ISC EXAMINATION PAPER – 2025
ACCOUNTS
Class – 12th
(Solved)

Maximum Marks: 80 *Time Allotted: Three Hours* *Reading Time: Additional Fifteen Minutes*

Instructions to Candidates:

1. You are allowed an **additional fifteen minutes** for **only** reading the paper.
2. You must **NOT** start writing during reading time.
3. It is divided into **three** sections and has **18 questions** in all.
4. **Section A** is compulsory and has **ten** questions.
5. You are required to attempt **all** questions either from **Section B** or **Section C**.
6. **Section B** and **Section C** have **four** questions each.
7. Internal choices have been provided in **five** questions in **Section A** and in **two** questions each in **Section B** and **Section C.**
8. While attempting **Multiple Choice Questions** in **Sections A, B and C,** you are required to **write only ONE option as the answer.**
9. **All calculations should be shown clearly.**
10. All workings, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.
11. The intended marks for questions or parts of questions are given in the brackets [].

SECTION – A (14 MARKS)

*Answer **all** questions.*

Question 1.

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

(i) Shiv, Ravi and Roshan are partners in a firm following the fixed capital method. During the year 2023–24, Shiv withdrew ₹ 15,000 in the middle of each half year; Ravi withdrew ₹ 20,000 to pay for premium of his life insurance policy; Roshan withdrew ₹ 12,000 from his capital. **[1]**

What is the interest on drawings charged from the partners at the end of the year, if the rate of interest on drawings mentioned in the partnership deed is 6% per annum?

(a) Shiv – 900; Ravi – Nil; Roshan – 360
(b) Shiv – 900; Ravi – 600; Roshan – Nil
(c) Shiv – 1,800; Ravi – 1,200; Roshan – 720
(d) Shiv – 900; Ravi – 1,200; Roshan – 360

(ii) To value the goodwill of a partnership firm at the time of its reconstitution, which one of the following items is added back to the previous year's profit to find the normal profit? **[1]**

(a) Gain from sale of shares
(b) Insurance premium paid
(c) Undervaluation of closing stock
(d) Overvaluation of closing stock

(iii) Read the following news item regarding issue of shares by TVS Supply Chain and answer the question that follows: **[1]**

TVS Supply Chain IPO
subscribed 2.8 times

(Source: The Hindu, Business Line, 15 August, 2023)

Which of the following options can TVS Supply Chain avail to deal with its over-subscribed shares?

P Reject all the over-subscribed shares and refund the excess application money.
Q Allot all shares applied for on a pro-rata basis.
R Allot all shares applied for.
S Allot in full to some applicants, allot shares on a pro-rata basis to a few applicants and refund the application money to some applicants.

(a) P, Q and R **(b)** Q, R and S
(c) P, R and S **(d)** P, Q and S

(iv) Premium on Redemption of Debentures is debited to: **[1]**

(a) Debentures Account
(b) Loss on issue of Debentures Account
(c) Debenture holders' Account
(d) Debenture Application and Allotment Account

(v) **Assertion:** A partnership firm is said to maintain its accounts by the fixed capital account method when it has a separate capital account and current account for every partner. **[1]**

Reason: A fixed capital account method is maintained to ensure that the balance in the current account of any partner is not overdrawn at any point of time.

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) Assertion is true and Reason is false.

(d) Both Assertion and Reason are false.

(vi) What does a new partner acquire by contributing his share to the self-generated goodwill of the firm? **[1]**

(vii) At the time of dissolution of a partnership firm on 31st March 2024, its Bills Payable of ₹ 42,000 due to be paid on 31st July 2024, was settled at a rebate of ₹ 350. **[1]**

Calculate the per annum percentage of rebate at which the Bills Payable was settled.

(viii) At the time of the dissolution of the partnership firm of Sanjay and Mitali, its Balance Sheet showed Deferred Revenue Expenditure of ₹ 30,000. **[1]**

Give the journal entry to treat this item.

(ix) Read the following news item and answer the questions which follow: **[1]**

In a strong display of innovation, IIT Kanpur filed a total of 122 intellectual property rights (IPR) applications in 2023. To date, it has 1,039 successful IPRs. The patents for inventions are from varied domains such as MedTech and Nano Technology.

(Source (edited): Financial Express. 11, January, 2024)

(a) Mention the sub-head under which patents would be shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013.

(b) Give *any one* other item under the same sub-head.

(x) Why is it advisable for an unlisted manufacturing company to start transferring its profits to Debenture Redemption Reserve from the year of the issue of its non-convertible debentures? **[1]**

Question 2.

Ajay and Bijoy are two partners sharing profits and losses in the ratio of 2:1. **[3]**

Balance Sheet of Ajay and Bijoy (extract)
As at 31st March 2024

Liabilities	(₹)	Assets	(₹)
Workmen Compensation Reserve	1,200		

Additional information:

(a) On 1st April 2024, they admitted Sujay as a partner with ½ share in the profits.

(b) The Workmen Compensation Reserve to be reduced to ₹ 900 in the reconstituted firm.

You are required to give the accounting treatment of Workmen Compensation Reserve on the date of Sujay's admission.

OR

Gita and Mita are partners in a firm sharing profits and losses in the ratio of 3:2. An extract of their Balance Sheet as at 31st March 2024, is as follows: **[3]**

Balance Sheet of Gita and Mita (extract)
As at 31st March 2024

Liabilities	(₹)	Assets	(₹)
Creditors	15,000	Plant & Machinery Sundry Debtors 1,50,000 Less Provision for Doubtful Debts (15,000)	1,20,000 1,35,000

On the admission of Rita as a third partner for 1/4 share in the profits, the assets and liabilities of the firm were revalued as under:

(i) Creditors include an amount of ₹ 5,000 received as commission from Ajay. The necessary adjustment to be made.

(ii) Creditors include ₹ 1,000 due to Nikhil paid by partner Gita privately for which she is not to be reimbursed.

(iii) The value of machinery, overvalued by ₹ 20,000 in the Balance Sheet, to be revised.

(iv) Out of the total insurance premium paid, ₹ 6,000 to be treated as prepaid insurance. The amount was earlier debited to Profit & Loss A/c.

(v) ₹ 20,000 for damages claimed by a customer had been disputed by the firm. It was agreed at 70% by a compromise between the customer and the firm.

(vi) The provision for doubtful debts to be increased to ₹ 20,000.

You are required to prepare the Revaluation Account.

Question 3.

