

Solution 1:

- (i) True – Disclosure of significant accounting policies must form part of the financial statements and these policies must be disclosed separately, at one place in annual report e.g., policies relating to valuation of inventory, depreciation accounting, etc.
- (ii) Calculation of new profit sharing ratio
D is to get 1/8th share in profit
The remaining profit of the firm = $1 - 1/8 = 7/8$
Remaining profit will be shared by A, B and C in their old profit sharing ratio. Thus, the new profit sharing ratio of A, B and C will be calculated as follows:
A $7/8 \times 6/14 = 3/8$
B $7/8 \times 5/14 = 5/16$
C $7/8 \times 3/14 = 3/16$
Therefore, the new profit sharing ratio is $3/8 : 5/16 : 3/16 : 1/8$ or 6: 5: 3: 2
- (iii) False: According to the rule of Garner vs. Murray, the loss on account of insolvency of a partner should be borne by the solvent partners in the ratio of their capitals standing in the balance sheet, just before the dissolution of the partnership firm.
- (iv) Loss arising out of obsolescence of machinery is revenue expenditure. This loss is to be charged against revenue of the year in which such loss is recognised. In this case, loss due to obsolescence is:

	Rs.
Cost	5,00,000
Less: Depreciation 2000-2006	3,50,000
Written down value at the end of 2006	1,50,000
Less: Estimated scrap value	50,000
1,00,000	
This loss is revenue loss in nature.	

(v)

			Rs.
Amount received			42,000
Add : Outstanding on 31st Dec., 2005			<u>3,000</u>
45,000			
Less : Received on account of	2004	1,600	
	2006	<u>600</u>	2,200
			42,800

- (vi) As per para 5 of AS 2 on Valuation of Inventories, inventories should be valued at the lower of cost and net realizable value. Inventories should be written down to net realizable value on an item-by-item basis in the given case.

Items	Historical Cost (Rs. in lakhs)	Net Realisable Value (Rs. in lakhs)	Valuation of closing stock (Rs. in lakhs)
A	40	28	28
B	16	24	16
56	52	44	

Hence, closing stock will be valued at Rs. 44 lakhs.

- (vii) As per para 21 of AS 6 on Depreciation Accounting, when a change in the method of depreciation is made, depreciation should be recalculated in accordance with the new method from the date of the asset coming into use. The deficiency or surplus arising from retrospective recomputation of depreciation in accordance with the new method should be adjusted in the accounts in the year in which the method of depreciation is changed. In the given case, there is a surplus of Rs. 21.58 lakhs on account of change in method of depreciation, which will be credited to Profit and Loss Account. Such a change should be treated as a change in accounting policy and its effect should be quantified and disclosed.

(viii) Particulars	Rs.	Rs.
Equity Shares (42,000 x 10)		4,20,000
Preference Share Capital	1,70,000	
Add: Premium on Redemption	17,000	1,87,000
Purchase Consideration		6,07,000

- (ix) Calculation of the cost of construction of Assets

Particulars	Rs.
Direct Materials	1,000,000
Direct Labour	50,000
Direct Expenses	250,000
Office & Administrative Expenses	40,000
Depreciation	10,000
Cost of the Asset	1,350,000

- (x) True- In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in 'Red-Ink' in the appropriate side of Account Current. This red-ink interest is treated as negative interest.

Solution 2
Journal Entries in the books of Max Ltd.

Particulars		Dr. Amount Rs.	Cr. Amount Rs.
2005			
April 1 Equity share capital A/c	Dr.	15,00,000	
To Equity share capital A/c			15,00,000
(Being sub-division of one share of Rs. 100 each into 10 shares of Rs. 10 each)			
Equity share capital A/c	Dr.	7,50,000	
To Capital reduction A/c			7,50,000
(Being reduction of capital by 50%)			
Capital reduction A/c	Dr.	13,500	
To Bank A/c			13,500
(Being payment in cash of 10% of arrear of preference dividend)			
Bank A/c	Dr.	78,400	
To Own debentures A/c			76,800
To Capital reduction A/c			1,600
(Being profit on sale of own debentures transferred to capital reduction A/c)			
12% Debentures A/c	Dr.	1,20,000	
To Own debentures A/c			1,15,200
To Capital reduction A/c			4,800
(Being profit on cancellation of own debentures transferred to capital reduction A/c)			
12% Debentures A/c	Dr.	2,80,000	
Capital reduction A/c	Dr.	20,000	
To Machinery A/c			3,00,000
(Being machinery taken up by debentureholders for Rs. 2,80,000)			
Creditors A/c	Dr.	65,000	
Capital reduction A/c	Dr.	29,000	
To Debtors A/c			61,000
To Stock A/c			33,000
(Being assets and liabilities revalued)			
Capital reduction A/c	Dr.	4,33,000	
To Goodwill A/c			20,000
To Discount on debentures A/c			2,000

