salary to Parth of ₹3,000 per month. Drawings during the year were: Nilesh ₹60,000 and Parth ₹48,000; interest on drawings was ₹2,400 and ₹1,800 respectively. The net profit for the year ended 31st March, 2026, before the above adjustments, was ₹2,05,800.

Prepare the Profit and Loss Appropriation Account and the Partners' Current Accounts.

Answer (4 marks)

(A) Valuation of goodwill

Average profit = (1,38,000 + 1,47,000 + 1,65,000) ÷ 3 = ₹1,50,000. Normal profit = 12,00,000 × 10/100 = ₹1,20,000.

Super profit = 1,50,000 – 1,20,000 = ₹30,000. Goodwill = 30,000 × 100/10 = **₹3,00,000**.

Gaining ratio (new share – old share): Rana 5/10 – 3/10 = 2/10 (gain); Sudha 4/10 – 3/10 = 1/10 (gain); Uday 1/10 – 2/10 = 1/10 (sacrifice).

Gaining ratio of Rana and Sudha = **2 : 1**. Uday also sacrifices 1/10 along with Tara's 2/10.

Tara's share of goodwill = 3,00,000 × 2/10 = ₹60,000; Uday's compensation = 3,00,000 × 1/10 = ₹30,000. Rana pays 3,00,000 × 2/10 = ₹60,000 and Sudha pays 3,00,000 × 1/10 = ₹30,000.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2026 Mar. 31	Rana's Capital A/c Dr.		12,000	
	Sudha's Capital A/c Dr.		12,000	
	Tara's Capital A/c Dr.		8,000	
	Uday's Capital A/c Dr.		8,000	
	To Goodwill A/c			40,000
	(Being existing goodwill written off in the old ratio 3 : 3 : 2 : 2)			
Mar. 31	Rana's Capital A/c Dr.		60,000	
	Sudha's Capital A/c Dr.		30,000	
	To Tara's Capital A/c			60,000
	To Uday's Capital A/c			30,000
	(Being Tara's share of goodwill and Uday's sacrifice compensated by the gaining partners)			

OR

(B)

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)	2,05,800
Nilesh's Current A/c	40,000	By Interest on Drawings:	
Parth's Current A/c	24,000	Nilesh's Current A/c	2,400
To Parth's Current A/c (salary)	36,000	Parth's Current A/c	1,800
To Profit transferred to:			
Nilesh's Current A/c	66,000		
Parth's Current A/c	44,000		
Total	**2,10,000**	Total	**2,10,000**

Dr. Partners' Current Accounts Cr.

Particulars	Nilesh ₹	Parth ₹	Particulars	Nilesh ₹	Parth ₹
To Balance b/d	–	8,000	By Balance b/d	20,000	–
To Drawings A/c	60,000	48,000	By Interest on Capital A/c	40,000	24,000
To Interest on Drawings A/c	2,400	1,800	By Salary A/c	–	36,000
To Balance c/d	63,600	46,200	By Profit and Loss Appropriation A/c	66,000	44,000
Total	**1,26,000**	**1,04,000**	Total	**1,26,000**	**1,04,000**

Working note: Divisible profit = 2,05,800 + 4,200 (interest on drawings) – 64,000 (interest on capital) – 36,000 (salary) = ₹1,10,000, shared 3 : 2 → ₹66,000 and ₹44,000.

Marking: (A) Goodwill ₹3,00,000 by capitalisation of super profits – 1 mark · Gaining ratio (with Uday's sacrifice) – 1 mark · Entry writing off existing goodwill – 1 mark · Entry for goodwill adjustment – 1 mark · OR (B) Profit and Loss Appropriation Account – 2 marks · Partners' Current Accounts (opening debit balance of Parth shown on the debit side) – 2 marks

Examiner tip: When the remaining partners take a new ratio, work out each partner's gain or sacrifice; a partner who sacrifices (Uday) is also compensated. Existing goodwill is first written off in the old ratio.

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

23. On 1st April, 2025, Kolhapur Foundry Ltd. invited applications for 8,000, 11% Debentures of ₹100 each at a premium of 5%, redeemable at a premium of 10% after six years. The amount was payable as follows:
₹30 on application; ₹45 on allotment (including the premium of ₹5) and ₹30 on first and final call.
Applications were received for 11,000 debentures. Applications for 1,000 debentures were rejected and the money was refunded. Debentures were allotted to the remaining applicants on a pro-rata basis, and the excess application money was adjusted towards the amount due on allotment. All the money due on allotment and on the call was duly received.
The company had a balance of ₹30,000 in its Securities Premium Reserve Account before this issue. It decided to write off the loss on issue of these debentures in the year of allotment itself.
Pass the necessary journal entries in the books of Kolhapur Foundry Ltd. for the year ended 31st March, 2026 (ignore debenture interest).

Answer (6 marks)

Journal of Kolhapur Foundry Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		3,30,000	
	To 11% Debenture Application A/c			3,30,000
	(Being application money received on 11,000 debentures @ ₹30 each)			
	11% Debenture Application A/c Dr.		3,30,000	
	To 11% Debentures A/c			2,40,000
	To 11% Debenture Allotment A/c			60,000
	To Bank A/c			30,000
	(Being application money transferred on allotment of 8,000 debentures; excess on 2,000 debentures adjusted towards allotment and money on 1,000 debentures refunded)			
	11% Debenture Allotment A/c Dr.		3,60,000	
	Loss on Issue of Debentures A/c Dr.		80,000	
	To 11% Debentures A/c			3,20,000
	To Securities Premium Reserve A/c			40,000
	To Premium on Redemption of Debentures A/c			80,000
	(Being allotment money due @ ₹45 (including premium ₹5) on 8,000 debentures, redeemable at a premium of 10%)			
	Bank A/c Dr.		3,00,000	
	To 11% Debenture Allotment A/c			3,00,000
	(Being allotment money received after adjusting ₹60,000 already received)			
	11% Debenture First and Final Call A/c Dr.		2,40,000	
	To 11% Debentures A/c			2,40,000
	(Being first and final call money due @ ₹30 per debenture)			

	Bank A/c Dr.		2,40,000	
	To 11% Debenture First and Final Call A/c			2,40,000
	(Being first and final call money received)			
	Securities Premium Reserve A/c Dr.		70,000	
	Statement of Profit and Loss (Finance cost) Dr.		10,000	
	To Loss on Issue of Debentures A/c			80,000
	(Being loss on issue of debentures written off – first from Securities Premium Reserve (₹30,000 + ₹40,000) and the balance from Statement of Profit and Loss)			

Working notes:

(1) Pro-rata: applicants for 10,000 debentures were allotted 8,000 (5 : 4). Excess application money = 2,000 × ₹30 = ₹60,000, adjusted on allotment.

