PUBLIC EXAM - MARCH – 2023 - ANSWER KEY

XII STANDARD – ACCOUNTANCY – ENGLISH MEDIUM

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Time Allowed : 3 Hours

Maximum Marks : 90

I. Choose the most suitable from the given four alternatives and write the option code and the corresponding answer 20 x 1 = 20

A			B		
1	A	2:3	1	B	Company Features
2	C	6% per Annum	2	A	Liabilities
3	C	Rs.3,00,000	3	A	2:3
4	D	Working Capital	4	C	Gain
5	B	Goodwill is an Intangible Asset	5	D	Working Capital
6	A	15	6	D	Working Capital
7	A	6 Times	7	A	Partner's Salary
8	D	Capital Reserve Account	8	A	Retiring Partner's Loan A/c
9	B	Company Features	9	B	Rs.30,000
10	B	Capital Account of all the Partners	10	D	Withdrawal of cash from bank for office use
11	B	Rs.30,000	11	D	Long Term Solvency
12	D	Long Term Solvency	12	C	The Sacrificing Partners
13	D	Withdrawal of cash from bank for office use	13	A	6 Times
14	C	Gain	14	A	15
15	A	Liabilities	15	D	Capital Reserve Account
16	C	Life Membership	16	A	Rs.10,000
17	A	Retiring Partner's Loan A/c	17	B	Goodwill is an Intangible Asset
18	C	The Sacrificing Partners	18	C	6% per Annum
19	A	Partner's Salary	19	B	Capital Account of all the Partners
20	A	Rs.10,000	20	C	Rs.3,00,000

II. Answer any seven questions. Question No.30 is compulsory. 7 x 2 = 14

21) Accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

- 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) Four examples for revenue expenditure of not-for-profit organisation

1) Honorarium
2) Charity
3) Audit Fees
4) Purchase of Sports Materials

23) The following circumstances under which goodwill of a partnership firm is valued

- When there is a change in the profit sharing ratio.
- When a new partner is admitted into a firm.

24) Transfer the amount due to the deceased partner to the executor or legal representative of the deceased partner.

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Deceased partner's capital A/c Dr. To Deceased partner's executor A/c		xxx	 xxx

25) Over – Subscription – Meaning:

- **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) Quick Ratio – Meaning:

- **Quick ratio gives the proportion of quick assets to current liabilities.**
- **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.**
- **It is otherwise called "liquid ratio" or "acid test ratio".**
- **Quick ratio =** Quick assets - Current liabilities

27) Five Accounting Reports

a) **Day books/Joumal**
b) **Ledger**
c) **Trial Balance**
d) **Income statement**
e) **Balance sheet**

28) **Statement of profit or loss**

Particulars	Rs.
Closing capital (as on 31.12.2021)	**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 1.1.2021)**	**2,60,000**
Profit made during the year (B/F)	1,30,000

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

Total amount of drawings = 12,000 × 2 = Rs. 24,000

If drawings are made at the beginning of each half year, average period = 9

Interest on drawings = Total amount of drawings × Rate of interest × Average Profit / 12

= 24,000 x 10/100 x 9/12 = Rs.1,800

30) **Number of years of purchase is 3 years**

(Good will = Average Profit x No. of years of purchase. So, 40,000 x 3 = 1,20,000)

PART - III

III. Answer any seven questions. Question No.40 is compulsory. 7 x 3 = 21

31) Differences between double entry system and incomplete records (Any 3 only)

Basis of distinction	Double entry system	Incomplete records
1. **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.**
2. **Determination of financial position**	**Balance sheet can be prepared to know the true financial position.**	**Balance sheet cannot be prepared with accuracy and true financial position cannot be ascertained, as the assets and liabilities are just estimates and incomplete.**
3. **Suitability**	**It is suitable for all types of organisations.**	It may be suitable for small sized sole traders and partnership firms.

4. **Reliability**	**It is reliable since it is a scientific system of accounting and is based on certain accounting principles.**	**It is not reliable since it is unscientific.**
5. **Acceptability**	**Accounting records are acceptable to all users including tax authorities and financial institutions.**	**Accounting records may not be acceptable to all users.**

32) **Classification of Expenditure**

(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:

On opening capital for 1 year	**= 60,000 x 6/100**	**= Rs. 3,600**
On additional capital for 9 months	**= 10,000 x 6/100 x 9/12**	**= Rs. 450**
Interest on capital		**Rs. 4,050**

Interest on Akbar's capital:

On opening capital for 1 year	**= 40,000 x 6/100**	**= Rs. 2,400**
On additional capital for 9 months	**= 5,000 x 6/100 x 6/12**	**= Rs. 150**
Interest on capital		**Rs. 2,550**

34) **Factors determining the value of goodwill of a partnership firm**

(i) Profitability of the firm
(ii) Favourable location of the business enterprise
(iii) Good quality of goods or services offered
(iv) Tenure of the business enterprise
(v) Efficiency of management
(vi) Degree of competition

