

Part - I**I. Choose the correct Answers:-****(20x1=20)****1. Which one of the following statements is not correct related to statement of affairs**

- a) A statement of affairs is a statement showing the balances of assets and liabilities on a particular date.
 b) It is prepared from incomplete records to find out the capital of a business unit on a particular date
 c) The difference between the total of assets and total of liabilities is taken as capital
 d) Capital = Assets + Liabilities

2. Donations received for a specific purpose is

- (a) Revenue receipt (b) Capital receipt (c) Revenue expenditure (d) Capital expenditure

3. Which of the following is shown in Profit and loss appropriation account?

- (b) Office expenses (b) Salary of staff (c) Partners' salary (d) Interest on bank loan

4. Book profit of 2017 is `35,000; non-recurring income included in the profit is `1,000 and abnormal loss charged in the year 2017 was `2,000, then the adjusted profit is

- (a) `36,000 (b) `35,000 (c) `38,000 (d) `34,000

5. At the time of retirement, the profit or loss on revaluation of assets and liabilities is transferred to the capital account of

- (c) The old partners (b) The new partner (c) All the partners (d) The Sacrificing partners

6. A, B and C are partners sharing profits in the ratio of 2:2:1. On retirement of B, Goodwill of the firm was valued as `30,000. Find out the contribution of A and C to compensate B:

- (a) `20,000 and `10,000 (b) `8,000 and `4,000 (c) `10,000 and `20,000 (d) `15,000 and `15,000

7. The amount received over and above the par value is credited to

- (d) Securities Premium account (b) Calls in advance account
 (c) Share capital account (d) Forfeited shares account

8) calculate the return on capital employed for the year, Net profit before interest and tax 60,000, shareholders fund 250,000, Non current liabilities 150,000

- A) 20 %. B) 15 %. C) 10%. D) 5%

9. Which one of the following is non-cash item?

- (e) Salary (b) Depreciation (c) Insurance paid (d) Subscription

10. Match List I with List II and select the correct answer using the codes given below:

S.No	List I	S.No	List II
i)	Current Ratio	1	Liquidity
ii)	New profit Ratio	2	Efficiency
iii)	Debt-Equity Ratio	3	Long Term Solvency
iv)	Inventory Turnover Ratio	4	Profitability

- (i) (ii) (iii) (iv)
 (a) 1 4 3 2
 (b) 3 2 4 1
 (c) 4 3 2 1
 (d) 1 2 3 4

11. Which one of the following is correctly matched?

a)	Adjusted closing capital	=	Closing capital - Drawings - Additional capital
b)	Profit/Loss	=	Closing capital + Drawings - Additional capital - Opening capital
c)	Capital	=	Assets + Liabilities
d)	Closing capital	=	Opening capital + Drawings

12. Match List I with List II and select the correct answer using the codes given below:

S.No	List I	S.No	List II
i)	Subscription	1	Bats, Balls
ii)	Investments	2	Time of admission
iii)	Old sports materials	3	Received interest
iv)	Admission fee	4	Tennis or billiards

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	4	1
(d)	3	4	2	1

13. Consider the following statement.

Assertion (A) : Drawings is the amount withdrawn in cash or in kind, for personal purposes.
Reason (R) : A Drawings account is opened in the name of each partner and the drawings are debited to this account.

- 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

14. Choose the correct statement:

- (i) Goodwill is shown under fixed assets in the balance sheet.
 (ii) Goodwill is an intangible asset.
 (iii) Goodwill helps in earning more profit and attracts more customers.

- a) (i) is correct b) (ii) is correct c) (i) and (ii) are correct d) (i), (ii) and (iii) are correct

15. The new partner does not bring in cash for his share of goodwill under _____ method.

- a) Memorandum revaluation b) Revaluation c) Premium d) None of these

16) pick the odd one out

- A) Average profit method. B) Super profit method c) capitalisation method d) Revaluation Method

17. Issue of equity shares to the existing shareholders of the company free of cost known as

- a) Private placement b) Public issue c) Rights issue d) Bonus issue

18) Raja, Roja and Pooja are partners sharing profits in the ratio of 4:5:3. Roja retires from the firm. Calculate the new profit sharing ratio. A) 4:1. B) 1:1. C) 4:3. D) 3:1

19. Equity share capital is `2,00,000, Reserves & Surplus is `30,000. Debenture `40,000 and the shareholder's funds will be a) `2,00,000 b) `2,30,000 c) `1,90,000 d) `1,70,000

20. Which one of the following is not correctly matched?

a)	Journal voucher	=	Depreciation
b)	Sales voucher	=	Cash and credit sales of goods
c)	Purchase voucher	=	Cash and credit purchases
d)	Contra voucher	=	Only receipt items

Part - II

(7x2=14)

Answer any seven questions in which question No.30 is compulsory.