(2) Allotment due = 8,000 × ₹45 = ₹3,60,000 (₹40 towards face value and ₹5 premium). Received = 3,60,000 – 60,000 = ₹3,00,000.

(3) Loss on issue = premium payable on redemption = 8,000 × ₹10 = ₹80,000.

(4) Securities Premium Reserve available = 30,000 (opening) + 40,000 (this issue) = ₹70,000; balance ₹10,000 is written off to the Statement of Profit and Loss as a finance cost.

(5) Check: 30 + 40 + 30 = ₹100 face value per debenture → 11% Debentures A/c = ₹8,00,000.

Marking: Application money received – ½ mark · Transfer of application money (debentures, allotment, refund) – 1½ marks · Allotment due with Loss on Issue, Securities Premium Reserve and Premium on Redemption – 1½ marks · Allotment money received – ½ mark · Call due and received – 1 mark · Writing off the loss (Securities Premium Reserve ₹70,000; Statement of P&L ₹10,000) – 1 mark

Examiner tip: When debentures are issued at a premium but redeemed at a higher premium, the loss on issue equals the premium on redemption; the issue premium goes to Securities Premium Reserve and is then used to write off that loss.

24. Kedar, Gargi and Madhav were partners sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2026 was as follows:

Balance Sheet of Kedar, Gargi and Madhav as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	90,000	Bank	34,000
Bills Payable	30,000	Debtors 1,00,000 Less: Provision for Doubtful Debts 6,000	94,000
Bank Loan	40,000	Stock	1,12,000
General Reserve	36,000	Investments	60,000
Capital Accounts:		Machinery	2,40,000
Kedar	2,00,000	Furniture	36,000
Gargi	1,20,000		
Madhav	60,000		
Total	**5,76,000**	Total	**5,76,000**

The firm was dissolved on that date and the following were agreed:

1. Kedar took over the investments at ₹54,000 and Madhav took over the furniture at ₹30,000.
2. Debtors realised ₹92,000, stock was sold for ₹1,05,000 and machinery for ₹2,10,000.
3. Creditors were paid at a discount of 5%; bills payable were paid in full.
4. An unrecorded bill for repairs of ₹4,000 was paid.
5. Realisation expenses of ₹3,500 were paid by the firm.
6. The bank loan was paid off.

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

I. The amount of General Reserve to be credited to Madhav's Capital Account will be:
(A) ₹12,000 (B) ₹6,000
(C) ₹18,000 (D) ₹36,000

II. The Provision for Doubtful Debts of ₹6,000 will be:
(A) debited to Realisation Account (B) credited to the capital accounts of the partners in 3 : 2 : 1
(C) ignored, as debtors are transferred at ₹94,000 (D) credited to Realisation Account

III. The amount paid to the creditors will be:
(A) ₹90,000 (B) ₹81,000
(C) ₹85,500 (D) ₹94,500

IV. The loss on realisation will be:
(A) ₹54,000 (B) ₹50,500
(C) ₹60,000 (D) ₹57,500

V. The amount finally paid to Kedar will be:
(A) ₹1,91,000 (B) ₹1,37,000
(C) ₹1,64,000 (D) ₹1,46,000

VI. The amount finally paid to Madhav will be:
(A) ₹57,000 (B) ₹21,000
(C) ₹33,000 (D) ₹27,000

Answer (6 marks)

I. (B) ₹6,000 – 36,000 × 1/6. Reserves are distributed in the profit sharing ratio 3 : 2 : 1.

II. (D) – Provision for doubtful debts is transferred to the credit side of the Realisation Account; debtors go to the debit side at their gross value ₹1,00,000.

III. (C) ₹85,500 – 90,000 – 5% of 90,000 (4,500).

IV. (A) ₹54,000 – Debit side: assets 5,48,000 + payments 85,500 (creditors) + 30,000 (bills

payable) + 40,000 (bank loan) + 4,000 + 3,500 = ₹7,11,000. Credit side: 6,000 (provision) + 90,000 + 30,000 + 40,000 (liabilities) + 92,000 + 1,05,000 + 2,10,000 + 54,000 + 30,000 = ₹6,57,000. Loss = ₹54,000 (Kedar 27,000; Gargi 18,000; Madhav 9,000).

V. (B) ₹1,37,000 – 2,00,000 + 18,000 (reserve) – 27,000 (loss) – 54,000 (investments taken over).

VI. (D) ₹27,000 – 60,000 + 6,000 (reserve) – 9,000 (loss) – 30,000 (furniture taken over).

(Check: Bank receipts 34,000 + 92,000 + 1,05,000 + 2,10,000 = ₹4,41,000 = payments 85,500 + 30,000 + 4,000 + 3,500 + 40,000 (bank loan) + 1,37,000 + 1,14,000 + 27,000.)

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

Examiner tip: Assets taken over by a partner reduce the amount finally paid to him. A bank loan is an outside liability: it is transferred to the Realisation Account and paid from there. (A partner's loan, by contrast, is never transferred to the Realisation Account; it is paid directly through the Bank Account after outside liabilities.)

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

Balance Sheet of Yogesh and Zoya as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	75,000	Bank	45,000
Employees' Provident Fund	25,000	Debtors	90,000
General Reserve	40,000	Stock	1,05,000
Capital Accounts:		Furniture	50,000
Yogesh	2,40,000	Plant	1,50,000
Zoya	1,60,000	Building	1,00,000
Total	**5,40,000**	Total	**5,40,000**

On 1st April, 2026, they admitted Arnav as a new partner for 1/5th share in future profits, which he acquired from Yogesh and Zoya in their old ratio. The terms were:

(i) Goodwill of the firm was valued at ₹1,50,000. Arnav could not bring his share of goodwill in cash, so it was adjusted through the partners' capital accounts.

(ii) Building was revalued at ₹1,30,000 and Plant was depreciated by 10%.

(iii) Stock was found to be overvalued by ₹5,000.

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

(v) Rent of ₹2,500 was outstanding.

(vi) Arnav brought ₹1,40,000 in cash. The capitals of Yogesh and Zoya were to be adjusted in the new profit sharing ratio on the basis of Arnav's capital (after the goodwill adjustment), by bringing in or withdrawing cash as necessary.

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

OR

(B) Naveen, Ruchi and Sneha 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 Naveen, Ruchi and Sneha as at 31st March, 2026

Liabilities	₹	Assets	₹
Creditors	60,000	Bank	40,000
Bills Payable	20,000	Debtors	80,000
General Reserve	50,000	Stock	90,000
Capital Accounts:		Machinery	1,70,000
Naveen	2,00,000	Land and Building	2,00,000
Ruchi	1,50,000		
Sneha	1,00,000		
Total	**5,80,000**	Total	**5,80,000**

Sneha died on 30th September, 2026. The partnership deed provided that on the death of a partner:

(i) Goodwill of the firm will be valued at two years' purchase of the average profits of the last three years. The profits were: 2023-24 ₹1,20,000; 2024-25 ₹1,35,000; 2025-26 ₹1,50,000.

