

+2 Acc Model Qly 2022

Date : 05-Sep-22

12th Standard

Accountancy

Reg.No. :

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Use Blue Ink Only

Exam Time : 03:00:00 Hrs

Total Marks : 90

Part A Multiple Choice Question

14 x 1 = 14

- 1) Statement of affairs is a
 - (a) Statement of income and expenditure
 - (b) Statement of assets and liabilities
 - (c) Summary of cash transactions
 - (d) Summary of credit transactions
- 2) The amount of credit sales can be computed from
 - (a) Total debtors account
 - (b) Total creditors account
 - (c) Bills receivable account
 - (d) Bills payable account
- 3) A firms total sales is Rs.80,000 and its credit sales is Rs.60,000 Then its cash sales is
 - (a) Rs.1,40,000
 - (b) Rs.70,000
 - (c) Rs.20,000
 - (d) Rs.80,000
- 4) Balance of receipts and payments account indicates the
 - (a) Loss incurred during the period
 - (b) Excess of income over expenditure of the period
 - (c) Total cash payments during the period
 - (d) Cash and bank balance as on the date
- 5) Income and Expenditure Account is prepared to find out
 - (a) Profit or loss
 - (b) Cash and bank balance
 - (c) Surplus or deficit
 - (d) Financial position
- 6) As per the Indian Partnership Act, 1932, the rate of interest allowed on loans advanced by partners is
 - (a) 8% per annum
 - (b) 12% per annum
 - (c) 5% per annum
 - (d) 6% per annum
- 7) When fixed capital method is adopted by a partnership firm, which of the following items will appear in capital account?
 - (a) Additional capital introduced
 - (b) Interest on capital
 - (c) Interest on drawings
 - (d) Share of profit
- 8) Which of the following statements is true?
 - (a) Goodwill is an intangible asset
 - (b) Goodwill is a current asset
 - (c) Goodwill is a fictitious asset
 - (d) Goodwill cannot be acquired
- 9) The average rate of return of similar concerns is considered as
 - (a) Average profit
 - (b) Normal rate of return
 - (c) Expected rate of return
 - (d) None of these
- 10) Revaluation A/c is a
 - (a) Real A/c
 - (b) Nominal A/c
 - (c) Personal A/c
 - (d) Impersonal A/c
- 11) On revaluation, the increase in the value of assets leads to
 - (a) Gain
 - (b) Loss
 - (c) Expense
 - (d) None of these
- 12) Which of the following statements is not true in relation to admission of a part
 - (a) Generally mutual rights of the partners change
 - (b) The profits and losses of the previous years are distributed to the old partners
 - (c) The firm is reconstituted under a new agreement
 - (d) The existing agreement does not come to an end
- 13) On retirement of a partner, general reserve is transferred to the
 - (a) Capital account of all the partners
 - (b) Revaluation account
 - (c) Capital account of the continuing partners
 - (d) Memorandum revaluation account
- 14) If the final amount due to a retiring partner is not paid immediately, it is transferred to
 - (a) Bank A/c
 - (b) Retiring partner's capital A/c
 - (c) Retiring partner's loan A/c
 - (d) Other partners' capital A/c

1 x 1 = 1

Part A Assertion and reason

- 15) Assertion (A): Goodwill is the good name or reputation of the business which brings benefit to the business.
Reason (R): It is an intangible asset as it has no physical existence.
 - (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 - (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 - (c) (A) is true, but (R) is false
 - (d) (A) is false, but (R) is true

1 x 1 = 1

Part A Odd one out

- 16) (a) Recording the Capital of a new partner
(b) New Profit Sharing ratio
(c) Sacrificing ratio
(d) Unequal sacrifice

1 x 1 = 1

Part A One or Two Words / Correct Statement

- 17) (i) An incoming partner pays his share of good will in cash, and profit sharing ration of old partner is changed, Good - will be distributed among old partners According to new ration.
(ii) Any partner who investments in the business but does not take active part in the businesses Secret partner.
(iii)The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
 - (a) (i) and (ii) are correct
 - (b) (iii) is correct
 - (c) (ii) and (iii) are correct
 - (d) (i), (ii) and (iii) are correct

1 x 1 = 1

Part A Find the wrong statement

- 18) From the following one is wrong:
Settlement of amount due to retiring partner
 - (a) Paying the entire amount due immediately in cash
 - (b) Transfer the entire amount due to loan account
 - (c) Paying part amount and remaining amount transferred to loan A/c
 - (d) Transfer to goodwill A/c

1 x 1 = 1

Part A Find out the wrong pair

- 19)

| | |
|-----------------|--------------------|
| (a) Subscriptio | - Revenue receipts |
| (b) Dividend | - Revenue payments |
| (c) Legacies | - Capital receipts |
| (d) Rent paid | - Revenue payments |

1 x 1 = 1

Part A Choose the correct pair

- 20)

| | |
|--------------------|-----------------------|
| (a) Charities | - Income Account |
| (b) Stationary | - Income account |
| (c) depreciation | - Expenditure Account |
| (d) Grant received | - Expenditure Account |

Part B Answer any 7 Questions and Question Number 30 is Compulsory

7 x 2 = 14

21) From the following particulars ascertain profit or loss:

| | Rs. |
|--|----------|
| Capital at the beginning of the year (1 st April, 2016) | 2,00,000 |
| Capital at the end of the year (31st March, 2017) | 3,50,000 |
| Additional capital introduced during the year | 70,000 |
| Drawings during the year | 40,000 |

22) From the following details calculate the amount that will be shown as subscription in Income and Expenditure Account for the year ending 31st March, 2017.

| Subscription received for | Rs. |
|---------------------------|--------|
| 2015-16 | 7,500 |
| 2016-17 | 60,000 |
| 2017-18 | 1,500 |
| | 69,000 |

Subscription outstanding for the year 2016-17 is Rs. 2,400. Subscription for 2016-17 received in 2015-16 was Rs.1,000

23) What is legacy?

24) Mannan and Ramesh share profits and losses in the ratio of 3:1. The capital on 1st April 2017 was Rs.80,000 for Mannan and Rs.60,000 for Ramesh and their current accounts show a credit balance of Rs.10,000 and Rs.5,000 respectively. Calculate interest on capital at 5% p.a. for the year ending 31st March 2018 and show the journal entries.

25) What is a partnership deed?

26) For the purpose of admitting a new partner, a firm has decided to value its goodwill at 3 years purchase of the average profit of the last 4 years using weighted average method. Profits of the past 4 years and the respective weights are as follows:

| Particulars | 2015 | 2016 | 2017 | 2018 |
|--------------|--------|--------|--------|--------|
| Profit (Rs.) | 20,000 | 22,000 | 24,000 | 28,000 |
| Weight | 1 | 2 | 3 | 4 |

Compute the value of goodwill.

27) What is acquired goodwill?

28) Mala and Vimala were partners sharing profits and losses in the ratio of 3:2. On 31.3.2017, Varshini was admitted as a partner. On the date of admission, the book of the firm showed a reserve fund of Rs.50,000. Pass the journal entry to distribute the reserve fund.

