

QUARTERLY EXAMINATION – 2023**ACCOUNTANCY**

Class : XII

Regr. No. :

Time : 3 Hrs

Max Marks : 90

Part – I**I. Choose the correct Answers :-****20x1=20**

1. 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
2. Opening balance of debtors: ₹ 30,000, cash received: ₹ 1,00,000, credit sales: ₹ 90,000; closing balance of debtors is
 - (a) ₹ 30,000
 - (b) ₹ 1,30,000
 - (c) ₹ 40,000
 - (d) ₹ 20,000
3. Receipts and payments account is a
 - (a) Nominal A/c
 - (b) Real A/c
 - (c) Personal A/c
 - (d) Representative personal account
4. 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
5. Legacy is a
 - (a) Revenue expenditure
 - (b) Capital expenditure
 - (c) Revenue receipt
 - (d) Capital receipt
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. Which of the following is the incorrect pair?
 - (a) Interest on drawings - Debited to capital account
 - (b) Interest on capital - Credited to capital account
 - (c) Interest on loan - Debited to capital account
 - (d) Share of profit - Credited to capital account
8. Profit after interest on drawings, interest on capital and remuneration is ₹ 10,500. Geetha, a partner, is entitled to receive commission @ 5% on profits after charging such commission. Find out commission.
 - (a) ₹ 50
 - (b) ₹ 150
 - (c) ₹ 550
 - (d) ₹ 500
9. Which of the following is true?
 - (a) Super profit = Total profit / number of years
 - (b) Super profit = Weighted profit / number of years
 - (c) Super profit = Average profit - Normal profit
 - (d) Super profit = Average profit × Years of purchase
10. Super profit is the difference between
 - (a) Capital employed and average profit
 - (b) Assets and liabilities
 - (c) Average profit and normal profit
 - (d) Current year's profit and average profit
11. Revaluation A/c is a
 - (a) Real A/c
 - (b) Nominal A/c
 - (c) Personal A/c
 - (d) Impersonal A/c

12. James and Kamal are sharing profits and losses in the ratio of 5:3. They admit Sunil as a partner giving him $\frac{1}{5}$ share of profits. Find out the sacrificing ratio.
 (a) 1:3 (b) 3:1 (c) 5:3 (d) 3:5

13. 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)	Sacrificing ratio	1	Investment fluctuation fund
ii)	Old profit sharing ratio	2	Accumulated profit
iii)	Revaluation account	3	Goodwill
iv)	Capital account	4	Unrecorded liability

Codes :

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

14. 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
15. 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
16. That part of share capital which can be called up only on the winding up of a company is called :
 (a) Authorised capital (b) Called up capital (c) Capital reserve (d) Reserve capital
17. The amount received over and above the par value is credited to
 (a) Securities premium account (b) Calls in advance account
 (c) Share capital account (d) Forfeited shares account
18. Which of the following is shown in Profit and Loss Appropriation account?
 (a) Partner's salary (b) Office expenses (c) Interest on bank loan (d) Salary of staff
19. Find the odd one out from the following.
 (a) Audit fees (b) Electricity charges (c) Life membership fees (d) Telephone charges
20. Choose the correct statement.
 (i) Minimum number of members in a partnership firm is TWO.
 (ii) Maximum number of members in a partnership firm is FIFTY.
 (iii) The business is carried on by all or any of them acting for all.
 (a) (i) is correct (b) (ii) is correct
 (c) (ii) and (iii) are correct (d) (i), (ii) and (iii) are correct

Part - II

(7x2=14)

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

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 organization.
23. State any two circumstances under which goodwill of a partnership firm is valued.
24. State whether the following will be debited or credited in the revaluation account.

(a) Depreciation on assets	(b) Unrecorded liability
(c) Provision for outstanding expenses	(d) Appreciation of assets
25. 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

26. 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.
27. Antony and Akbar were partners who share 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.
28. 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.
29. Arul and Anitha are partners sharing profits and losses in the ratio of 4:3. On 31.3.2018, Ajay was admitted as a partner. On the date of admission, the book of the firm showed a general reserve of ₹ 42,000. Pass the journal entry to distribute the general reserve.
30. Ravi and Kumar share profits and losses in the ratio of 7:3. Christy is admitted as a new partner with 3/7 share which he acquires 2/7 from Ravi and 1/7 from Kumar. Calculate the new profit sharing ratio and sacrificing ratio.

Part-III

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

(7x3=21)

31. What are the features of incomplete records? (any 3)
32. State any six factors determining goodwill.
33. State any six contents of a partnership deed.
34. Distinguish between sacrificing ratio and gaining ratio. (any 3)

35. Following are the balances in the books of Thomas as on 31st March 2019,

Particulars	₹	Particulars	₹
Sundry creditors	6,00,000	Bills payable	1,20,000
Furniture	80,000	Cash in hand	20,000
Land and Building	3,00,000	Bills receivable	60,000
Sundry debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31st March 2019 and calculate capital as at that date.