To Profit and Loss A/c (Being the balance of capital reduction transferred to capital reserve account)			4,11,000
Capital reduction A/c	Dr.	15,000	
To Bank A/c (Being penalty paid for avoidance of capital commitments)			15,000
Capital reduction A/c	Dr.	2,45,900	
To Capital reserve A/c (Being penalty paid for avoidance of capital commitments)			2,45,900
April 2 Business purchase A/c	Dr.	13,20,000	
To Liquidators of Mini Ltd. (Being the purchase consideration payable to Mini Ltd.)			13,20,000
Fixed assets A/c	Dr.	7,60,000	
Stock A/c	Dr.	6,80,000	
Debtors A/c	Dr.	4,40,000	
Cash at bank A/c	Dr.	1,30,000	
To Sundry creditors A/c			2,25,000
To 12% Debentures A/c of Mini Ltd.			2,00,000
To Profit and loss A/c			15,000
To General reserve A/c Rs. (1,70,000 + 80,000*)			2,50,000
To Business purchase A/c (Being the take over of all assets and liabilities of Mini Ltd. by Max Ltd.)			13,20,000
Liquidators of Mini Ltd. A/c	Dr.	13,20,000	
To Equity share capital A/c			10,00,000
To 9% Preference share capital A/c (Being the purchase consideration discharged)			3,20,000
12% Debentures of Mini Ltd. A/c	Dr.	2,00,000	
To 12% Debentures A/c (Being Max Ltd. issued their 12% Debentures in against of every Debentures of Mini Ltd.)			2,00,000

**Balance Sheet of Max Ltd.
as at 2nd April, 2005**

Liabilities	Rs.	Assets	Rs.
Equity share capital	17,50,000	Fixed assets	19,60,000
9% Preference share capital	8,20,000	Stock	10,40,000
Profit and loss account	15,000	Debtors	10,30,000
General reserve	4,30,000	Cash at bank	2,05,900
Capital reserve	2,45,900		
12% Debentures	4,00,000		
Sundry creditors	5,75,000		
	42,35,900		42,35,900

* Rs. 80,000 is the balancing figure adjusted to general reserve account as per AS 14 "Accounting for Amalgamation".

Working Notes:

1. *Purchase Consideration: Rs.*

Equity share capital Rs. 10	10,000 x 50/5	= 10,00,000
9% Preference share capital Rs. 100	4,000 x 4/5	= 3,20,000
	13,20,000	

2. *General Reserve:*

	Rs.
Share capital of Mini Ltd. (Equity + Preference)	
14,00,000	
<i>Less:</i> Share capital issued by Max Ltd.	13,20,000
General reserve (resulted due to absorption)	80,000
<i>Add:</i> General reserve of Mini Ltd.	1,70,000
General reserve of Max Ltd.	1,80,000
	4,30,000

Solution 3 (a)

**Receipts and Payments Account of Gorakhpur Club
for the year ended 31st March, 2008**

	Rs.		Rs.
To Opening Balance	1,750	By Office Bearers' Fund	2,785
To Subscription	53,050	By Affiliation Fee to the Main Club (500+ 500)	1,000
(55,000+1,560+1,600-2,610-2,500)			
To Donations (7,500 -1,000)	6,500	By Salaries	15,750
To Office Bearers' Fund	3,580	By Stationery (1,250+150-210)	1,190
(4,260-3,465+2,785)			
To Sale of Souvenirs	5,250	By Rate and Taxes	6,210
To Sale of Billiard Table		By Postage and Telephone	2,500
Cost	10,240	(2,520+220-240)	
Profit	1,410	By Sundry Expenses	8,210
To Profit on Annual Meet	16,000	By Repairs & Maintenance	5,260
		By Table Tennis Balls	1,210
		By Printing of Souvenirs	2,500