On 1st April 2023, Vishesh Co. Ltd.made an issue, which was fully subscribed, of 8,000, 5% Debentures of ₹ 100 each at a premium of 10% repayable at par at the end of 10 years. The debentures were allotted on 31st August 2023, subscriptions being payable: **[3]**

10% with Application

50% (along with premium) on Allotment

20% with First Call

Balance on the Second & Final Call

One debenture holder holding 200 debentures paid the First Call with Allotment.

You are required to prepare the Cash Book for the year 2023–24 to record the above issue of debentures. (Ignore interest on debentures).

OR

Mint Ltd. issued 5,000, 6% Debentures of ₹ 100 each to be redeemed at par after five years.

The issue price was payable as follows:

₹ 25 on Application payable on 1st May 2023

₹ 25 on Allotment payable on 1st July 2023

₹ 20 on First Call payable on 1st October 2023

Balance on Second & Final Call payable on 1st February 2024

All these debentures were subscribed and amounts due on them duly received.

One debenture holder holding 1,000 debentures, paid the amount of both the calls with allotment.

According to the Articles of Association of the company, interest @ 12% per annum is payable on calls-in-advance. The interest on calls-in-advance was paid by the company to the debenture holder on 1st February 2024.

The company follows the financial year and closes its books accordingly.

You are required to prepare the following for the year 2023–24:

(i) Interest on Calls-in-Advance Account. **[1]**

(ii) Second & Final Call Account. **[2]**

Question 4.

Shyla Ltd., an unlisted manufacturing company, had 30,000, 6% Debentures of ₹ 100 each due for redemption at par on 31st March 2024. On this date, the company had the required amount in its Debenture Redemption Reserve.

Investment, as required by the law, made on 1st April 2023, earning interest @ 5% per annum, was realised at 97% on the date of redemption and the debentures were redeemed on the due date.

Tax @ 10% on the interest was deducted at the source of the investment.

You are required to prepare the following for the year 2023–24:

(i) Debenture Redemption Investment Account. **[1.5]**

(ii) Interest on Debenture Redemption Investment Account. **[1.5]**

Question 5.

Anu, Benu and Sara are partners in a firm sharing profits and losses in the ratio of 4/9: 2/9: 1/3. Anu retires from the firm on 1st April 2024. She gives half of her share to Benu and the remaining half to Sara.

On Anu's retirement, it is decided that goodwill of the firm be valued at two years' purchase of the average profits of the preceding four years which were as follows:

Year	Profit
2020–21	₹ 40,000 (including gain from speculation ₹ 4,000)
2021–22	₹ 80,000 (excluding repairs of machinery ₹ 6,000)
2022–23	₹ 1,10,000
2023–24	₹ 40,000 (loss)

You are required to calculate:

(i) The new profit-sharing ratio of the remaining partners in the reconstituted firm. **[1]**

(ii) The firm's goodwill on the date of Anu's retirement.

(Show the workings clearly with the formula) **[2]**

Question 6.

Hoody Ltd. made the following borrowings in the year 2023–24: **[6]**

On 1st April 2023: Ten year, 10% Bank Loan from AZ Bank secured by a primary security and 20,000, 6% Debentures of ₹ 100 each as collateral security, the issue of which was recorded in the books.	₹ 25,00,000
On 1st October 2023: 5,000, 8% Debentures of ₹ 100 each, redeemable at par in five equal annual instalments.	₹ 5,00,000

The terms of the borrowings were:

- The redemption of 8% Debentures to begin from 30th September 2024.
- Interest on Bank Loan and Debentures to be paid *annually*.

Additional information:

In the year 2023–24, the company defaulted on the payment of the interest on bank loan.

You are required to show the above items in Notes to Accounts accompanying the Balance Sheet of Hoody Ltd. prepared as per Schedule III of the Companies Act, 2013. as at 31st March 2024.

Question 7.

Uma and Aman were partners in a firm sharing profits and losses in the ratio of 2:1. They closed their books on 31st March every year. Uma died on 31st July 2024, when the Balance Sheet of the firm was as follows:

Balance Sheet of Uma and Aman
As at 31st July 2024

Liabilities		(₹)	Assets	(₹)
Sundry Creditors		30,000	Cash at Bank	84,000
Loan from Uma		10,000	Fixed Assets	78,000
General Reserve		24,000	Goodwill	24,000
Profit for four months (before any interest and appropriations)		62,000		
Capital Accounts:				
Uma	36,000			
Aman	24,000	60,000		
		1,86,000		**1,86,000**

According to the terms of their partnership deed:

(a) Interest on capital to be allowed to the partners @ 4% per annum.

(b) Uma to be allowed a salary of ₹ 250 per month.

The firm's non-purchased goodwill on the date of Uma's death was valued at ₹ 12,000.

The amounts due to Uma were transferred to her representative's loan account.

You are required to prepare:

(i) Uma's Capital Account. **[5]**

(ii) Uma's Loan Account. **[1]**

OR

Ravi, Ali and Siya are partners in a firm sharing profits and losses in the ratio of 4:3:2. **[6]**

Ali retired from the firm on 31st March 2024, when the capitals of the partners before the following necessary adjustments stood at:

Ravi ₹ 23,000

Ali ₹ 12,000

Siya ₹ 9,000

Adjustments:

(a) The firm's goodwill to be valued at ₹ 21,600.

(b) Loss on revaluation of assets and liabilities to be ₹ 2,700.

On the date of Ali's retirement, the firm had:

General Reserve of ₹ 6,300

Cash & Bank Balance of ₹ 18,600

It was decided that Ali be paid through cash brought in by Ravi and Siya in such a manner so as to make their capitals proportionate to their new profit-sharing ratio and a minimum Cash & Bank Balance of ₹ 10,000 to be maintained in the reconstituted firm.

You are required to pass journal entries to record the above transactions.

Question 8. **[6]**

Mihir and Farhan were partners in a firm sharing profits and losses equally. They dissolved their partnership firm on 31st March 2024.

On this date, the Balance Sheet of their firm, apart from the realisable assets and outside liabilities, showed the following:

Particulars	(₹)
Mihir's Capital	60,000 (Cr.)
Farhan's Capital	20,000 (Dr.)
Workmen Compensation Reserve	12,000
Profit & Loss Account	6,000 (Cr.)
Bank Account	'?'

On the date of dissolution:

(a) The firm, upon realisation of assets and settlement of liabilities, suffered a loss of ₹ 10,000.

(b) The amount paid to settle the liabilities exceeded the amount realised from the sale of the assets by ₹ 8,000.

(c) Stock worth ₹ 3,000 was taken over by Farhan.

