ACCOUNTS

SECTION A – (60 Marks)

Answer all questions.

Question 1

In subparts (i) to (iv), choose the correct option and in subparts (v) to (x) answer the questions as instructed.

(i) On the date of admission of Ajay as a partner, the Balance Sheet of the firm of Nita and Rita showed a balance of ₹ 80,000 in the Workmen Compensation Reserve. **[1]**

Choose the correct option to record the effect of a workmen compensation claim of ₹ 90,000 on the accounts of the partnership firm.

(a) The Revaluation Account to be credited with ₹ 10,000.

(b) The Revaluation Account to be debited with ₹ 10,000.

(c) The Capital Accounts of Nita and Rita to be debited with ₹ 90,000.

(d) The Capital Accounts of Nita and Rita to be credited with ₹ 90,000.

(ii) Credit Access Grameen Ltd., a listed NBFC – MFI (Micro Finance Institution), is all set to enter the bond market next week to raise up to ₹ 1,000 crore in non-convertible debentures, as it looks to diversify its liability profile. **[1]**

(Source: Economic Times, 20 August, 2023)

According to the provisions of the Companies Act, 2013, what is the maximum amount of these non-convertible debentures which Credit Access Grameen Ltd. will redeem out of its *capital?*

(a) ₹ 100 crore

(b) ₹ 150 crore

(c) ₹ 900 crore

(d) ₹ 1,000 crore

(iii) Choose the correct order in which a partnership firm, at the time of its dissolution, will apply the amount realised from the sale of its assets, including any amount contributed by the partners, towards the payment of: **[1]**

P Partners' loan

Q Firm's debts

R Balance of partners' capital

S Surplus divided amongst the partners in their profit-sharing ratio

(a) P, Q, R, S

(b) Q, P, S, R

(c) S, P, Q, R

(d) Q, P, R, S

(iv) Tulip Ltd. allotted 45,000 Equity shares of ₹ 10 each to the public. The first and final call of ₹ 2 per share was not received on 1,000 shares, which were forfeited by the company. Later, 600 of the forfeited shares were reissued at ₹ 7 fully paid up. **[1]**

What is the Subscribed Capital of the company?

(a) ₹ 4,49,200

(b) ₹ 4,50,000

(c) ₹ 4,40,000

(d) ₹ 4,46,000

(v) **Assertion:** A revaluation account is prepared at the time of dissolution of a partnership. **[1]**

Reason: A revaluation account is prepared to determine the net gain / loss on realisation of assets and settlement of liabilities.

Which one of the following is correct?

(a) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.

(b) Both Assertion and Reason are true but Reason is not the correct explanation for Assertion.

(c) Both Assertion and Reason are false.

(d) Assertion is true but Reason is false.

(vi) A firm having a debtor of ₹ 30,000 from whom the amount was due on 30th June, 2023, gets dissolved on 31st March, 2023. The debtor cleared his dues on the date of dissolution of the firm at a discount of 4% per annum. **[1]**

Give the journal entry passed by the firm to realise the payment from the debtor.

(vii) Xylo Ltd. issued 9,000, 7% Debentures of ₹ 100 each at a *certain rate* of *discount*. After writing off the discount on the issue of debentures, the company was left with a balance of ₹ 35,000 in its Securities Premium out of the original amount of ₹ 71,000. **[1]**

At what rate of discount did the company issue these Debentures?

(viii) The Annual Report of ITC Ltd., for the financial year 2021-22, showed *Claims against the Company not acknowledged as debts of ₹ 880·58 crores including Third party claims arising from disputes relating to contracts aggregating ₹ 29.22 crores*. **[1]**

(Source: Annual Report of ITC Ltd. 2021-22)

Mention the heading and the sub-heading under which this item would have been shown in the Notes to Accounts accompanying the Balance Sheet of ITC Ltd. as at 31st March, 2022.

(ix) Deepa and Pia are in partnership sharing profits and losses in the ratio of 3:2. They admit Charu as a partner for $^1/_5$ share in the profits. The capitals of Deepa and Pia, before adjusting the loss of ₹ 5,000 on revaluation of assets and liabilities, are ₹ 30,000 and ₹ 20,000 respectively. **[1]**

It is decided that Charu will contribute 25% of the combined capitals of Deepa and Pia.

What is Charu's capital contribution?

(x) The Balance Sheet of Anjum Ltd. as at 31st March, 2022, had outstanding 1,000, 8% Debentures of ₹ 100 each. These debentures were to be redeemed by the company on 31st March, 2023. **[1]**

Give the journal entry for the amount *due* to the Debenture holders on 31st March, 2023, including the interest on debentures due to them.

Comments of Examiners

(i) Majority of the candidates chose the correct option (b).

(ii) Very few candidates were able to choose the correct option. Most of the candidates chose option (a) instead of correct option (d).

(iii) Majority of the candidates chose the correct option. However, some candidates chose option (b) instead of correct option (d).

(iv) Very few candidates were able to choose the correct option. Candidates chose option (a) instead of option (d).

(v) Very few candidates answered this question correctly. Most of the candidates chose option (c) instead of option (d) as they mistook dissolution of partnership (admission, retirement, death of a partner) for dissolution of partnership firm.

(vi) Almost all candidates gave the correct journal entry. A few candidates calculated the discount for the full year.

(vii) Majority of the candidates were able to calculate the rate of discount at which the debentures were issued by the company.

(viii) Very few candidates could give the correct heading and sub-heading of the item given in the question.

(ix) Majority of the candidates could answer this question satisfactorily.

(x) Most of the candidates could answer this question correctly.

Suggestions for teachers

- Ensure that the students are well versed with the rules of the Companies Act, 2013, regarding redemption of Debentures for listed and unlisted companies.
- Ensure that the students are well versed with the provisions of Section 48 (a) and (b) of IPA, 1932.
- Explain the meaning of subscribed capital and clarify that forfeited shares are not included in subscribed capital as they are not held by the shareholders.
- Clearly bring out the difference between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm'.
- Give practice of inserting adjustments involving payment to creditors and amount received from debtors at a discount before the due date to ensure that students do not neglect the time period while making such entries.
- Explain all the items under Schedule III of the Companies Act, 2013, given in the scope of the syllabus and in the guidelines followed by discussions for better clarity.

MARKING SCHEME

Question 1

<table>
<tr><td>(i)</td><td>(b) or The Revaluation Account to be debited with ₹ 10,000.</td></tr>
<tr><td>(ii)</td><td>(d) or ₹ 1,000 crore</td></tr>
<tr><td>(iii)</td><td>(d) or Q, P, R, S</td></tr>
<tr><td>(iv)</td><td>(d) or ₹ 4,46,000</td></tr>
<tr><td>(v)</td><td>(d) or Assertion is true but Reason is false.</td></tr>
<tr><td>(vi)</td><td>Cash / Bank A/c Dr 29,700
To Realisation A/c 29,700
Workings: Discount = $30,000 \times \frac{4}{100} \times \frac{3}{12} = 300$
Amount realised = $30,000 - 300 =$ *₹ 29,700*</td></tr>
<tr><td>(vii)</td><td>4% or ₹ 4 per debenture
X = 71,000 – 35,000
X = 36,000
$\frac{36,000}{9,00,000} \times 100 = 4$</td></tr>
<tr><td>(viii)</td><td><table>
<tr><th>Item</th><th>Heading</th><th>Sub-heading</th></tr>
<tr><td>Claims against the Company not acknowledged as debts</td><td>Contingent Liabilities & Capital Commitments</td><td>Contingent Liabilities</td></tr>
</table></td></tr>
<tr><td>(ix)</td><td>₹ 11,250
Working: $[50,000 - 5,000] \times \frac{1}{4} =$ *₹ 11,250*</td></tr>
<tr><td>(x)</td><td>8% Debentures A/c Dr 1,00,000
Interest on Debentures A/c Dr 8,000
To Debenture holders’ A/c 1,08,000</td></tr>
</table>

Question 2

[3]

The Balance Sheet of Hari, Jacob and James as at 31st March, 2023, stood as follows:

Balance Sheet of Hari, Jacob and James
As at 31st March, 2023

Liabilities		**(₹)**	**Assets**	**(₹)**
Capital Accounts			Fixed Assets	3,50,000
Hari	3,40,000		Debtors	2,50,000
Jacob	1,90,000		Bank	1,50,000
James	2,20,000	7,50,000		
		7,50,000		7,50,000

Jacob died on 30th June, 2023.

His drawings from 1st April, 2023, up to the date of his death amounted to ₹ 1,00,000.