29) Vivin, Hari and Joy are partners sharing profits and losses in the ratio of 3:2:1. On 31.3.2017, Hari retired. On the date of retirement, the books of the firm showed a general reserve of Rs. 60,000. Pass the journal entry to transfer the general reserve.

30) What is meant by "Endowment Fund"?

Part C Answer any 7 Questions and Question Number 40 is Compulsory

7 x 3 = 21

31) From the following details, calculate the missing figure

| | Rs. |
|---|----------|
| Closing capital as on 31.3.2019 | 1,90,000 |
| Additional capital introduced during the year | 50,000 |
| Drawings during the year | 30,000 |
| Opening capital on 1.4.2018 | ? |
| Loss for the year ending 31.3.2019 | 40,000 |

32) What are the limitations of incomplete records?

33) From the following particulars of Tamil Educational Society, prepare Receipts and Payments account for the year ended 31st March, 2019.

| Particulars | Rs. | Particulars | Rs. |
|-------------------------------------|--------|-----------------------|----------|
| Opening cash balance as on 1.4.2018 | 18,000 | Building purchased | 2,10,000 |
| Rent paid | 6,000 | Staff salary | 55,000 |
| Scholarship given | 15,200 | Subscription received | 2,65,000 |
| Entrance fees received | 18,500 | | |

34) How annual subscription is dealt with in the final accounts of not-for-profit organisation?

35) From the following balance sheets of Subha and Sudha who share profits and losses equally, calculate interest on capital at 6% p.a. for the year ending 31st December 2017.

Balance sheet as on 31st December 2017

| Liabilities | Rs. | Assets | Rs. |
|-------------------|--------|----------------|--------|
| Capital accounts: | | Fixed assets | 30,000 |
| Subha | 15,000 | Current assets | 20,000 |
| Sudha | 20,000 | | |
| | 15,000 | | |
| | 50,000 | | 50,000 |

Drawings of Subha and Sudha during the year were Rs.2,500 and Rs.3,500 respectively. Profit earned during the year was Rs.15,000.

36) Anbu is a partner in a partnership firm. As per the partnership deed, interest on drawings is charged at 12% p.a. During the year ended 31st December 2018 he drew as follows:

| Date | Rs |
|-------------|-------|
| March 1 | 6,000 |
| June 1 | 4,000 |
| September 1 | 5,000 |
| December 1 | 2,000 |

Calculate the amount of interest on drawings by using product method.

37) The profits and losses of a firm for the last four years were as follows:

2015: Rs.15,000; 2016: Rs.17,000; 2017: Rs.6,000 (Loss); 2018: Rs.14,000

You are required to calculate the amount of goodwill on the basis of 5 years purchase of average profits of the last 4 years.

38) The following particulars are available in respect of a business carried on by a partnership firm:

(a) Profits earned: 2016: Rs.30,000; 2017: Rs.29,000 and 2018: Rs.32,000.

(b) Profit of 2016 includes a non-recurring income of Rs.3,000.

(c) Profit of 2017 is reduced by Rs.2,000 due to stock destroyed by fire.

(d) The stock is not insured. But, it is decided to insure the stock in future. The insurance premium is estimated at Rs.5,600 per annum.

You are required to calculate the value of goodwill on the basis of 2 years purchase of average profits of the last three years.

39) Rajesh and Ramesh are partners sharing profits in the ratio 3:2. Raman is admitted as a new partner and the new profit sharing ratio is decided as 5:3:2. The following revaluations are made. Pass journal entries and prepare revaluation account.

(a) The value of building is increased by Rs.15,000.

(b) The value of the machinery is decreased by Rs.4,000.

(c) Provision for doubtful debt is made for Rs.1,000.

40) Justina, Navi and Rithika are partners sharing profits and losses equally. On 31.3.2019, Rithika retired from the partnership firm. Profits of the preceding years is as follows:

2016: Rs. 5,000; 2017: Rs. 10,000 and 2018: Rs. 30,000

Find out the share of profit of Rithika for the year 2019 till the date of retirement if

(a) Profit is to be distributed on the basis of the previous year's profit

(b) Profit is to be distributed on the basis of the average profit of the past 3 years

Also pass necessary journal entries by assuming that partners' capitals are fluctuating. Accountancy

Part D Answer All

7 x 5 = 35

41) a) Ahmed does not keep proper books of accounts. Find the profit or loss made by him for the year ending 31st March, 2018.

| Particulars | 1.4.2017 Rs | 31.3.2018 Rs |
|--------------|----------------|-----------------|
| Bank balance | 14,000 (Cr.) | 18,000 (Dr.) |
| Cash in hand | 800 | 1,500 |
| Stock | 12,000 | 16,000 |
| Debtors | 34,000 | 30,000 |
| Plant | 80,000 | 80,000 |
| 80,000 | 40,000 | 40,000 |
| Creditors | 60,000 | 72,000 |

Ahmed had withdrawn 40,000 for his personal use. He had introduced Rs.16,000 as capital for expansion of his business. A provision of 5% on debtors is to be made. Plant is to be depreciated at 10%.

(OR)

- b) Raghu, Ravi and Ramesh are partners in a firm sharing profits and losses in the ratio of 2:3:1. Their balance sheet as on 31st March, 2019 was as follows:

| Liabilities | Rs. | Rs. | Asset | Rs. | Rs. |
|-------------------|--------|----------|------------------------------|--------|----------|
| Capital accounts: | | | Buildings | | 60,000 |
| Raghu | 30,000 | | Machinery | | 70,000 |
| Ravi | 40,000 | | Stock | | 20,000 |
| Ramesh | 20,000 | 90,000 | Debtors | 18,000 | |
| Reserve fund | | 36,000 | Less Provision for bad debts | 1,000 | |
| Sundry creditors | | 33,000 | | | |
| | | 1,76,000 | | | 1,76,000 |

Ramesh retires on 31.3.2019 subject to the following conditions:

- Goodwill of the firm is valued at Rs.24,000
- Machinery to be depreciated by 10%
- Buildings to be appreciated by 20%
- Stock to be appreciated by Rs. 2,000
- Provision for bad debts to be raised by Rs.1,000
- Final amount due to Ramesh is not paid immediately

Prepare the necessary ledger accounts and show the balance sheet of the firm after retirement.

- 42) a) Bharathi does not maintain her books of accounts under double entry system. From the following details prepare trading and profit and loss account for the year ending 31st March, 2019 and a balance sheet as on that date.

Dr. Cash Book Cr.

| Receipts | Rs. | Payments | Rs. |
|----------------|----------|-------------------------|----------|
| To balance b/d | 32,000 | By Purchases A/c | 56,000 |
| To Sales A/c | 1,60,000 | By Creditors A/c | 80,000 |
| To Debtors A/c | 1,20,000 | By General expenses A/c | 24,000 |
| | | By Wages A/c | 10,000 |
| | | By Balance c/d | 1,42,000 |
| | 3,12,000 | | 3,12,000 |

Other Information:

| Particulars | 1.4.2018 Rs. | 31.3.2019 Rs. |
|----------------|-----------------|------------------|
| Stock of goods | 40,000 | 60,000 |
| Debtors | 38,000 | ? |
| Creditors | 58,000 | 52,000 |
| Machinery | 1,70,000 | 1,70,000 |

Additional information:

- Credit purchases 74,000
- Credit sales 1,40,000
- Opening capital 2,22,000
- Depreciate machinery by 10% p.a.