21. State the formula to a partner to give commission as a percentage of net profit before charging such commission and commission as a percentage of net profit after charging such commission.
 22. Define Partnership.
 23. What is meant by Revaluation of assets and liabilities?
 24. What is share?
 25. What is automated accounting system?
 26. How will the following appear in the final accounts of Marthandam Women Cultural Association?

Particulars	Rs.
Stock of Sports materials on 1-4-2018	16,000
Sports materials purchased during the year	84,000
Stock of sports materials on 31-3-2019	10,000

27. Dheena, Surya and Janki are partners sharing profits and losses in the ratio of 5:3:2. On 31-3-2018, Dheena retired. On the date of retirement, the books of the firm showed a reserve fund of ₹50,000. Pass journal entry to transfer the reserve fund.

28. Calculate the Current ratio from the following information.

Particulars	₹	Particulars	₹
Current investments	40,000	Fixed assets	5,00,000
Inventories	2,00,000	Trade creditors	80,000
Trade debtors	1,20,000	Bills payable	50,000
Bills receivable	80,000	Expenses payable	20,000
Cash and cash equivalents	10,000	Non-current liability	3,00,000

29. The following are the profits of a firm in the last five years:

2014: ₹10,000; 2015: ₹11,000; 2016: ₹12,000; 2017: ₹13,000; and 2018: ₹14,000

Calculate the value of goodwill at 2 years purchase of average profit of five years.

30) Balu, Chandru and Nirmal are partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March 2018, Nirmal retires from the firm. On the date of Nirmal's retirement, goodwill appeared in the books of the firm at ₹60,000. By assuming fluctuating capital account, pass the necessary journal entry if the partners decide to (a) write off the entire amount of existing goodwill (b) write off half of the existing goodwill.

Part-III

(7x3=21)

Answer any seven questions in which question No.40 is compulsory.

31. What are the features of incomplete records?

32. How the following items appear in the final accounts of Thoothukudi YoungPioneers Association?

There are 100 members in the association each paying ₹25 as annual subscription. By the end of the year 10 members had not paid their subscription but four members had paid for the next year in advance.

33. How is goodwill calculated under the super profits method?

34. Anbu and Raju are partners, sharing profits in the ratio of 3:2. Akshal is admitted as a partner. The new profit sharing ratio among Anbu, Raju and Akshai is 5:3:2. Find out the Sacrificing ratio.

35. Vinoth, Karthi and Pranav are partners sharing profits and losses in the ratio of 2:2:1.

Pranav retires from partnership on 1st April 2018. The following adjustments are to be made.

(i) Increase the value of land and building by ₹18,000

(ii) Reduce the value of machinery by ₹15,000

(iii) A provision would also be made for outstanding expenses for ₹8,000.

Give journal entries and prepare revaluation account.

36. Distinguish between Sacrificing ratio and Gaining ratio.

37. Anu Company forfeited 200 equity shares of ₹10 each issued at par held by Thiyagu for nonpayment of the final call of ₹3 per share. The shares were reissued to Laxman at ₹6 per share. Show the journal entries for forfeiture and reissue.

38. Calculate current ratio and Quick ratio of Ananth Constructions Ltd from the information given below:

Particulars	₹
Total current liabilities	1,00,000
Total current assets	2,50,000
Inventories	50,000
Prepaid expenses	15,000

39. Explain how to view profit and loss statement in Tally.ERP 9?

40. Antony and Ranjith started a business on 1st April 2018 with capitals of ₹4,00,000 and ₹3,00,000 respectively.

According to the Partnership Deed, Antony is to get salary of ₹90,000 per annum, Ranjith is to get 25% commission on profit after allowing salary to Antony and interest on capital @ 5% p.a. but after charging such commission. Profit-sharing ratio between the two partners is 1:1. During the year, the firm earned a profit of ₹3,65,000. Prepare profit and loss appropriation account. The firm closes its accounts on 31st March every year.

Part-IV

(7x5=35)

Answer all the questions.