According to the partnership deed, Jacob was:

(a) To be charged with interest on drawings @ 4% per annum.

(b) Entitled to his share of interim profits for which his capital account was credited with ₹ 1,10,000.

(c) Entitled to his share in the non-purchased goodwill of the firm.

The firm's non-purchased goodwill on the date of Jacob's death had no value.

The final amount due to Jacob by the firm was transferred to his executor's loan account.

You are required to prepare the Interim Balance Sheet of the reconstituted firm as at 30th June, 2023.

OR

Kamal, Ali and John are partners in a firm. On Kamal's retirement from the firm on 30th June, 2023, his capital account stood at ₹ 40,000 after all adjustments.

The partners decided that Kamal be paid 50% of the amount due to him immediately and the balance, along with interest @ 6% per annum, be paid on 30th June, 2024.

The firm closes its books on 31st March every year.

You are required to prepare Kamal's Loan Account till it is finally closed.

Comments of Examiners

Very few candidates attempted this option and answered it correctly. Majority of the candidates were unable to calculate the bank balance and the amount due to Jacob's executor.

OR

Very few candidates were able to prepare the correct Loan A/c. The common errors made by majority of the candidates were –

- Crediting the Loan A/c with the total amount due and not with 50% of it.
- Not being able to calculate the amount of interest due but not accrued on 31st March, 2024, and accrued and due on 30th June, 2024.
- Preparing the Loan A/c without recording the dates of the transactions.

Suggestions for teachers

- Elucidate the concept of interim profits, and make clear the calculation and treatment of interest on drawings and interest on capital in case of death of a partner during the course of the year.
- Lay stress on the date of the preparation of the Balance Sheet, both interim and final.
- Explain to the students the importance of the date column in a Loan A/c.
- Go by the scope of the syllabus regarding the preparation of the Loan A/c at the time of retirement and death of a partner.

MARKING SCHEME

Question 2

Balance Sheet of Hari and James
As at 30th June, 2023 / 1st July, 2023

Liabilities	(₹)	Assets	(₹)
Capital Accounts		Fixed Assets	3,50,000
Hari 3,40,000		Debtors	2,50,000
James 2,20,000	5,60,000	Bank	50,000
		P/L Suspense 1,10,000	
Jacob's Executor's Loan	1,99,500	(500)	1,09,500
	7,59,500		7,59,500

Workings: $IOD = 1,00,000 \times \frac{4}{100} \times \frac{1\cdot 5}{12} = 500$

OR

Kamal's Loan A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.3.24	To Balance c/d	20,900	30.6.23	By Kamal's Capital A/c	20,000
			31.3.24	By Interest accrued but not due A/c	900
		20,900			20,900
30.6.24	To Cash/ Bank A/c (20,000 + 1,200)	21,200	1.4.24	By Balance b/d	20,900
			30.6.24	By Interest accrued and due	300
		21,200			21,200

Workings: Interest on Loan accrued but not due $= 20,000 \times \frac{6}{100} \times \frac{9}{12} = 900$

Interest on Loan accrued and due $= 20,000 \times \frac{6}{100} \times \frac{3}{12} = 300$

Question 3

[3]

On 1st April, 2022, Harbour Ltd. issued 50,000, 6 % Debentures of ₹ 100 each to the public at a discount of 5% to be redeemed after three years at a premium of 7%.

On this date, the company also issued 1,00,000 Equity shares of ₹ 10 each at a premium of ₹ 2 per share.

Both the issues were fully subscribed.

You are required to prepare the following accounts for the year 2022-23 in the books of Harbour Ltd.:

(i) 6 % Debentures Account.

(ii) Loss on issue of Debentures Account.

Comments of Examiners

(i) The majority of the candidates were unable to prepare the 6% Debentures A/c satisfactorily. The common errors made were:

- Instead of crediting Debenture Application & Allotment A/c, candidates credited Debentures Application A/c or Bank A/c.
- Instead of taking both the losses- Discount on Issue of Debentures and Premium on Redemption of Debentures in Loss on issue of Debentures A/c, a separate Discount on Issue of Debentures A/c was opened which was credited in the Debentures A/c.
- Passing journal entries instead of making ledger accounts.

(ii) Some of the candidates could answer this question correctly.

- Most of the candidates did not use the Securities Premium to write off part of the Loss of issue on Debentures. They either wrote off the entire amount from the revenue profits or did not write it off at all but simply carried it forward.
- A few candidates, while writing off the loss from the Securities Premium A/c, wrote 'Premium A/c' instead of 'Securities Premium A/c'.

Suggestions for teachers

- Ensure that the students understand that the Debenture Application and Allotment Account should be debited when debentures are issued at their full-face value.
- Regarding debentures teach the concepts that both - discount on issue of debentures and premium on redemption of debentures are losses on issue of debentures and have to be debited through one account which is 'Loss on issue of Debentures A/c'.
- Give adequate practice to the students in making ledger accounts independent of passing journal entries.
- Ensure that the students are clear about the concept of writing off capital losses in the year in which they occur.
- Give sufficient practice for writing off these losses first from the Securities Premium, then from Capital Reserve and lastly from the Revenue profits.
- Lay emphasis on the fact that general Reserve is to be used only if the question specifies.
- Instruct students not to use abbreviations.

MARKING SCHEME

Question 3

(i)

6% Debentures A/c

Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
31.03.23	To Balance c/d	50,00,000	01.04.22	By Deb App & Allot A/c	47,50,000
			01.04.22	By Loss on issue of Deb A/c	2,50,000
		50,00,000			50,00,000

(ii)

Loss on issue of Debentures A/c

Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
01.04.22	To 6% Deb	2,50,000	31.03.23	By Sec Premium	2,00,000
01.04.22	To Premium on Red of Deb	3,50,000	31.03.23	By St of P/L	4,00,000
		6,00,000			6,00,000

Question 4

[3]

On 1st April, 2022, the following balances appeared in the books of Alpha Pvt. Ltd.

9% Debentures (redeemable on 31st March, 2023, at a premium of 2%)	₹ 50,00,000
Debenture Redemption Reserve	₹ 5,00,000

The Debenture Redemption Investment, which was purchased by the company on 1st April, 2022, was realised at 101% on the date of redemption and the debentures were redeemed on the due date.

You are required to prepare the following accounts for the year 2022-23 in the books of Alpha Pvt. Ltd.

(i) Debenture holders' Account.

(ii) Debenture Redemption Investment Account.

OR

On 1st April, 2022, Resorts Ltd. (a listed construction company) had 60,000, 5% Debentures of ₹ 100 each due for redemption at par on 31st March, 2023.

As per the law, investment was made in a fixed deposit of a bank on 30th April, 2022, earning interest @ 5% per annum.

Tax @ 10% was deducted by the bank on the interest.

You are required to pass necessary journal entries in the *year of redemption of debentures*, including entries for interest on Debenture Redemption Investment. (Ignore the interest on Debentures)

Comments of Examiners

(i) Majority of the candidates were able to prepare the Debenture holders' Account. However, a few candidates made wrong entries by crediting the Debentures holder' A/c with ₹51,00,000 for Debentures instead of ₹50,00,000 for Debentures and ₹1,00,000 for Premium on Redemption of Debentures.

(ii) Only a few candidates answered this question correctly. Some candidates did not debit the Debenture Redemption Investment Account with the gain made on the sale of the Investments. A few candidates simply debited the Debenture Redemption Investment Account with 'Gain A/c' instead of 'Gain on sale of Debenture Redemption Investment A/c'.

OR

Majority of the candidates were unable to calculate the correct interest earned on the Debenture Redemption Investment. They calculated it for twelve months instead of eleven months. Many candidates did not pass the journal entry to close the Interest on Debenture Redemption Investment A/c.

