

12th
STD

Public Exam April - 2023

Reg. No.

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PART- III - ACCOUNTANCY

TIME ALLOWED : 3.00 Hours]

(with Answers)

[MAXIMUM MARKS : 90

Instructions :

- 1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.
- 2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams

PART - I**Note :** (i) Answer **all** the questions. [20 × 1 = 20](ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. Function key F11 is used for:
 - (a) Company Configuration
 - (b) Company Features
 - (c) Statutory and Taxation features
 - (d) Accounting Vouchers
2. The Excess of Assets over Capital is :
 - (a) Liabilities
 - (b) Loss
 - (c) Profit
 - (d) Cash
3. A, B, C are partners sharing profits and losses in the ratio of 4:2:3. 'A' retires. The new profit sharing ratio between B and C will be:
 - (a) 2:3
 - (b) 4:2
 - (c) 2:1
 - (d) 3:2
4. On Revaluation, the increase in the value of assets leads to:
 - (a) Loss
 - (b) Expense
 - (c) Gain
 - (d) None of these
5. The term 'fund' refers to :
 - (a) Fixed Assets
 - (b) Current Liabilities
 - (c) Non-current Assets
 - (d) Working Capital
6. Find the odd one out from the following.
 - (a) Audit fees
 - (b) Electricity charges
 - (c) Life membership fees
 - (d) Telephone charges
7. Which of the following is shown in Profit and Loss Appropriation account?
 - (a) Partners' salary
 - (b) Office expenses
 - (c) Interest on bank loan
 - (d) Salary of staff
8. If the final amount due to a retiring partner is not paid immediately, it is transferred to:
 - (a) Retiring partner's Loan A/c
 - (b) Bank A/c
 - (c) Other partners' Capital A/c
 - (d) Retiring partner's Capital A/c
9. There are 300 members in a club each paying ₹100 as annual subscription. Subscription due but not received for the Current Year is ₹200. Subscription received in advance is ₹300. Find out the amount of subscription to be shown in the Income and Expenditure account.
 - (a) ₹ 29,900
 - (b) ₹ 30,000
 - (c) ₹ 30,100
 - (d) ₹ 30,700
10. Contra Voucher is used for :
 - (a) Reports
 - (b) Master entry
 - (c) Credit purchase of assets
 - (d) Withdrawal of cash from bank for office use
11. Debt Equity ratio is measure of:
 - (a) Profitability
 - (b) Short term solvency
 - (c) Efficiency
 - (d) Long term Solvency
12. At the time of admission, the goodwill brought by the new partner may be credited to the Capital accounts of :
 - (a) the new partner
 - (b) all the partners
 - (c) the sacrificing partners
 - (d) the old partners
13. Cost of Revenue from operations ₹ 3,00,000; Inventory in the beginning of the year ₹60,000; Inventory at the close of the year ₹40,000. Inventory turnover ratio is:
 - (a) 6 times
 - (b) 2 times
 - (c) 8 times
 - (d) 3 times
14. In a Common-size Balance Sheet, if the percentage of non-current Assets is 85, what would be the percentage of Current Assets?
 - (a) 15
 - (b) 185
 - (c) 100
 - (d) 115
15. After the Forfeited shares are Reissued, the balance in the Forfeited shares account should be transferred to:
 - (a) Securities Premium account
 - (b) General Reserve account
 - (c) Surplus account
 - (d) Capital Reserve account
16. When the average profit is ₹ 50,000 and the normal profit is ₹40,000, Super profit is:
 - (a) ₹ 10,000
 - (b) ₹ 25,000
 - (c) ₹ 15,000
 - (d) ₹ 5,000

(1)

17. Which of the following statement is true?
 (a) Goodwill is a fictitious asset (b) Goodwill is an intangible asset
 (c) Goodwill cannot be acquired (d) Goodwill is a current asset
18. As per the Indian Partnership Act, 1932 the rate of interest allowed on loans advanced by partners is:
 (a) 5% per annum (b) 8% per annum
 (c) 6% per annum (d) 12% per annum
19. On retirement of a partner, General Reserve is transferred to the :
 (a) Capital account of the continuing partners (b) Capital account of all the partners
 (c) Memorandum Revaluation account (d) Revaluation account
20. The amount of Capital of the proprietor, if his Assets are ₹ 5,00,000 and Liabilities are ₹ 2,00,000
 (a) ₹ 7,00,000 (b) ₹ 5,00,000
 (c) ₹ 3,00,000 (d) ₹ 2,00,000

PART - II

Note: Answer any seven questions. Question No. 30 is Compulsory.

7 × 2 = 14

21. State the accounts generally maintained by a small sized sole trader when double entry accounting system is not followed.
22. Give four examples for revenue expenditure of not-for-profit organisation
23. State any two circumstances under which goodwill of a partnership firm is valued.
24. Give the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner.
25. What is over-subscription?
26. What is Quick Ratio?
27. State any five accounting reports.
28. From the following particulars ascertain profit or loss.

| Particulars | ₹ |
|-----------------------------------------------|----------|
| Capital as on 1 st January 2021 | 2,60,000 |
| Capital as on 31 st December 2021 | 3,60,000 |
| Additional Capital introduced during the year | 20,000 |
| Drawings made during the year | 50,000 |

29. Ram and Shyam are partners. Ram withdraws ₹12,000 at the beginning of each half year. Interest on drawings is chargeable @ 10% p.a. Calculate interest on drawings for the year ending 31st December 2021 using average period method.
30. Value of the goodwill of Arul Enterprises is ₹1,20,000, Average profit is ₹40,000. Calculate the number of years of purchase.