(ii) Her share of profit till the date of death will be calculated on the basis of the average profits of the last three years.

(iii) Interest on capital will be allowed @ 6% p.a. till the date of death.

(iv) Land and Building will be appreciated by 15%, Machinery will be depreciated by 10% and a provision for doubtful debts @ 5% will be created on debtors.

Sneha's drawings till the date of death were ₹12,000. Naveen and Ruchi will continue to share

profits equally. Her executors were paid ₹50,000 immediately by cheque, and the balance was kept payable to them.

Prepare the Revaluation Account, Sneha's Capital Account and Sneha's Executors Account.

Answer (6 marks)

(A)

Dr. Revaluation Account Cr.

Particulars	₹	Particulars	₹
To Plant A/c (10% of 1,50,000)	15,000	By Building A/c (1,30,000 – 1,00,000)	30,000
To Stock A/c	5,000		
To Provision for Doubtful Debts A/c (5% of 90,000)	4,500		
To Outstanding Rent A/c	2,500		
To Gain on revaluation transferred to:			
Yogesh's Capital A/c (3/5)	1,800		
Zoya's Capital A/c (2/5)	1,200		
Total	**30,000**	Total	**30,000**

Dr. Partners' Capital Accounts Cr.

Particulars	Yogesh ₹	Zoya ₹	Arnav ₹	Particulars	Yogesh ₹	Zoya ₹	Arnav ₹
To Yogesh's Capital A/c	–	–	18,000	By Balance b/d	2,40,000	1,60,000	–
To Zoya's Capital A/c	–	–	12,000	By General Reserve	24,000	16,000	–
To Bank A/c (withdrawn)	19,800	13,200	–	By Revaluation A/c (gain)	1,800	1,200	–
To Balance c/d	2,64,000	1,76,000	1,10,000	By Arnav's Capital A/c (goodwill)	18,000	12,000	–
				By Bank A/c	–	–	1,40,000
Total	**2,83,800**	**1,89,200**	**1,40,000**	Total	**2,83,800**	**1,89,200**	**1,40,000**

Balance Sheet of Yogesh, Zoya and Arnav as at 1st April, 2026

Liabilities	₹	Assets	₹
Creditors	75,000	Bank	1,52,000
Employees' Provident Fund	25,000	Debtors 90,000 Less: Provision for Doubtful Debts 4,500	85,500
Outstanding Rent	2,500	Stock	1,00,000
Capital Accounts:		Furniture	50,000
Yogesh	2,64,000	Plant	1,35,000
Zoya	1,76,000	Building	1,30,000
Arnav	1,10,000		
Total	**6,52,500**	Total	**6,52,500**

Working notes:

(1) New ratio: Yogesh 3/5 × 4/5 = 12/25; Zoya 2/5 × 4/5 = 8/25; Arnav 5/25. Sacrificing ratio = old ratio 3 : 2.

(2) Arnav's share of goodwill = 1,50,000 × 1/5 = ₹30,000, debited to his capital and credited to

Yogesh ₹18,000 and Zoya ₹12,000.

(3) Arnav's capital after goodwill = 1,40,000 – 30,000 = ₹1,10,000 for 1/5th share. Total capital of the firm = 1,10,000 × 5 = ₹5,50,000. Yogesh 12/25 = ₹2,64,000; Zoya 8/25 = ₹1,76,000.

(4) Yogesh withdraws 2,83,800 – 2,64,000 = ₹19,800; Zoya withdraws 1,89,200 – 1,76,000 = ₹13,200.

(5) Bank = 45,000 + 1,40,000 – 19,800 – 13,200 = ₹1,52,000.

OR

(B)

Dr. Revaluation Account Cr.

Particulars	₹	Particulars	₹
To Machinery A/c (10% of 1,70,000)	17,000	By Land and Building A/c (15% of 2,00,000)	30,000
To Provision for Doubtful Debts A/c (5% of 80,000)	4,000		
To Gain on revaluation transferred to:			
Naveen's Capital A/c (2/5)	3,600		
Ruchi's Capital A/c (2/5)	3,600		
Sneha's Capital A/c (1/5)	1,800		
Total	**30,000**	Total	**30,000**

Dr. Sneha's Capital Account Cr.

Particulars	₹	Particulars	₹
To Drawings A/c	12,000	By Balance b/d	1,00,000
To Sneha's Executors A/c (transfer)	1,70,300	By General Reserve (1/5)	10,000
		By Revaluation A/c (gain)	1,800
		By Naveen's Capital A/c (goodwill)	27,000
		By Ruchi's Capital A/c (goodwill)	27,000
		By Profit and Loss Suspense A/c (profit)	13,500
		By Interest on Capital A/c	3,000
Total	**1,82,300**	Total	**1,82,300**

Dr. Sneha's Executors Account Cr.

Particulars	₹	Particulars	₹
To Bank A/c	50,000	By Sneha's Capital A/c	1,70,300
To Balance c/d	1,20,300		
Total	**1,70,300**	Total	**1,70,300**

Working notes:

(1) Average profit = (1,20,000 + 1,35,000 + 1,50,000) ÷ 3 = ₹1,35,000. Goodwill = 1,35,000 × 2 = ₹2,70,000. Sneha's share = 2,70,000 × 1/5 = ₹54,000, borne by Naveen and Ruchi in the gaining ratio 1 : 1 (₹27,000 each). (Old 2/5 each → new 1/2 each; gain 1/10 each.)

(2) Profit till death (1st April to 30th September = 6 months) = 1,35,000 × 6/12 × 1/5 = ₹13,500, debited to Profit and Loss Suspense A/c.

(3) Interest on capital = 1,00,000 × 6/100 × 6/12 = ₹3,000.

(4) Share of General Reserve = 50,000 × 1/5 = ₹10,000.

Marking: (A) Revaluation Account (gain ₹3,000) – 1½ marks · Partners' Capital Accounts with goodwill adjustment and cash withdrawn – 2½ marks · Balance Sheet (total ₹6,52,500) – 2 marks · OR (B) Revaluation Account (gain ₹9,000) – 1½ marks · Sneha's Capital Account (goodwill, profit, interest, reserve, drawings; ₹1,70,300 transferred) – 3 marks · Sneha's Executors Account – 1½ marks

Examiner tip: In (A), first find the new partner's capital after debiting his share of goodwill, then multiply by the reciprocal of his share. In (B), the deceased partner's share of goodwill is borne by the remaining partners in their gaining ratio, not in the new ratio. (Examiner note for (A): the question says goodwill is adjusted through the capital accounts, so Arnav's Capital A/c is debited; an answer debiting his Current A/c, NCERT's usual treatment, should also get full credit if the capital adjustment is consistent.)