35) **(a)Write off the entire amount of existing goodwill, that is Rs.20,000**

Journal entry

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

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

Journal entry

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2018 April 1	Sam's capital A/c (10,000 × 3/5) Joes's capital A/c (10,000 × 2/5) To Goodwill A/c (Existing goodwill written off)	Dr. Dr. Dr.	6,000 4,000	 10,000

36) Brief note on calls – in – advance:

- **The excess amount paid over the called up value of a share is known as cells in advance.**
- **It is the excess money paid on application or allotment or cells.**
- **Such excess amounts can be returned or adjusted towards future payments.**
- **If the company decides to adjust such amount towards future payment, the excess amount is transferred to a separate account called calls in the advance account.**
- **Calls in advance do not form part of the company's share capital and no dividend is payable on such amount.**
- **As per Table F of the Indian Companies Act, 2013, interest may be paid on calls in advance if Articles of Association so provide not exceeding 12% per annum.**

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

Particulars	Absolute amount Rs.	Percentage of revenue from operations
Revenue from operations	5,00,000	**100**
Add: Other income	20,000	**4**
Total revenue	**5,20,000**	**104**
Less: Expenses	3,00,000	**60**
Profit before tax	**2,20,000**	**44**

38) Journal Entry

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2017 March 31	Reserve fund A/c Dr. To Vivin's capital A/c (60,000 × 1/3) To Hari's capital A/c (60,000 × 1/3) To Joy's capital A/c (60,000 × 1/3) (Reserve fund transferred to all partners' capital account in the old profit sharing ratio)		60,000	 20,000 20,000 20,000

39) Following are some of the major accounting vouchers commonly used in an organisation:

i) Receipt Voucher
ii) Payment Voucher
iii) Contra Voucher
iv) Purchase Voucher
v) Sales Voucher
vi) Journal Voucher

40) Inventory and Prepaid Expenses are not considered as Liquid Assets. Because,

1. Inventory is not considered as liquid asset because it takes some time to sell the inventory and to convert into cash.
2. Similarly, prepaid expenses are not considered as liquid assets because these are expenses paid in advance.
3. These cannot be converted into cash and only the benefit can be derived and are thus excluded from liquid assets.

PART - IV

IV. Answer all the questions. 7 x 5 = 35

41.a.

Statement of affairs of Subha as on 31st March, 2019

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

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

Particulars	Rs.
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 (B/F)	2,90,000

[OR]

41.b. **Dr.** **Revaluation Account** **Cr.**

Particulars	Rs.	Rs.	Particulars	Rs.
To Stock		2,000	By Land A/c	5,000
To Furniture		100		
To Provision for doubtful debts		800		
To Profit on revaluation transferred to				
Rajan's capital A/c (3/4)	1575			
Selva's capital A/c (1/4)	525	**2,100**		
		5,000		5,000

Dr. **Capital Account** **Cr.**

Particulars	Rajan Rs.	Selva Rs.	Ganesan Rs.	Particulars	Rajan Rs.	Selva Rs.	Ganesan Rs.
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 Bank A/c	-	-	10,000
				By Revaluation A/c	1,575	525	-
				By General Reserve A/c	3,000	1,000	-
	34,575	**17,525**	**10,000**		**34,575**	**17,525**	**10,000**
				By Balance b/d	**27,075**	**15,025**	**10,000**

Balance Sheet as on 31st March 2017

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital A/c			Building	25,000	
Rajan	27,075		(+) Appreciation	5,000	30,000
Selva	15,025				
Ganesan	10,000	**52,100**	Furniture	1,000	
			(-) Depreciation	100	900
Creditors		**37,500**			
			Stock	20,000	
			(-) Depreciation	2,000	18,000
			Debtors	16,000	
			(-) Doubtful Debts	8,00	15,200
			Bills Receivable		3,000
			Cash at Bank	12,500	
			(+) Ganesan's Capitl	10,000	22,500
		89,600			**89,600**

42.a)

Dr. Bills receivable account Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	60,000	By Cash A/c	1,60,000
To Debtors A/c* (Bills received during the year) (B/F)	2,05,000	By Debtors A/c (Bills receivable dishonoured)	15,000
		By Balance c/d	90,000
	2,65,000		2,65,000

Dr. Total debtors account Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	2,50,000	By Cash A/c	7,25,000
To Bills receivable A/c (dishonoured)	15,000	By Bad debts A/c	30,000
To Sales A/c (credit) (B/F)	9,85,000	By Returns inward A/c	50,000
		By Bills receivable A/c* (bills received)	2,05,000
		By Balance c/d	2,40,000
	12,50,000		12,50,000

Total Sales = Cash Sales + Credit Sales = Rs. 3,15,000 + Rs. 9,85,000 = Rs. 13,00,000

[OR]

42.b. The applications of CAS are as follows:

1. **Maintaining accounting records:**
   - ✓ In CAS, accounting records can be maintained easily and efficiently for long time period.
   - ✓ It does not require a large amount of physical space.
   - ✓ It facilitates fast and accurate retrieval of data and information.