Suggestions for teachers

- Explain to the students that a Debenture can be debited / credited only at its face value.
- Make clear the concept that the change in the value of an asset / liability at the time of its sale or settlement has to be reflected in the concerned account.
- Provide sufficient practice to the students to calculate interest on Debenture Redemption Investment using the formula - Principle × Rate ×Time period.
- Explain to the students and reiterate the fact that all expenses and income accounts must be closed at the end of the

MARKING SCHEME

Question 4

(i)

Debenture holders' A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.3.23	To Bank A/c	51,00,000	31.03.23	By 9% Deb A/c	50,00,000
			31.03.23	By Premium on Red of Deb A/c	1,00,000
		51,00,000			51,00,000

(ii)

Debenture Redemption Investment A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.22	To Bank A/c	7,50,000	31.03.23	By Bank A/c	7,57,500
31.03.23	To Gain on Sale of DRI	7,500			
		7,57,500			7,57,500

OR

Journal of Resorts Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
30.04.22	Debenture Redemption Invest. A/c Dr		9,00,000	
	To Bank A/c			9,00,000
	(Being DRI made in a fixed deposit)			
31.03.23	Bank A/c Dr		37,125	

	Tax Collected (Receivables) A/c Dr		4,125	
	To Interest on DRI A/c			41,250
	(Being int. recd on DRI)			
31.03.23	Bank A/c Dr		9,00,000	
	To Deb Redemption Invest A/c			9,00,000
	(Being DRI matured)			
	OR			
	Bank A/c Dr		9,37,125	
	Tax Collected (Receivables) A/c Dr		4,125	
	To Interest on DRI A/c			41,250
	To Deb Redemption Invest A/c			9,00,000
	(Being DRI matured and int. received)			
31.03.23	5% Debentures A/c Dr		60,00,000	
	To Debenture holders' A/c			60,00,000
	(Being amount due to Deb holders')			
31.03.23	Debenture holders' A/c Dr		60,00,000	
	To Bank A/c			60,00,000
	(Being 5% Debentures redeemed)			
31.03.23	Interest on DRI A/c Dr		41,250	
	To Statement of P/L			41,250
	(Being interest on DRI transferred to St. of P/L)			

Question 5

[3]

On 1st April, 2020, Anish started a business with a capital of ₹ 3,00,000.
During the three years ending 31st March, 2023, the results of his business were:

Year		**(₹)**
2020-21	Loss	20,000
2021-22	Profit	34,000
2022-23	Profit	46,000

From the year 2020-21 to the year 2022-23, Anish withdrew ₹ 30,000 from the firm for his personal use.

On 1st April, 2023, he admitted Danish into partnership on the following terms:

(a) Goodwill of the firm to be valued at two years' purchase of the average profits of the last three years.

(b) Danish to have $^1/_4$ share in the future profits.

(c) Danish's capital to be equal to $^1/_4$ of Anish's capital determined on 1st April, 2023, *after* the goodwill compensation has been taken into account.

You are required to give:

(i) The formula to calculate goodwill by the Average Profit Method.

(ii) The value of self-generated goodwill of the firm.

(iii) Danish's capital contribution.

Comments of Examiners

(i) The majority of the candidates could answer this question satisfactorily. However, a few candidates failed to apply the appropriate formula of valuation of goodwill by using the average profit method. A few other candidates did not multiply the Average Profit with the 'Number of Years' Purchase'.

(ii) Most of the candidates answered this question correctly. Some candidates failed to infer the meaning of self-generated goodwill. They worked it out correctly along with the formula but then did some further calculations to get an incorrect figure of self-generated goodwill which they considered as its value.

(iii) Very few candidates were able to calculate the new partner's capital. Majority of the candidates were unable to get the correct amount of profit earned over the three years. Some candidates did not subtract the drawings made by the old partner from his opening capital.

Suggestions for teachers

- Ensure, while teaching valuation of goodwill, that the students write the formula of its valuation and stress upon the same.
- Explain the meaning of and difference between self-generated and inherent goodwill and purchased goodwill.
- Bring out clear distinction between the different types of goodwill along with emphasizing on the type of goodwill being dealt with while teaching.
- Reiterate the formula to calculate closing capital.

MARKING SCHEME

Question 5

(i)	Goodwill = Average profit × Number of years' purchase
(ii)	= 60,000/3 × 2 = ₹ 40,000
(iii)	Danish Capital Contribution = 1/4 × 3,40,000 = ₹ 85,000 Workings:

Anish's Particulars	(₹)
Opening capital on 1st April 2020	3,00,000
Profit Capital during 2020-23	60,000
Drawings during 2020-23	30,000
Goodwill Compensation	10,000
Capital on 1st April, 2023	3,40,000

Question 6

[6]

The following balances have been extracted from the books of Meadow Ltd. as at 31st March, 2023.

Particulars	(₹)	Particulars	(₹)
Capital Reserve	1,20,000	Bank Overdraft	40,000
Plant and Machinery (at cost)	6,00,000	Bills Receivables	20,000
Land and Building	6,80,000	Patents	80,000
Statement of Profit & Loss (Dr)	1,70,000	Sundry Debtors	90,000
Short-term Loans and Advances	50,000	Provision for Doubtful Debts	10,000

Cash & Bank Balances	1,60,000	Inventories	30,000
Trade Payables	90,000	Share Capital	12,20,000
Accumulated depreciation on Plant and Machinery	1,00,000	5% Debentures ($^1/_5$ of the Debentures to be redeemed on 31st March, 2024)	3,00,000

Additional information:

- The company had issued 1,25,000 Equity shares of ₹ 10 each which were all applied for and allotted to the public. These shares were fully called up by the company.
- There were calls-in arrears @ ₹ 2 per share on 15,000 shares out of which 5,000 shares were forfeited by the company.

You are required to:

(i) Show the Share Capital in the Notes to Accounts.

(ii) Give the amount for each of the following:

(a) Short-term borrowings

(b) Current Assets

(c) Property, Plant and Equipment and Intangible Assets

(i) Property, Plant and Equipment

Comments of Examiners

Suggestions for teachers

- Teach according to the scope of the syllabus and the guidelines issued by the CISCE.
- Explain to the students that subscribed shares mean the number of shares held by the shareholders and therefore subscribed capital does not include the balance of Share Forfeited Account as forfeited shares have not been subscribed.
- Discuss in detail all those items given in the Balance Sheet of the company which are included in the scope of the ISC syllabus.
- Clearly explain the difference between the - gross value and net value of Property and Plant and Equipment in such a manner that the students are able to identify which of the two has been given in the information of the question.
- Ensure that the students are able to identify the tangible and intangible assets.

(i) Some of the candidates could correctly answer this question. Many candidates were unable to show the 'Share Capital' in the Notes to Accounts satisfactorily.

The common errors made by most of the candidates were:

- they did not give the details of the kinds of Share Capital- Authorised and Issued Capital.
- they were unable to calculate calls-in-arrears.
- Candidates could not get the correct amount of balance of Share Forfeiture A/c.
- The balance of Share Forfeiture was shown as a part of Subscribed Capital and not as a separate item under Share Capital.

(ii) (a) Majority of the candidates were unable to get the correct amount of short-term borrowings. They did not include the amount of 'Current Maturities of Long-term Debt'.

(b) Majority of the candidates calculated the correct amount of Current Assets. Some candidates, however, did not subtract Provision from Doubtful Debts from the total of Sundry Debtors and Bills Receivable in order to get the Net Trade Receivables.

(c) Most of the candidates were able to calculate the amount of Property, Plant and Equipment. However, some candidates did not subtract the amount of accumulated depreciation from its gross value. A few candidates also included the value of Patents (an intangible asset) in the amount of Property, Plant and Equipment. (tangible fixed assets).

MARKING SCHEME

Question 6

(i) **Notes to Accounts:**

Particulars			**(₹)**
1.	**Share Capital** **Authorised Capital** **………. Equity shares @ ₹ 10 each**		**……….**
	Issued Capital **1,25,000 Equity shares @ ₹ 10 each**		**12,50,000**
	Subscribed Capital Subscribed and fully paid up 1,10,000 Equity shares @ ₹ 10 each		11,00,000
	Subscribed but not fully paid 10,000 Equity shares @ ₹ 10 each	1,00,000	
	Less Calls-in-arrears	(20,000)	80,000
			11,80,000
	Share Forfeited A/c (5,000 × 8)		40,000
			12,20,000

(ii)

(a)	**Short-term borrowings** 40,000 + 60,000	₹ 1,00,000
(b)	**Current Assets** 1,60,000 + 50,000 + (20,000 + 90,000 – 10,000) + 30,000	₹ 3,40,000
(c)	**Property, Plant and Equipment and Intangible Assets** **(i)Property, Plant and Equipment** 6,00,000 – 1,00,000 + 6,80,000	₹ 11,80,000

Question 7

[6]

Amay and Sujoy are partners sharing profits and losses in the ratio of 3:1. Their Balance Sheet as at 31st March, 2023, is given below.