26. **(A)** Kaveri Foods Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of ₹2 per share, payable as follows:
₹3 on application; ₹5 on allotment (including the premium of ₹2) and ₹4 on first and final call.
Applications were received for 65,000 shares. Applications for 5,000 shares were rejected and the money was refunded. Shares were allotted to the remaining applicants on a pro-rata basis, and the excess application money was adjusted towards allotment.
Nikhil, who had applied for 1,800 shares, failed to pay the allotment money, and his shares were forfeited immediately after allotment. The first and final call was then made on the remaining shares and was duly received. Later, 1,000 of the forfeited shares were reissued at ₹9 per share as fully paid up.
Pass the necessary journal entries in the books of Kaveri Foods Ltd.

OR

(B) Sabari Engineering Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of ₹5 per share, payable as follows:
₹4 on application; ₹7 on allotment (including the premium of ₹5) and ₹4 on first and final call.
Applications were received for 1,20,000 shares. The directors decided as follows:
(i) Applications for 10,000 shares were rejected and the money was refunded.
(ii) Applications for 30,000 shares were accepted in full.
(iii) The remaining applicants were allotted 20,000 shares on a pro-rata basis. Their excess application money was to be adjusted first towards the allotment money and then towards the first and final call, and any balance left after that was to be refunded.
Meenal, who had applied for 2,000 shares and was allotted these shares in full, paid the first and final call money along with her allotment money. All the other money due was duly received.
Pass the necessary journal entries in the books of Sabari Engineering Ltd.

Answer (6 marks)

(A) Journal of Kaveri Foods Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,95,000	
	To Equity Share Application A/c			1,95,000
	(Being application money received on 65,000 shares @ ₹3 per share)			
	Equity Share Application A/c Dr.		1,95,000	
	To Equity Share Capital A/c			1,50,000
	To Equity Share Allotment A/c			30,000
	To Bank A/c			15,000
	(Being application money transferred; excess adjusted towards allotment and money on 5,000 rejected applications refunded)			
	Equity Share Allotment A/c Dr.		2,50,000	
	To Equity Share Capital A/c			1,50,000
	To Securities Premium Reserve A/c			1,00,000
	(Being allotment money due @ ₹5 per share including premium ₹2)			
	Bank A/c Dr.		2,13,400	

	To Equity Share Allotment A/c			2,13,400
	(Being allotment money received except from Nikhil (₹6,600))			
	Equity Share Capital A/c Dr.		9,000	
	Securities Premium Reserve A/c Dr.		3,000	
	To Equity Share Allotment A/c			6,600
	To Share Forfeiture A/c			5,400
	(Being 1,500 shares of Nikhil forfeited for non-payment of allotment money)			
	Equity Share First and Final Call A/c Dr.		1,94,000	
	To Equity Share Capital A/c			1,94,000
	(Being first and final call money due on 48,500 shares @ ₹4 per share)			
	Bank A/c Dr.		1,94,000	
	To Equity Share First and Final Call A/c			1,94,000
	(Being call money received)			
	Bank A/c Dr.		9,000	
	Share Forfeiture A/c Dr.		1,000	
	To Equity Share Capital A/c			10,000
	(Being 1,000 forfeited shares reissued @ ₹9 per share as fully paid up)			
	Share Forfeiture A/c Dr.		2,600	
	To Capital Reserve A/c			2,600
	(Being gain on reissue of 1,000 forfeited shares transferred to Capital Reserve)			

Working notes:

(1) 60,000 shares applied for (after rejection) → 50,000 allotted (6 : 5). Excess = 10,000 × ₹3 = ₹30,000.

(2) Nikhil: allotted 1,800 × 5/6 = 1,500 shares. Paid on application 1,800 × 3 = ₹5,400; required 1,500 × 3 = ₹4,500; excess ₹900 adjusted on allotment. Allotment due 1,500 × 5 = ₹7,500; unpaid = 7,500 – 900 = ₹6,600.

(3) Allotment received = 2,50,000 – 30,000 – 6,600 = ₹2,13,400.

(4) On forfeiture, Share Capital is debited with ₹6 per share called up (₹9,000) and Securities Premium Reserve with the unpaid premium ₹2 per share (₹3,000). Amount forfeited = ₹5,400 (₹3.60 per share).

(5) Reissue: forfeited amount on 1,000 shares = ₹3,600; discount ₹1,000; Capital Reserve = ₹2,600. Balance ₹1,800 remains in Share Forfeiture A/c for 500 shares not yet reissued.

OR

(B) Journal of Sabari Engineering 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 1,20,000 shares @ ₹4 per share)			
	Equity Share Application A/c Dr.		4,80,000	
	To Equity Share Capital A/c			2,00,000
	To Equity Share Allotment A/c			1,40,000
	To Calls in Advance A/c			80,000

	To Bank A/c			60,000
	(Being application money on 50,000 shares transferred to share capital; excess money of pro-rata allottees adjusted towards allotment and the first and final call, and the balance refunded along with the money on rejected applications)			
	Equity Share Allotment A/c Dr.		3,50,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			2,50,000
	(Being allotment money due on 50,000 shares @ ₹7 per share including premium ₹5)			
	Bank A/c Dr.		2,18,000	
	To Equity Share Allotment A/c			2,10,000
	To Calls in Advance A/c			8,000
	(Being balance allotment money received, and the first and final call received in advance from Meenal on 2,000 shares)			
	Equity Share First and Final Call A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being first and final call money due on 50,000 shares @ ₹4 per share)			
	Bank A/c Dr.		1,12,000	
	Calls in Advance A/c Dr.		88,000	
	To Equity Share First and Final Call A/c			2,00,000
	(Being call money received and calls in advance adjusted)			

Working notes:

(1) Pro-rata category: 80,000 shares applied for (1,20,000 – 10,000 – 30,000) → 20,000 allotted (4 : 1). Money received = 80,000 × ₹4 = ₹3,20,000; needed on application = 20,000 × ₹4 = ₹80,000; excess = ₹2,40,000.

(2) Use of the excess: allotment due on 20,000 shares = 20,000 × ₹7 = ₹1,40,000; first and final call on 20,000 shares = 20,000 × ₹4 = ₹80,000 (Calls in Advance); balance refunded = 2,40,000 – 1,40,000 – 80,000 = ₹20,000. Total refund = 10,000 × ₹4 + ₹20,000 = ₹60,000.

(3) Allotment received = 3,50,000 – 1,40,000 = ₹2,10,000; with Meenal's advance call 2,000 × ₹4 = ₹8,000, Bank = ₹2,18,000.

(4) Calls in Advance adjusted on the call = 80,000 + 8,000 = ₹88,000. Call received in cash = 2,00,000 – 88,000 = ₹1,12,000 (i.e. 28,000 shares of the full-acceptance category × ₹4).