(d) Mihir discharged the Bills Payable, recorded in the books at ₹ 5,000, at a rebate of ₹ 100.

(e) There was a workmen compensation claim of ₹ 4,000.

You are required to prepare on the date of dissolution of the firm:

(i) The Partners' Capital Accounts.

(ii) The Bank Account to determine its balance at bank as shown in the Balance Sheet as at 31st March 2024, represented by '?'.

Question 9. **[10]**

Tim and Leena started a partnership business on 1st July 2023, with fixed capital contributions of ₹ 3,00,000 and ₹ 2,50,000 respectively.

On 1st January 2024, they decided that:

The total *fixed* capital of the firm to be ₹ 6,00,000 contributed by the partners in the profit-sharing ratio. Accordingly on 1st January 2024, Tim and Leena introduced or withdrew capital.

Their partnership deed contained the following clauses:

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

(b) Rent @ ₹ 2,000 per month to Tim for the use of his premises for business purposes.

(c) 10% of the Trading Profit to be transferred to General Reserve.

(d) The profit-sharing ratio of the partners to be 3:2.

The trading profit of the firm for the first year of the partnership after considering all charges against profits was ₹ 1,50,000.

You are required to pass journal entries for the year 2023–24.

OR

(A) Nida and Pia, each doing business as sole proprietors, started a partnership on 1st April 2023, with capital contributions of ₹ 5,00,000 and ₹ 4,00,000.

Their partnership deed contained the following clauses:

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

(b) Annual commission of 30,000 to be allowed to Nida.

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

(d) The profit-sharing ratio to be 3:2.

Nida withdrew 10,000 during the year 2023–24.

The trading profit of the firm for the year ending 31st March 2024, was 70,640 before considering accrued interest on investments of ₹ 1,600.

Although the accountant had recorded the drawings made by the partners, he distributed the profits before charging interest on drawings from Nida but after considering the following:

- Accrued interest on investments of ₹ 1,600.
- Allowing the appropriations of interest on capital and commission.

You are required to prepare the following for the year 2023–24:

(i) Profit and Loss Appropriation Account as prepared by the accountant of the firm. **[5.5]**

(ii) Nida's Drawings Account. **[2]**

(B) At the beginning of the next financial year, the accountant realised his error of not having charged interest on drawings from Nida. He rectified the error by passing a single adjustment entry. **[2.5]**

You are required to give the rectified adjustment entry passed by the accountant.

(Show your workings clearly)

Question 10.

Cosmic Ltd. issued 40,000 equity shares of ₹ 10 each at a premium of ₹ 1 per share payable:

On Application	₹ 3
On Allotment	₹ 4 (including premium)
On First and Final Call	Balance 3

The public applied for 60,000 shares. Pro-rata allotment was made to the applicants of 50,000 shares. Where no allotment was made, money was to be refunded in full.

One shareholder who had applied for 500 shares did not pay the allotment money and his shares were forfeited after the allotment stage. The company was able to immediately reissue all the forfeited shares at ₹ 5 per share.

Three months later, the First and Final Call was made to all the shareholders.

You are required to:

(i) Pass journal entries to record the above transactions in the books of the company. [8.5]

(ii) Prepare the Calls-in-arrears Account. [1.5]

OR

NM Co. Ltd. issued a prospectus inviting applications for 12,000 shares of ₹ 10 each at a premium of ₹ 1 per share.

The public applied for 30,000 shares. The company made pro-rata allotment on 24,000 shares. A shareholder who had applied for 2,000 shares, was allotted 1,000 shares. After having paid ₹ 4 per share on application, he did not pay the allotment money of ₹ 5 per share (including premium).

On his subsequent failure to pay the first call of ₹ 1 per share, his shares were forfeited.

These shares were reissued at the rate of ₹ 7 per share ₹ 9 paid up.

The company incurred ₹ 5,000 as share issue expenses.

Based on the information given above and the ledger accounts given below, answer the questions that follow:

Share Issue Expenses A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To'?'	'?'	By '?'	'?'

Calls-in-Arrears A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Allotment A/c	'?'	By Share Capital A/c	'?'
To Share First Call A/c	'?'	By Securities Premium A/c	'?'

You are required to:

(i) Draw the ledger accounts given above filling up the missing information represented by '?'. [3]

(ii) What is the balance left in the Securities Premium A/c after all the transactions relating to the shares have been completed by NM Co. Ltd? [1]

(iii) Give the journal entries for: [6]

(a) The amount due on allotment.

(b) The amount received on allotment.

(c) Transferring the net gain made on reissue of shares to Capital Reserve Account.

SECTION—B (20 MARKS)

Question 11.

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

(i) Red Health, an ambulance aggregator has paid its employees only half their January salaries. The company has gone in for funding. In response to queries from Mint, Red Health's founder and CEO said, "Our funding round is closed and we are waiting money to be wired by this week. On the basis of that, and to manage our working capital, we had given a choice to our old employees to hold their salaries back."

(Source (edited): Mint, 14 February, 2024)

The original Current Ratio and Quick Ratio of Red Health are more than one. Which one of the following will be correct for the month of January 2024 if the company had held back the salaries of its employees for the same month? **[1]**

(a) Both Current Ratio and Quick Ratio will decrease.

(b) Both Current Ratio and Quick Ratio will increase.

(c) No change in the Quick Ratio but the Current Ratio will increase.

(d) No change in the Current Ratio but the Quick Ratio will increase.

(ii) On 1st April 2023, Tarzan Ltd. purchased 7,000, 7% Debentures of ₹ 100 each of Tintin Ltd. It received interest of ₹ 7,000 on these debentures on 31st March 2024. **[1]**

How will this information be presented in the Cash Flow Statement of Tarzan Ltd. for the year 2023–24?

P ₹ 70,000 as cash outflow in Investing Activity

Q ₹ 70,000 as cash outflow in Financing Activity

R ₹ 7,000 as cash inflow in Investing Activity

S ₹ 7,000 as cash ouflow in Operating activity

(a) Only P and R **(b)** Only P and S

(c) Only P and Q **(d)** Only R and S

(iii) According to the ratings agency, Crisil, the food and grocery players will cap their debt raising in FY 25 in order to ensure that one of the key debt protection metrics, the interest cover, remains healthy in line with the previous fiscal's level of 13 times. **[1]**

(Source(edited): Financial Express, 23 December, 2023)

You are required to give the formula to calculate the interest cover.