(OR)

- b) Mani, Rama and Devan are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31st March, 2019 is as follows:

| Liabilities | Rs. | Rs. | Asset | Rs. |
|---------------------|--------|----------|--------------|----------|
| Capital accounts: | | | Buildings | 80,000 |
| Mani | 50,000 | | Stock | 20,000 |
| Rama | 50,000 | | Furniture | 70,000 |
| Devan | 50,000 | 1,50,000 | Debtors | 20,000 |
| Sundry creditors | | 20,000 | Cash in hand | 10,000 |
| Profit and loss A/c | | 30,000 | | |
| | | 2,00,000 | | 2,00,000 |

Mani retired from the partnership firm on 31.03.2019 subject to the following adjustments:

- Stock to be depreciated by Rs. 5,000
- Provision for doubtful debts to be created for Rs. 1,000.
- Buildings to be appreciated by Rs. 16,000
- The final amount due to Mani is not paid immediately

Prepare revaluation account and capital account of partners after retirement.

- 43) a) From the following particulars of Chennai Sports Club, prepare Receipts and Payments account for the year ended 31st March, 2018.

| Particulars | Rs. | Particulars | Rs. | Rs. |
|-------------------------------------|--------|-------------------------------------|--------|--------|
| Opening cash balance as on 1.4.2017 | 10,000 | Subscriptions received | | |
| Opening bank balance as on 1.4.2017 | 15,000 | 2016 - 2017 | 4,500 | |
| Interest paid | 5,000 | 2017 - 2018 | 65,000 | |
| Depreciation | 7,000 | 2018 - 2019 | 5,000 | 74,500 |
| Upkeep of grounds | 22,500 | Tournament expenses | | 12,500 |
| Life membership fees received | 5,500 | Tournament fund receipts | | 15,000 |
| Bats and balls purchased | 13,000 | Closing balance of cash (31.3.2018) | | 5,000 |

(OR)

- b) Ramya, Sara and Thara are partners sharing profits and losses in the ratio of 5:3:2.

On 1st April 2018, Thara retires and on retirement, the following adjustments are agreed upon:

- Increase the value of premises by Rs. 40,000.
 - Depreciate stock by Rs. 3,000 and machinery by Rs. 6,500.
 - Provide an outstanding liability of Rs. 500
- Pass journal entries and prepare revaluation account.

- 44) a) The following is the Receipts and Payments account of Madurai City Club for the year ending 31st March, 2018.

Madurai City Club Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr

| Receipts | Rs. | Rs. | Payments | Rs. | Rs. |
|---|-------|--------|---------------------|--------|--------|
| To Balance b/d: | | | By Upkeep of ground | | 16,500 |
| Cash | 500 | | By Match expenses | | 19,000 |
| Bank | 7,000 | 7,500 | By Sundry expenses | | 11,000 |
| To Subscription (including Rs. 4,000 for 2016-2017) | | 30,000 | By Balance c/d: | | |
| To Legacies | | 9,000 | Cash in hand | 1,500 | |
| To Hall rent | | 10,000 | Cash at bank | 11,000 | 12,500 |
| To Receipts for match fund | | 22,500 | | | |
| | | 79,000 | | | 79,000 |

Additional information:

On 1st April, 2017, the club had investment of Rs.40,000. The club also had a credit balance of Rs.30,000 in Match fund account. On 31st March, 2017 subscriptions in arrears were Rs. 4,000 and the subscriptions in arrears on 31st March, 2018 were Rs.4,500. Prepare the final accounts.

(OR)

- b) Ameer and Raja are partners sharing profits in the ratio of 3:2. Their balance sheet is shown as under on 31.12.2018.

| Liabilities | Rs. | Rs. | Assets | Rs. |
|-------------------|--------|----------|-------------------|----------|
| Capital accounts: | | | Machinery | 60,000 |
| Ameer | 80,000 | | Furniture | 40,000 |
| Raja | 70,000 | 1,50,000 | Debtors | 30,000 |
| Reserve fund | | 15,000 | Stock | 10,000 |
| Creditors | | 35,000 | Prepaid insurance | 40,000 |
| | | | Cash at bank | 20,000 |
| | | 2,00,000 | | 2,00,000 |

Rohit is admitted as a new partner who introduces a capital of Rs.30,000 for his 1/5 share in future profits. He brings Rs.10,000 for his share of goodwill.

Following revaluations are made:

- Stock is to be appreciated to Rs.14,000
- Furniture is to be depreciated by 5%
- Machinery is to be revalued at Rs.80,000

Prepare the necessary ledger accounts and the balance sheet after the admission.

- 45) a) From the following information, prepare capital accounts of partners Shanthy and Sumathi, when their capitals are fixed.

| Particulars | Shanthy Rs. | Sumathi Rs. |
|--|-------------|-------------|
| Capital on 1st January 2 | 1,00,000 | 80,000 |
| Current account on 1st January 2018 (Cr.) | 5,000 | 3,000 |
| Additional capital introduced on 1 st June 2018 | 10,000 | 20,000 |
| Drawings during 2018 | 20,000 | 13,000 |
| Interest on drawings | 500 | 300 |
| Share of profit for 20 | 10,000 | 8,000 |
| Interest on capital | 6,300 | 5,400 |
| Salary | 9,000 | Nil |
| Commission | Nil | 1,200 |

(OR)

- b) Vetri and Ranjit are partners, sharing profits in the ratio of 3:2. Their balance sheet as on 31st December 2017 is as under:

| Liabilities | Rs. | Rs. | Assets | Rs. |
|-----------------|--------|----------|----------------------------|----------|
| Capital account | | | Furniture | 25,000 |
| Vetri | 30,000 | | Stock | 20,000 |
| Ranjit | 20,000 | 50,000 | Debtors | 10,000 |
| Reserve fund | | 45,000 | Profit and loss A/c (loss) | 10,000 |
| | | 1,00,000 | | 1,00,000 |

On 1.1.2018, they admit Suriya into their firm as a partner on the following arrangements.

- Suriya brings Rs.10,000 as capital for 1/4 share of profit.
- Stock to be depreciated by 10%
- Debtors to be revalued at Rs.7,500.
- Furniture to be revalued at Rs.40,000.
- There is an outstanding wages of Rs.4,500 not yet recorded.

Prepare revaluation account, partners' capital account and the balance sheet of the firm after admission.

- 46) a) Durai and Velan entered into a partnership agreement on 1st April 2018, Durai contributing Rs.25,000 and Velan Rs. 30,000 as capital.

The agreement provided that:

- Profits and losses to be shared in the ratio 2:3 as between Durai and Velan.
- Partners to be entitled to interest on capital @ 5% p.a.
- Interest on drawings to be charged Durai: Rs.300 Velan: Rs.450
- Durai to receive a salary of Rs.5,000 for the year, and
- Velan to receive a commission of Rs.2,000

During the year, the firm made a profit of Rs.20,000 before adjustment of interest, salary and commission. Prepare the Profit and loss appropriation account.