(5) Check: total cash kept = 4,80,000 – 60,000 + 2,18,000 + 1,12,000 = ₹7,50,000 = Share Capital ₹5,00,000 + Securities Premium Reserve ₹2,50,000.

(Examiner note: the second entry may also be split into separate entries for the refund and for the adjustments; full credit if the amounts are right. Calls in Advance must be shown separately, not credited to the call account before the call is made.)

Marking: (A) Application received and transferred – 1 mark · Allotment due and received – 1 mark · Forfeiture entry (premium unpaid debited) – 1½ marks · Call due and received – 1 mark · Reissue – 1 mark · Capital Reserve – ½ mark · OR (B) Application received – ½ mark; application money transferred with allotment adjustment ₹1,40,000, Calls in Advance ₹80,000 and refund ₹60,000 – 2 marks; allotment due with premium – 1 mark; allotment received with Meenal's calls in advance – 1 mark; call due – ½ mark; call received with Calls in Advance ₹88,000 adjusted – 1 mark

Examiner tip: If shares are forfeited before the premium has been received, debit Securities Premium Reserve with the unpaid premium. Transfer to Capital Reserve only the gain on the shares actually reissued. When the excess application money of pro-rata allottees is more than the allotment money, the surplus goes to Calls in Advance (if the directors so decide) and only what is left is refunded.

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. Which of the following is **not** a cash equivalent for the purpose of preparing a Cash Flow Statement?

(A) Equity shares of another company held as an investment

(B) Treasury bills maturing within two months of purchase

(C) Commercial paper maturing within 75 days of purchase

(D) A bank deposit with a maturity of three months from the date of deposit

Answer (1 mark)
(A) Equity shares are not cash equivalents because they have no fixed maturity date and are exposed to significant risk of change in value. Short-term, highly liquid investments maturing within three months (B, C, D) are cash equivalents.

28. Dhule Wires Ltd. earned a net profit after tax of ₹4,20,000 for the year. The rate of income tax is 30%. It has 12% Debentures of ₹5,00,000 outstanding throughout the year. Its Interest Coverage Ratio will be:

(A) 7 times

(B) 10 times

(C) 11 times

(D) 8 times

Answer (1 mark)
(C) 11 times
Profit before tax = 4,20,000 × 100/70 = ₹6,00,000. Interest on debentures = 5,00,000 × 12% = ₹60,000.
Net profit before interest and tax = 6,00,000 + 60,000 = ₹6,60,000. Interest Coverage Ratio = 6,60,000 ÷ 60,000 = 11 times.

29. A company issued fully paid bonus shares of ₹3,00,000 to its shareholders by capitalising its General Reserve. In the Cash Flow Statement this will be shown as:

(A) Cash inflow from financing activities

(B) Not shown, as it is a non-cash transaction

(C) Cash outflow from financing activities

(D) Cash outflow from investing activities

Answer (1 mark)
(B) Issue of bonus shares neither brings in nor pays out any cash or cash equivalent; it only transfers an amount from General Reserve to Share Capital. So it is not shown in the Cash Flow Statement. (The same rule applies to other non-cash transactions, e.g. machinery bought by issuing shares.)

30. Revenue from operations of a company for the year is ₹18,00,000. Its current assets are ₹5,00,000 and current liabilities are ₹2,00,000. The Working Capital Turnover Ratio is:

(A) 3.6 times

(B) 9 times

(C) 2.57 times

(D) 6 times

Answer (1 mark)
(D) 6 times
Working capital = 5,00,000 – 2,00,000 = ₹3,00,000. Working Capital Turnover Ratio = 18,00,000 ÷ 3,00,000 = 6 times.

31. **(A)** From the following information, prepare a Comparative Statement of Profit and Loss of Solapur Textiles Ltd. for the years ended 31st March, 2025 and 2026:

Particulars	2025-26 (₹)	2024-25 (₹)
Revenue from Operations	25,00,000	20,00,000
Other Income	50,000	1,00,000
Cost of Materials Consumed	16,00,000	12,00,000
Other Expenses	2,50,000	3,00,000
Rate of Income Tax	30%	30%

OR

(B) From the following information, prepare a Common Size Balance Sheet of Akola Dal Mills Ltd. as at 31st March, 2025 and 2026:

Particulars	31-03-2026 (₹)	31-03-2025 (₹)
Share Capital	6,00,000	5,00,000
Reserves and Surplus	2,80,000	1,00,000
Long-term Borrowings	4,80,000	2,50,000
Current Liabilities	2,40,000	1,50,000
Total	**16,00,000**	**10,00,000**
Property, Plant and Equipment and Intangible Assets	10,40,000	6,00,000
Non-current Investments	80,000	1,00,000
Current Assets	4,80,000	3,00,000
Total	**16,00,000**	**10,00,000**

Answer (3 marks)

(A) Comparative Statement of Profit and Loss of Solapur Textiles Ltd. for the years ended 31st March, 2025 and 2026

Particulars	2024-25 (₹)	2025-26 (₹)	Absolute Change (₹)	Percentage Change (%)
I. Revenue from Operations	20,00,000	25,00,000	5,00,000	25
II. Add: Other Income	1,00,000	50,000	(50,000)	(50)
III. Total Income (I + II)	21,00,000	25,50,000	4,50,000	21.43
IV. Expenses:				
Cost of Materials Consumed	12,00,000	16,00,000	4,00,000	33.33
Other Expenses	3,00,000	2,50,000	(50,000)	(16.67)
Total Expenses	15,00,000	18,50,000	3,50,000	23.33
V. Profit before Tax (III – IV)	6,00,000	7,00,000	1,00,000	16.67
Less: Tax @ 30%	1,80,000	2,10,000	30,000	16.67
VI. Profit after Tax	4,20,000	4,90,000	70,000	16.67

(Figures in brackets show a decrease. Percentage change = Absolute change ÷ figure of 2024-25 × 100.)

OR

(B) Common Size Balance Sheet of Akola Dal Mills Ltd. as at 31st March, 2025 and 2026

Particulars	31-03-2025 (₹)	31-03-2026 (₹)	% of Total 2025	% of Total 2026
I. EQUITY AND LIABILITIES				
1. Shareholders' Funds				

(a) Share Capital	5,00,000	6,00,000	50	37.50
(b) Reserves and Surplus	1,00,000	2,80,000	10	17.50
2. Non-current Liabilities				
Long-term Borrowings	2,50,000	4,80,000	25	30
3. Current Liabilities	1,50,000	2,40,000	15	15
Total	10,00,000	16,00,000	100	100
II. ASSETS				
1. Non-current Assets				
(a) Property, Plant and Equipment and Intangible Assets	6,00,000	10,40,000	60	65
(b) Non-current Investments	1,00,000	80,000	10	5
2. Current Assets	3,00,000	4,80,000	30	30
Total	10,00,000	16,00,000	100	100

(Each item is expressed as a percentage of the Balance Sheet total of that year: ₹10,00,000 for 2025 and ₹16,00,000 for 2026.)