PART - III

Note: Answer any seven questions. Question No. 40 is compulsory.

7 × 3 = 21

31. What are the differences between double entry system and incomplete records?
32. Classify the following expenditure of not-for-profit organisation as Capital or Revenue.
 (i) Honorarium
 (ii) Purchase of sports equipment
 (iii) Purchase of books for library
33. Antony and Akbar were partners who shared profits and losses in the ratio of 3:2. Balance in their Capital account on 1st January, 2018 was, Antony ₹60,000 and Akbar ₹40,000. On 1st April 2018 Antony introduced additional capital of ₹10,000. Akbar introduced additional capital of ₹5,000 during the year. Calculate interest on capital at 6% p.a. for the year ending 31st December, 2018.
34. State any six factors determining Goodwill.
35. Sam and Jose are partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April 2018, they admitted Joel as a partner. On the date of Joel's admission, goodwill appeared in the books of the firm as ₹20,000. Assuming that the accounts are maintained on Fluctuating Capital method, pass the necessary journal entries if the partners decide to :
 (a) Write off the entire amount of existing goodwill
 (b) Write off ₹10,000 of the existing goodwill.

36. Write a brief note on calls in advance.
37. From the following particulars of Kumar Ltd., Prepare a Common-size income statement for the year ended 31st March, 2018.

| Particulars | 2017-18 ₹ |
|-------------------------|--------------|
| Revenue from operations | 5,00,000 |
| Other income | 20,000 |
| Expenses | 3,00,000 |

38. Vivin, Hari and Joy are partners sharing profits and losses equally. On 31-3-2017 Hari retired. On the date of retirement, the books of the firm showed a general reserve of ₹ 60,000. Pass the journal entries to transfer the general reserve.
39. Mention the commonly used Voucher types in Tally ERP 9.
40. Inventory and Prepaid expenses are not considered as Liquid Assets - State reasons.

PART - IV

Note: Answer all the questions:

7 × 5 = 35

41. (a) On 1st April 2018 Subha started her business with a capital of ₹1,20,000. She did not maintain proper books of accounts. Following particulars are obtained from her books as on 31.3.2019.

From the following particulars of Kumar Ltd., Prepare a Common-size income statement for the year ended 31st March, 2018.

| Particulars | ₹ | Particulars | ₹ |
|------------------|----------|----------------|----------|
| Bank overdraft | 50,000 | Stock-in-trade | 1,60,000 |
| Debtors | 1,80,000 | Creditors | 90,000 |
| Bills receivable | 70,000 | Bills payable | 2,40,000 |
| Computer | 30,000 | Cash in hand | 60,000 |
| Machinery | 3,00,000 | | |

During the year she withdrew ₹30,000 for her personal use. She introduced further capital of ₹40,000 during the year. Calculate her profit or loss.

(OR)

- (b) Rajan and Selva are partners sharing profits and losses in the ratio of 3:1. Their Balance Sheet as on 31st March 2017 is as under.

| Liabilities | ₹ | ₹ | Assets | ₹ |
|-------------------|--------|--------|--------------------------------|--------|
| Capital accounts: | | | Building | 25,000 |
| Rajan | 30,000 | | Furniture | 1,000 |
| Selva | 16,000 | 46,000 | Stock | 20,000 |
| General reserve | | 4,000 | Debtors | 16,000 |
| Creditors | | 37,500 | Bills Receivable | 3,000 |
| | | | Cash at Bank | 12,500 |
| | | | Profit and Loss account (Loss) | 10,000 |
| | | 87,500 | | 87,500 |

On 1.4.2017, they admit Ganesan as a new partner on the following arrangements:

- (i) Ganesan brings ₹10,000 as capital for 1/5 share of profit.
- (ii) Stock and furniture is to be reduced by 10%, a reserve of 5% on debtors for doubtful debts is to be created.
- (iii) Appreciate buildings by 20%.

Prepare Revaluation account, Partners' capital account and the Balance sheet of the firm after admission of the new partner.