41) a

9. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Cash at Bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry Debtors	1,00,000	90,000
Plant and Machinery	80,000	80,000
Land and Buildings	1,40,000	1,40,000
Sundry Creditors	1,70,000	1,30,000

Ananth had withdrawn ₹ 60,000 for his personal use. He had introduced ₹ 17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

[OR]

B)

16. From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	₹	Particulars	₹
Balances as on 1st April 2018		Balances as on 31st March 2019	
Sundry debtors	2,40,000	Sundry debtors	2,20,000
Bills receivable	30,000	Sundry creditors	1,50,000
Sundry creditors	1,20,000	Bills receivable	8,000
Bills payable	10,000	Bills payable	20,000
Other information:	₹		₹
Cash received from debtors	6,00,000	Payments against bill payable	30,000
Discount allowed to customers	25,000	Cash received for bills receivable	60,000
Cash paid to creditors	3,20,000	Bills receivable dishonoured	4,000
Discount allowed by suppliers	10,000	Bad debts	16,000

42) a) Following is the Receipts and Payments Account of Salem Recreation Club for the year ended 31st March, 2019.

In the books of Salem Recreation Club

Dr. Receipts and Payments Account for the year ended 31 st March, 2019				Cr.
Receipts	₹	₹	Payments	₹
To Balance b/d:			By Furniture	15,000
Cash in hand		9,000	By Stationery	2,400
To Subscriptions			By Investment	12,500
2018 – 2019	12,500		By Postage	1,000
2019 – 2020	400	12,900	By Balance c/d:	
To Proceeds from entertainment		12,000	Cash in hand	3,500
To Sundry receipts		500		
		34,400		34,400

Additional information:

- (i) There are 450 members each paying annual subscription of ₹ 30.
- (ii) Stock of stationery on 31st March, 2018 ₹ 300 and on March 31, 2019 ₹ 500.
- (iii) Capital fund as on 1st April 2018 was ₹ 9,300.

Prepare income and expenditure account for the year ended 31st March, 2019 and the balance sheet as on that date.

B)

The following is the summary of cash transactions of Delhi Literary Club for the year ending 31st March, 2019.

Delhi Literary Club
Receipts and Payments Account for the year ending 31st March, 2019

Receipts	₹	Payments	₹
To Balance b/d		By Rents and Rates	21,000
Cash in hand	3,200	By Lecture fees	4,500
To Entrance fees	2,300	By Sundry expenses	7,200
To Subscriptions	46,000	By Fixed deposit	40,000
To Life membership fees	2,500	By Balance c/d	
To Interest received on fixed deposit	500	Cash in hand	4,300
To Sale of furniture (on 1.4.2018)	22,500		
(Book value ₹ 25,000)			
	77,000		77,000

Additional information

- (a) At the beginning of the year the club possessed books worth ₹ 20,000 and furniture worth ₹ 40,000.
- (b) Subscription received in advance during the current year amounted to ₹ 1,000.

Prepare Income and Expenditure account of the club for the year ending 31st March, 2019 and the Balance sheet as on that date.

43) A)

Santhosh is a partner in a partnership firm. As per the partnership deed, interest on drawings is charged at 6% per annum. During the year ended 31st December, 2018 he withdrew as follows:

Date	₹
February 1	2,000
May 1	10,000
July 1	4,000
October 1	6,000

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

B)

8. From the following balance sheets of Subha and Sudha who share profits and losses in 2:3, calculate interest on capital at 5% p.a. for the year ending 31st December, 2018.

Balance sheet as on 31st December, 2018

Liabilities	₹	₹	Assets	₹
Capital accounts:			Fixed assets	70,000
Subha	40,000		Current assets	50,000
Sudha	60,000	1,00,000		
Current liabilities		20,000		
		1,20,000		1,20,000

Drawings of Subha and Sudha during the year were ₹ 8,000 and ₹ 10,000 respectively. Profit earned during the year was ₹ 30,000.

44) A) Shankar is interested in playing chess. He joined a chess club. But, he could not pay the membership fee. He has little accounting knowledge. But, he is not familiar with the accounting records of the clubs and societies. The accountant of the club suggested him to help with maintaining the accounting records for the club, so that he need not pay the membership fee. The club also has a cafe, where members can buy snacks, coffee and tea. Shankar offered his help to the café too. He is not clear on certain terms and accounting practices of the club. But, he is so eager to learn. He needs explanation on the following.