(iv) While preparing the Cash Flow Statement, the accountant of Red Hill Co. Ltd. was undecided about the impact of amortisation of discount on issue of debentures of ₹ 10,000 on the company's Net Operating Profit before working capital changes.

What should the accountant do to resolve this issue? Give a reason for your answer. **[1]**

(v) Read the news item given below and answer the questions that follow: **[1]**

Online news aggregator, InShorts, saw its loss widen by over a third during the year ended March 2023, to ₹ 309·7 crore, from ₹ 231·8 crore in fiscal 2022, as expense rose faster than revenue. Advertisement income – the company gets most of its ads on its app-increased 4·3% to ₹ 147 crore. The remainder of its income came from support services.

(Source: Economic Times, November 26, 2023)

(a) Mention whether Advertising income is an operating income or a non-operating income for InShorts.

(b) What is the percentage increase in loss of InShorts in the fiscal year 2022–23 as compared to 2021–22?

Question 12. **[3]**

Following are the particulars of Richmond Ltd.

Particulars	31.03.2024 (₹)	31.03.2023 (₹)
Revenue from Operations	5,00,000	4,00,000
Purchases of stock-in-trade	3,00,000	3,36,000
Opening inventory of stock-in-trade	1,40,000	1,00,000
Adjusted purchases of stock-in-trade	4,10,000	3,20,333

You are required to calculate the *absolute change* and *percentage change* of the following items at the end of the year 2023–24 vis-a-vis the closing amounts of the year 2022–23:

(i) Revenue from operations

(ii) Purchases of stock in trade

(iii) Closing inventory of stock-in-trade

Question 13.

Answer *any three* of the following questions:

(i) Calculate the Gross Profit of Saturn Ltd. from the particulars given below: **[2]**

Particulars	
Average Inventory	8,000
Inventory Turnover Ratio	6 times
Selling Price	25% above cost

(ii) Calculate the Trade Receivables Turnover Ratio of Planet Ltd. from the particulars given below: **[2]**

Particulars	(₹)
Revenue from Operations	3,60,000
Cash Revenue from Operations	90,000
Net Closing Trade Receivables	45,000
Provision for Doubtful Debts	10,000

(iii) Bajaj Hindustan Sugar, one of the largest sugar and ethanol producers, in order to revive the company, has offered to invest ₹ 2,500 crore as fresh equity of which ₹ 1,000 crore has already been infused. **[2]**

(Source(edited): Economic Times, Mumbai Edition 08, August 2023)

What will be the effect of this decision of Bajaj Hindustan Sugar on its following ratios?

(a) Proprietary Ratio

(b) Debt to Total Assets Ratio

(iv) Calculate the Earning per share of Hemisphere Ltd. from the particulars given below: **[2]**

Particulars	(₹)
10% Debentures	5,00,000
8% Bank Loan	3,00,000
5% Preference Share Capital	2,00,000
Profit before Interest and Tax	2,44,000
Provision for Tax	20,000
Tax paid	18,000
Equity Share Capital (@ ₹ 10 each)	8,00,000

Question 14.

From the following information of Realty Ltd., you are required to calculate the company's Cash and Cash Equivalent as on 31st March 2024, by preparing a Cash Flow Statement (as per AS 3). **[6]**

Information pertaining to the year 2023–24:

(i) Net profit before tax was ₹ 14,00,000.

(ii) Tax of ₹ 5,00,000 was paid.

(iii) The opening inventory was higher than the closing inventory by ₹ 50,000.

(iv) The Trade Creditors showed a decrease of ₹ 20,000 on 31st March 2024, when compared to the amount of Trade Creditors on 31st March 2023.

(v) Plant & Machinery on 31st March 2023, and 31st March 2024, amounted to ₹ 20,00,000 and ₹ 26,00,000 respectively.

(vi) New machinery was purchased for ₹ 9,00,000; the purchase consideration being 4% debentures of the face value of ₹ 100 each issued at a discount of 10%.

(vii) The 4% debentures on 31st March 2023, and 31st March 2024, amounted to ₹ 5,00,000 and ₹ 20,00,000 respectively.

(viii) ₹ 60,000 was paid by the company for interest on debentures against the amount due of ₹ 80,000.

(ix) Investments of ₹ 5,00,000 were purchased on 30th November 2023, on which interest of ₹ 40,000 was earned and received.

(x) The cash and cash equivalent as on 31st March 2023, was ₹ 3,15,000.

OR

Read the following information of Celestial Ltd., and answer the questions that follow:

Statement of Profit and Loss
for the year ended 31st March 2024

Particulars	Note No.	(₹)
Revenue from Operations		10,00,000
Other Income	1	40,000
Total Revenue		**10,40,000**
Expenses:		
Employee Benefit Expenses		1,60,00
Depreciation and Amortisation Expenses	2	60,000
Finance Cost	3	50,000
Other Expenses		2,20,000
Total Expenses		**4,90,000**
Profit before Tax		5,50,000
Less Provision for Tax		(2,00,000)
Profit after Tax		**3,50,000**

Notes to Accounts:

Particulars	(₹)
1. **Other Income** Interest on Short-term Loans and Advances (including interest accrued ₹10,000)	1,00,000
2. **Depreciation and Amortisation Expenses:** Depreciation on Plant & Machinery	60,000
3. **Finance Cost** Interest on Debentures (including outstanding interest ₹ 20,000)	50,000

Additional information:

1. During the year 2023–24, the company paid tax of ₹ 2,50,000.
2. An extract of the Balance Sheets of the company as at 31st March 2023, and as at 31st March 2024 is as follows:

Particulars	31st March 2024 (₹)	31st March 2023 (₹)
Plant & Machinery (At Gross Value)	19,00,000	16,00,000
Accumulated Depreciation	*4,00,000*	*5,00,000*
Short-term Loans and Advances	5,00,000	6,50,000

(i) State the reason for a part of the accumulated depreciation being written off by the company. **[1]**

(ii) What is the cash flow of interest on debentures? **[1]**

(iii) Calculate Cash from Investing Activities. **[1.5]**

(iv) Calculate Cash from Operating Activities. **[2.5]**

SECTION – B (20 MARKS)

Question 15.

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

(i) What is the cell reference for a range of cells that starts in cell B1 and goes over to column G and down to row 10? **[1]**

(a) B1-G10 **(b)** B1.G10
(c) B1;G10 **(d)** B1:G10*

(ii) Which property describes the various characteristics of an entity in DBMS? **[1]**

(a) ER Diagram **(b)** Column
(c) Relationship **(d)** Attribute

(iii) Name the spreadsheet which can be used to manage online records like *Signup Form or Registration Form.* **[1]**

(iv) How can the records of a spreadsheet be: **[1]**

(a) Imported?