Marking: (A) Profit before tax, tax and profit after tax for both years – 1 mark · Absolute changes – ½ mark · Percentage changes – 1 mark · Correct format – ½ mark · OR (B) Percentages for 2025 – 1 mark; percentages for 2026 – 1 mark; format with Schedule III heads – 1 mark

Examiner tip: In a comparative statement, the base for percentage change is always the earlier year. In a common size Balance Sheet, the total of each year (not of the other year) is taken as 100.

32. From the following information of Bhandara Rice Ltd. as at 31st March, 2026, calculate (I) Debt to Equity Ratio, (II) Total Assets to Debt Ratio and (III) Proprietary Ratio:

Particulars	₹
Equity Share Capital	10,00,000
General Reserve	2,00,000
Surplus, i.e. Balance in Statement of Profit and Loss	4,00,000
9% Debentures	3,00,000
Long-term Loan from Bank	1,00,000
Trade Payables	3,50,000
Short-term Provisions	1,50,000

Answer (3 marks)

Shareholders' Funds (Equity) = 10,00,000 + 2,00,000 + 4,00,000 = ₹16,00,000.

Long-term Debts = 3,00,000 + 1,00,000 = ₹4,00,000.

Total Assets = Total of Equity and Liabilities = 16,00,000 + 4,00,000 + 3,50,000 + 1,50,000 = ₹25,00,000.

(I) Debt to Equity Ratio = Long-term Debts ÷ Shareholders' Funds = 4,00,000 ÷ 16,00,000 = **0.25 : 1**.

(II) Total Assets to Debt Ratio = Total Assets ÷ Long-term Debts = 25,00,000 ÷ 4,00,000 = **6.25 : 1**.

(III) Proprietary Ratio = Shareholders' Funds ÷ Total Assets = 16,00,000 ÷ 25,00,000 = **0.64 : 1**.

(NCERT also allows this ratio on the basis of capital employed (net assets): 16,00,000 ÷ (16,00,000 + 4,00,000) = 0.8 : 1. Examiners should give full credit for either basis when the formula is stated.)

Marking: Shareholders' funds, long-term debts and total assets – 1 mark (½ each for any two) · Debt to Equity Ratio – ½ mark · Total Assets to Debt Ratio – ½ mark · Proprietary Ratio – 1 mark

Examiner tip: Current liabilities are not debt for these solvency ratios. Total assets equal the Balance Sheet total, so add current liabilities when you build it from the liabilities side.

33. **(A)** From the following information of Washim Agro Ltd. for the year ended 31st March, 2026, calculate (I) Gross Profit Ratio, (II) Operating Ratio, (III) Operating Profit Ratio and (IV) Net Profit Ratio (before tax and after tax):
Revenue from operations ₹15,00,000; Cost of revenue from operations ₹9,00,000; Selling and distribution expenses ₹1,20,000; Administrative expenses ₹1,05,000; Interest received on investments ₹30,000; Interest on debentures ₹15,000; Rate of income tax 30%.
OR
(B) The current ratio of Hingoli Traders Ltd. is 2.4 : 1 and its quick ratio is 1.5 : 1. Its working capital is ₹2,80,000. Calculate (I) current liabilities, (II) current assets, (III) quick (liquid) assets and (IV) inventories. (The company has no prepaid expenses.)

Answer (4 marks)
(A) (I) Gross profit = 15,00,000 – 9,00,000 = ₹6,00,000. Gross Profit Ratio = 6,00,000 ÷ 15,00,000 × 100 = **40%**.
(II) Operating cost = Cost of revenue from operations + Operating expenses = 9,00,000 + 1,20,000 + 1,05,000 = ₹11,25,000.
Operating Ratio = 11,25,000 ÷ 15,00,000 × 100 = **75%**.
(III) Operating Profit Ratio = 100 – 75 = **25%** (operating profit ₹3,75,000 ÷ ₹15,00,000 × 100).
(IV) Net profit before tax = 3,75,000 + 30,000 (non-operating income) – 15,000 (interest) = ₹3,90,000. Net Profit Ratio (before tax) = 3,90,000 ÷ 15,00,000 × 100 = **26%**.
Tax = 30% of 3,90,000 = ₹1,17,000; net profit after tax = ₹2,73,000. Net Profit Ratio (after tax) = 2,73,000 ÷ 15,00,000 × 100 = **18.2%**.
OR
(B) Let current liabilities = x. Current assets = 2.4x. Working capital = 2.4x – x = 1.4x = ₹2,80,000.
(I) Current liabilities x = 2,80,000 ÷ 1.4 = **₹2,00,000**.
(II) Current assets = 2.4 × 2,00,000 = **₹4,80,000**.
(III) Quick assets = 1.5 × 2,00,000 = **₹3,00,000**.
(IV) Inventories = Current assets – Quick assets = 4,80,000 – 3,00,000 = **₹1,80,000** (there are no prepaid expenses).

Marking: (A) Gross Profit Ratio – 1 mark · Operating Ratio – 1 mark · Operating Profit Ratio – 1 mark · Net Profit Ratio before and after tax – ½ + ½ mark · OR (B) Each of current liabilities, current assets, quick assets and inventories – 1 mark × 4

Examiner tip: Interest paid and interest received are non-operating items: they are excluded from the operating ratio but included while finding net profit.

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

Balance Sheet of Ahmednagar Polymers 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	3,00,000	1,50,000
2. Non-current Liabilities			
Long-term Borrowings	2	2,00,000	3,00,000
3. Current Liabilities			
(a) Short-term Borrowings (Bank Overdraft)		40,000	60,000
(b) Trade Payables		1,30,000	1,10,000
(c) Short-term Provisions	3	60,000	50,000
Total		**17,30,000**	**14,70,000**
II. ASSETS			
1. Non-current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	4	9,60,000	7,00,000
(ii) Intangible Assets (Patents)		30,000	50,000
(b) Non-current Investments		1,50,000	80,000
2. Current Assets			
(a) Inventories		1,90,000	2,10,000
(b) Trade Receivables		2,40,000	1,80,000
(c) Cash and Cash Equivalents		1,60,000	2,50,000
Total		**17,30,000**	**14,70,000**

Notes to Accounts

Note No.	Particulars	31-03-2026 (₹)	31-03-2025 (₹)
1	**Reserves and Surplus**		
	Securities Premium Reserve	40,000	–
	Surplus, i.e. Balance in Statement of Profit and Loss	2,60,000	1,50,000
	Total	**3,00,000**	**1,50,000**
2	**Long-term Borrowings**		
	10% Bank Loan	2,00,000	3,00,000
3	**Short-term Provisions**		
	Provision for Tax	60,000	50,000
4	**Property, Plant and Equipment**		
	Machinery	12,00,000	9,00,000
	Less: Accumulated Depreciation	(2,40,000)	(2,00,000)
	Total	**9,60,000**	**7,00,000**

Additional information:

(i) During the year, a machine costing ₹1,20,000 (accumulated depreciation on it ₹50,000) was sold for ₹85,000.