36. 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	₹
2015-16	7,500
2016-17	60,000
2017-18	1,500
	69,000

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

37. A and B contribute ₹ 4,00,000 and ₹ 2,00,000 respectively as capital. Their respective share of profit is 3:2 and the profit before interest on capital for the year is ₹ 27,000. Compute the amount of interest on capital in each of the following situations:

- if the partnership deed is silent as to the interest on capital
- if interest on capital @ 3% is allowed as per the partnership deed
- if the partnership deed allows interest on capital @ 5% p.a.

38. A partnership firm has decided to value its goodwill for the purpose of settling a retiring partner. The profits of that firm for the last four years were as follows:

2015: ₹ 40,000; 2016: ₹ 50,000; 2017: ₹ 48,000 and 2018: ₹ 46,000

The business was looked after by a partner. No remuneration was paid to him. The fair remuneration of the partner valued at comes to ₹ 6,000 per annum.

Find out the value of goodwill, if it is valued on the basis of three years purchase of the average profits of the last four years.

39. Hari, Madhavan and Kesavan are partners, sharing profits and losses in the ratio of 5:3:2. As from 1st April 2017, Vanmathi is admitted into the partnership and the new profit sharing ratio is decided as 4:3:2:1. The following adjustments are to be made.

- Increase the value of premises by ₹ 60,000.
- Depreciate stock by ₹ 5,000, furniture by ₹ 2,000 and machinery by ₹ 2,500.
- Provide for an outstanding liability of ₹ 500.

Pass journal entries and prepare revaluation account.

40. Kavitha, Kumudha and Lalitha are partners sharing profits and losses in the ratio of 5:3:3 respectively. Kumudha retires from the firm on 31st December, 2018. On the date of retirement, her capital account shows a credit balance of ₹ 2,00,000. Pass journal entries if:

- The amount due is paid off immediately by cheque.
- The amount due is not paid immediately.
- ₹ 70,000 is paid immediately by cheque.

Part - IV

(7×5=35)

Answer all the questions.

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.

Receipts	₹	Payments	₹
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:		Buildings	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	10,000
	87,500		87,500

On 1-4-2017, they admit Ganesan as a new partner on the following arrangements.

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

Prepare Revaluation account, Partner's 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 1-4-2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1-4-2018	60,000	Returns inward	50,000
Cash received from debtors	7,25,000	Bills receivable on 31-3-2019	90,000
Cash received for Bills receivable	1,60,000	Sundry debtors on 31-3-2019	2,40,000
Bad debts	30,000	Cash sales	3,15,000

- (b) What are the limitations of incomplete records. (any 5)

43. (a) From the following particulars of Trichy Educational Society, prepare Receipts and Payments account for the year ended 31st December, 2018.

Receipts	₹	Payments	₹
Opening cash balance as on 1-1-2018		Locker rent received	12,000
Investments made	20,000	Sale of furniture	5,000
Honorarium paid	80,000	General expenses	7,000
Donation received	3,000	Postage	1,000
Audit fees paid	80,000	Subscription received	10,000
	2,000		

(or)

- (b) Khan Ltd. issued 50,000 shares of ₹ 10 each to the public payable ₹ 4 on application, ₹ 4 on allotment and ₹ 2 on first and final call. Applications were received for 65,000 shares. The directors decided to allot 50,000 shares on pro rata basis and surplus application money was utilised for allotment. Pass journal entries assuming that the amounts due were received.

44. (a) The following particulars are available in respect of a business carried on by a partnership firm:
- Profits earned: 2016: ₹ 30,000; 2017: ₹ 29,000 and 2018: ₹ 32,000.
 - Profit of 2016 includes a non-recurring income of ₹ 3,000.
 - Profit of 2017 is reduced by ₹ 2,000 due to stock destroyed by fire.
 - 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) From the following information, prepare capital accounts of partners Mannan and Sevagan, when their capitals are fluctuating.