42. (a) From the following particulars calculate total sales.

| Particulars | ₹ | Particulars | ₹ |
|------------------------------------------------|----------|--------------------------------------------------|----------|
| Debtors on 1 st April 2018 | 2,50,000 | Bills receivable dishonoured | 15,000 |
| Bills receivable on 1 st April 2018 | 60,000 | Returns inward | 50,000 |
| Cash received from debtors | 7,25,000 | Bills receivable on 31 st March, 2019 | 90,000 |
| Cash received for bills receivable | 1,60,000 | Sundry debtors on 31 st March, 2019 | 2,40,000 |
| Bad debts | 30,000 | Cash sales | 3,15,000 |

(OR)

- (b) Explain any five applications of computerised accounting system.
43. (a) From the following particulars of Trichy Educational Society, prepare Receipts and Payments account for the year ended 31st December, 2018

| Particulars | ₹ | Particulars | ₹ |
|---------------------------------------|--------|-----------------------|--------|
| Opening cash balance as on (1.1.2018) | 20,000 | Locker rent received | 12,000 |
| Investments made | 80,000 | Sale of Furniture | 5,000 |
| Honorarium paid | 3,000 | General expenses | 7,000 |
| Donation received | 80,000 | Postage | 1,000 |
| Audit fees paid | 2,000 | Subscription received | 10,000 |

(OR)

- (b) Rajan Ltd., purchased machinery of ₹6,00,000 from Jegan Traders. It issued equity shares of ₹10 each fully paid in satisfaction of their claim. What entries will be made if such issue is made?
(a) at par (b) at premium of 50%
44. (a) From the following Receipts and Payments account of Trichy Recreation club, prepare Income and Expenditure Account for the year ended 31.03.2018.

| Receipts | ₹ | Payments | ₹ |
|----------------------------|---------------|----------------------------|---------------|
| To Opening Balance | | By Furniture Purchased | 10,000 |
| Cash in hand | 11,000 | By Rent | 2,800 |
| To Dividend received | 27,600 | By Secretary's honorarium | 15,000 |
| To Sale of old newspapers | 3,000 | By Postage | 1,700 |
| To Member's Subscription | 31,000 | By General expenses | 4,350 |
| To Locker rent | 8,000 | By Printing and stationery | 45,000 |
| To Interest on investments | 1,250 | By Audit fees | 5,000 |
| To Sale of furniture | 5,000 | By Closing balance | |
| (Book value ₹ 4,400) | | Cash in hand | 3,000 |
| | 86,850 | | 86,850 |

(OR)

- (b) From the following particulars, prepare comparative statement of financial position of Kala Ltd.

| Particulars | 31 st March, 2017 ₹ | 31 st March, 2018 ₹ |
|---------------------------------|-----------------------------------|-----------------------------------|
| I EQUITY AND LIABILITIES | | |
| 1. Shareholders' Fund | | |
| (a) Share capital | 3,00,000 | 3,60,000 |
| (b) Reserves and Surplus | 50,000 | 50,000 |
| 2. Non-current liabilities | | |
| Long-term borrowings | 50,000 | 40,000 |
| 3. Current liabilities | | |
| Trade payables | 20,000 | 12,000 |
| Total | 4,20,000 | 4,62,000 |

| II ASSETS | | |
|-------------------------------|----------|----------|
| 1. Non-current assets | | |
| (a) Fixed assets | 2,50,000 | 2,90,000 |
| (b) Non - current investments | 50,000 | 40,000 |
| 2. Current assets | | |
| Inventories | 80,000 | 1,00,000 |
| Cash and Cash equivalents | 40,000 | 32,000 |
| Total | 4,20,000 | 4,62,000 |

45. (a) Naresh, Mani and Muthu are partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March 2019, Muthu retires from the firm. On the date of Muthu's retirement, goodwill appeared in the books of the firm at ₹40,000. By assuming fluctuating capital method, pass the necessary journal entries if the partners decide to :

(i) Write off the entire amount of existing goodwill (ii) Write off half of the amount of existing goodwill.

(OR)

- (b) Calculate trend percentages from the following particulars of Kurinji Ltd.

| Particulars | ₹ in Thousands | | |
|-------------------------|----------------|---------|---------|
| | 2015-16 | 2016-17 | 2017-18 |
| Revenue from operations | 120 | 132 | 156 |
| Other income | 50 | 38 | 65 |
| Expenses | 100 | 135 | 123 |

46. (a) State the differences between Fixed Capital method and Fluctuating Capital method.

(OR)

- (b) From the following information relating to Arul Enterprises, calculate the value of goodwill on the basis of 2 years purchase of the average profits of 3 years.

(i) Profits for the years ending 31st December 2016, 2017 and 2018 were ₹46,000 ₹44,000 and ₹50,000 respectively.

(ii) A non-recurring income of ₹5,000 is included in the profits of the year 2016.

(iii) The closing stock of the year 2017 was overvalued by ₹10,000.

47. (a) Progress Ltd., issued 30,000 ordinary shares of ₹10 each, payable ₹2 on application, ₹4 on allotment, ₹2 on first call and ₹2 on second and final call. All the shares are subscribed and amount was duly received. Pass journal entries.