Balance Sheet of Amay and Sujoy
As at 31st March, 2023

Liabilities		**(₹)**	**Assets**		**(₹)**
Bills Payable		70,000	Land and Building		1,65,000
Capital Accounts:			Stock		60,000
Amay	1,30,000		Sundry Debtors	70,000	
Sujoy	1,25,000	2,55,000	Less Provision for		
			Doubtful Debts	(10,000)	60,000
			Cash in hand		40,000
		3,25,000			3,25,000

On 1st April, 2023, they admit Malay as a new partner for $^1/_4$ share in the profits on the following terms:

(a) Malay to bring his share of capital of ₹ 1,20,000 and to pay ₹ 10,000 in cash for his share of goodwill.
(b) Stock worth ₹ 45,000 to be taken over by Amay at ₹ 25,000.
(c) Bills Payable of ₹ 20,000 to be honoured by Sujoy, for which he is not to be reimbursed.
(d) The capitals of Amay and Sujoy to be adjusted on the basis of Malay's Capital and his share in the profits, any surplus to be readjusted through current account and deficiency through cash.

You are required to prepare the Partners' Capital Accounts.

OR

Mitu and Ritu are partners sharing profits and losses in the ratio of 2:3. An extract of their Balance Sheet as at 31st March, 2023, is given below.

Balance Sheet of Mitu and Ritu (an extract)
As at 31st March, 2023

Liabilities	(₹)	Assets	(₹)
Workmen Compensation Reserve	30,000	Investments (Market Value ₹ 76,000)	80,000
General Reserve	40,000	Sundry Debtors	1,00,000
Investment Fluctuation Reserve	10,000	Profit & Loss A/c	55,000

On 1st April, 2023, they admit Nitu as a new partner for $^{1}/_{5}$ share in the profits on the following terms regarding the treatment of the reserves and the accumulated losses:
(a) Accumulated losses, if any, to be written off.
(b) A workmen compensation claim of ₹ 10,000 to be adjusted against the Workmen Compensation Reserve. The balance of the reserve is *not* to be distributed.
(c) Any loss in the value of investments to be adjusted against the Investment Fluctuation Reserve. The balance of the Investment Fluctuation Reserve is to be distributed.
(d) Provision for doubtful debts to be created to the extent of 10% of the debtors from the General Reserve. The remaining amount in the General Reserve is to be distributed.

You are required to pass necessary journal entries to record the above adjustments at the time of Nitu's admission.

Comments of Examiners

Majority of the candidates were able to prepare the Partners' Capital Accounts satisfactorily.

A few common errors committed by the candidates were:

- Writing short forms such as PWG for Premium for Goodwill.
- Debiting the partner's capital account with the amount of Bills Payable honoured by him.
- failing to understand after adjustment of the partners' capital accounts as to which partner's capital account had a deficit and which one's capital account showed a surplus.

OR

Majority of the candidates who attempted this option were able to pass the necessary journal entries correctly. However, some candidates did not pass the journal entry to adjust the amount of Workmen Compensation Reserve which was not to be distributed.

Suggestions for teachers

- Instruct students to refrain from using short forms while answering during exams.
- Give sufficient practice to the students regarding adjustment of surplus/ deficit capital both through cash and current account.
- Prepare a list of adjustments from the previous years' question papers and specimen papers to give revision for various topics.
- Give sufficient practice to the students in the treatment of accumulated profits and losses at the time of dissolution of a partnership, both when distributed / written off and when to be adjusted through the partners' capital accounts.
- Include these adjustments in the comprehensive problems being done in the class and given as an assignment.

MARKING SCHEME

Question 7

Partners' Capital Accounts

Particulars	Amay	Sujoy	Malay	Particulars	Amay	Sujoy	Malay
To Stock	25,000			By Bal b/d	1,30,000	1,25,000	
To Bal c/d	1,12,500	1,27,500	1,20,000	By Cash / Bank			1,20,000
				By Pr for GW	7,500	2,500	
	1,37,500	1,27,500	1,20,000		1,37,500	1,27,500	1,20,000
				By Bal b/d	1,12,500	1,27,500	1,20,000
To Sujoy's Current A/c		37,500		By Cash / Bank	1,57,500		
To Bal c/d	2,70,000	90,000	1,20,000				
	2,70,000	1,27,500	1,20,000		2,70,000	1,27,500	1,20,000

Workings:

Total Capital of the firm = 1,20,000 × 4 = ₹ 4,80,000

	Amay	Sujoy	Malay
New Ratio	9 :	3 :	4
Capitals =	2,70,000	90,000	1,20,000

OR

Journal

Date	Particulars		L.F.	Debit(₹)	Credit(₹)
	Mitu's Capital A/c	Dr		22,000	
	Ritu's Capital A/c	Dr		33,000	

	To P/L A/c				55,000
	(Being accumulated loss written off)				
	Workmen Compensation Reserve A/c	Dr		10,000	
	To Workmen Compensation Claim				10,000
	(Being workmen compensation claim met out of the reserve)				
	Nitu's Current A/c	Dr		4,000	
	To Mitu's Capital A/c				1,600
	To Ritu's Capital A/c				2,400
	(Being balance of WCR adjusted through the old partners' capital accounts in the SR)				
	Investment Fluctuation Reserve A/c	Dr		10,000	
	To Investments A/c				4,000
	To Mitu's Capital A/c				2,400
	To Ritu's Capital A/c				3,600
	(Being loss in value of investments met from IFR and balance of IFR distributed to the old partners in the old ratio)				
	General Reserve A/c	Dr		40,000	
	To Provision for Doubtful Debts A/c				10,000
	To Mitu's Capital A/c				12,000
	To Ritu's Capital A/c				18,000
	(Being Provision for Doubtful Debts created from General Reserve and the balance distributed to the old partners in the old ratio)				

Question 8

[6]

Adit and Shiv were partners sharing profits and losses in the ratio of 5:4. They dissolved their partnership firm on 31st March 2023, when their Balance Sheet showed the following balances:

Particulars	**(₹)**
Adit's Capital	40,000
Shiv's Capital	30,000
Adit's Current A/c (Cr)	3,000
Shiv's Current A/c (Dr)	6,000
Loan by the firm to Shiv	22,000
Profit & Loss Account (Dr)	4,500

On the date of dissolution of the firm:

(a) The firm suffered a loss of ₹ 18,000 upon realisation of assets and settlement of liabilities.

(b) The expenses of dissolution of ₹ 3,000, to be borne by Shiv, were paid by the firm on his behalf.

(c) The firm had furniture of ₹ 15,000. Adit took over some pieces of the furniture at ₹ 9,000 (being 10% less than the book value). Shiv took over the remaining furniture at 80% of its book value.

You are required to prepare the Partners' Capital Accounts.

Comments of Examiner

Majority of the candidates answered this question correctly.

A few common errors of the candidates who attempted this question were:

- Crediting the partner's capital accounts with the accumulated loss.
- The preparation of capital account not being as per the requirement of the syllabus. Instead of closing the current account of the partners immediately and then posting all the adjustments in the partners' capital accounts, the adjustments were made in the current accounts and the balance of current account so determined was transferred to the capital accounts.
- Not being able to calculate 80% of the remaining book value of the furniture.
- Writing 'To Loss on Realisation' instead of 'To Realisation A/c' in the particulars while posting the loss.
- Not transferring the loan given by the firm to the partner to his capital account.

Suggestions for teachers

- Adhere to the scope of the syllabus and clarify that at the time of dissolution of the firm, the fixed capital account is converted into fluctuation capital account and all adjustments are then passed through the capital account.
- Explain to the students the logic behind transferring the loan given by the firm to the partner to his capital account and loan given by the partner to the firm to be dealt with through the Loan Account.

MARKING SCHEME

Question 8

Partners' Capital Accounts

Particulars	Adit	Shiv	Particulars	Adit	Shiv
To Shiv's Curr A/c		6,000	By Balance b/d	40,000	30,000
To Loan to Shiv		22,000	By Adit's Curr A/c	3,000	
To P/L A/c	2,500	2,000	By Cash / Bank		15,000
To Realisation A/c	10,000	8,000			
To Cash/ Bank		3,000			
To Realisation A/c	9,000	4,000			
To Cash/ Bank	21,500				
	43,000	45,000		43,000	45,000

Workings:

Book value of furniture taken over by Adit = x – 10 x / 100 = 9,000

x = ₹ 10,000

Furniture taken over by Shiv = 80% (15,000 – 10,000) = ₹ 4,000

Question 9

Tanuj and Ravi are partners in a business with capital balances of ₹ 1,50,000 and ₹ 1,00,000 respectively on 1st April, 2022.

Their partnership deed contains the following clauses:

(a) Interest on capital to be allowed @ 10% per annum.

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

(c) Tanuj to be allowed a commission @ 5% of the trading profit *after* charging his commission.