(b) Exported?

(v) Give the description of the following two errors in Excel: **[1]**

(a) # NULL

(b) # NUM

Question 16. **[3]**

(i) Give the meaning of Database design.

(ii) What does the PMT function calculate?

Question 17.

Answer *any three* of the following questions.

(i) What is the utility of Freeze Panes in spreadsheets? **[2]**

(ii) What is a Data Model? **[2]**

(iii) List the components of storage manager. **[2]**

(iv) Give *any two* differences between DELETE command and TRUNCATE command. **[2]**

Question 18.

Premier Furniture Ltd. runs a furniture store in city C. The store has three Sales Executives, SE1, SE2 and SE3.

The company has a policy of awarding incentives. SE2 was awarded an incentive as from 1ª April 2023, equal to 10% of his monthly Basic Pay. The incentive was combined with Other Allowances.

Another policy of Premier Furniture Ltd. is that an employee can increase his portion of PF contribution from 10% to 15% of the Basic Pay. The contribution of the employer remains the same at 10% of the Basic Pay.

SE1 accordingly increased his PF contribution from 1st April 2023, itself, to 15%.

The payroll summary representing the cumulative position of the three executives at the end of the year 2023–24 is as follows:

Payroll Summary of Premier Furniture Ltd. for the year ended 31st March 2024

	A	B	C	D	E	F	G	H	I	J	K
1	**Employee**	**Basic Pay**	**HRA**	**Conveyance**	**Other Allowances**	**PF-Employer Contribution**	**PF-Employee Contribution**	**Misc. Deductions from Salary**	**Income Tax**	**Gross Salary**	**Net Salary**
2	SE1	30,00,000	75,000	60,000	30,000	30,000	??	20,000	5,000		??
3	SE2	2,40,000	60,000	48,000	??	24,000	24,000	25,000	4,000	3,84,000	??
4	SE3	2,00,000	50,000	40,000	30,000	20,000	20,000	15,000	3,000	??	

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

(i) PF contribution of SEI in Cell **G2**. **[2]**

(ii) Net Salary of SEl in Cell **K2**. **[2]**

(iii) Other Allowances (excluding the incentive) earned by SE2 in Cell **E3**. **[2]**

(iv) Gross Salary of SE3 in Cell **J4**. **[2]**

ANSWERS

SECTION – A

Answer 1.

(i) Option (b) is correct.

Explanation: Average time for Shiv's

$= \left(\frac{9+3}{2}\right) = 6$ months

Interest on his drawings

$= (15{,}000 \times 2) \times \frac{6}{100} \times \frac{6}{12} = ₹\,900$

Interest on Ravi's drawings $= 20{,}000 \frac{6}{100} \times \frac{6}{12} = ₹\,600$

Interest on Roshan's drawings = Nil (As his capital has been reduced for the withdrawn amount)

(ii) Option (c) is correct.

Explanation: Since the closing stock was undervalued, the profit for that year was understated. Adding it back correct the profit figure.

(iii) Option (d) is correct.

Explanation: Subscribed capital cannot be more than issued capital. Hence, TVS Supply Chain cannot allot all the shares applied for as these are more than the number of shares issued for subscription.

(iv) Option (b) is correct.

Explanation: When debentures are to be redeemed at a premium, the premium amount is considered a loss for the company. This loss is transferred to Loss on Issue of Debenture A/c.

(v) Option (c) is correct.

Explanation: Under the Fixed Capital method, two accounts — Capital and Current — are maintained for each partner. The purpose of separating these accounts is to keep the original capital investment distinct from the fluctuations caused by regular business transactions. All the adjustments related to partner's capital (except additional capital introduced or permanent capital withdrawn) are passed through partner's Current Account. Hence, Current Account can show both credit or debit balance, So assertion is true but reason is false.

(vi) A new partner gets the share of additional profit over the normal profit in future profits of the firm because of the value and reputation the old partners have built by contributing his share to the self-generated goodwill of the firm.

(vii) Rebate

$$= \text{Amount} \times \text{Time outstanding} \times \frac{\text{Rate of rebate}}{100}$$

$$350 = 42{,}000 \times \frac{4}{12} \times \frac{\text{Rate of rebate}}{100}$$

$$\text{Rate of rebate} = \frac{350 \times 12 \times 100}{42{,}000 \times 4} = 2.5\%$$

(Viii) Sanjay's Capital A/c Dr. 15,000

Mital's Capital A/c Dr. 15,000

To Deferred Revenue Expenditure 30,000

(Being deferred revenue expenditure transferred to partner's Capital A/c)

(ix) Patents will be shown under the sub-head Property, Plant , Equipment and Intangible assets.

Goodwill is another item which is shown under this sub-head.

(x) It is advisable for an unlisted manufacturing company to start transferring its profits to DRR from the year of the issue of its non-convertible debentures due to following reasons:

(a) Financial Security: Ensures funds for debenture redemption.

(b) Smoother Cash Flow: Avoids large, sudden payouts.

(c) Legal Compliance: Many jurisdictions and laws make it mandatory in order to make funds available at the time of redemption of debentures.

(d) Protection: It protect debenture holders, and maintain the company's creditworthiness

Answer 2.

Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Workmen Compensation Reserve A/c Dr.		300	-
	To Ajay's Capital A/c		-	200
	To Bijoy's Capital A/c		-	100
	(Being WCR ₹ 300 transferred to old partner's Capital A/c)			
	Sujoy's Capital A/c Dr.		225	-
	To Ajay's Capital A/c		-	150
	To Bijoy's Capital A/c		-	75
	(Being adjustment of accumulated profit on admission of Sujoy)			

Working Note: Share of Profit of Sujoy $= \frac{1}{4}$

So, $\frac{1}{4}$ of ₹ 900 to be debited to Sujoy's capital and to be credited to Ajay and Bijoy's Capital A/c in their sacrificing ratio i.e., 2 :1.

OR

Revaluation A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery	20,000	By Creditors A/c	5,000
To Claim for damages	14,000	By Creditors A/c (not to be paid)	1,000
To P.B.D.	5,000	By Prepaid Insurance A/c	6,000
		By Partner's Capital A/c: (Loss)	
		Gita 16,200	
		Mita 10,800	27,000
	39,000		**39,000**

Working Note: Nothing has been mentioned about claim for damages in firm's balance. Hence, it is assumed that claim was not accepted earlier but now it has been accepted 70% of 20,000, i.e., ₹ 14,000.