2. **Inventory management:**
   - ✓ CAS facilitates efficient management of inventory.
   - ✓ Fast moving, slow moving and obsolete inventory can be identified.

3. **Report generation:**
   ✓ CAS helps to generate various routine and special purpose reports.

4. **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.

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

[OR]

43.b.

In the books of Rajan Ltd.,
Journal entries

(i) Issued at Par

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

(i) Issued at a Premium

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
	Machiney A/c To Jagan Traders A/c (Purchase of machinery)	Dr.		6,00,000	 6,00,000
	Jagan Traders A/c (40,000 x 15) To Equity share capital A/c (40,000 x 10) To Securities Premium A/c (40,000 x 5) (Issue of 40,000 shares of Rs.10 each at a premium of 50%)	**Dr.**		6,00,000	 4,00,000 2,00,000

Workings:

Total Amount = Rs.6,00,000

Face Value of the Shares = Rs.10

Premium = 50 %; Therfore, premium amount = 10 x 50/100 = Rs. 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 Shares

44.a.

In the books of Trichy Recreation Club

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

Expenditure	Rs.	Income	Rs.
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 Members' subscription	31,000
To General expenses	4,350	By Locker rent	8,000
To Printing and stationery	45,000	By Interest on Investments	1,250
To Audit fees	5,000	By Profit on sale of furniture (5,000 - 4,400)	600
		By Deficit (Excess of expenditure over income)	**2,400**
	73,850		**73,850**

[OR]

44.b.

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

Particulars	31st March, 2017 Rs.	31st March, 2018 Rs.	Absolute amount of increase (+) or decrease (–)	Percentage increase (+) or decrease (–)
I EQUITY AND LIABILITIES				
1. Shareholders' Fund				
a) Share capital	3,00,000	3,60,000	+60,000	**+20**
b) Reserves 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, that is Rs.40,000

Journal entry

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

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

Journal entry

Date	**Particulars**	**L.F.**	**Debit Rs.**	**Credit Rs.**
2019 March 31	Naresh's capital A/c (20,000 × 2/5) Mani's capital A/c (20,000 × 2/5) Muthu's capital A/c (20,000 × 1/5) To Goodwill A/c (Existing goodwill written off)	Dr. Dr. Dr.	8,000 8,000 4,000	 20,000

[OR]

45.b. **Trend analysis for Kurinji Ltd**

Particulars	Rs. in thousands			Trend 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**

46.a. Differences between the fixed capital method and the fluctuating capital method.

Basis of distinction	Fixed capital method	Fluctuating capital method
1. 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.
2. 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.
3. 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.
4. 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]

46. b. Calculation of Goodwill:

Calculation of adjusted profit

Particulars	2016 Rs.	2017 Rs.	2018 Rs.
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**

Average profit = $\dfrac{\textbf{Total profit}}{\textbf{Number of years purchase}}$

= $\dfrac{41,000 + 34,000 + 60,000}{3}$

= $\dfrac{1,35,000}{3}$ = **Rs.45,000**

Goodwill = **Average profit × Number of years of purchase**

= 45,000 × 2 = **Rs. 90,000**

47.a)

In the books of Progress Ltd.

Journal entries

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c Dr. To Equity share application A/c (Application money received)		60,000	 60,000
	Equity share application A/c **Dr.** To Equity share capital A/c (Transfer of share application money to share capital)		60,000	 60,000
	Equity share allotment A/c **Dr.** To Equity share capital A/c (Share allotment money due)		1,20,000	 1,20,000
	Bank A/c **Dr.** To Equity share allotment A/c (Allotment money received)		1,20,000	 1,20,000
	Equity share first call A/c **Dr.** To Equity share capital A/c (Share first call money due)		60,000	 60,000
	Bank A/c **Dr.** To Equity share first call A/c (Share first call money received)		60,000	 60,000
	Equity share second and final call A/c **Dr.** To Equity share capital A/c (Share second and final call money due)		60,000	 60,000
	Bank A/c **Dr.** To Equity share second and final call A/c (Share second and final call money received)		60,000	 60,000

[OR]

47.b)

$$\textbf{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{15,00,000}{5,00,000} = \mathbf{3:1}$$

Current assets = Inventories + Trade receivables + Cash and cash equivalents + Prepaid expenses
= 4,50,000 + 7,00,000 + 3,00,000 + 50,000 = **Rs. 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 = **Rs. 5,00,000**

$$\textbf{Quick Ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}} = \frac{10,00,000}{5,00,000} = \mathbf{2:1}$$

Quick assets = Total current assets – Inventories – Prepaid expenses
= 15,00,000 – 4,50,000 – 50,000 = **Rs. 10,00,000**

************* All The Best *************