(d) Ravi to be allowed an annual commission of ₹ 10,000.

Additional information:

During the year 2022-23:

- Tanuj withdrew ₹ 6,000 at the end of every quarter.
- The trading profit of the firm was ₹ 84,000.
- The firm's divisible profit was ₹ 46,360.
- On 1st October, 2022, Ravi permanently withdrew ₹ 20,000 from his capital.

You are required to do the following:

(i) Pass the journal entries to record: [6]

(a) The permanent withdrawal made by Ravi.

(b) The distribution of the divisible profits between the partners.

(c) The adjusting entry for commission due to Ravi.

(ii) Calculate the interest on capital allowed to: [2]

(a) Tanuj

(b) Ravi

(iii) Calculate the commission allowed to Tanuj. [1]

(iv) Calculate the interest on drawings charged from Tanuj. [1]

OR

Amit and Iqbal are partners in a business. Their partnership deed contained the following clauses:

(a) Interest on drawings to be charged @ 6% per annum.

(b) Amit to get a salary of ₹ 1,000 per month.

(c) Iqbal to get an annual commission of ₹ 10,000.

(d) Any partner taking a loan from the firm to be charged interest on it @ 8% per annum.

Additional Information	Amit (₹)	Iqbal (₹)
Drawings made on 1st May, 2022		30,000
Borrowed from the firm on 1st July, 2022	10,000	
Capital Balances on 31st March, 2023	75,000	10,000 (Dr)
Divisible profits for the year 2022-23 credited to the Partners' Capital Accounts	9,000	9,000

You are required to:

(i) Give the *closing journal entry* for interest on loan due from Amit. **[1]**

(ii) Find the *opening capital balance* of the partners on 1st April, 2022, by preparing the Partners' Capital Accounts for the year 2022-23. **[9]**

Comments of Examiners

(i) (a) Most of the candidates answered this question correctly. However, many candidates passed the entry for temporary withdrawals instead of permanent withdrawal.

(b) A few candidates debited the 'Divisible Profits A/c' or P&L A/c instead of debiting the 'P&L Appropriation A/c' in the journal entry to record the distribution of divisible profits between the partners.

(c) Some candidates passed the closing entry to record the commission due to the partner.

(ii) (a) Majority of the candidates were able to calculate the commission due to partner.

(b) Most of the candidates did not take into account the permanent withdrawal made by the partner while calculating interest on capital.

(iii) Most of the candidates used the formula of 'commission on trading profit' before charging commission.

(iv) Majority of the candidates were able to calculate interest on drawings.

OR

(i) Very few candidates attempted this option, However, amongst those candidates who attempted this question very few were able to give the closing journal entry for interest on loan due.

(ii) Majority of the candidates who attempted this option were unable to calculate the opening capital balances of the partners.

Suggestions for teachers

- Explain the distinction between permanent withdrawal (against capital) and temporary withdrawal (against profits) through reasoning and necessary journal entries.
- Explain the formula and give sufficient practice to the students to calculate commission on trading profits before and after charging commission.
- Ensure that the students are clear about the adjusting and closing entries of all appropriations made to the partners along with adjusting and closing entries of Interest on drawings and temporary withdrawals made by the partners.
- Deal separately with - loan given by a partner to the firm and the interest on it is a separate topic to ensure coherence with the scope of the syllabus.

MARKING SCHEME

Question 9

(i)

Journal

Date	**Particulars**	**L.F.**	**Debit(₹)**	**Credit(₹)**
(a)	Ravi's Capital A/c Dr		20,000	
	To Cash / Bank A/c			20,000
	(Being permanent withdrawals made by Ravi)			
(b)	P/L Appropriation A/c Dr		46,360	
	To Tanuj's Capital A/c			23,180
	To Ravi's Capital A/c			23,180
	(Being divisible profits transferred to the partners' capital accounts)			
(c)	Commission A/c Dr		10,000	
	To Ravi's Capital A/c			10,000
	(Being commission due to Ravi)			

(ii)

(a) Interest on Capital:

Tanuj= ₹ 15,000

(b) Ravi = ₹ 9,000

Workings: $1{,}00{,}000 \times \frac{10}{100} \times \frac{1}{2} + 80{,}000 \times \frac{10}{100} \times \frac{1}{2} = 5{,}000 + 4{,}000 =$ ₹ 9,000

(iii) Commission due to Tanuj: ₹ 4,000

(iv) Interest on Drawings:

Tanuj = ₹ 360

OR

(i)

Journal

Date	**Particulars**	**L.F.**	**Debit(₹)**	**Credit(₹)**
	Interest on Loan A/c Dr		600	
	To Profit and Loss A/c			600
	(Being interest on loan due to the firm)			

(ii)

Partners' Capital Accounts

Particulars	**Amit**	**Iqbal**	**Particulars**	**Amit**	**Iqbal**
To Drawings		30,000	By Balance b/d	54,600	2,650
To IOD		1,650	By Salary	12,000	
To IOL	600		By Comm		10,000
To Balance c/d	75,000		By P/L App A/c	9,000	9,000
			By Bal c/d		10,000
	75,600	31,650		75,600	31,650

Working:

IOD = $30{,}000 \times \frac{6}{100} \times \frac{11}{12} =$ ₹1,650

IOL = $10{,}000 \times \frac{8}{100} \times \frac{9}{12} =$ ₹600

Question 10

[10]

Gama Ltd. issued 20,000 Equity shares of ₹ 10 each to the public, payable as follows:

₹ 2 on Application

₹ 3 on Allotment (on 1st November, 2022)

₹ 5 on First & Final Call (on 1st March, 2023)

Applications were received for 25,000 shares. The directors of the company accepted applications for 20,000 shares and refunded the application money on the remaining shares.

One shareholder who was allotted 30 shares paid the first and final call with allotment.

Another shareholder did not pay his allotment on 20 shares when due but paid it with the first and final call along with interest on calls-in-arrears.

The directors of the company charged interest on calls-in-arrears at the rate provided in Table F of the Companies Act, 2013. No interest was allowed on calls-in-advance.

You are required to pass journal entries to record the above transactions in the books of Gama Ltd.

OR

(A) Roxy Ltd. issued Equity shares of ₹ 10 each payable as: **[9]**

₹ 4 on Application and Allotment; ₹ 2 on First Call; ₹ 4 on Second and Final Call.

Following is an extract of the Journal of Roxy Ltd.

Journal of Roxy Ltd. (an extract)

Date	**Particulars**	**LF**	**Debit (₹)**	**Credit (₹)**
	Share First Call A/c Dr To Share Capital A/c (Being first call due on __??__ shares @ ₹ 2 each)		28,000	 28,000
	Bank A/c Dr Calls in arrears A/c Dr To Share First Call A/c (Being first call received on _??_ shares)		?? 2,000	 28,000
	Share Capital A/c Dr To Shares Forfeited A/c To Calls in arrears A/c (Being __??__shares of ₹ 10 each forfeited for non-payment of first call)		??	 4,000 ??
	Share Second & Final Call A/c Dr To Share Capital A/c (Being second & final call due on __??__ shares @ ₹ 4 each)		52,000	 52,000
	Bank A/c Dr Calls in arrears A/c Dr To Share Second & Final Call A/c (Being second call received on_??_shares		?? 10,000	 52,000
	Share Capital A/c Dr To Shares Forfeited A/c To Calls in arrears A/c (Being __??__shares of ₹ 10 each forfeited for non-payment of final call)		??	 ?? 10,000
	Bank A/c Dr Shares Forfeited A/c Dr To Share Capital A/c (Being 1,500 forfeited shares, including those on which the first call was not received, reissued @ ₹ 6 per share fully called up)		?? ??	 ??
	Share Forfeiture A/c Dr To Capital Reserve A/c (Being____________??____________)		??	 ??

You are required to complete the journal entries by filling up the missing information represented by '??', including the *number of shares* and *narration*, if any.

(B) Savi Ltd. forfeited 50 shares of ₹ 100 each issued at a premium of 10%, on which allotment money of ₹ 30 per share (including premium) and first and final call of ₹ 40 per share were not received. [1]

What is the minimum amount *per share* at which the company can reissue these shares?

Comments of Examiners

Very few candidates attempted this question. Amongst those candidates who attempted it, most of them were able to solve it satisfactorily. Some candidates were unable to calculate the interest on call-in- arrears. A few candidates did not pass the closing entry for interest on call-in- arrears.