By Electricity (6,250+125 -225)	6,150
By Water Charges	1,210
By Billiard Room Expenses (2,460-165)	2,295
By Sundry Assets (47,650+1,560+10,240 - 46,500)	12,950
By Closing Balance (Bal. Fig.)	28,560
97,780	97,780

**Balance Sheet
as at 31st March, 2008**

Liabilities	Rs.	Rs.	Assets	Rs.
Capital Fund (W.N.1)	43,350		Sundry Assets less depreciation	47,650
Add: Excess of income over expenditure	30,270	73,620	Outstanding Subscription	2,610
Office Bearers' Fund		4,260	Prepaid Affiliation Fee	500
Outstanding Expenses (210+240+225+165)		840	Donations Receivable	1,000
Subscription in advance		1,600	Balance at Bank	28,560
		80,320		80,320

Working Notes:

(1) Calculation of Capital Fund at the beginning of the year :

**Balance Sheet
as at 31st March, 2007**

Liabilities	Rs.	Rs.	Assets	Rs.
Outstanding Expenses (150+220+125)	495		Sundry Assets	46,500
Office Bearers' Fund		3,465	Cash	1,750
Subscription received in advance	2,500		Outstanding Subscription	1,560
Capital Fund (Bal. Fig.)		43,350		
		49,810		49,810

(2) It is assumed that cash balance is in addition to Sundry Assets.

Solution 3 (b)

Computation of claim for loss of stock:

	Rs.
Stock on the date of fire i.e. 31.12.2008 (Refer working note)	30,500
Less: Salvaged stock _	3,000
Loss of stock	27,500
Amount of claim = (Insured value x loss of stock) /Total cost of stock on the date of fire = (Rs.25,000 x Rs. 27,500)/Rs.30,500	

= 22,541

Working Note :

Memorandum trading account can be prepared for the period from 1.10.2008 to 31.12.2008 to compute the value of stock on 31.12.2008.

**Memorandum Trading Account
for period from 1.10.2008 to 31.12.2008**

	Rs.	Rs.		Rs.
To Opening stock (Rs. 29,700x100/90)		33,000	By Sales	1,40,000
To Purchases	75,000		By Closing stock	30,500
Less: Cost of plant (balancing figure)	5,000	70,000		
To Wages	33,000			
Less: Wages paid for plant	500	32,500		
To Gross profit (33.33% on cost or 25% on sales)		35,000		
		1,70,500		1,70,500

Solution 4 (a)

- (1) Sundry Fixed Assets A/c Dr. 30,000
Stock A/c Dr. 10,000
To Profit and Loss Adjustment A/c 40,000
(Increase in the value of Sundry Fixed Assets and Stock recorded).
- (2) Profit and Loss Adjustment A/c Dr. 5,000
To Bills Receivable A/c 5,000
(Loss arising out of dishonoured bill recorded).
- (3) F's Capital A/c Dr. 10,000
To K's Capital A/c 10,000
(Being the goodwill amount adjusted on K's retirement).
- (4) Reserve A/c Dr. 10,000
To F's Capital A/c 4,000
To G's Capital A/c 4,000
To K's Capital A/c 2,000
(Transfer of Reserve to Partner's Capital A/c's on K's retirement).
- (5) Profit and Loss Adjustment A/c Dr. 35,000
To F's Capital A/c 14,000
To G's Capital A/c 14,000
To K's Capital A/c 7,000
(profit on revaluation transferred to Partner's Capital A/c's on K's retirement).

(6)	Bank A/c	Dr.	1,04,000	
	To F's Capital A/c			70,000
	To G's Capital A/c			34,000
	(Cash brought in by F and G as per agreement).			
(7)	K's Capital A/c	Dr.	79,000	
	To BankA/c			79,000
	(Payment made to K on retirement).			