(OR)

- (b) Following is the Balance Sheet of Magesh Ltd., as on 31st March 2019.

| Particulars | ₹ |
|---------------------------------|-----------|
| I EQUITY AND LIABILITIES | |
| 1. Shareholders' Fund | |
| Equity share capital | 20,00,000 |
| 2. Non-current liabilities | |
| Long-term borrowings | 5,00,000 |
| 3. Current liabilities | |
| (a) Short-term borrowings | 1,70,000 |
| (b) Trade payable | 2,50,000 |
| (c) Other current liabilities | |
| Expenses payable | 30,000 |
| (d) Short-term Provisions | 50,000 |
| Total | 30,00,000 |

| II ASSETS | |
|-------------------------------|-----------|
| 1. Non-current assets | |
| Fixed assets | |
| (a) Tangible assets | 15,00,000 |
| 2. Current assets | |
| (a) Inventories | 4,50,000 |
| (b) Trade receivable | 7,00,000 |
| (c) Cash and Cash equivalents | 3,00,000 |
| (d) Other current equivalents | |
| Prepaid expenses | 50,000 |
| Total | 30,00,000 |

Calculate :

- (i) Current ratio
(iii) Quick ratio

ANSWERS

Part - I

- | | |
|---------------------------------------------|-----------------------------------------------------|
| 1. (b) Company Features | 2. (a) Liabilities |
| 3. (a) 2:3 | 4. (c) Gain |
| 5. (d) Working capital | 6. (c) Life membership fees |
| 7. (a) Partners' salary | 8. (a) Retiring partner's loan A/c |
| 9. (b) ₹ 30,000 | 10. (d) Withdrawal of cash from bank for office use |
| 11. (d) Long term Solvency | 12. (c) the sacrificing partners |
| 13. (a) 6 times | 14. (a) 15 |
| 15. (d) Capital reserve account | 16. (a) ₹ 10,000 |
| 17. (b) Goodwill is an intangible asset | 18. (c) 6% per annum |
| 19. (b) Capital account of all the partners | 20. (c) ₹ 3,00,000 |

Part - II

21. Generally cash account and the personal accounts of customers and creditors are maintained by small sized sole trader. When double entry accounting system is not followed.
22. (i) Honorarium
(ii) Charity
(iii) Audit fees
(iv) Purchase of sports materials.
23. (i) When there is a change in the profit sharing ratio
(ii) When a new partner is admitted into a firm.
24. To transfer the amount due to the deceased partner to the executor or legal representative of the deceased partner.

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|------|-------------------------------------------------------------------------------------------------------------------------|-----|------------|-------------|
| | Deceased partner's capital A/c Dr. To Deceased partner's executor's A/c (Amount transferred to Executors Account) | | XXX | XXX |

25. When the number of shares applied for is more than the number of shares offered for subscription, it is said to be over subscription.
26. (i) Quick ratio gives the proportion of quick assets to current liabilities.
 (ii) It indicates whether the business concern is in a position to pay its current liabilities as and when they become due, out of its quick assets.
 (iii) It is otherwise called "liquid ratio" or "acid test ratio".
- (iv) It is calculated as follows:
$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$
27. Routine accounting reports include
- (i) Day books / Journal (ii) Ledger
 (iii) Trial balance (iv) Income statement
 (v) Balance sheet (vi) Cash flow statement
28. **Statement of profit or loss for the year ending 31st December 2021**

| Particulars | ₹ |
|------------------------------------------------------------------|-----------------|
| Closing capital as on 31 st December 2021 | 3,60,000 |
| Add : Drawings during the year | 50,000 |
| | 4,10,000 |
| Less: Additional Capital introduced during the year | 20,000 |
| Adjusted closing capital | 3,90,000 |
| Less: Opening capital as on 1 st January, 2021 | 2,60,000 |
| Profit made during the year (B/F) | 1,30,000 |

29. Calculation of interest on drawings of Ram (using average period)

$$\text{Total amount of drawings} = 12,000 \times 2 = ₹ 24,000$$

If drawings are made at the end of every half year, average period = 9

$$\begin{aligned} \text{Interest on drawings} &= \text{Total amount of drawings} \times \text{Rate of interest} \times \frac{\text{Average period}}{12} \\ &= 24,000 \times \frac{10}{100} \times \frac{9}{12} = ₹ 1,800 \end{aligned}$$

30. Goodwill = Average profit × Number of years of purchase
 1,20,000 = 40,000 × Number of years of purchase
 $\frac{1,20,000}{40,000} = \text{Number of years of purchase}$
 \therefore Number of years of purchase = 3 years.

Part - III

- 31.

| S. No. | Basis of distinction | Double entry system | Incomplete records |
|--------|-----------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 1. | Recording of transactions | Both debit and credit aspects of all the transactions are recorded. | Debit and credit aspects of all the transactions are not recorded completely. |
| 2. | Type of accounts maintained | Personal, real and nominal accounts are maintained fully. | In general, only personal and cash accounts are maintained fully. Real and nominal accounts are not maintained fully. |

| S. No. | Basis of distinction | Double entry system | Incomplete records |
|--------|------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Preparation of trial balance | Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts. | It is difficult to prepare the trial balance to check arithmetic accuracy of entries made in the books of accuracy of entries made in the books of accounts as the accounts are incomplete. |
| 4. | Suitability | It is suitable for all types of organisations | It may be suitable for small sized sole traders and partnership firms. |
| 5. | Reliability | It is reliable since it is a scientific system of accounting. | It is not reliable since it is unscientific. |