OR

(A) Majority of the candidates solved this problem quite satisfactorily. However, some candidates were unable to calculate the number of shares on which the second call was received. A few candidates did not write the complete journal entries but only mentioned the amounts by numbering them as 1,2… etc or (a). (b) and so on while neither the journal entries nor the blanks were numbered.

(B) Only a few candidates could solve this question. The majority of them, instead of calculating the minimum amount received on the share, calculated the maximum discount per share which the company could give on its reissue. A few candidates took the securities premium also into consideration.

Suggestions for teachers

- Give sufficient practice for calculating the interest on calls-in-arrears and calls-in-advance along with the due, payment and closing journal entries.
- Ensure that the students do not write amounts as for example, 5 × 1,000 or 50; 10; 40 etc. with 'amounts in thousands' written at the top of the journal.
- Guide students in solving questions where blanks have to be filled up.
- Explain to the students with examples that a certain minimum amount has to be received by the company on the reissue of forfeited shares as there can never be a net loss on the reissue of forfeited shares.
- Provide sufficient practice to the students to calculate the minimum amount / maximum discount by giving them small problems.

MARKING SCHEME

Question 10

In the Books of Gama Ltd.
Journal

Date	Particulars		L.F.	Debit(₹)	Credit(₹)
	Bank A/c	Dr		50,000	
	To Share Application A/c				50,000
	(Being share app recd)				
	Share Application A/c	Dr		50,000	
	To Equity Share Capital A/c				40,000
	To Bank A/c				10,000
	(Being Share App tsfd to Share Capital)				
	Share Allotment A/c	Dr		60,000	
	To Equity Share Capital A/c				60,000
	(Being Share Allot due)				
	Bank A/c	Dr		60,090	
	Calls-in-arrears A/c	Dr		60	
	To Share Allotment A/c				60,000
	To Calls-in-advance A/c				150
	(Being Share Allot received)				
	Share First & Final Call A/c	Dr		1,00,000	

	To Equity Share Capital A/c			1,00,000
	(Being Share First & Final Call due)			
	Bank A/c Dr		99,910	
	Calls-in-advance A/c Dr		150	
	To Share First & Final Call A/c			1,00,000
	To Calls-in-arrears A/c			60
	(Being Share First & Final Call received)			
	Shareholders / Sundry Members A/c Dr		2·00	
	To Interest on Calls-in-arrears A/c			2·00
	(Being interest on calls-in-arrears due)			
	Bank A/c Dr		2·00	
	To Shareholders/Sundry Members A/c			2·00
	Being interest on calls-in-arrears received)			
	Interest on Calls-in-arrears A/c Dr		2·00	
	To Statement of P/L			2·00
	(Being interest on calls-in-arrears A/c closed)			

OR

(A)

Journal of Roxy Ltd.

Date	Particulars	LF	Debit(₹)	Credit(₹)
	Share First Call A/c Dr		28,000	
	To Share Capital A/c			28,000
	(Being first call due on 14,000 shares @ ₹ 2 each)			
	Bank A/c Dr		26,000	
	Calls in arrears A/c Dr		2,000	
	To Share First Call A/c			28,000
	(Being first call received on 13,000 shares)			
	Share Capital A/c Dr		6,000	
	To Shares Forfeited A/c			4,000
	To Calls in arrears A/c			2,000
	(Being 1,000 shares of ₹ 10 each forfeited for non-payment of first call)			
	Share Second & Final Call A/c Dr		52,000	
	To Share Capital A/c			52,000
	(Being second & Final call due on 13,000 shares @ ₹ 4 each)			
	Bank A/c Dr		42,000	
	Calls in arrears A/c Dr		10,000	
	To Share Second & Final Call A/c			52,000
	(Being second call received on 10,500 shares			
	Share Capital A/c Dr		25,000	
	To Shares Forfeited A/c			15,000
	To Calls in arrears A/c			10,000
	(Being 2,500 shares of ₹ 10 each forfeited for non-payment of final call)			
	Bank A/c Dr		9,000	
	Shares Forfeited A/c Dr		6,000	

		To Share Capital A/c (Being 1,500 forfeited shares, including those on which the first call was not received, reissued @ ₹ 6 per share fully called up)			15,000
		Share Forfeiture A/c Dr To Capital Reserve A/c (Being net gain on reissue of forfeited shares transferred to Capital Reserve)		1,000	1,000
(B)	₹ 60				

SECTION B – (20 Marks)

Answer all questions.

Question 11

In subparts (i) and (ii) choose the correct options and in subparts (iii) to (v) answer the questions as instructed.

(i) What is the difference between Total Assets and Current Liabilities? **[1]**

(a) Total Liabilities
(b) Shareholders' Funds
(c) Total Debt
(d) Capital Employed

(ii) While preparing its Cash Flow Statement, which of the following will be classified by a company as its *Cash Outflow* from Investing Activities? **[1]**

P Investment in Government Securities
Q Investment in bank deposits (having maturity of six months)
R Proceeds from redemption of liquid mutual fund units
S Proceeds from bank deposits with original maturity of less than three months

(a) P and Q
(b) R and S
(c) Only P
(d) Only R

(iii) A company has a Quick Ratio of 1·8:1. Mention whether this ratio will *improve / reduce / not change* after it sells a machine worth ₹ 1,20,000 at a loss of ₹ 30,000. **[1]**

(iv) State whether creditors would prefer lending to a company with a high Debt-Equity Ratio or a low Debt-Equity Ratio. Give a reason. **[1]**

(v) An extract of the Balance Sheet of Nova Ltd. shows: **[1]**

Particulars	31.3.2023 (₹)	31.3.2022 (₹)
Share Capital (Equity shares @ ₹ 10 each)	8,00,000	5,00,000
Securities Premium	70,000	1,70,000

During the year 2022-23, the company raised its share capital by issuing bonus shares to the shareholders at the beginning of the year in the ratio of 1:5 (one bonus share was issued for every five equity shares). The balance shares were issued for cash to the public.

How many shares were issued for cash by the company?

Comments of Examiners

(i) Majority of the candidates chose the correct option (d). Some candidates made an error by choosing option (a).

(ii) The majority of the candidates responded selection g the correct option (a).

(iii) Majority of the candidates wrote the correct answer. Some candidates wrote 'not change' as they did not increase the quick assets with the amount of the sale proceeds.

(iv) Majority of the candidates wrote the correct answer along with stating the right reason.

(v) Majority of the candidates were not able to give the correct number of 20,000 shares issued by the company for cash as they did not take into account the 1,000 bonus shares issued from the Securities Premium and thus the balance of 2,000 shares issued for cash. Some candidates wrote 2,00,000 shares instead of ₹ 20,000shares.

Suggestions for teachers

- Ensure that the students understand the computation of capital employed both from the assets side and the liabilities side of the Balance Sheet.
- Adhere to the scope of the syllabus very diligently and also make students practice problems similar to the ones given in the specimen papers.

MARKING SCHEME

Question 11

(i)	(d) or Capital Employed
(ii)	(a) or P and Q
(iii)	Improve
(iv)	Low Debt-Equity Ratio Reason: A low Debt-Equity Ratio implies larger margin of safety for the creditors.
(v)	20,000 shares *Workings*: Bonus shares worth = 5,00,000 / 5= ₹ 1,00,000 = 10,000 shares Therefore 3,00,000 -1,00,000 = ₹ 2,00,000 worth of shares for cash= 20,000 shares Or ₹ 1,00,000 of Securities Premium used for issuing bonus shares. So, remaining ₹ 2,00,000 capital issued for cash= 20,000 shares.

Question 12

[3]

Following is the Comparative Income Statement of Violet Ltd. for the years ending 31.3.2023 and 31.3.2022.

You are required to present the Comparative Income Statement in its complete form after calculating the missing information represented by "??".

Comparative Income Statement of Violet Ltd.
For the years ending 31.3.2023 and 31.3.2022

Particulars	31.03.2023 (₹)	31.03.2022 (₹)	Absolute change	% Change
Revenue from Operations	??	7,098	364	??
Expenses	8,998	7,931	??	??
Net Profit	??	(833)	(703)	??

Comments of Examiners

Most of the candidates answered this question correctly. Majority of the candidates presented the Comparative Income Statement in its complete form.

A few common errors made by some candidates were:

- Not presenting the Comparative Income Statement in its complete Form but simply writing the missing figures.
- Not calculating the % change up to two decimal places.
- Not rounding of the second decimal place correctly.
- Not indicating a negative net profit for the year 2022-23.

Suggestions for teachers

- Give practice to solve questions with % change up to two decimal places.
- Ensure that students are able to understand how to round off the second decimal place.
- Guide the students in solving questions where blanks have to be filled up.