(ii) Equity shares were issued at a premium of 20% during the year.

(iii) ₹1,00,000 of the bank loan was repaid on 31st March, 2026; interest on the loan for the year was paid.

(iv) A final dividend of ₹80,000 for the year 2024-25 was declared and paid during the year.
(v) Provision for tax made during the year was ₹70,000.

Answer (6 marks)

Cash Flow Statement of Ahmednagar Polymers Ltd. for the year ended 31st March, 2026

Particulars	₹	₹
A. Cash Flows from Operating Activities		
Net Profit before Tax (Note 1)		2,60,000
Adjustments for non-cash and non-operating items:		
Add: Depreciation on machinery	90,000	
Add: Patents written off	20,000	
Add: Interest on bank loan	30,000	
Less: Profit on sale of machinery	(15,000)	1,25,000
Operating Profit before Working Capital Changes		3,85,000
Add: Increase in trade payables	20,000	
Add: Decrease in inventories	20,000	
Less: Increase in trade receivables	(60,000)	(20,000)
Cash Generated from Operations		3,65,000
Less: Income tax paid		(60,000)
Net Cash from Operating Activities		**3,05,000**
B. Cash Flows from Investing Activities		
Purchase of machinery	(4,20,000)	
Sale of machinery	85,000	
Purchase of non-current investments	(70,000)	
Net Cash used in Investing Activities		**(4,05,000)**
C. Cash Flows from Financing Activities		
Issue of equity shares at a premium (2,00,000 + 40,000)	2,40,000	
Repayment of bank loan	(1,00,000)	
Interest paid on bank loan	(30,000)	
Dividend paid (final dividend for 2024-25)	(80,000)	
Decrease in bank overdraft	(20,000)	
Net Cash from Financing Activities		**10,000**
Net Decrease in Cash and Cash Equivalents (A + B + C)		**(90,000)**
Add: Cash and Cash Equivalents at the beginning (1st April, 2025)		2,50,000
Cash and Cash Equivalents at the end (31st March, 2026)		**1,60,000**

Note 1 – Net profit before tax: Closing surplus 2,60,000 – opening surplus 1,50,000 + dividend paid 80,000 = net profit after tax ₹1,90,000; add provision for tax ₹70,000 = **₹2,60,000**.

Note 2 – Interest: 10% on ₹3,00,000 for the whole year = ₹30,000 (the loan was repaid only on 31st March, 2026). It is added back in operating activities and shown as a financing outflow.

Working accounts:

Dr. Machinery Account Cr.

Particulars	₹	Particulars	₹
To Balance b/d	9,00,000	By Accumulated Depreciation A/c	50,000
To Statement of Profit and Loss (profit on sale)	15,000	By Bank A/c (sale)	85,000
To Bank A/c (purchases – balancing figure)	4,20,000	By Balance c/d	12,00,000

Total	**13,35,000**	Total	**13,35,000**

Dr. Accumulated Depreciation Account Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	50,000	By Balance b/d	2,00,000
To Balance c/d	2,40,000	By Statement of Profit and Loss (depreciation – balancing figure)	90,000
Total	**2,90,000**	Total	**2,90,000**

Dr. Provision for Tax Account Cr.

Particulars	₹	Particulars	₹
To Bank A/c (tax paid – balancing figure)	60,000	By Balance b/d	50,000
To Balance c/d	60,000	By Statement of Profit and Loss	70,000
Total	**1,20,000**	Total	**1,20,000**

Patents written off = 50,000 – 30,000 = ₹20,000. Non-current investments purchased = 1,50,000 – 80,000 = ₹70,000. Bank overdraft is treated as a short-term borrowing, so its decrease (₹20,000) is a financing outflow.

Marking: Net profit before tax ₹2,60,000 (with working) – 1 mark · Operating activities ₹3,05,000 – 2 marks · Investing activities (₹4,05,000) – 1 mark · Financing activities ₹10,000 – 1½ marks · Net decrease and reconciliation with opening and closing cash – ½ mark

Examiner tip: Last year's proposed dividend paid during this year is a financing outflow and must be added back to find net profit. Tax paid comes from the Provision for Tax Account, not the provision made.

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. What value will the formula =ROUNDUP(4762.3,-2) return in a cell of an Excel worksheet?

(A) 4700 (B) 4762

(C) 4800 (D) 5000

Answer (1 mark)

(C) 4800 – a negative num_digits rounds to the left of the decimal point; −2 rounds up (away from zero) to the next hundred.

28. Cell A2 contains the text Sunita and cell B2 contains the text Jadhav. What will the formula =CONCATENATE(A2," ",B2) display?

(A) SunitaJadhav (B) Sunita Jadhav

(C) A2 B2 (D) #NAME?

Answer (1 mark)

(B) Sunita Jadhav – CONCATENATE joins the text items in the order given; the middle argument " " inserts a space.

29. Among the components of a Computerised Accounting System, 'a logical sequence of actions to perform a task' is called:

(A) Procedure (B) Data

(C) Software (D) People

Answer (1 mark)

(A) Procedure – the five components of CAS are procedure, data, people, hardware and software.

30. Cell C2 contains the formula =A2/B2 and cell B2 is empty. The cell C2 will display:

(A) #REF! (B) #NAME?

(C) #VALUE! (D) #DIV/0!

Answer (1 mark)

(D) #DIV/0! – an empty cell is treated as zero, so the formula divides by zero.

31. **(A)** Explain the following sub-systems of an Accounting Information System: (I) Inventory sub-system, (II) Payroll accounting sub-system, (III) Fixed assets accounting sub-system.

OR

(B) What is a data table in a spreadsheet? Distinguish between a one-variable data table and a two-variable data table.

Answer (3 marks)

(A) (I) **Inventory sub-system:** records the items purchased and issued, with their price, quantity and date, and generates the inventory position and valuation report.

(II) **Payroll accounting sub-system:** deals with payment of wages and salaries; the wage report shows basic pay, dearness allowance and other allowances, and deductions for provident fund, taxes, loans and advances. It generates reports on the wage bill, overtime payment and leave encashment.

(III) **Fixed assets accounting sub-system:** records purchases, additions, deletions and usage of fixed assets such as land and buildings, machinery and equipment, and the depreciation on them.

OR

(B) A **data table** is a range of cells that shows the results of substituting different values in one or more formulas (a What-if Analysis tool).