Particulars	Mannan (₹)	Sevagan (₹)
Capital on 1 st January 2018 (Cr. balance)	2,00,000	1,75,000
Drawings during 2018	40,000	35,000
Interest on drawings	1,000	500
Share of profit for 2018	21,000	16,500
Interest on capital	12,000	10,500
Salary	18,000	Nil
Commission	Nil	2,500

45. (a) Dinesh and Sugumar entered into a partnership agreement on 1st January 2018, Dinesh contributing ₹ 1,50,000 and Sugumar ₹ 1,20,000 as capital. The agreement provided that:
- Profits and losses to be shared in the ratio 2:1 as between Dinesh and Sugumar.
 - Partners to be entitled to interest on capital @ 4% p.a.
 - Interest on drawings to be charged Dinesh: ₹ 3,600 and Sugumar: ₹ 2,200
 - Dinesh to receive a salary of ₹ 60,000 for the year, and
 - Sugumar to receive a commission of ₹ 80,000
- During the year ended on 31st December 2018, the firm made a profit of ₹ 2,20,000 before adjustment of interest, salary and commission.
- Prepare the Profit and loss appropriation account.

(or)

- (b) Write a brief note on the applications of the provisions of the Indian Partnership Act, 1932 in the absence of partnership deed.
46. (a) From the following Receipts and Payments Account of Tenkasi Thiruvalluvar Mandram, prepare Income and Expenditure Account for the year ended 31-3-2019.

Receipts	₹	Payments	₹
To balance b/d - Cash	14,000	By Salaries	20,000
To interest received	5,000	By Rent	24,000
To Subscription	55,000	By Travelling expenses	2,000
To Legacies	48,000	By Printing & Stationery	6,000
To Entrance fees	7,000	By Investment made	50,000
To Sale of furniture	16,000	By sports equipment purchased	33,000
(Book value : 17,000)		By balance c/d - Cash	10,000
	1,45,000		1,45,000

(or)

- (b) Sara Company issues 10,000 equity shares of ₹ 10 each payable fully on application. Pass journal entries if the shares are issued
- at par
 - at a premium of ₹ 2 per share.
47. (a) Charles, Muthu and Sekar are partners, sharing profits in the ratio of 3:4:2. Their balance sheet as on 31st December, 2018 is as under :

Liabilities	₹	Assets	₹
Capital:		Furniture	20,000
Charles : 30,000			
Muthu : 40,000			
Sekar : 20,000	90,000		
Workmen Compensation Fund	27,000	Stock	40,000
Sundry Creditors	33,000	Debtors	30,000
		Cash at bank	42,000
		Profit & Loss a/c (Loss)	18,000
	1,50,000		1,50,000

On 1.1.2019, Charles retired from the partnership firm on the following arrangements.

- (i) Stock to be appreciated by 10%
- (ii) Furniture to be depreciated by 5%
- (iii) To provide ₹ 1,000 for bad debts
- (iv) There is an outstanding repairs of ₹ 11,000 not yet recorded
- (v) The final amount due to Charles was paid by cheque.

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

(or)

- (b) From the following information, compute the value of goodwill as per annuity method:
- (a) Capital employed: ₹ 50,000
 - (b) Normal rate of return: 10%
 - (c) Profits of the years 2016, 2017 and 2018 were ₹ 13,000, ₹ 15,000 and ₹ 17,000 respectively.
 - (d) The present value of annuity of ₹ 1 for 3 years at 10% is ₹ 2.4868.

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VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL, PANNAIKADU PIRIVU**DINDIGUL DISTRICT****QUARTERLY EXAMINATION – SEPTEMBER 2023****CLASS: 12 STD****ACCOUNTANCY – ANSWER KEY****MARKS: 90****I. CHOOSE THE CORRECT ANSWER:****20*1=20**

1	(a) Total debtors account	11	(b) Nominal A/c
2	d) Rs. 20,000	12	(c) 5:3
3	(b) Real A/c	13	(b) 3 2 4 1
4	(c) Surplus or deficit	14	(a) Capital account of all the partners
5	(d) Capital receipt	15	(c) Retiring partner's loan A/c
6	(d) 6% per annum	16	Out of portion (Grace Mark)
7	(c) Interest on loan – Debited to capital account	17	Out of portion (Grace Mark)
8	(d) Rs. 500	18	(c) Partners' salary
9	(c) Super profit = Average profit – Normal profit	19	c). Life membership fees
10	(c) Average profit and normal profit	20	d). (i) (ii) and (iii) are correct

II. ANSWER THE FOLLOWING QUESTIONS: (Q.NO: 30 IS CUMPULSORY)**7*2=14**

21 State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

- ✿ Generally cash and personal accounts are maintained fully.
- ✿ Real and Nominal accounts are not maintained.