(OR)

- b) From the following details, calculate the value of goodwill at 2 years purchase of super profit:

- Total assets of a firm are Rs.5,00,000
- The liabilities of the firm are Rs.2,00,000
- Normal rate of return in this class of business is 12.5 %.
- Average profit of the firm is Rs.60,000

- 47) a) From the following information, calculate the value of goodwill based on 3 years purchase of super profit

- Capital employed: Rs.2,00,000
- Normal rate of return: 15%
- Average profit of the business: Rs.42,000

(OR)

- b) Sriram and Raj are partners sharing profits and losses in the ratio of 2:1. Nelson joins as a partner on 1st April 2017. The following adjustments are to be made:

- Increase the value of stock by Rs.5,000
- Bring into record investment of Rs.7,000 which had not been recorded in the books of the firm.
- Reduce the value of office equipment by Rs.10,000
- A provision would also be made for outstanding wages for Rs.9,500.

Give journal entries and prepare revaluation account.

"Keep your face always toward the sunshine, and shadows will fall behind you."

+2 Acc Model Qly 2022

Date : 05-Sep-22

12th Standard

AccountancyReg.No. :

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Use Blue Ink Only

Time : 03:00:00 Hrs

Total Marks : 90

14 x 1 = 14

Part A Multiple Choice Question

- 1) (b) Statement of assets and liabilities
- 2) (a) Total debtors account
- 3) (d) Rs.80,000
- 4) (d) Cash and bank balance as on the date
- 5) (c) Surplus or deficit
- 6) (d) 6% per annum
- 7) (a) Additional capital introduced
- 8) (a) Goodwill is an intangible asset
- 9) (b) Normal rate of return
- 10) (b) Nominal A/c
- 11) (a) Gain
- 12) (d) The existing agreement does not come to an end
- 13) (a) Capital account of all the partners
- 14) (c) Retiring partner's loan A/c

Part A Assertion and reason

- 15) (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

1 x 1 = 1

Part A Odd one out

- 16) (d) Unequal sacrifice

1 x 1 = 1

Part A One or Two Words / Correct Statement

- 17) (b) (iii) is correct

1 x 1 = 1

Part A Find the wrong statement

- 18) Transfer to goodwill A/c

1 x 1 = 1

Part A Find out the wrong pair

- 19) Dividend - Revenue payments

1 x 1 = 1

Part A Choose the correct pair

- 20) Depreciation - Expenditure Account

1 x 1 = 1

Part B Answer any 7 Questions and Question Number 30 is Compulsory

- 21) Statement of profit or loss for the year ended 31st March, 2017

7 x 2 = 14

| Particulars | Rs. |
|---|----------|
| Closing capital (as on 31.3.2017) | 3,50,000 |
| Add: Drawings during the year | 40,000 |
| | 3,90,000 |
| Less: Additional capital introduced during the year | 70,000 |
| Adjusted closing capital | 3,20,000 |
| Less: Opening capital (as on 1.4.2016) | 2,00,000 |
| Profit made during the year | 1,20,000 |

- 22) Dr. Income and Expenditure Account for the year ended 31st March, 2017 Cr

| Expenditure | Rs. | Income | Rs. | Rs. |
|-------------|-----|--|--------|--------|
| | | By Subscription | 60,000 | |
| | | Add: Outstanding subscription for 2016-17 | 2,400 | |
| | | Subscription received in advance in advance in | 1,000 | 63,400 |
| | | | | |

Tutorial note

- (i) Subscription for the year 2015-16 Rs. 7,500 and for the year 2017-18 Rs. 1,500 do not relate to the current year. So they should not be recorded in Income and Expenditure Account.
- (ii) Subscription outstanding for the current year 2016-17 is Rs. 2,400. It should be added with the amount of subscription received during 2016-17.
- 23) A gift made to a not-for-profit org-nisation by a will, is called legacy. It is a capital receipt
- 24) It is a fund which provides permanent means of support for any person or institution. It provides a permanent means of support it is a receipt of capital nature. It is recorded on the debit side of receipts and payments account in the year of receipt.
- 25)

Calculation of interest on capital:

Interest on capital = Amount of capital x Rate of interest

Interest on Mannan's capital = 80,000 x 5/100 = Rs.4,000

Interest on Ramesh's capital = 60,000 x 5/100 = Rs.3,000

Note: Balance of current account will not be considered for calculation of interest on capital.

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|------------------|---|------|-----------|----------------|
| 2018 March 31 | Interest on capital A/c To Mannan's current A/c To Ramesh's current A/c (Interest on capital provided) | Dr. | 7,000 | 4,000 3,000 |
| " | Profit and loss appropriation A/c To Interest on capital A/c (Interest on capital closed) | Dr. | 7,000 | 7,000 |

- 26) Partnership deed is a document in writing that contains the terms of the agreement among the partners. It is not compulsory for a partnership to have a partnership deed as per the Indian Partnership Act, 1932

27) **Calculation of weighted average profit**

| Year | Profit (a) Rs. | Weights (b) | Weighted profits (a x b) Rs |
|-------|----------------|-------------|-----------------------------|
| 2015 | 20,000 | 1 | 20,000 |
| 2016 | 22,000 | 2 | 44,000 |
| 2017 | 24,000 | 3 | 72,000 |
| 2018 | 28,000 | 4 | 1,12,000 |
| Total | | 10 | 2,48,000 |

$$\text{Weighted average profit} = \frac{\text{Total of weighted profits}}{\text{Total of weights}}$$

$$= \frac{2,48,000}{10} = \text{Rs.}24,800$$

$$\text{Goodwill} = \text{Weighted average profit} \times \text{Number of years of purchase}$$

$$= 24,800 \times 3 = \text{Rs.}74,400$$

- 28) Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill. The excess of purchase consideration over the value of net assets acquired is treated as acquired goodwill.

29) **Journal entry**

| Date | Particulars | L.E. | Debit Rs. | Credit Rs. |
|------------------|---|------|-----------|------------------|
| 2017 March 31 | Reserve fund A/c Dr. To Mala's capital A/c (50,000 x 3/5) To Vimala's capital A/c (50,000 x 2/5) (Reserve fund transferred to old partners' capital account in the old profit sharing ratio) | | 50,000 | 30,000 20,000 |

30) **Journal entry**

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|------------------|---|------|-----------|----------------------------|
| 2017 March 31 | General reserve A/c To Vivin's capital A/c (60,000 x 3/6) To Hari's capital A/c (60,000 x 2/6) To Joy's capital A/c (60,000 x 1/6) (General reserve transferred to all partners' capital account in the old profit sharing ratio) | Dr. | 60,000 | 30,000 20,000 10,000 |

Part C Answer any 7 Questions and Question Number 40 is Compulsory

7 x 3 = 21

- 31) Statement of profit or loss for the year ended 31st March, 2019

| Particulars | Rs. |
|---|------------|
| Closing capital (as on 31.3.2019) | 1,90,000 |
| Add: Drawings during the year | 30,000 |
| | 2,20,000 |
| Less: Additional capital introduced during the year | 50,000 |
| Adjusted closing capital | 1,70,000 |
| Less: Opening capital (as on 1.4.2018) (balancing figure) | 2,10,000 |
| Loss for the year ending 31.3.2019 | (-) 40,000 |

- 32) (i) Lack of proper maintenance of records:
It is an unscientific and unsystematic way of maintaining records. Real and nominal accounts are not maintained properly.
(ii) Difficulty in preparing trial balance:
As accounts are not maintained for all items, the accounting records are incomplete. Hence, trial balance cannot be prepared to test the arithmetical accuracy of the accounts.
(iii) Difficulty in ascertaining true profitability of the business:
Profit is found out based on available information and estimates. Hence, it is difficult to ascertain true profit as the trading and profit and loss account cannot be prepared with accuracy.
(iv) Errors and frauds cannot be detected easily:
As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.