Balance Sheet
(After K's Retirement)

Liabilities	Amount	Assets	Amount
Capital A/cs.		Sundry Fixed Asset	1,80,000
F	1,98,000	Stock	60,000
G	1,32,000	Debtors	50,000
		Bills Receivable	15,000
Sundry Creditors	50,000	Bank	75,000
	3,80,000		3,80,000

Working Notes:

1. Partner's Capital Account

Particulars	F	G	K	Particulars	F	G	K
To K's Capital A/c	10,000	---	---	By Balance b/d	1,20,000	80,000	60,000
To Balance cid	1,28,000	98,000	79,000	By F's Capital A/c	---	---	10,000
				By P&L Adj. A/c	14,000	14,000	7,000
				By Reserve	4,000	4,000	2,000
	1,38,000	98,000	79,000		1,38,000	98,000	79,000
To Bank	---	---	79,000	By Balance b/d	1,28,000	98,000	79,000
To Balance c/d	1,98,000	1,32,000	---	By Bank	70,000	34,000	---
	1,98,000	1,32,000	79,000		1,98,000	1,32,000	79,000

2. Total Capital

Sundry Fixed Assets (Rs.1,50,000 + 30,000)	1,80,000
Stock (Rs.50,000 + Rs.10,000)	60,000
Debtors	50,000
Bills Receivable (Rs.20,000-Rs.5,000)	15,000
Bank	<u>75,000</u>
	3,80,000
Less : Sundry Crditors	<u>50,000</u>
	3,30,000
F's Share (3,30,000 x 3/5)	1,98,000
G's Share (3,30,000 x 2/5)	1,32,000

3. Bank Account

Particulars	Amount	Particulars	Amount
To Balance b/d	50,000	By K's Capital A/c	79,000
To F's Capital A/c	70,000	By balance c/d	75,000
To G's Capital A/c	34,000		
	1,54,000		1,54,000

Solution 4 (b)

In the books of Irfan

Investment Account (Shares in Sky Limited)

Date	Particulars	No. of Shares	Income	Amount	Date	Particulars	No. of Shares	Income	Amount
2007			Rs.	Rs.	2007			Rs.	Rs.
April 1	To Bank (Purchases)	20,000	-	30,000	May 15	By Bank (Sale)	4,000	-	7,600
May 15	To Profit & Loss A/c (W.N.1)	-	-	1,600	Sept.30	By Bank (Sale of Right of 1,200 shares @ 40 paise per share)	-	-	480
June 15	To Bonus Issue	4,000	-	Nil					
July 15	To Bank @ 75 p. paid on 2,000 shares)	2,000	-	1,500	Mar. 15	By Bank (Dividend @ 15% on Rs.16,000)		2,400	-
Sept.15	To Bank @ 75 p. paid on 2,000 shares)	-	-	1,500	Mar. 30	By Bank (Sale)	10,000	-	14,000
2008	To Profit & Loss A/c (W.N.2)			1,945		By Balance c/d (12,000/22,000) x 26,520	12,000	-	14,465
Sept. 31	To Profit & Loss A/c	26,000	2,400	36,545			26,000	2,400	36,545

Working Notes:

- (1) Sale on 15-5-2007: Cost of 4,000 shares @ Rs.1.50 Rs.6,000
 Sales price Rs. 7,600
 Profit Rs.1,600
- (2) Cost of 10,000 shares sold:
 Cost of 22,000 shares (24,000 + 3,000) Rs.27,000
 Less: Amount received from rights Rs.480
 Cost of 22,000 shares Rs.26,520
 Cost of 10,000 shares
 (Rs.26,520 /22,000 shares) 10,000 Rs.12,055
 Profit on 10,000 shares (Rs.14,000 – Rs.12,055) Rs.1,945

Solution 5.

**Trading and Profit & Loss A/c
for the year ended 31st March, 2008**

	(Rs. in '000s)		(Rs. in '000s)
To Opening stock	700.00	By Sales (W.N.10)	5366.66
To Purchases (Bal. Fig.)	2613.33	By Closing stock (W.N.11)	1341.67
To Direct expenses	175.00		
To Gross profit c/d (W.N.9)	3,220.00		
6,708.33		6,708.33	
To Establishment expenses	740.00	By Gross profit b/d (Bal. Fig.)	3,220.00
To Interest on loan	60.00	By Commission	100.00
To Provision for tax (W.N.8)	1,260.00		

To Net profit c/d	1,260.00		
	3,320.00		3,320.00
To Proposed dividends (W.N.1)	666.67	By Balance b/f	140.00
To Transfer to general reserve (W.N.2)	666.67	By Net profit b/d (Bal. Fig.)	1,260.00
To Balance transferred to Balance sheet (W.N.3)	66.66		
	1,400.00		1,400.00