32. (i) Honorarium - Revenue Expenditure
(ii) Purchase of sports equipment - Capital Expenditure
(iii) Purchase of books for library - Capital Expenditure

33. Calculation of interest on capital: Interest on Antony's capital:

$$\text{On opening capital for 1 year} = 60,000 \times \frac{6}{100} = ₹ 3,600$$

$$\text{On additional capital for 9 months} = 10,000 \times \frac{6}{100} \times \frac{9}{12} = ₹ 450$$

$$\text{Interest on capital} = ₹ 4,050$$

Interest on Akbar's capital:

$$\text{On opening capital for 1 year} = 40,000 \times \frac{6}{100} = ₹ 2,400$$

$$\text{On additional capital for 6 months} = 5,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 150$$

$$\text{Interest on capital} = ₹ 2,550$$

34. Generally, the following factors determine the value of goodwill of a partnership firm:
- Profitability of the firm:** A firm earning higher profits and having potential to generate higher profits in future will have higher value of good will.
 - Good quality of goods or services offered:** If a firm enjoys good reputation among the customers and general public for the good quality of its products or services, the value of goodwill for the firm will be high.
 - Tenure of the business enterprise:** A firm which has carried on business for several years will have higher reputation among its customers as it is better known to the customers.
 - Efficiency of management:** A firm having efficient management will earn more profits and the value of its goodwill will be higher compared to a firm with less efficient managerial personnel .
 - Degree of competition :** In the case of business enterprises having no competition or negligible competition, the value of goodwill will be high
 - Other factors:** There are other factors which add to the value of goodwill of a business such as popularity of the proprietor, impressive advertisements and publicity, good relations with customers, etc.
35. (a) To write off the entire amount of existing goodwill.

Journal entry

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|---------|---------------------------------|-----|------------|-------------|
| 2018 | Sam's capital A/c (3/5) Dr | | 12,000 | |
| April 1 | Jose's capital A/c (2/5) Dr | | 8,000 | |
| | To Goodwill A/c | | | 20,000 |
| | (Existing goodwill written off) | | | |

- (b) To write off ₹ 10,000 of the existing goodwill :

Journal entry

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|---------|-----------------------------------------------------------|-----|------------|-------------|
| 2018 | Sam's capital A/c (3/5) Dr | | 6,000 | |
| April 1 | Jose's capital A/c (2/5) Dr | | 4,000 | |
| | To Goodwill A/c | | | 10,000 |
| | (Existing goodwill written off to the extend of ₹ 10,000) | | | |

36. (i) The excess amount paid over the called up value of a share is known as calls in advance.
(ii) It is the excess money paid on application or allotment or calls. Such excess amount can be returned or adjusted towards future payment.
(iii) If the company decides to adjust such amount towards future payment, the excess amount may also be transferred to a separate account called call in advance.
(iv) Calls in advance does not form part of the company's share capital and no dividend is payable on such amount.
(v) In the balance sheet, it should be shown under current liabilities.
- 37.

Common-size income statement of Kumar Ltd for the year ended 31st March, 2018

| Particulars | Absolute amount ₹ | Percentage of revenue from operations |
|---------------------------|----------------------|------------------------------------------|
| Revenue from Operations | 5,00,000 | 100 |
| <u>Add</u> : Other income | 20,000 | 4 |
| Total revenue | 5,20,000 | 104 |
| <u>Less</u> : Expenses | 3,00,000 | 60 |
| Profit before tax | 2,20,000 | 44 |

38.

Journal entry

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|----------|------------------------------------------------------------------------------------------------|-----|------------|-------------|
| 2017 | General reserve A/c Dr | | 60,000 | |
| March 31 | To Vivin's capital A/c | | | 20,000 |
| | To Hari's capital A/c | | | 20,000 |
| | To Joy's capital A/c | | | 20,000 |
| | (General reserve transferred to all partner's capital account in the old profit sharing ratio) | | | |

39. Following are some of the major accounting vouchers used in an organisation:
- (i) Receipt Voucher (ii) Payment Voucher
(iii) Contra Voucher (iv) Purchase Voucher
(v) Sales Voucher (vi) Journal Voucher
40. (i) Inventory is not considered as liquid asset because it takes some time to sell the inventory and to convert into cash.
(ii) Similarly, prepaid expenses are not considered as liquid assets because these are expenses paid in advance.
(iii) These cannot be converted into cash and only the benefit can be derived and are thus excluded from liquid assets.