- 33) Dr. Receipts and Payments Account for the year ended 31st March, 2019
Cr

| Receipts | Rs. | Payments | Rs. |
|--------------------------|----------|-----------------------|----------|
| To Balance b/d | | By Rent paid | 6,000 |
| Cash in hand | 18,000 | By Scholarship given | 15,200 |
| To Entrance fees | 18,500 | By Building purchased | 2,10,000 |
| To Subscription received | 2,65,000 | By Staff salary | 55,000 |
| | | By Balance c/d | |
| | | Cash in hand | 15,300 |
| | 3,01,500 | | 3,01,500 |

- 34)

(a) Treatment in income and Expenditure account:

When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of Income and Expenditure

Account after making the adjustments given below:

(i) Subscription outstanding for the current year is to be added.

(ii) Subscription received in advance in the previous year which is meant for the current year, is to be added. When 'total subscription received during the current year is given, that total subscriptions received during the current year will be shown on the credit side of Income and Expenditure Account after making the following-adjustments: (i) Subscription outstanding in the previous year which is received in the current year will be subtracted. Subscription outstanding for the current year is added.

(ii) Subscriptions received in advance in the previous year which is meant for the current year, is added and subscriptions received in advance in the current year which is meant for the subsequent year must be subtracted.

(B) Treatment in Balance Sheet

(i) Subscriptions outstanding for the current year and still outstanding for the previous year will be shown on the assets side of the balance sheet.

(ii) Subscriptions received in advance in the current year will be shown on the liabilities side of the balance sheet.

| Particulars | Subha Rs. | Sudha Rs. |
|---|--------------|--------------|
| Capital on 31 st December 2017 | 15,000 | 20,000 |
| Add: Drawings | 2,500 | 3,500 |
| | 17,500 | 23,500 |
| Less: Profit already credited | 7,500 | 7,500 |
| Capital on 1 st January 2017 | 10,000 | 16,000 |

Calculation of interest on capital:

Subha:

On opening capital = $10,000 \times \frac{6}{100} = \text{Rs.}600$

Sudha:

On opening capital = $16,000 \times \frac{6}{100} = \text{Rs.}960$

36) Calculation of interest on drawings under product method.

| Date of drawings | Amount withdrawn Rs. | Period up to December 31 (months) | Product Rs. |
|------------------|-------------------------|--------------------------------------|----------------|
| March 1 | 6,000 | 10 | 60,000 |
| June 1 | 4,000 | 7 | 28,000 |
| September 1 | 5,000 | 4 | 20,000 |
| December 1 | 2,000 | 1 | 2,000 |
| | | | 1,10,000 |

Interest on drawings = Sum of product \times Rate of interest $\times \frac{1}{12}$

= $1,10,000 \times \frac{12}{100} \times \frac{1}{12} = \text{Rs.}1,100$

37) Goodwill = Average profit \times Number of years of purchase

Average profit = $\frac{\text{Total profit}}{\text{Number of year}}$

Average profit = $\frac{15,000+17,000-6,000+14,000}{4}$

= $\frac{40,000}{4} = \text{Rs.}10,000$

Goodwill = Average profit \times Number of years of purchase

= $10,000 \times 5 = \text{Rs.}50,000$

38) **Calculation of adjusted profit**

| Particulars | 2016 Rs. | 2017 Rs. | 2018 Rs. |
|--|-------------|-------------|-------------|
| Profit | 30,000 | 29,000 | 32,000 |
| Less: Non- recurring income | 3,000 | - | - |
| | 27,000 | 29,000 | 32,000 |
| Add: Stock destroyed by fire (abnormal loss) | - | 2,000 | 32,000 |
| Profit after adjustments | 27,000 | 31,000 | 32,000 |

Average profit = $\frac{\text{Total profit}}{\text{Number of year}}$

Average profit = $\frac{27,000+31,000+32,000}{3}$

= $\frac{90,000}{3} = \text{Rs.}30,000$

| Particulars | Rs. |
|---|--------|
| Average profit before adjusting insurance premium payable | 30,000 |
| Less: Insurance premium payable in future | 5,600 |
| Average profit | 24,400 |

Goodwill = Average profit \times Number of years of purchase

= $24,400 \times 2$

= $\text{Rs.}48,800$

39)

Journal entries

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|------|---|------|-----------|------------|
| | Buildings A/c | Dr. | 15,000 | |
| | To Revaluation A/c (Appreciation in value of buildings recorded) | | | 15,000 |
| | Revaluation A/c | Dr. | 5,000 | |
| | To Machinery A/c | | | 4,000 |
| | To Provision for doubtful debts A/c (Decrease in assets recorded and provision made) | | | 1,000 |
| | Revaluation A/c | Dr. | 10,000 | |
| | To Rajesh's capital A/c | | | 6,000 |
| | To Ramesh's capital A/c (Profit on revaluation transferred) | | | 4,000 |

| Dr. Revaluation Account | | | Cr. | |
|--|-------|--------|------------------|--------|
| Particulars | Rs. | Rs. | Particulars | Rs. |
| To Machinery A/c | | 4,000 | By Buildings A/c | 15,000 |
| To Provision for doubtful debts A/c | | 1,000 | | |
| To Profit on revaluation transferred to Rajesh's capital A/c (3/5) | 6,000 | | | |
| Ramesh's capital A/c (2/5) | 4,000 | | | |
| | | 15,000 | | 15,000 |

- 40) (a) If profit is to be distributed on the basis of the previous year's profit:

Ritika's share of profit for 3 months = $30000 \times \frac{3}{12} \times \frac{1}{3} = Rs.2,500$

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|------------------|--|------|-----------|------------|
| 2019 March 31 | Profit and loss Suspense A/c | Dr. | 2,500 | |
| | To Rithika's capital A/c (Rithika's current year share of profit credited to her capital account) | | | 2,500 |

- (b) If profit is to be distributed on the basis of the average profit of the past 3 years:

Average profit : = $\frac{5,000+10,000+30,000}{3}$

=15,000

Ritika's share of profit for 3 months = $15000 \times \frac{3}{12} \times \frac{1}{3} = Rs.1,250$

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|------------------|--|------|-----------|------------|
| 2019 March 31 | Profit and loss Suspense A/c | Dr. | 1,250 | |
| | To Rithika's capital A/c (Rithika's current year share of profit credited to her capital account) | | | 1,250 |