Basis	One-variable data table	Two-variable data table
Input values	One list of input values, in one column or one row	Two lists of input values – one in a column and one in a row
Input cell	The formula refers to one input cell	The formula refers to two different input cells
Formulas	One or more formulas can be used	Only one formula is used

Marking: (A) Each sub-system correctly explained – 1 mark × 3 · OR (B) Meaning of data table – 1 mark; any two differences – 1 mark each

Examiner tip: Write what each sub-system records and the report it produces – a one-word answer earns only half the mark.

32. Pune Book House has up to 8 regions. Each region has up to 40 stores, each store has up to 9 departments and each department stocks up to 500 titles. The firm wants a numeric code for every title from which its region, store and department can be read directly.

(I) Design a suitable coding structure, stating the number of digits for each level.

(II) Write the code of title number 237 in department 4 of store 12 of region 3.

(III) State one advantage of such a hierarchical code.

Answer (3 marks)

(I) Coding structure (hierarchy Region → Store → Department → Title):

Level	Maximum number	Digits
Region	8	1
Store (within a region)	40	2
Department (within a store)	9	1
Title (within a department)	500	3

Total		7

(Store numbers are written 01–40 and title numbers 001–500, so every code has exactly 7 digits.)
(II) Region 3 | Store 12 | Department 4 | Title 237 → code **3124237**.
(III) Advantage (any one): the region, store and department can be read from the code itself; when codes are sorted in ascending order, titles automatically get listed by region, store and department, which helps in grouping and in preparing reports.

Marking: (I) Digits for each level with reason – 1½ marks · (II) Correct code – 1 mark · (III) One advantage – ½ mark

Examiner tip: Allot digits from the maximum number at each level: 40 stores need 2 digits and 500 titles need 3; then write the code from the top level down.

33. **(A)** A wholesaler keeps its price list in Sheet1: item codes in A2:A40, item names in B2:B40 and rates in C2:C40. In the invoice sheet, the item code is typed in cell E5. Write the formula that will bring the rate of that item into cell F5 (exact match only), explain each argument of the function used, and state why the table range should be written with absolute cell addresses.

OR

(B) Write the syntax of the PV function and explain its arguments. A scheme will pay ₹25,000 at the end of every year for 4 years and the interest rate is 10% p.a. Write the formula for the present value of the scheme and state its value.

Answer (4 marks)

(A) Formula in F5: **=VLOOKUP(E5,Sheet1!$A$2:$C$40,3,FALSE)**

• lookup_value (E5) – the item code to be searched for in the first column of the table.
• table_array (Sheet1!$A$2:$C$40) – the price list in which the code is searched; the code must be in its first column.
• col_index_num (3) – the column of the table from which the value is returned; the rate is in the 3rd column.
• range_lookup (FALSE) – finds an exact match only; if the code is not found, #N/A is shown.

The table range is made absolute so that it does not shift when the formula is copied down to F6, F7, … for the other invoice lines.

OR

(B) Syntax: **PV(rate, nper, pmt, fv, type)**

• rate – interest rate per period; • nper – total number of payment periods; • pmt – payment made each period (cannot change); • fv – future value or cash balance after the last payment (optional; 0 if omitted); • type – 0 or omitted for payment at the end of the period, 1 for the beginning (optional).

Formula: **=PV(10%,4,-25000)** (or =PV(0.1,4,-25000,0,0)). Value = **₹79,246.64** (the payment is entered as negative, so the present value is positive).

Marking: (A) Correct formula – 1 mark · Explanation of the four arguments – 2 marks · Reason for absolute address – 1 mark · OR (B) Syntax – 1 mark; explanation of arguments – 1½ marks; formula – 1 mark; value – ½ mark

Examiner tip: In VLOOKUP the code being searched must be in the first column of the table range, and FALSE is needed for an exact match.

34. Baramati Dairy keeps its fixed asset register in a spreadsheet. From row 5 to row 10 each row is one asset: asset name in column A, asset category (Plant, Vehicle or Furniture) in column B, purchase cost in column D, installation expenses in column E, pre-operating expenses in column F, cost to use in column G, salvage value in column H and life in years in column I. Column K shows depreciation by the straight line method and column L shows the first-year depreciation by the written down value (declining balance) method for a full year of 12 months.

(I) Write the formulas for cells G5 (cost to use), K5 and L5. Also write the formula for cell K12 to show the total straight line depreciation of all six assets, and for cell K13 to show the total straight line depreciation of the assets of the category Plant only.

(II) Row 5 is a milk chilling plant: purchase cost ₹4,40,000, installation expenses ₹25,000, pre-operating expenses ₹15,000, salvage value ₹30,000 and life 6 years. Calculate the values shown in G5, K5 and L5.

(III) Why is the first-year depreciation in L5 higher than in K5?

Answer (6 marks)

(I)

Cell	Formula	Purpose
G5	=D5+E5+F5	Cost to use = purchase cost + installation + pre-operating expenses
K5	=SLN(G5,H5,I5)	Straight line depreciation (cost, salvage, life)
L5	=DB(G5,H5,I5,1,12)	Declining balance depreciation for period 1 with 12 months (=DB(G5,H5,I5,1) also correct)
K12	=SUM(K5:K10)	Total straight line depreciation of all assets
K13	=SUMIF(B5:B10,"Plant",K5:K10)	Total depreciation of the Plant category only

(The formulas of row 5 are copied down to rows 6–10.)

(II) G5 = 4,40,000 + 25,000 + 15,000 = **₹4,80,000**.

K5 = (4,80,000 – 30,000) ÷ 6 = **₹75,000** per year.

L5: DB uses the fixed rate = 1 – (salvage ÷ cost)$^{1/life}$ = 1 – (30,000 ÷ 4,80,000)$^{1/6}$ = 1 – 0.630 = 0.370 (Excel rounds the rate to three decimal places). First-year depreciation = 4,80,000 × 0.370 × 12/12 = **₹1,77,600**. (Examiner note: a candidate who uses the unrounded rate 0.37004 and gets ≈ ₹1,77,619 should lose at most ½ mark; =DB(G5,H5,I5,1) without the month argument is also correct.)

(III) The written down value method charges a fixed rate on the opening book value. In the first year the book value is the highest (the full cost), so the charge is the highest; it falls every year. The straight line method charges the same amount (₹75,000) every year.

Marking: (I) G5, K5, L5, K12, K13 – ½ mark each (2½ marks) · (I) Copying the formulas / correct cell references – ½ mark · (II) G5 ₹4,80,000 – ½ mark; K5 ₹75,000 – ½ mark; L5 ₹1,77,600 – 1 mark · (III) Reason – 1 mark

Examiner tip: In SLN and DB the first argument is the cost to use (including installation and pre-operating expenses), not the bare purchase price. In SUMIF the criteria range and the sum range must be of the same size.

All the best for your exam!