Balance Sheet as at 31st March, 2008

Liabilities	(Rs. in '000s)	Assets	(Rs. in '000s)
Paid-up capital	1,000.00	Fixed assets:	
General reserve:		Plant & machinery	1,400.00
Balance at the beginning (W.N.14)	1333.34	Other fixed assets (Bal. Fig.)	1066.67
Proposed addition (W.N.2)	666.67	Current Assets:	
Profit and loss A/c	66.66	Stock (W.N.11)	1341.67
10% Loan A/c (W.N.4)	600.00	Sundry debtors (W.N.13)	933.33
Current liabilities (W.N.5)	1,200.00	Cash at bank	125.00
	4,866.67		4,866.67

Working Notes:

- Proposed dividend to paid up capital is 2:3.
i.e. Proposed dividend = $\frac{2}{3}$ of paid up capital
= Rs.1,000.00 thousand $\times \frac{2}{3}$ = Rs. 666.67 thousand
- Transfer to General Reserve is equal to proposed dividend i.e., 1:1.
Proposed dividend is Rs.666.67 thousand,
therefore general reserve is also Rs. 666.67 thousand.
- Profit carried forward to Balance Sheet = 10% of Proposed Dividend
i.e., Rs. 666.67 thousand $\times 10\%$ = Rs.66.66 thousand
- 10% Loan implies interest on loan being 10%
i.e. Rs.60.00 thousand $\times \frac{100}{10}$ = Rs.600.00 thousand
- Loan is half of current liabilities which means current liabilities are twice of loan
i.e., Rs.600.00 thousand $\times 2$ = Rs.1,200.00 thousand
- Current Ratio i.e., Current Assets/ Current Liabilities = 2:1 or 2/1
i.e. Current Assets = 2 x Current Liabilities
or 2 x Rs.1,200.00 thousand = Rs.2,400.00 thousand
- Current Net Profit (Rs. in '000s)

Proposed dividend	666.67
Transfer to general reserve	666.67
Profit and loss balance transferred to balance sheet	<u>66.66</u>
	1,400.00
Less: Balance b/f	<u>140.00</u>
Net profit for the year	1,260.00
- Provision for taxation is equal to current net profit i.e., = Rs.1,260.00 thousand
- Gross profit being balancing figure of Profit and Loss A/c = Rs.3,220.00 thousand
- Gross profit = 60% of sales i.e.

- Rs.3,220.00 thousand = 60% of sales
Or, sales = Rs.3,220 thousand X100/60 = Rs. 5,366.67 thousand
11. Closing stock is 25% of sales i.e., 25% of Rs. 5,366.67 thousand = Rs.1,341.67 thousand
 12. Purchases being balancing figure of Trading A/c = Rs.2,613.33 thousand
 13. Debtors = Current Assets – Closing Stock – Cash at Bank
= Rs.2,400.00 thousand – Rs.1,341.67 thousand – Rs.125.00 thousand
= Rs.933.33 thousand
 14. Balance of general reserve at the beginning of the year is twice of the amount transferred to general reserve during the year i.e. 2 x Rs.666.67 thousand = Rs.1,333.34 thousand
 15. Other fixed assets = Total of balance sheet (liabilities side)- Current assets – Plant and machinery i.e., Rs.4,866.67 thousand - Rs.2,400.00 thousand – Rs.1,400.00 thousand
= Rs.1,066.67 thousand

Solution 6

- (a) According to the Guidance Note on Accounting for Depreciation in Companies issued by ICAI, it is permissible for a company to adopt more than one method of depreciation simultaneously that is to say that-

1. Company may follow different methods for different types of assets; and
2. Company geographical locations can follow different methods. Only condition is that same methods should be consistently adopted from year to year.

Change in the method of depreciation is a change in accounting policy. According to AS 6, such a change is permissible only when at least one of the following 3 conditions is satisfied:-

- (i) Such change is required by law.
- (ii) Such change is required by the Accounting Standards
- (iii) Such change will result in more appropriate presentation.

Here, from the facts given it appears that condition (iii) is satisfied i.e. change will lead to more appropriate presentation (since WDV method will better represent the pattern of faster wear & tear instead of SLM).

According to AS 6, change should be retrospective. Any difference arising thereon should be changed/ credited to P&L account in the year of change.