- 1) What is the main source of income for the club?
- 2) Is receipts and payments account the same as cash book?
- 3) Are the members allowed to draw money when a club has surplus of income?
- 4) How is donation treated?
- 5) If the members do not pay the membership fee at the end of the accounting period, how will this be considered and treated in the accounting records? [OR]

B) Malar and Mani are good friends and wanted to start a business of buying and selling of sports materials. So, they formed a partnership firm. They contributed amount of capital Malar 2,00,000, Mani 4,00,000. Apart from the capital, Mani gave loan to the business. However, there was no partnership deed. Malar is good at marketing and adds value to the business with her skills. The firm maintains two separate accounts- capital and current accounts. The business gained popularity and reputation. But, the business could not cover its expenses and hence made a loss. At the end of the first year of the business, they had some misunderstanding on the following:

- 1) Malar claims salary of ₹ 10,000 per month, for her extra efforts. Mani does not agree to this.
- 2) Mani claims interest on the loan. But, Malar does not agree for this saying that the business made a loss.
- 3) Mani wants to admit his relative into the existing firm, but Malar does not agree for this.
- 4) Mani has contributed maximum capital. He demands interest on capital at 10% per annum.
- 5) Mani demands the profit to be shared in the capital ratio. But, Malar do not agree They both need your help to solve these issues.

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

- (a) Profits earned: 2016: ₹ 30,000; 2017: ₹ 29,000 and 2018: ₹ 32,000.
- (b) Profit of 2016 includes a non-recurring income of ₹ 3,000.
- (c) Profit of 2017 is reduced by ₹ 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 ₹ 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. (Or)

B). Janani, Janaki and Jamuna are partners sharing profits and losses in the ratio of 3:3:1 respectively. Janaki died on 31st December, 2017. Final amount due to her showed a credit balance of ₹ 1,40,000. Pass journal entries if,

- (a) The amount due is paid off immediately.
- (b) The amount due is not paid immediately.
- (c) ₹ 75,000 is paid and the balance in future.

46) a)

Raghu and Sam are partners in a firm sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31st March, 2017 is as follows:

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Machinery		30,000
Raghu	40,000		Furniture		10,000
Sam	30,000	70,000	Stock		10,000
Sundry creditors		30,000	Debtors	21,000	
			Less: Provision for doubtful debts	1,000	20,000
			Bank		30,000
		1,00,000			1,00,000

Prakash is admitted on 1.4.2017 subject to the following conditions:

- (a) He has to bring a capital of ₹ 10,000
- (b) Machinery is valued at ₹ 24,000
- (c) Furniture to be depreciated by ₹ 3,000
- (d) Provision for doubtful debts should be increased to ₹ 3,000
- (e) Unrecorded trade receivables of ₹ 1,000 would be brought into books now

Pass necessary journal entries and prepare revaluation account and capital account of partners after admission.

B)

18. Saran, Arun and Karan are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31.12.2016 was as follows:

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Buildings		60,000
Saran	60,000		Machinery		40,000
Arun	50,000		Investment		20,000
Karan	40,000	1,50,000	Stock		12,000
General reserve		15,000	Debtors	25,000	
Creditors		35,000	Less: Provision Provision for bad debts		24,000
			1000		
			Cash at bank		44,000
		2,00,000			2,00,000

Karan retires on 1.1.2017 subject to the following conditions:

- Goodwill of the firm is valued at ₹ 21,000
- Machinery to be appreciated by 10%
- Building to be valued at ₹ 80,000
- Provision for bad debts to be raised to ₹ 2,000
- Stock to be depreciated by ₹ 2,000
- Final amount due to Karan is not paid immediately

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

- 47) A) Calculate (i) Inventory turnover ratio (ii) Trade receivables turnover ratio (iii) Trade payables turnover ratio and (iv) Fixed assets turnover ratio from the following information obtained from Aruna Ltd.

Particulars	As on 31st March, 2018 ₹	As on 31st March, 2019 ₹
Inventory	3,60,000	4,40,000
Trade receivables	7,40,000	6,60,000
Trade payables	1,90,000	2,30,000
Fixed assets	6,00,000	8,00,000

Additional information:

- Revenue from operations for the year ₹ 35,00,000
- Purchases for the year ₹ 21,00,000
- Cost of revenue from operations ₹ 16,00,000.

Assume that sales and purchases are for credit.

B)

18. From the following trading activities of Rovina Ltd. calculate
(i) Gross profit ratio (ii) Net profit ratio (iii) Operating cost ratio (iv) Operating profit ratio

Particulars	₹
I. Revenue from operations	4,00,000
II. Other income:	
Income from investments	4,000
III. Total revenues (I+II)	4,04,000
IV Expenses:	
Purchases of stock-in-trade	2,10,000
Changes in inventories	30,000
Finance costs	24,000
Other expenses (Administration and selling)	60,000
Total expenses	3,24,000
V Profit before tax (III - IV)	80,000

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