MARKING SCHEME

Question 12

Comparative Income Statement of Violet Ltd.

For the year endings 31.3.2023 and 31.3.2022 **(₹ in crores)**

Particulars	31.03.2023 (₹)	31.03.2022 (₹)	Absolute change (₹)	% Change
Revenue from Operations	7,462	7,098	364	5·13
Expenses	8,998	7,931	1,067	13·45
Net Profit	(1,536)	(833)	(703)	(84·39)

Question 13

Based on the following information of Neon Ltd., answer the questions given below in relation to the Cash Flow Statement of the company for the year 2022-23.

Particulars	**31.3.2023 (₹)**	**31.3.2022 (₹)**
Provision for Tax	80,000	50,000
7% Debentures	8,00,000	3,00,000
Unclaimed Dividend	6,000	—
Plant & Machinery (at book value)	1,00,000	1,00,000
Land	4,50,000	6,00,000

Note: Dividend proposed in the years 2021-22 and 2022-23 were ₹ 30,000 and ₹ 40,000 respectively.

Additional information:

During the year 2022-23, the company:

(a) Provided ₹ 75,000 for tax.

(b) Issued 7% Debentures at a discount of 5%.

(c) Purchased Plant & Machinery for ₹ 40,000.

(i) What is the amount of tax paid by the company? [1]

(ii) Give the reason for the opening book value and closing book value of Plant & Machinery remaining the same, despite the purchase of a machine during the year. [1]

(iii) What is the inflow of cash from the issue of 7% Debentures? [1]

(iv) Give the company's outflow of cash for dividend paid to the shareholders. [1]

(v) State with *reason* whether Neon Ltd. will consider the *decrease* in the amount of land as an Operating Activity or as an Investing Activity, while preparing its Cash Flow Statement. [2]

OR

From the following Balance Sheets of Halogen Ltd., you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2022-23. [6]

Balance Sheets of Halogen Ltd.

As at 31st March, 2023 and 31st March, 2022

Particulars	**Note No.**	**31.3.2023 (₹)**	**31.3.2022(₹)**
I EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (Equity shares @ ₹ 10 each)		4,50,000	4,00,000
(b) Reserves and Surplus (Statement of P/L)		1,06,000	(20,000)
2. Non- Current Liabilities			
Long-term Borrowings (15% Debentures)		6,00,000	4,00,000
3. Current Liabilities			
Short-term Provisions (Provision for Tax)		50,000	70,000
TOTAL		**12,06,000**	**8,50,000**

II **ASSETS**			
1. Non-Current Assets			
Property, Plant & Equipment & Intangible Assets			
(i) Property, Plant & Equipment	1.	4,80,000	7,00,000
2. Current Assets			
(a) Current Investments		2,56,000	10,000
(b) Cash & Bank Balances (Cash at Bank)		4,70,000	1,40,000
TOTAL		**12,06,000**	**8,50,000**

Notes to Accounts:

Particulars	**31.3.2023 (₹)**	**31.3.2022 (₹)**
1. Property, Plant & Equipment		
Plant & Machinery	7,42,000	9,00,000
Less Accumulated Depreciation	(2,62,000)	(2,00,000)

Additional information:

During the year 2022-23, the company:

(a) Issued additional debentures on 1st October, 2022.

(b) Sold Plant & Machinery, the book value of which was ₹ 1,20,000 (accumulated depreciation ₹ 38,000), for ₹ 50,000.

Comments of Examiners

(i) This option was well answered by majority of the candidates who attempted it. However, some candidates wrote the amount of tax provided as tax paid.

(ii) Some candidates wrote sale/purchase as the reason.

(iii) A few candidates did not take into consideration the discount on the issue of debentures.

(iv) A few candidates did not consider that unclaimed dividend would have reduced the outflow of cash for dividend paid to the shareholders.

(v) Some candidates wrote both operating and investing activity. A few candidates were unable to give the reason for the reduction in the amount of land.

OR

Most of the candidates were able to answer this question correctly. However, some candidates, did not record the interest on debentures, a hidden adjustment, as a non- operating expense under Operating Activities and an outflow of cash under Financing Activities. Some candidates were unable to calculate the depreciation charged on Plant & Machinery during the year.

A few candidates also did not mention the period for which the Cash Flow Statement was being prepared.

Suggestions for teachers

- Explain the increase / decrease of every item given in the syllabus which has to be considered in the preparation of a Cash Flow Statement with reasons.
- Ensure that the students have clearly understood the preparation of the Asset A/c both at its Gross Value along with the Accumulated Depreciation A/c and the Asset A/c at its Net Value.
- Instruct students to show the calculation of 'Net Profit before Tax' as a working note and not in the main body of the Cash Flow Statement.
- Give sufficient practice to the students in the treatment of writing off capital losses from capital profits while preparing a Cash Flow Statement.
- Provide practice of sufficient number of problems with hidden adjustments involving interest on debentures and interest on investments.
- Ensure that the students understand the meaning of the terms accumulated depreciation and depreciation charged.
- Insist that students must mention the period for which the Cash Flow Statement is prepared.

MARKING SCHEME

Question 13

(i)	₹ 45,000
(ii)	Depreciation of ₹ 40,000 charged during the year.
(iii)	₹ 4,75,000
(iv)	₹ 24,000
(v)	As an inflow of cash under Investing Activity Reason- Land never depreciates / Sale of Land

OR

Working Note: 1

Plant & Machinery A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	9,00,000	By Acc. Depreciation	38,000
		By Bank	50,000
		By Loss on sale	70,000
		By Balance c/d	7,42,000
	9,00,000		9,00,000

Working Note: 2

Accumulated Depreciation A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To P/M A/c	38,000	By Balance b/d	2,00,000
To Balance c/d	2,62,000	By Depreciation	1,00,000
	3,00,000		3,00,000

Working Note: 3	**(₹)**
Net Profit for the year	1,26,000
Provision for Tax	50,000
Net Profit before Tax	1,76,000

Cash Flow Statement of Halogen Ltd.
For the year ending 31st March, 2023/ For the year 2022-23

Particulars	**(₹)**	**(₹)**
I. Cash from Operating Activities		
NP before Tax (WN 3)	1,76,000	
Add non op / non cash exp		
Depreciation on Plant & Machinery	1,00,000	
Loss on sale of Plant & Machinery	70,000	
Interest on 15% Debentures	75,000	
Net Op Profit before WC changes	4,21,000	
Less Current Investments	(2,46,000)	
Cash from Operating Activities before Tax Paid	1,75,000	
Less Tax paid	(70,000)	
Cash flow from Operating Activities		1,05,000
II. Cash from Investing Activities		
Sale of Plant & Machinery	50,000	
Cash flow from Investing Activities		50,000
III. Cash from Financing Activities		
Issue of Share Capital	50,000	

Issue of 15% Debentures	2,00,000	
Interest on 15% Debentures paid	(75,000)	
Cash Flow from Financing Activities		1,75,000
Net increase in Cash as per I, II and III		3,30,000
Add Opening Cash and Cash Equivalents		
Cash at Bank		1,40,000
Closing Cash and Cash Equivalents		
Cash at Bank	4,70,000	
	4,70,000	4,70,000

Question 14

[6]

Answer *any three* of the following questions.

(i) **From the following particulars of Hind Ltd., calculate the preference dividend paid by the company.**

Particulars	
Net Profit before Tax	₹ 20,00,000
Equity Shares of ₹ 10 each (Market Value ₹ 15)	₹ 40,00,000
Tax Rate	30%
Earning per share	₹ 2·75

(ii) **Calculate the Current Ratio (up-to two decimal places) of Windlas Biotech Ltd. from the following extract of its Annual Report of 2021-22.**

Particulars	**(₹) (*in millions*)**
Opening Inventory of consumables (raw materials)	264·79
Closing Inventory of consumables (raw materials)	389·85
Opening Inventory of finished goods and work-in-progress	149·82
Closing Inventory of finished goods and work-in-progress	197·24
Current Assets (other than inventory of consumables and of finished goods and work-in-progress)	3,229·23
Current Liabilities	936·52

(Source: Annual Report 2021-22 of Windlas Biotech Ltd.)

(iii) For the year 2022-23, the Return on Investment of Yolo Ltd. was 20%; its Capital Employed being ₹ 50,00,000.