Part - IV

41. (a) Statement of affairs of Subha as on 31.03.2019

| Liabilities | ₹ | Assets | ₹ |
|----------------------------|-----------------|------------------|----------|
| Creditors | 90,000 | Stock in trade | 1,60,000 |
| Bills payable | 2,40,000 | Cash in hand | 60,000 |
| Bank overdraft | 50,000 | Debtors | 1,80,000 |
| Capital (Balancing figure) | 4,20,000 | Bills receivable | 70,000 |
| | | Computer | 30,000 |
| | | Machinery | 3,00,000 |
| | 8,00,000 | | 8,00,000 |

Statement of profit or loss for the year ending 31st March 2019

| Particulars | ₹ |
|------------------------------------------------------------|-----------------|
| Closing capital as on 31.03.2019 | 4,20,000 |
| Add: Drawings during the year | 30,000 |
| | 4,50,000 |
| Less: Additional capital introduced during the year | 40,000 |
| Adjusted closing capital | 4,10,000 |
| Less: Opening capital as on 01.04.2018 | 1,20,000 |
| Profit made during the year ending 31.03.2019 | 2,90,000 |

(OR)

(b)

Revaluation Account

| Dr | | | | Cr | |
|--------------------------------------------------|-------|--------------|------------------------------------|-------|-------|
| Particulars | ₹ | ₹ | Particulars | ₹ | |
| To Stock A/c (20,000 × 10/100) | | 2,000 | By Buildings A/c (25,000 × 20/100) | 5,000 | |
| To Furniture A/c (1,000 × 10/100) | | 100 | | | |
| To Debtors A/c (16,000 × 5/100) | | 800 | | | |
| To Profit on revaluation transferred capital A/c | | | | | |
| Rajan (3/4) | 1,575 | | | | |
| Selva (1/4) | 525 | 2,100 | | | |
| | | 5,000 | | | |
| | | | | | 5,000 |

Capital Account

| Dr | | | | Cr | | | |
|------------------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|
| Particulars | Rajan ₹ | Selva ₹ | Ganesan ₹ | Particulars | Rajan ₹ | Selva ₹ | Ganesan ₹ |
| To Profit and loss A/c | 7,500 | 2,500 | - | By Balance b/d | 30,000 | 16,000 | - |
| To Balance c/d | 27,075 | 15,025 | 10,000 | By General reserve A/c | 3,000 | 1,000 | - |
| | 34,575 | 17,525 | 10,000 | By Revaluation A/c | 1,575 | 525 | - |
| | | | | By Bank A/c | - | - | 10,000 |
| | | | | | 34,575 | 17,525 | 10,000 |
| | | | | By Balance b/d | 27,075 | 15,025 | 10,000 |

Balance sheet as on 1st April 2017

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|--------------------------|--------|--------|-----------------------------|--------|--------|
| Capital Account : | | | Building | 25,000 | |
| Rajan | 27,075 | | Add: Appreciation | 5,000 | 30,000 |
| Selva | 15,025 | | Furniture | 1,000 | |
| Ganesan | 10,000 | 52,100 | Less: Depreciation | 100 | 900 |
| Creditors | | 37,500 | Stock | 20,000 | |
| | | | Less: Depreciation | 2,000 | 18,000 |
| | | | Debtors | 16,000 | |
| | | | Less: Doubtful debts | 800 | 15,200 |
| | | | Cash at bank | 12,500 | |
| | | | Add: | | |
| | | | Ganesan's capital | 10,000 | 22,500 |
| | | | Bills receivable | | 3,000 |
| | | 89,600 | | | 89,600 |

42. (a)

Dr Bills receivable account Cr

| Particulars | ₹ | Particulars | ₹ |
|-----------------------------------------------------|----------|-------------------------------|----------|
| To Balance b/d | 60,000 | By Cash A/c | 1,60,000 |
| To Debtors A/c | 2,05,000 | By Debtors | 15,000 |
| (Bills received during the year - balancing figure) | | (Bills receivable dishonored) | |
| | | By Balance c/d | 90,000 |
| | 2,65,000 | | 2,65,000 |

Dr Total Debtors account Cr

| Particulars | ₹ | Particulars | ₹ |
|-----------------------|-----------|---------------------|-----------|
| To Balance b/d | 2,50,000 | By Cash | 7,25,000 |
| To Bills receivable | 15,000 | By Returns inward | 50,000 |
| (dishonored) | | By Bills receivable | 2,05,000 |
| To Credit sales (B/F) | 9,85,000 | (bills received) | |
| | | By Bad debts | 30,000 |
| | | By Balance c/d | 2,40,000 |
| | 12,50,000 | | 12,50,000 |

Total sales = Cash sales + Credit sales = ₹ 3,15,000 + ₹ 9,85,000 = ₹ 13,00,000

(OR)

(b) The applications of CAS are as follows :

- Maintaining accounting records :** In CAS, accounting records can be maintained easily and efficiently for long time period. It facilitates fast and accurate retrieval of data and information.
- Inventory management :** CAS facilitates efficient management of inventory. Updated information about availability of inventory, level of inventory, etc., can be obtained instantly.
- Report generation :** CAS helps to generate various routine and special purpose reports.
- Data import/export :** Accounting data and information can be imported from or exported to other users within the organisation as well as outside the organisation.
- Taxation:** CAS helps to compute various taxes and to deduct these and deposit the same to the Government account.