Part D Answer All

- 41) a)

In the books of Ahmed

Calculation of opening capital

Statement of affairs as on 31st March, 2017

| Liabilities | Rs | Assets | Rs |
|----------------------------|----------|--------------|----------|
| Bank overdraft | 14,000 | Cash in hand | 800 |
| Creditors | 60,000 | Stock | 12,000 |
| Capital (balancing figure) | 92,800 | Debtors | 34,000 |
| | | Plant | 80,000 |
| | 1,66,800 | | 1,66,800 |

Calculation of closing capital

Statement of affairs as on 31st March, 2018

| Liabilities | Rs | Assets | Rs | Rs |
|----------------------------|----------|---|--------|----------|
| Creditors | 72,000 | Bank balance | | 18,000 |
| Capital (balancing figure) | 1,04,000 | Cash in hand | | 1,500 |
| | | Stock | | 16,000 |
| | | Debtors | 30,000 | |
| | | Less: Provision for doubtful debts @ 5% | 1,500 | 28,500 |
| | | Plant | 80,000 | |
| | | Less: Depreciation | 8,000 | 72,000 |
| | | Furniture | | 40,000 |
| | 1,76,000 | | | 1,76,000 |

Statement of profit or loss for the year ending 31st March, 2018

| Particulars | Rs |
|---|----------|
| Closing capital as on 31.3.2018 | 1,04,000 |
| Add: Drawings during the year | 40,000 |
| | 1,44,000 |
| Less: Additional capital introduced during the year | 16,000 |
| Adjusted closing capital | 1,28,000 |
| Less: Opening capital as on 31.3.2017 | 92,800 |
| Profit for the year ending 31.3.2018 | 35,200 |

(OR)

- b)

7 x 5 = 35

Dr. Revaluation Account Cr.

| Particulars | Rs. | Rs. | Particulars | Rs. |
|---|-------|--------|------------------|--------|
| To Machinery A/c | | 7,000 | By Buildings A/c | 12,000 |
| To Provision for bad debts A/c | | 1,000 | By Stock A/c | 2,000 |
| To Profit on revaluation transferred to Raghu's capital A/c (2/6) | 2,000 | | | |
| To Ravi's capital A/c (3/6) | 3,000 | | | |
| To Ramesh capital A/c (1/6) | 1,000 | 6,000 | | |
| | | 14,000 | | 14,000 |

Dr. Capital Account Cr.

| Particulars | Raghu Rs. | Ravi Rs. | Ramesh Rs. | Particulars | Raghu Rs. | Ravi Rs. | Ramesh Rs. |
|-------------------------|-----------|----------|------------|------------------------|-----------|----------|------------|
| To Ramesh's capital A/c | 1,600 | 2,400 | - | By Balance b/d | 30,000 | 40,000 | 20,000 |
| To Ramesh's loan A/c | | | 31,000 | By Reserve fund A/c | 12,000 | 18,000 | 6,000 |
| To Balance c/d | 42,400 | 58,600 | - | By Revaluation A/c | 2,000 | 3,000 | 1,000 |
| | | | | By Raghu's capital A/c | - | - | 1,600 |
| | | | | By Ravi's capital A/c | - | - | 2,400 |
| | 44,000 | 61,000 | 31,000 | | 44,000 | 61,000 | 31,000 |
| | | | | By Balance b/d | 42,400 | 58,600 | |

Balance sheet as on 31st March 2019

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
|-------------------|--------|----------|-------------------------------|--------|----------|
| Capital accounts: | | | Buildings | 60,000 | |
| Raghu | 42,400 | | Add: Appreciation | 12,000 | 72,000 |
| Ravi | 58,600 | 1,01,000 | Machinery | 70,000 | |
| Ramesh's loan | | 31,000 | Less: Depreciation | 7,000 | 63,000 |
| Sundry creditors | | 50,000 | Stock | 20,000 | |
| | | | Add: Appreciation | 2,000 | 22,000 |
| | | | Debtors | 18,000 | |
| | | | Less: Provision for bad debts | 2,000 | 16,000 |
| | | | Cash at bank | | 9,000 |
| | | 1,82,000 | | | 1,82,000 |

42) a)

Dr. Total debtors account Cr.

| Particulars | Rs. | Particulars | Rs. |
|-----------------------|----------|-----------------------------------|----------|
| To Balance b/d | 38,000 | By Cash A/c (received) | 1,20,000 |
| To Sales A/c (credit) | 1,40,000 | By Balance c/d (balancing figure) | 58,000 |
| | 1,78,000 | | 1,78,000 |
| To Balance b/d | 58,000 | | |

Dr. Trading and Profit and Loss Account for the year ended 31st March, 2019 Cr.

| Particulars | Rs. | Particulars | Rs. |
|--|----------|---------------------|----------|
| To Opening stock | 40,000 | By Sales | |
| To Purchases | | Cash | 1,60,000 |
| Cash | 56,000 | Credit | 1,40,000 |
| Credit | 74,000 | By Closing stock | 60,000 |
| To Wages | 10,000 | | |
| To Gross profit c/d | 1,80,000 | | |
| | 3,60,000 | | 3,60,000 |
| To General expenses | 24,000 | By Gross profit b/d | 1,80,000 |
| To Depreciation on machinery | 17,000 | | |
| To Net profit transferred to capital a/c | 1,39,000 | | |
| | 1,80,000 | | 1,80,000 |

Balance Sheet as on 31st March, 2019

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
|-----------------|----------|----------|--------------------|----------|----------|
| Capital | 2,22,000 | | Cash | | 1,42,000 |
| Add: Net profit | 1,39,000 | 3,61,000 | Stock of goods | | 60,000 |
| Creditors | | 52,000 | Debtors | | 58,000 |
| | | | Machinery | 1,70,000 | |
| | | | Less: Depreciation | 17,000 | 1,53,000 |
| | | 4,13,000 | | | 4,13,000 |

(OR)

b)

Dr. Revaluation Account Cr.

| Particulars | Rs. | Rs. | Particulars | Rs. |
|---|-------|--------|------------------|--------|
| To Stock A/c | | 5,000 | By Buildings A/c | 16,000 |
| To Provision for doubtful debts A/c | | 1,000 | | |
| To Profit on revaluation transferred to Mani's capital A/c (4/10) | 4,000 | | | |
| Rama's capital A/c (3/10) | 3,000 | | | |
| Devan's capital A/c (3/10) | 3,000 | 10,000 | | |
| | | 16,000 | | 16,000 |

Dr. Capital Account Cr.

| Particulars | Mani Rs. | Rama Rs. | Devan Rs. | Particulars | Mani Rs. | Rama Rs. | Devan Rs. |
|--------------------|----------|----------|-----------|------------------------|----------|----------|-----------|
| To Mani's loan A/c | 66,000 | | | By Balance b/d | 50,000 | 50,000 | 50,000 |
| To Balance c/d | | 62,000 | 62,000 | By Revaluation A/c | 4,000 | 3,000 | 3,000 |
| | | | | By Profit and loss A/c | 12,000 | 9,000 | 9,000 |
| | 66,000 | 62,000 | 62,000 | | 66,000 | 62,000 | 62,000 |
| | | | | By Balance b/d | | 62,000 | 62,000 |