(a) **You are required to give the formula used by Yolo Ltd, to calculate the Return on Investment.**

(b) **You have been provided with two components for calculating Return on Investment. Calculate the missing third component.**

(iv) **Calculate the Working Capital Turnover Ratio of Moonlight Ltd., (up-to two decimal places) from the following particulars.**

Particulars	
Cash	₹ 10,00,000
Short-term Loans and Advances	₹ 3,00,000
Inventory	₹ 2,00,000
Trade Payables	₹ 5,00,000

Cost of Revenue from operations	₹ 12,00,000
Gross Profit on Cost of Revenue from Operations	25%

Comments of Examiners

(i) Some of the candidates answered this question correctly. Majority of the candidates who attempted this option did not use the correct formula of calculating ‘Earning per share’ and hence were unable to get the correct amount of preference dividend.

(ii) Most of the candidates considered the opening inventory of consumables and finished goods and work-in-progress to calculate the current assets. Some candidates did not consider the closing inventory of consumables.

(iii)(a) Majority of the candidates were unable to write the correct formula for calculating ‘Return on Investment’. Candidates wrote ‘Net profit after tax’ or ‘Net Profit before tax’ instead of ‘Net Profit before Interest and Tax’.

(b) Most of the candidates were able to calculate the missing third component. However, some candidates multiplied the numerator with 100 and also took 20% and as a result got ₹ 10 crore as the net profit before interest and tax.

(iv) Majority of the candidates wrote the incorrect formula to calculate the ‘Working Capital Turnover Ratio.’ They either calculated it on Cost of Revenue from Operations or multiplied the Revenue from Operations with 100. Most of the candidates considered Short-term Loans and Advances as a current liability. Some candidates did not write the unit in the answer.

Suggestions for teachers

- Explain to the students the logic behind closing inventory being part of current assets and not the opening inventory.
- Ensure that the students are able to recognise the current assets and current liabilities.
- Encourage students to write the terms in full and instruct that they shall refrain from using short forms such as CA, CL, CE, RFO and WC.
- Give sufficient practice for questions pertaining to the use of percentage.

MARKING SCHEME

Question 14

(i)	**Earning per share** = $\frac{\textbf{Net Profit after Tax and Preference Dividend}}{\textbf{No. of Equity Shares}}$ $2\cdot75 = \frac{\textbf{Net Profit after Tax and Preference Dividend}}{\textbf{4,00,000}}$ Net Profit after Tax and Preference Dividend = 4,00,000 × 2·75= 11,00,000 11,00,000 = 20,00,000 – 6,00,000 – Preference Dividend Preference Dividend = ₹ 3,00,000
(ii)	**Current Ratio** = $\frac{\textit{Current Assets}}{\textit{Current Liabilities}}$ Current Assets = 3229·23 + 389·85 +197·24= ₹ (in millions) 3816·32 $= \frac{3816\cdot32}{936\cdot52}$ = 4·08 :1
(iii)	**Return on Investment** = $\frac{\textit{Net Profit before Interest and Tax}}{\textit{Capital Employed}} \times 100$ Revenue from Operations = $\frac{\textit{Net profit before Interest and Tax}}{\textbf{50,00,000}} \times 100 = 20$ Net Profit before Interest and Tax = $\frac{20}{100} \times 50,00,000$ = ₹ 10,00,000

(iv)	**Working Capital Turnover Ratio** = $\frac{Revenue\ from\ Operations}{Working\ Capital}$ $= \frac{15,00,000}{10,00,000}$ = 1·5 times

SECTION C – (20 Marks)

Answer all questions.

Question 15

In subparts (i) and (ii), choose the correct options and in subparts (iii) to (v) answer the questions as instructed.

(i) Which one of the following is the shortcut key in MS Excel to 'undo the last action'? **[1]**

(a) Ctrl + Z

(b) Ctrl + V

(c) Ctrl + Y

(d) Ctrl + X

(ii) Which one of the following files contains one or more worksheets to organise data? **[1]**

(a) Workbook

(b) Excelbook

(c) Datasheet

(d) Spreadsheet

(iii) What is the intersection of a column and a row in a worksheet called? **[1]**

(iv) Which programming language is used to write a Macro in MS Excel? **[1]**

(v) State *any one* advantage of maintaining a journal using an electronic spreadsheet instead of preparing it manually. **[1]**

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Give more practice to students in attempting questions based on application of spreadsheets.

MARKING SCHEME

Question 15

(i)	(a) or Ctrl + Z
(ii)	(a) or Workbook
(iii)	Cell
(iv)	Visual Basic
(v)	• Formulae can be used to instantly recalculate totals. • It is easy to make changes, save work and take print outs. • Flexible presentation by highlighting or underlining. • Using spreadsheet functions like IF statements, the SUM function, LOOKUP function. *(Any one option)*

Question 16

[3]

(i) What is the use of UPDATE command in SQL?

(ii) Name the DBMS language component which can be embedded in a programme.

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Provide more practice to students in attempting questions based on Database Management System.

MARKING SCHEME

Question 16

(i)	The UPDATE command is used to update existing rows in a table.
(ii)	The data manipulation language

Question 17

[6]

Answer *any three* of the following questions.

(i) Give the difference between data and information with the help of an example for each.

(ii) Arrange the following in hierarchy to create a DBMS:
FIELD, DATA, FILE, RECORD

(iii) Give *any two* basic commands of SQL.

(iv) State *any two* requirements that should be considered before making an investing decision to choose between 'Server database' or 'Desktop database'.

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Provide adequate practice to ensure that students attempt questions based on Database Management System.

MARKING SCHEME

Question 17

(i)

Data	**Information**
Various elements or items of accounting transactions are essentially the data items which are processed through an accounting software to generate different sets of information in the form of accounting reports such as journals and ledger. Example: Name of the employee, working days, basic salary etc.	When data is processed at one level keeping in view the requirements of the decision maker, it becomes information at another level. Example: Using the data regarding the employee, the calculation of the amount to be paid to an employee as bonus is information.

(ii) FILE, RECORD, FIELD, DATA

(iii)

- Select
- Insert into
- Alter table
- Drop table
- Update
- Delete

(Any two options)

(iv)

- What date is to be stored in the database?
- Who will capture or modify the data?
- How frequently will the data be modified?
- Who will be the users of the database?
- What tasks will the users of the database perform?
- Will the database (backend) be used by any other frontend application?
- Will access to database be given over LAN/ Internet?
- The level of hardware and operating system available.

(Any two options)

Question 18

[6]

Mink & Sons run a bakery that sells sandwiches, cookies, muffins and pastries. The raw material is sourced from a well-known supplier and fresh items are prepared every day for the customers. The cost of each item also includes the cost of cutlery and paper napkins.

During the festive season, the bakery gives small discounts to its customers.

The spread sheet given below is a summary of its Purchases, Sales and Unsold Stock for the month of October, 2023:

	A	B	C	D	E	F	G	H	I	J	K
1	**Bakery Items**	**No. of items prepared**	**Cost Price per item (₹)**	**Total Cost (₹)**	**No. of Items Sold**	**List Price per item (₹)**	**Festival Discount per item (₹)**	**Total Sales (₹)**	**Cost of items sold (₹)**	**Cost of unsold stock (₹)**	**Profit (₹)**
2	Sandwiches	275	80	22,000	220	105	5	??	17,600	4,400	4,400
3	Cookies	250	50	12,500	220	75	5	15,400	??	1,500	4,400
4	Muffins	330	40	13,200	300	75	5	21,000	12,000	??	9,000
5	Pastries	225	60	13,500	200	95	??	18,000	12,000	1,500	6,000
6	**Total**	1,080		61,200	940						23,800

Based on the above transactions and the information given in the spreadsheet, answer *any three* of the following questions:

(i) Write the formula to calculate the total sales of sandwiches in cell **H2.**

(ii) Give the formula to calculate the cost of cookies sold in cell **I3.**

(iii) Write the formula to calculate the cost of unsold stock of muffins in cell **J4.**

(iv)

- (a) Give the formula to calculate the festival discount on the sale of Pastries in cell **G5.**
- (b) Calculate the amount of festival discount per pastry in cell **G5.**

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Provide more practice to students in attempting questions based on application of spreadsheets.

MARKING SCHEME

Question 18

(i)	= E2*(F2-G2) Or =I2+K2 *(Any one)*	
(ii)	= B3*C3 – (B3-E3)*C3 Or =D3-J3 Or =H3 – K3 *(Any one)*	
(iii)	= (B4*C4)-I4 Or =D4-I4 *(Any one)*	
(iv)	(a)	=F5 - (H5/E5) Or =F5 – ((D5-J5+K5)/E5) *(Any one)*
	(b)	₹ 5