43. (a) In the books of Trichy Educational Society

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

| Receipts | ₹ | Payments | ₹ |
|-------------------------|----------|---------------------|----------|
| To Balance b/d | | By Investments made | 80,000 |
| Cash in hand | 20,000 | By Honorarium paid | 3,000 |
| To Donation received | 80,000 | By Audit fees | 2,000 |
| To Locker rent received | 12,000 | By General expenses | 7,000 |
| To Sale of furniture | 5,000 | By Postage | 1,000 |
| To Subscription | 10,000 | By Balance c/d | |
| | | Cash in hand | 34,000 |
| | 1,27,000 | | 1,27,000 |

(OR)

(b) (a) When shares are issued at par :

In the books of Rajan Ltd
Journal entries

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|------|-----------------------------------------------------------------------------------------------------|-----|------------|-------------|
| | Machinery A/c To Jagan Traders A/c (Purchase of machinery) | Dr. | 6,00,000 | 6,00,000 |
| | Jagan Traders A/c To Equity share capital A/c (Issue of 60,000 shares of ₹10 each fully paid) | Dr. | 6,00,000 | 6,00,000 |

(b) When shares are issued at a premium of 50%

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|----------------------|
| | Machinery A/c To Jagan Traders A/c (Purchase of machinery) | Dr. | 6,00,000 | 6,00,000 |
| | Jagan Traders A/c To Equity share capital A/c (40,000 × 10) To Securities premium A/c (40,000 × 5) (Issue of 40,000 shares of ₹10 each at a premium of 50%) | Dr. | 6,00,000 | 4,00,000 2,00,000 |

Note :

Computation of number of shares to be issued

| | | |
|--------------------------------------|---|------------------------------------------------------------------------------------------------|
| Total amount | = | ₹ 6,00,000 |
| Face value of the shares | = | ₹ 10 |
| Premium | = | 50%; Therefore, premium amount = 10 × 50% = ₹ 5 |
| Issue price | = | Face value + premium = 10 + 5 = ₹15 |
| Number of equity shares to be issued | = | $\frac{\text{Total amount}}{\text{Issue price}} = \frac{6,00,000}{15} = 40,000 \text{ shares}$ |

44. (a) In the books of Trichy Recreation club Income and Expenditure Account
for the year ended 31st March, 2018

| Dr | | Cr | |
|----------------------------|--------|---------------------------------------------------|--------|
| Expenditure | ₹ | Income | ₹ |
| To Rent | 2,800 | By Dividend received | 27,600 |
| To Secretary's honorarium | 15,000 | By Sale of old newspaper | 3,000 |
| To Postage | 1,700 | By Member's subscription | 31,000 |
| To General Expenses | 4,350 | By Locker rent | 8,000 |
| To Printing and stationery | 45,000 | By Interest on investment | 1,250 |
| To Audit fees | 5,000 | By Profit on sale of furniture (5000 – 4,400) | 600 |
| | | By Deficit (excess of expenditure over income) | 2,400 |
| | 73,850 | | 73,850 |

(OR)

- (b)

Comparative balance sheet of Kala Ltd as on 31st March 2017 and 31st March 2018

| Particulars | 2016-17 ₹ | 2017-18 ₹ | Absolute amount of increase (+) or decrease (-) ₹ | Percentage increase (+) or decrease (-) |
|----------------------------------|--------------|--------------|---------------------------------------------------------------|-----------------------------------------------|
| I. Equity and Liabilities | | | | |
| 1. Share holder's fund | | | | |
| (a) Share capital | 3,00,000 | 3,60,000 | + 60,000 | + 20 |
| (b) Reserve and surplus | 50,000 | 50,000 | - | - |
| 2. Non-current liabilities | | | | |
| Long term borrowings | 50,000 | 40,000 | - 10,000 | - 20 |
| 3. Current liabilities | | | | |
| Trade payables | 20,000 | 12,000 | - 8,000 | - 40 |
| Total | 4,20,000 | 4,62,000 | 42,000 | + 10 |
| II. Assets | | | | |
| 1. Non-current assets | | | | |
| (a) Fixed assets | 2,50,000 | 2,90,000 | + 40,000 | + 16 |
| (b) Non-current investments | 50,000 | 40,000 | - 10,000 | - 20 |
| 2. Current assets | | | | |
| Inventories | 80,000 | 1,00,000 | + 20,000 | + 25 |
| Cash and cash equivalents | 40,000 | 32,000 | - 8,000 | - 20 |
| Total | 4,20,000 | 4,62,000 | 42,000 | + 10 |

45. (a)
(a) Write off the entire amount of existing goodwill

Journal entry

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|----------|-------------------------------------|-----|------------|-------------|
| 2019 | Naresh's capital A/c (40,000 × 2/5) | Dr. | 16,000 | |
| March 31 | Mani's capital A/c (40,000 × 2/5) | Dr. | 16,000 | |
| | Muthu's capital A/c (40,000 × 1/5) | Dr. | 8,000 | |
| | To Goodwill A/c | | | 40,000 |
| | (Existing goodwill written off) | | | |

- (b) Write off half of the amount of existing goodwill, that is ₹20,000

Journal entry

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|----------|---------------------------------------------|-----|------------|-------------|
| 2019 | Naresh's capital A/c (20,000 × 2/5) | Dr. | 8,000 | |
| March 31 | Mani's capital A/c (20,000 × 2/5) | Dr. | 8,000 | |
| | Muthu's capital A/c (20,000 × 1/5) | Dr. | 4,000 | |
| | To Goodwill A/c | | | 20,000 |
| | (Half of the existing goodwill written off) | | | |