Answer 3.

In the Books of Vishesh Co.

Cash Book

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Debenture App. A/c	80,000	By Balance c/d	8,80,000
To Debenture Allot. A/c	4,80,000		
To Debenture first call A/c	4,000		
To Debenture first call A/c	1,56,000		
To Debenture final call A/c	1,60,000		
	8,80,000		**8,80,000**

OR

In the Books of Mint Limited

Interest on Calls in Advance A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Debenture holder's A/c	2,700	By P& L A/c	2,700
	2,700		**2,700**

Working Note :

Calculation of interest on Calls in Advance 12% of 20,000 for 3 months + 12% of 30,000 for 7 months

$$= \left(20,000 \times \frac{12}{100} \times \frac{3}{12}\right) + \left(30,000 \times \frac{12}{100} \times \frac{7}{12}\right)$$

= 600 + 2,100

= ₹ 2,700

Second and Final Call A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Debenture Capital A/c	1,50,000	By Bank A/c	1,20,000
		By Calls in Advance A/c	30,000
	1,50,000		**1,50,000**

Answer 4.

In the books of Shyla Ltd.

Debenture Redemption Investment A/c

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1 April 2023	To Bank A/c	4,50,000	March 31 2024	By Bank A/c	4,36,500
				By P &L A/c (Loss on sale)	13,500
		4,50,000			**4,50,000**

Dr. **Interest on Debenture Redemption Investment A/c** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31 March 2024	To Statement of P&L	22,500	31 March 2024	By Bank A/c	20,250
				By TDS deposited A/c	2,250
		22,500			**22,500**

Answer 5.

(i) Old Ratio of Anu, Benu and Sara $= \frac{4}{9} : \frac{2}{9} : \frac{1}{3} = \frac{4:2:3}{9} = 4:2:3$

Anu retires $\left[\text{Anu's share} = \frac{4}{9}\right]$

Half of Anu's share $= \frac{1}{2} \times \frac{4}{9} = \frac{2}{9}$

Benu's new share $= \frac{2}{9} + \frac{2}{9} = \frac{4}{9}$

Sara's new share $= \frac{3}{9} + \frac{2}{9} = \frac{5}{9}$

New profit sharing ratio of Benu and Sara $= \frac{4}{9} : \frac{5}{9} = 4:5$

(ii) Adjusted profit for 2020–21 = 40,000 – 4,000 (abnormal gain) = ₹ 36,000

Adjusted profit for 2021–22 = 80,000 – 6,000 (repair of machinery) = ₹ 74,000

2022–23 = ₹ 1,10,000

2023–24 = ₹ 40,000 (Loss)

Average profit of the preceding four years

$$= \frac{36,000 + 74,000 + 1,10,000 + (40,000)}{4} = ₹\ 45,000$$

Goodwill = Average profit × No. of year's purchase

= 45,000 × 2

= ₹ 90,000

Answer 6.

In the Books of Hoody Ltd.
Balance Sheet (An Extract)
as at 31st March 2024

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
Non–Current Liabilities		
Long-term Borrowings	1	29,00,000
Current Liabilities		
Short-term Borrowings	2	1,00,000
Other Current Liabilities	3	2,70,000

Notes to Accounts

Particulars		Amount (₹)
(1) Long-term Borrowings		
(a) 10% bank loan (taken on 1st April 2023 repayable in 10 years)	25,00,000	
(b) 6% Debentures	25,00,000	
Less: Debentures Suspense	(25,00,000)	
(c) 8% Debentures	4,00,000	29,00,000
(2) Short-term Borrowings		
8% Debentures (to be redeemed within 12 months of balance sheet date)		1,00,000
(3) Other Current Liabilities		
(a) Interest on 10% bank Loan (Defaulted)	2,50,000	
(b) Interest on 8% Debentures	20,000	2,70,000

Answer 7.

Working Notes

Dr. **Profit and Loss Appropriation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Partner's Capital		By Profit & Loss	62,000
Uma 480			
Aman 320	800		
To Salary (Four month)			
Uma	1,000		
To Partner's Capital A/c			
Uma 40,133			
Aman 20,067	60,200		
	62,000		**62,000**

Dr. **Uma's Capital A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goodwill A/c	16,000	By Balance b/d	36,000
To Uma's Executor's Loan A/c	85,613	By Interest on Capital	480
		By Salary	1,000
		By General Reserve	16,000
		By P& L Appropriation A/c	40,133
		By Aman's Capital A/c	8,000
	1,01,613		**1,01,613**

Dr. **Uma's Loan A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Uma's Executor's Loan A/c	10,000	By Balance b/d	10,000
	10,000		**10,000**

OR

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

Particulars	Ravi	Ali	Siya	Particulars	Ravi	Ali	Siya
To Revaluation A/c	1,200	900	600	By Balance b/d	23,000	12,000	9,000
To Ali's Capital A/c	4,800	-	2,400	By General Reserve	2,800	2,100	1,400
To Balance c/d	19,800	20,400	7,400	By Ravi's Capital A/c	-	4,800	-
				By Siya's Capital A/c	-	2,400	-
	25,800	**21,300**	**10,400**		**25,800**	**21,300**	**10,400**
To Bank A/c	-	20,400	-	By Balance b/d	19,800	20,400	7,400
To Balance c/d	26,000		13,000	By Bank A/c	6,200		5,600
	26,000	**20,400**	**13,000**		**26,000**	**20,400**	**13,000**

Working Note: Amount to be paid = ₹ 20,400 and cash balance to maintained = 10,000 = 30,400

Available cash = 18,600

Remaining cash to be brought in = 30,400 – 18,600 = ₹ 11,800

Combined capital of Ravi and Siya = 19,800 + 7,400 = 27,200

+ Cash to be brought in = 11,800 = 39,000

Capital of New Firm = 27,200 + 11,800 = 39,000

Capital of Ravi as new ratio = $39{,}000 \times \frac{4}{6}$ = ₹ 26,000

Existing capital = 19,800

Cash to be brought in by Ravi = 26,000 – 19,800 = 6,200

Capital of Siya as new ratio = $39,000 \times \frac{2}{6}$ = ₹ 13,000

Existing capital = 7,400

Cash to be brought in by Siya = 13,000 – 7,400 = ₹ 5,600

Answer 8.