43) a)

In the books of Chennai Sports Club

Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr.

| Receipts | Rs. | Rs. | Payments | Rs. | Rs. |
|-----------------------------|--------|----------|-----------------------------|--------|----------|
| To Balance b/d: | | | By Interest paid | | 5,000 |
| Cash | 10,000 | | By Telephone expenses | | 7,000 |
| Bank | 15,000 | 25,000 | By Upkeep of grounds | | 22,500 |
| To Life membership fees | | 5,500 | By Bats and balls purchased | | 13,000 |
| To Tournament fund receipts | | 15,000 | By Tournament expenses | | 12,500 |
| To Subscriptions received | | | By Balance c/d | | |
| 2016 - 2017 | 4,500 | | Cash | 5,000 | |
| 2017 - 2018 | 65,000 | | Bank (Bal. fig) | 55,000 | 60,000 |
| 2018 - 2019 | 5,000 | 74,500 | | | |
| | | 1,20,000 | | | 1,20,000 |

(OR)

b)

| Date | Particulars | L.F | Debit Rs. | Credit Rs. |
|-----------------|--|-----|-----------|------------|
| 2018 April 1 | Premises A/c | Dr. | 40,000 | |
| | To Revaluation A/c (Value of premises increased) | | | 40,000 |
| " | Revaluation A/c | Dr. | 10,000 | |
| | To Stock A/c | | | 3,000 |
| | To Machinery A/c | | | 6,500 |
| | To Outstanding liability A/c (Decrease in value of assets and outstanding liability recorded) | | | 500 |
| " | Revaluation A/c | Dr. | 30,000 | |
| | To Ramya's capital A/c | | | 15,000 |
| | To Sara's capital A/c | | | 9,000 |
| | To Thara's capital A/c (Profit on revaluation distributed) | | | 6,000 |

Dr. Revaluation account Cr.

| Particulars | Rs. | Rs. | Particulars | Rs. |
|--|--------|--------|-----------------|--------|
| To Stock A/c | | 3,000 | By Premises A/c | 40,000 |
| To Machinery A/c | | 6,500 | | |
| To Outstanding liability A/c | | 500 | | |
| To Profit on revaluation transferred to Ramya's capital A/c (5/10) | 15,000 | | | |
| Sara's capital A/c (3/10) | 9,000 | | | |
| Thara's capital A/c (2/10) | 6,000 | 30,000 | | |
| | | 40,000 | | 40,000 |

44) a)

To find the opening capital fund, opening balance sheet should be prepared

In the books of Madurai City Club Balance sheet of as on 31st March, 2017

| Liabilities | Rs. | Assets | Rs. |
|------------------------------------|--------|---------------------------|--------|
| Capital fund (Balancing figure) | 21,500 | Investment | 40,000 |
| Match fund | 30,00 | Subscriptions outstanding | 4,000 |
| | | Cash at bank | 7,000 |
| | | Cash in hand | 500 |
| | 51,500 | | 51,500 |

Dr. Income and Expenditure Account for the year ended 31st March, 2018 Cr.

| Expenditure | Rs. | Income | Rs. | Rs. |
|---|--------|--|--------|--------|
| To Upkeep of ground | 16,500 | By Subscriptions | 30,000 | |
| To Sundry expenses | 11,000 | Less: Received for 2016-17 | 4,000 | |
| To Excess of income over expenditure (surplus) | 13,000 | Add: Outstanding for the current year | 26,000 | 30,500 |
| | | By Hall rent | 4,500 | |
| | 40,500 | | | 10,000 |
| | | | | 40,500 |

Balance sheet as on 31st March, 2018

| Liabilities | Rs. | Rs. | Assets | Rs. |
|---|--------|--------|--------------------------|--------|
| Capital fund | 21,500 | | Furniture | 20,000 |
| Add: Excess of income over expenditure (surplus) | 13,000 | 34,500 | Subscription outstanding | 4,500 |
| Legacies | | 9,000 | Cash at bank | 11,000 |
| Match fund | 30,000 | | Cash in hand | 1,500 |
| Add: Receipts for match fund | 22,500 | | | |
| | 52,500 | | | |
| Less: Match expenses | 19,000 | 33,500 | | |
| | | 77,000 | | 77,000 |

(OR)

b)

| Dr. | | Revaluation Account | | Cr. | |
|--|--------|---------------------|------------------|--------|--------|
| Particulars | Rs. | Rs. | Particulars | Rs. | |
| To Furniture A/c | | 2,000 | By Stock A/c | 4,000 | |
| To Profit on revaluation transferred to Ameer's capital A/c (3/5) | 13,200 | | By Machinery A/c | 20,000 | |
| Raja's capital A/c (2/5) | 8,800 | 22,000 | | | |
| | | 24,000 | | | 24,000 |

| Dr. | | Capital Account | | | Cr. | | |
|----------------|-----------|-----------------|-----------|---------------------|-----------|----------|-----------|
| Particulars | Ameer Rs. | Raja Rs. | Rohit Rs. | Particulars | Ameer Rs. | Raja Rs. | Rohit Rs. |
| To Balance c/d | 1,08,200 | 88,800 | 30,000 | By Balance b/d | 80,000 | 70,000 | - |
| | | | | By Bank A/c | - | - | 30,000 |
| | | | | By Reserve fund A/c | 9,000 | 6,000 | - |
| | | | | By Revaluation A/c | 13,200 | 8,800 | - |
| | | | | By Bank A/c* | 6,000 | 4,000 | - |
| | 1,08,200 | 88,800 | 30,000 | (share of goodwill) | | | |
| | | | | By Balance b/d | 1,08,200 | 88,800 | 30,000 |

Since the sacrificing ratio is not given and the new partner's share is given, it is assumed that the old profit sharing ratio (3:2) is the sacrificing ratio and the new partner's share of goodwill is distributed to the old partners accordingly.

| Dr. | | Cash at bank Account | | Cr. | |
|------|------------------------|----------------------|------|-------------|--------|
| Date | Particulars | Rs. | Date | Particulars | Rs. |
| | To Balance b/d | 20,000 | | By Balance | 60,000 |
| | To Rohit's capital A/c | 30,000 | | | |
| | To Ameer's capital A/c | 6,000 | | | |
| | To Raja's capital A/c | 4,000 | | | |
| | | 60,000 | | | 60,000 |

Balance Sheet as on 1st January 2019

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
|-------------------|----------|----------|--------------------|--------|----------|
| Capital accounts: | | | Machinery | 60,000 | |
| Ameer | 1,08,200 | | Add: Appreciation | 20,000 | 80,000 |
| Raja | 88,800 | | Furniture | 40,000 | |
| Rohit | 30,000 | 2,27,000 | Less: Depreciation | 2,000 | 38,000 |
| | | 35,000 | Debtors | | 30,000 |
| | | | Stock | 10,000 | |
| | | | Add: Appreciation | 4,000 | 14,000 |
| | | | Prepaid insurance | | 40,000 |
| | | | Cash at bank | | 60,000 |
| | | 2,62,000 | | | 2,62,000 |