(OR)

- (b)

Trend analysis for Kurinji Ltd

| Particulars | ₹ in thousands | | | Trends percentages | | |
|--------------------------|----------------|---------|---------|--------------------|---------|---------|
| | 2015-16 | 2016-17 | 2017-18 | 2015-16 | 2016-17 | 2017-18 |
| Revenue from operations | 120 | 132 | 156 | 100 | 110 | 130 |
| Add: Other income | 50 | 38 | 65 | 100 | 76 | 130 |
| Total revenue | 170 | 170 | 221 | 100 | 100 | 130 |
| Less: Expenses | 100 | 135 | 123 | 100 | 135 | 123 |
| Profit | 70 | 35 | 98 | 100 | 50 | 140 |

Note: Computation of trend percentage for revenue from operations:

For 2016-17: $\frac{132}{120} \times 100 = 110\%$; For 2017-18: $\frac{156}{120} \times 100 = 130\%$

46. (a)

| Basis of destination | Fixed capital method | Fluctuating capitals method |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Number of accounts | Two accounts are maintained for each partner, that is, capital account and current account. | Only one account, that is, capital account is maintained for each partner. |
| Change in capital | The amount of capital normally remains unchanged except when additional capital is introduced or capital is withdrawn permanently | The amount of capital changes from period to period. |

| Basis of destination | Fixed capital method | Fluctuating capitals method |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closing balance | Capital account always shows a credit balance. But, current account may show either debit or credit balance. | Capital account generally shows credit balance. It may also show a debit balance. |
| Adjustments | All adjustments relating to interest on capital, interest on drawings, salary or commission, share of profit or loss are done in current account | All adjustments relating to interest on capital, interest on drawings, salary or commission, share of profit or loss are done in the capital account |

(OR)

(b) Calculation of adjusted profit

| Particulars | 2016 ₹ | 2017 ₹ | 2018 ₹ |
|-----------------------------------------------|--------|--------|--------|
| Profit | 46,000 | 44,000 | 50,000 |
| Less : Non - recurring income | 5,000 | - | - |
| | 41,000 | 44,000 | 50,000 |
| Less : Over valuation of closing stock | - | 10,000 | - |
| | 41,000 | 34,000 | 50,000 |
| Add : Over valuation of Opening stock | - | - | 10,000 |
| Profit after adjustments | 41,000 | 34,000 | 60,000 |

Note: Over valuation of closing stock in 2017 will result in over valuation of opening stock in 2018

$$\text{Average profit} = \frac{\text{Total profit}}{\text{Number of years}} = \frac{41,000 + 34,000 + 60,000}{3} = \frac{1,35,000}{3} = ₹ 45,000$$

$$\text{Goodwill} = \text{Average profit} \times \text{Number of years of purchase} = 45,000 \times 2 = ₹ 90,000$$

47. (a)

In the books of Progress Ltd
Journal entries

| Date | Particulars | L.F | Debit ₹ | Credit ₹ |
|------|-------------------------------------------------------------------------------------------------------------|-----|----------|----------|
| | Bank A/c (30,000 × 2) Dr. To Share application A/c (Application money received) | | 60,000 | 60,000 |
| | Share application A/c Dr. To Share capital A/c (Transfer of share application money to share capital) | | 60,000 | 60,000 |
| | Share allotment A/c (30,000 × 4) Dr. To Share capital A/c (Share allotment money due) | | 1,20,000 | 1,20,000 |
| | Bank A/c Dr. To Share allotment A/c (Allotment money received) | | 1,20,000 | 1,20,000 |

| | | | | |
|-----------------------------------------------------------------------------------------------------------------|-----|--|--------|--------|
| Share first call A/c (30,000 × 2) To Share capital A/c (Share first call money due) | Dr. | | 60,000 | 60,000 |
| Bank A/c To Share first call A/c (Share first call money received) | Dr. | | 60,000 | 60,000 |
| Share second and final call A/c (30,000 × 2) To Share capital A/c (Share second and final call money due) | Dr. | | 60,000 | 60,000 |
| Bank A/c To Share second & final call A/c (Share second and final call money received) | Dr. | | 60,000 | 60,000 |

(OR)

(b)

(i) Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$
 Current assets = Inventories + Trade receivables + Cash and cash equivalents + Prepaid expenses
 = 4,50,000 + 7,00,000 + 3,00,000 + 50,000
 = ₹15,00,000

Current liabilities = Short term borrowings + Trade payables + Expenses payable + Short term provisions
 = 1,70,000 + 2,50,000 + 30,000 + 50,000
 = ₹ 5,00,000

∴ Current ratio = $\frac{15,00,000}{5,00,000} = 3:1$

(ii) Quick ratio = $\frac{\text{Quick assets}}{\text{Current liabilities}}$

Quick assets = Total current assets – Inventories – Prepaid expenses
 = 15,00,000 – 4,50,000 – 50,000

= ₹10,00,000

∴ Quick ratio = $\frac{10,00,000}{5,00,000} = 2:1$