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

Particulars	Mihir	Farhan	Particulars	Mihir	Farhan
To Balance b/d	-	20,000	By Balance b/d	60,000	-
To Realisation A/c	-	3,000	By Workmen Compensation Reserve A/c	4,000	4,000
To Realisation A/c	5,000	5,000	By Realisation A/c	4,900	-
To Bank A/c	66,900	-	By P&L A/c	3,000	3,000
			By Bank A/c	-	21,000
	71,900	**28,000**		**71,900**	**28,000**

Dr. **Bank A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d (Bal.Fig.)	53,900	By Realisation A/c	8,000
To Farhan's capital A/c	21,000	To Mihir's capital A/c	66,900
	74,900		**74,900**

Answer 9.

In the Books of Tim and Leena
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
1 July 2023	Cash A/c Dr.		5,50,000	
	To Tim's Capital A/c			3,00,000
	To Leena's Capital A/c			2,50,000
	(Being capital brought in by partners)			
1 January 2024	Cash A/c Dr.		60,000	-
	To Tim's Capital A/c			60,000
	(Being additional capital brought in by Tim)			
	Leena's Capital A/c Dr.		10,000	-
	To Cash A/c		-	10,000
	(Being capital withdrawn by Leena)			
31 March 2024	Profit and Loss A/c Dr.		18,000	-
	To Tim's Current A/c		-	18,000
	(Being rent allowed to Tim)			
	Profit and Loss A/c Dr.		1,50,000	-
	To P&L Appropriation A/c		-	1,50,000
	(Being net profit transferred)			
	P&L Appropriation A/c Dr.		15,000	-
	To general reserve		-	15,000
	(Being 10% Profit transferred to Reserve)			
	Interest on Capital A/c Dr.		42,500	-
	To Tim's Current A/c		-	24,000
	To Leena's Current A/c		-	18,500
	(Being interest on capital of partners)			

	P&L Appropriation A/c Dr.		42,500	-
	To Interest on Capital A/c		-	42,500
	(Being appropriation of interest on capital)			
	Profit and Loss Appropriation A/c Dr.		92,500	-
	To Tim's Current A/c			55,500
	To Leena's Current A/c			37,000
	(Being P&L balance transferred)			

Working Note:

Interest on Tim's capital: 10% of 3,00,000 for 6 months + 10% of 3 ,60,000 for 3 months

$= 3,00,000 \times \frac{10}{100} \times \frac{6}{12} + 3,60,000 \frac{10}{100} \times \frac{3}{12}$ = 15,000 + 9,000 = ₹ 24,000

Interest on Leena 's capital: 10% of 2,50,000 for 6 months + 10% of 2 ,40,000 for 3 months

$= 2,50,000 \times \frac{10}{100} \times \frac{6}{12} + 2,40,000 \frac{10}{100} \times \frac{3}{12}$ = 12,500 + 6,000 = ₹ 18,500

OR

(A) **Dr.** **Profit and Loss Appropriation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c		By P& L A/c 70,640	
Nida 48,160		Add: Accrued int.on inv. <u>1,600</u>	72,240
Pia <u>24,080</u>	72,240		
	72,240		**72,240**

Working Note :

Interest on Nida's capital = 50,000
Interest on Pia's capital = 40,000
Commission to Nida's = 30,000
Total appropriation = 50,000 +40,000 +30,000 = ₹ 1,20,000 (which is more than available profit)
Hence, profit to be distributed in the ratio of appropriations

Nida	Pia
50,000	-
<u>30,000</u>	<u>40,000</u>
<u>80,000</u>	<u>40,000</u> = 2 :1

Nida 's Share in profit = $72,240 \times \frac{2}{3}$ =₹ 48,160

Pia 's Share in profit = $72,240 \times \frac{1}{3}$ =₹ 24,080

Nida's Drawings A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c	10,000	By Nida's Capital A/c	10,200
To Interest A/c	200		
	10,200		**10,200**

(B) **Table Showing Adjustment**

Particulars		Nida	Pia	Total
Interest on Drawings	(Dr)	200	-	200
(Division of ₹ 200 in 3 : 2)	(Cr.)	120	80	200
		Dr.80	Cr. 80	-

Adjustment Entry

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Nida's Capital A/c	Dr.		80	-
	To Pia's Capital A/c			-	80
	(Being adjustment entry passed)				

Answer 10.

In the books of Cosmic Ltd.

(i) Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c	Dr.		1,80,000	-
	To Equity Share App. A/c			-	1,80,000
	(Being applications for 60,000 shares received)				
(ii)	Equity Share App. A/c	Dr.		1,80,000	
	To Share Capital A/c			-	1,20,000
	To Equity Share Allotment A/c			-	30,000
	To Bank A/c			-	30,000
	(Being app. money adjusted)				
(iii)	Equity Share Allotment A/c	Dr.		1,60,000	-
	To Share Capital A/c			-	1,20,000
	To Securities Premium A/c			-	40,000
	(Being allotment money adjusted)				
(iv)	Bank A/c	Dr.		1,28,700	-
	Calls in Arrear A/c	Dr.		1,300	-
	To Equity Share Allotment A/c				1,30,000
	(Being allotment money received)				
(v)	Equity Share Capital A/c	Dr.		2,400	-
	Securities Premium A/c	Dr.		400	-
	To Calls in arrears A/c			-	1,300
	To Share forfeiture A/c			-	1,500
	(Being 400 shares forfeited)				
(vi)	Bank A/c	Dr.		2,000	-
	Share Forfeiture A/c			400	-
	To Share Capital A/c			-	2,400
	(Being 400 forfeited shares reissued)				
(vii)	Equity Share first and Final Call A/c	Dr.		1,60,000	
	To Share Capital A/c				1,60,000
	(Being first and final call adjusted)				
(viii)	Bank A/c	Dr.		1,60,000	-
	To Equity Share First and Final Call A/c			-	1,60,000
	(Being amount received)				
(ix)	Share Forfeiture A/c	Dr.		1,100	-
	To Capital Reserve A/c			-	1,100
	(Being balance of share forfeiture transferred to capital reserve)				

Working Note:

(1) Shareholder applied for 500 shares : allotted to him= $500 \times \frac{40,000}{50,000} = 400$ shares

Hence, he paid 100 × 3 = ₹ 300 in excess

Hence, actual Calls in Arrear = 400 × 4 = 1600 - 300 = ₹ 1,300

(2) It is assumed that excess application money has been utilised for share allotment.

(3) It is also assumed that the shares that will reissued were not full paid . First call was to be paid on them also.