- (b) (i) Amount of foreseeable loss (Rs in lakhs)
- | | |
|--|-------|
| Total cost of construction (500 + 105 + 495) | 1,100 |
| Less: Total contract price | 1,000 |
| Total foreseeable loss to be recognized as expense | 100 |
- According to para 35 of AS 7 (Revised 2002), when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.
- (ii) Contract work-in-progress i.e. cost incurred to date are Rs. 605 lakhs
- | | |
|--------------------|---------------|
| | (Rs in lakhs) |
| Work certified | 500 |
| Work not certified | <u>105</u> |
| | <u>605</u> |

This is 55% (605/1,100 ,e 100) of total costs of construction.

- (iii) Proportion of total contract value recognised as revenue as per para 21 of AS 7 (Revised).
55% of Rs. 1,000 lakhs = Rs. 550 lakhs
- (iv) Amount due from/to customers
= Contract costs + Recognised profits – Recognised losses - (Progress payments received + Progress payments to be received)
= [605 + Nil – 100 – (400 + 140)] Rs. in lakhs
= [605 – 100 – 540] Rs. in lakhs
Amount due to customers = Rs. 35 lakhs
The amount of Rs. 35 lakhs will be shown in the balance sheet as liability.
- (v) The relevant disclosures under AS 7 (Revised) are given below:
- | Rs. in lakhs | |
|--|-------|
| Contract revenue | 550 |
| Contract expenses | 605 |
| Recognised profits less recognized losses | (100) |
| Progress billings (400 + 140) | 540 |
| Retentions (billed but not received from contractee) | 140 |
| Gross amount due to customers | 35 |
- (c) In respect of depreciable assets, AS 12 does not permit the crediting of the grant or any part thereof to capital reserve. The company has only two options – reduce the grant from the cost of fixed assets or treat it as deferred income. It appears that company follows the first option. Out of the Rs. 8,00,000 that has been received, Rs. 4,00,000 is the balance in Machinery account and so Rs. 4,00,000 should be credited to the Machinery account. The balance Rs. 4,00,000 may be credited to profit & loss account as already the cost of the assets to the tune of Rs. 6,00,000 has been debited to profit and loss account in the earlier years and Rs. 4,00,000 transferred to profit & loss account would be partial recovery of that cost. There is no need to provide depreciation for 2007-08 or 2008-09 as the depreciable amount is now Nil.
- (d) (i) Yes, as foreign tour expenses of directors for purchase of Plant and Machinery is for the acquisition of the asset, therefore it should be capitalised.
(ii) Yes, salary of technical staff for erection of Plant and Machinery is the cost directly attributable for bringing the asset to its working conditions for its intended use. Therefore, it should be capitalised.
(iii) No, as per para 9 of AS 10 only salary of technical staff can be said to as directly attributable to bring the asset to its working conditions for its intended use. Therefore, salary of non-technical staff cannot be capitalised.
(iv) No, as per para 9.3 of AS 10, ‘administration and other general overhead expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset.’ Hence the same should not be capitalized.
- (e) For the Companies, the applicability of Accounting Standards is as per Companies (Accounting Standard) Rules, 2006. Companies are classified into two categories, viz.,
- SMC
 - Non SMC

Small and Medium Sized Company” (SMC) : A company shall qualify as a Small and Medium Sized Company, if the conditions mentioned below are satisfied as at the end of the relevant accounting period.

- (i) Companies whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
 - (ii) Companies which is not a bank, financial institution or an insurance company;
 - (iii) Companies whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;
 - (iv) Companies which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and
 - (v) Companies which is not a holding or subsidiary company of a company which is not a small and medium-sized company.
- (f) **Consideration for selection of pre-packaged accounting software:** There are many accounting softwares available in the market. To choose the accounting software appropriate to the need of the organisation is a difficult task. Some of the criteria for selection could be the following.
1. **Fulfilment of business requirements:** Some packages have few functionalities more than the others. The purchaser may try to match his requirement with the available solutions.
 2. **Completeness of reports:** Some packages might provide extra reports or the reports matches the requirement more than the others.
 3. **Ease of use :** Some packages could be very detailed and cumbersome compare to the others.
 4. **Cost:** The budgetary constraints could be an important deciding factor. A package having more features cannot be opted because of the prohibitive costs.
 5. **Reputation of the vendor:** Vendor support is essential for any software, A stable vendor with reputation and good track records will always be preferred.
 6. **Regular updates:** Law is changing frequently. A vendor who is prepared to give updates will be preferred to a vendor unwilling to give updates.

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