45) a)

| Dr. Partners' Capital Account | | | | Cr. | | | |
|-------------------------------|----------------|-------------|-------------|--------|------------------------------|-------------|-------------|
| Date | Particulars | Shanthi Rs. | Sumathi Rs. | Date | Particulars | Shanthi Rs. | Sumathi Rs. |
| 2018 | | | | 2018 | | | |
| | | | | Jan 1 | By Balance b/d | 1,00,000 | 80,000 |
| Dec 31 | To Balance c/d | 1,10,000 | 1,00,000 | June 1 | By Bank (Additional capital) | 10,000 | 20,000 |
| | | 1,10,000 | 1,00,000 | | | 1,10,000 | 1,00,000 |
| | | | | 2019 | | | |
| | | | | Jan 1 | By Balance b/d | 1,10,000 | 1,00,000 |

| Dr. Partners' Current Account | | | | Cr. | | | |
|-------------------------------|-------------------------|-------------|-------------|------|--|-------------|-------------|
| Date | Particulars | Shanthi Rs. | Sumathi Rs. | Date | Particulars | Shanthi Rs. | Sumathi Rs. |
| | To Drawings | 20,000 | 13,000 | | By Balance b/d | 5,000 | 3,000 |
| | To Interest on drawings | 500 | 300 | | By Profit and loss appropriation A/c (share of profit) | 10,000 | 8,000 |
| | To Balance c/d | 9,800 | 4,300 | | By Interest on capital | 6,300 | 5,400 |
| | | | | | By Salary | 9,000 | - |
| | | | | | By Commission | - | 1,200 |
| | | 30,300 | 17,600 | | | 30,300 | 17,600 |
| | | | | | By Balance b/d | 9,800 | 4,300 |

(OR)

b)

| Dr. Revaluation Account | | | Cr. | | |
|---|-------|--------|------------------|--------|--------|
| Particulars | Rs. | Rs. | Particulars | Rs. | Rs. |
| To Stock A/c | | 2,000 | By Furniture A/c | 15,000 | |
| To Debtors A/c | | 2,500 | | | |
| To Outstanding wages A/c | | 4,500 | | | |
| To Profit on revaluation transferred to capital A/c | | | | | |
| Vetri (3/5) | 3,600 | | | | |
| Ranjit (2/5) | 2,400 | 6,000 | | | |
| | | 15,000 | | | 15,000 |

| Dr. Capital Account | | | | Cr. | | | |
|------------------------|-----------|------------|------------|---------------------|-----------|------------|------------|
| Particulars | Vetri Rs. | Ranjit Rs. | Suriya Rs. | Particulars | Vetri Rs. | Ranjit Rs. | Suriya Rs. |
| To Profit and loss A/c | 6,000 | 4,000 | - | By Balance b/d | 30,000 | 20,000 | - |
| To Balance c/d | 30,600 | 20,400 | 10,000 | By Reserve fund A/c | 3,000 | 2,000 | - |
| | | | | By Revaluation A/c | 3,600 | 2,400 | - |
| | | | | By Bank A/c | - | - | 10,000 |
| | 36,600 | 24,400 | 10,000 | | 36,600 | 24,400 | 10,000 |
| | | | | By Balance b/d | 30,600 | 20,400 | 10,000 |

Balance Sheet as on 1st January 2018

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
|-------------------|--------|----------|-----------------------|--------|----------|
| Capital accounts: | | | Furniture | 25,000 | |
| Vetri | 30,600 | | Add: Appreciation | 15,000 | 40,000 |
| Ranjit | 20,400 | | Stock | 20,000 | |
| Suriya | 10,000 | 61,000 | Less: Depreciation | 2,000 | 18,000 |
| Sundry creditors | | 45,000 | Debtors | 10,000 | |
| Outstanding wages | | 4,500 | Less: Decrease | 2,500 | 7,500 |
| | | | Cash in hand | 35,000 | |
| | | | Add: Suriya's capital | 10,000 | 45,000 |
| | | 1,10,500 | | | 1,10,500 |

46) a)

Dr. Profit and loss appropriation account for the year ended 31st March 2019 Cr.

| Particulars | Rs. | Rs. | Particulars | Rs. |
|---|-----|-------|-----------------------------|--------|
| To Interest on capital A/c: | | | By Profit and loss A/c | 20,000 |
| Durai (25,000 x 5%) | | 1,250 | By Interest on drawings A/c | |
| Velan (30,000 x 5%) | | 1,500 | Durai | 300 |
| To Salary to Durai A/c | | 5,000 | Velan | 450 |
| To Commission to Velan A/c | | 2,000 | | |
| To Partners' capital A/c (profit transferred) | | | | |
| Durai (11,000 x 2/5) | | 4,400 | | |
| Velan (11,000 x 3/5) | | 6,600 | | |
| | | | | 11,000 |
| | | | | 20,750 |
| | | | | 20,750 |

(OR)

b)

Goodwill = Super profit x Number of years of purchase
 Super profit = Average profit - Normal profit
 Normal profit = Capital employed x Normal rate of return
 Capital employed = Fixed asset + Current assets - Current liabilities
 5,00,000 - 2,00,000 = Rs. 3,00,000
 Normal profit = 3,00,000 x 12.5%
 = Rs. 37,500
 Super profit = 60,000 - 37,500 = Rs. 22,500
 Goodwill = 22,500 x 2
 = Rs. 45,000

47) a)

Normal profit = Capital employed x Normal rate of return
 = 2,00,000 x 15% = Rs.30,000
 Super profit = Average profit - Normal profit
 = 42,000 - 30,000
 = Rs.12,000
 Goodwill = Super profit x Number of years of purchase
 = 12,000 x 3
 = Rs.36,000

(OR)

b)

Journal entries

| Date | Particulars | L.F. | Debit Rs. | Credit Rs. |
|---------|--|------|-----------|------------|
| 2017 | Stock A/c | Dr. | 5,000 | |
| April 1 | Investment A/c | Dr. | 7,000 | |
| | To Revaluation A/c (Increase in the value of stock and unrecorded investment accounted) | | | 12,000 |
| " | Revaluation A/c | Dr. | 19,500 | |
| | To Office equipment A/c | | | 10,000 |
| | To Outstanding wages A/c (Reduction in the value of office equipment and provision of outstanding wages recorded) | | | 9,500 |
| " | Sriram's capital A/c | Dr. | 5,000 | |
| | Raj's capital A/c | Dr. | 2,500 | |
| | To Revaluation A/c (Loss on revaluation transferred) | | | 7,500 |

Dr. Revaluation Account Cr.

| Particulars | Rs. | Particulars | Rs. | Rs. |
|--------------------------|--------|--|-------|--------|
| To Office equipment A/c | 10,000 | By Stock A/c | | 5,000 |
| To Outstanding wages A/c | 9,500 | By Investment A/c | | 7,000 |
| | | By Loss on revaluation transferred to Sriram's capital A/c (2/3) | 5,000 | |
| | | Raj's capital A/c (1/3) | 2,500 | 7,500 |
| | 19,500 | | | 19,500 |