Dr. **Calls in Arrears A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Allotment A/c	1,300	By Share Capital A/c	900
		By Securities Premium A/c	400
	1,300		**1,300**

OR

(i) **In the Books of NM. Co**

Dr. **Share Issue Expenses A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	5,000	By Securities Premium A/c	5,000
	5,000		**5,000**

Dr. **Calls in Arrears A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Allotment A/c	1,000	By Share Capital A/c	1,000
To Share First Call A/c	1,000	By Securities Premium A/c	1,000
	2,000		**2,000**

(ii) Amount left in securities premium = 12,000 – (1,000 + 5,000) = 12,000 – 6,000 = ₹ 6,000

(iii)

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(a)	Share Allotment A/c Dr.		60,000	-
	To Share Capital A/c		-	48,000
	To Securities Premium A/c		-	12,000
	(Being allotment money due)			
(b)	Bank A/c Dr.		11,000	-
	Calls in Arrears A/c Dr.		1,000	-
	To Share Allotment A/c			12,000
	(Being allotment money received)			
(c)	Share Forfeiture A/c Dr.		6,000	-
	To Capital Reserve A/c		-	6,000
	(Being balance of share forfeiture transferred to capital reserve)			

Working Note:

(1) A shareholder applied for 2,000 shares, was allotted 1,000 shares. Excess money received from him on application = 4 × 1,000 = ₹ 4,000

Amount to be paid by him on allotment = 1,000 × 5 = ₹ 5,000

Actual Calls in Arrears = 5,000 – 4,000 = ₹ 1,000

On allotment = ₹ 1,000 (considering that amount of securities premium was not paid)

Calls in Arrears on First Call = 1×1,000 = ₹ 1,000

(2) Actual amount received on forfeited shares = 8 ×1,000 = 8,000

Discount allowed on reissue shares = 2 × 1,000 = ₹ 2,000

Amount to be transferred to Capital Reserve = 8,000 – 2,000 = ₹ 6,000

SECTION – B

Answer 11.

(i) Option (b) is correct.

(ii) Option (a) is correct. (Only P and R)

Explanation: Debenture purchased by the company is like an investment by Tarzan Ltd. in Tintin Ltd. and interest received on this investment is also an investing activity.

(iii) Interest Coverage Ratio

$$= \frac{\text{Earning Before Interest and Taxes(EBIT)}}{\text{Interest Expenses}}$$

(iv) Amortisation of discount on issue of debentures is a non-cash expense that reduces the company's accounting profit. Hence, it is adjusted (added to) with net profit before tax and extraordinary items to calculate Net Operating Profit before Working Capital Changes.

(v) (a) As advertising income forms the core business activity for revenue generation for InShorts. Hence, advertising income will be operating income for InShorts.

(b) Percentage increase in loss $= \frac{(309.7 - 231.8)}{231.8} \times 100$

$= 33.60\%$

Answer 12.

Items	Absolute Change (in ₹)	Percentage Change (%)
(i) Revenue from Operations	1,00,000	25
(ii) Purchase of Stock in Trade	(60,000)	(16.67)
(iii) Closing Inventory of Stock in Trade	(1,10,000)	(78.57)

Working Note:

Closing Inventory of Stock in Trade = Opening Inventory + Purchase of Stock in Trade – COGS (Adjusted Purchase)

Closing Inventory for 2023–24

1,40,000 + 3,00,000 – 4,10,000 = ₹ 30,000

Closing Inventory for 2022-23

1,00,000 + 3,60,000 – 3,20,000 = ₹ 1,40,000

Answer 13.

(i) Inventory turnover ratio

$$= \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$6 = \frac{\text{Cost of Revenue from Operations}}{8{,}000}$$

Cost of Revenue From Operation = 48,000

Selling Price = 48,000 + 25% of 48,000

= 48,000 + 12,000 = 60,000

Gross Profit = 60,000 – 48,000 = ₹ 12,000

(ii) Opening trade receivables = Net closing trade receivables + Provision for doubtful debt

= 45,000 + 10,000 = ₹ 55,000

Average trade receivables

$$= \frac{\text{Opening T/R} + \text{Closing T/R}}{2}$$

$$= \frac{55{,}000 + 45{,}000}{2}$$

= ₹ 50,000

Credit Revenue from Operations = Revenue from Operations – Cash Revenue from Operations

= 3,60,000 – 90,000 = ₹ 2, 70,000

Trade Receivables Turnover ratio

$$= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

$$= \frac{2{,}70{,}000}{50{,}000}$$

= 5.4 times

(iii) (a) It will increase the proprietary ratio as both shareholders' funds as well as total assets are increased by the same amount.

(b) It will decrease the debt to total assets ratio as debt will not change but total assets will increase.

(iv) Earning per share $= \frac{\text{Net Profit (After interest , tax and dividend on preference share)}}{\text{Number of Equity Shares}}$

Here, profit before interest and tax =	₹ 2, 44,000
Interest on debentures =	50,000
Interest on bank Loan =	24,000
Provision for tax =	20,000
Preference dividend =	10,000

Net profit after interest, tax and preference dividend

= 2,44,000 – (50,000 + 24,000 + 20,000 + 10,000)

= 2,44,000 – 1,04,000 = ₹ 1,40,000

Earning per share $= \frac{1{,}40{,}000}{80{,}000}$ = ₹ 1.75 per share

Answer 14.

In the Books of Reality Ltd.
Cash Flow Statement

Particulars	Amount (₹)	Amount (₹)
A. Net Profit before Tax	14,00,000	
Adjustments for non- cash and non-operating items		
Add: Depreciation on Machinery	3,00,000	
Interest Due on Debentures	80,000	
Less: Interest on Investment	(40,000)	
Add: Discount on issue of debentures.written off	1,00,000	
Operating Profit before Working Capital Changes	18,40,000	

Add: Decrease in Inventory	50,000		
Less: Decrease in Creditors	(20,000)	30,000	
		18,70,000	
Less : Tax Paid		(5,00,000)	
Net Cash from Operating Activities		13,70,000	13,70,000
B. Cash flow from Investing Activities			
Interest on investment		40,000	
Purchase of investment		(5,00,000)	
Net Cash Used in Investing Activities		(4,60,000)	(4,60,000)
C. Cash Flow from Financing Activities			
Proceeds from Issue of debentures		5,00,000	
Interest on Debentures Paid		(60,000)	
Net Cash Flow From Financing Activities		4,40,000	4,40,000
Net Increase in Cash and Cash Equivalents			13,50,000
Add: Opening Cash and Cash Equivalents			3,15,000
Cash and Cash Equivalents at the End			16,65,000