22 Give four examples for revenue receipts of not-for-profit organisation.

- Interest on fixed deposit
- Sale of old sports material
- Interest on investment
- Subscription

23 State any two circumstances under which goodwill of a partnership firm is valued.

- ✗ Change in profit sharing ratio
- ✗ Admission of a partner
- ✗ Retirement or death of a partner
- ✗ Dissolution of partnership firm

24 State whether the following will be debited or credited in the revaluation account.

- | | |
|----------------------------------------|----------------------------|
| (a) Depreciation on assets | (b) Unrecorded liability |
| (c) Provision for outstanding expenses | (d) Appreciation of assets |

- | | | |
|----------------------------|---|----------|
| (a) Depreciation on assets | - | Debited |
| (b) Unrecorded liability | - | Debited |
| (c) Outstanding expenses | - | Debited |
| (d) Appreciation of assets | - | Credited |

25 Calculation of Statement of Profit or Loss

	Particulars	Rs.
	Closing Capital	360000
+	Drawings	50000

		410000
-	Additional Capital	20000
	Adjusted Closing Capital	390000
-	Opening Capital	260000
	Profit	130000

26 Calculation of Interest on Drawings:**Interest on drawings of Ram: 2,700/-****27 Calculation of Interest on Capital:**

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:

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

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

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

Note: Since the date of additional capital introduced by Akbar is not given, interest on additional capital is calculated for an average period of 6 months.

28 Calculation of value of Goodwill

$$\begin{aligned} \text{Average Profit} &= \text{Total Profit} / \text{No of years} \\ &= \frac{10000 + 11000 + 12000 + 13000 + 14000}{5} \\ &= \frac{60000}{5} \\ &= 12000 \\ \text{Goodwill} &= \text{Average Profit} \times \text{No of years Purchase} \\ &= 12000 \times 2 \\ &= 24000 \end{aligned}$$

29 Journal Entry of Distributed the General Reserve:

Date	Particulars	LF	Debit Rs.	Credit Rs.
31.3.2018	General reserve a/c Dr To Arul Capital a/c To AnithaCapital a/c (General Resrve a/c transferred to partners capital account)		42000	24000 18000

30 Calculation of New Profit sharing ratio and Sacrificing Ratio

Computation of sacrificing ratio and new profit sharing ratio

$$\text{Shares sacrificed} = \frac{2}{7} : \frac{1}{7}$$

Sacrificing ratio of Ravi and Kumar is 2:1

$$\text{Old profit sharing ratio} = 7:3 \text{ or } \frac{7}{10} : \frac{3}{10}$$

New share of old partners = Old share - Share sacrificed

$$\text{Ravi} = \frac{7}{10} - \frac{2}{7} = \frac{49-20}{70} = \frac{29}{70}$$

$$\text{Kumar} = \frac{3}{10} - \frac{1}{7} = \frac{21-10}{70} = \frac{11}{70}$$

Share of new partner

$$\text{Christy} = \frac{3}{7}$$

In order to equate the denominator of Christy's share, multiply and divide by 10

$$= \frac{3}{7} \times \frac{10}{10} = \frac{30}{70}$$

New profit sharing ratio of Ravi, Kumar and Christy = $\frac{29}{70} : \frac{11}{70} : \frac{30}{70} = 29 : 11 : 30$

III. ANSWER THE FOLLOWING QUESTIONS: (Q.NO: 40 IS CUMPULSORY)

7*3=21

31 What are the features of incomplete records?

(i) Nature:

- ★ It is an unscientific way of recording transactions.
- ★ Accounting principles are not followed properly.

(ii) Type of accounts maintained:

- ✪ Only cash and personal accounts are maintained fully.
- ✪ Real and nominal accounts are not maintained properly.

(iii) Lack of uniformity:

- Different organisations record their transactions according to their needs and conveniences.

32 State any six factors determining goodwill

- ✪ Profitability of the firm.
- ✪ Favorable location of the business enterprises.
- ✪ Good quality of goods or service offered.
- ✪ Efficiency of management.
- ✪ Degree of competition
- ✪ Tenure of the business enterprise.

33 State any six contents of a partnership deed

- ✪ Name of the firm and nature and place of business
- ✪ Date of commencement and duration of business
- ✪ Names and addresses of all partners
- ✪ Capital contributed by each partner
- ✪ Profit sharing ratio
- ✪ Amount of drawings allowed to each partner

34 Distinguish between Sacrificing ratio and Gaining Ratio

S.No	Basic	Sacrificing ratio	Gaining ratio
1	Meaning	A share of profit sacrificed by the old partner to new partner.	A share of profit gained by existing partner from retiring partner.
2	Time	Admission of a partner	Retirement of a partner
3	Formula	Sacrificing Ratio = old ratio – new ratio	Gaining Ratio = New ratio – Old ratio

35 Calculation of Capital:

Capital: 2,80,000

36 Income and Expenditure Account

Dr. Income and Expenditure Account for the year ended 31 st March, 2017		Cr.		
Expenditure	₹	Income	₹	₹
		By Subscription	60,000	
		Add: Outstanding subscription for 2016-17	2,400	
		Subscription received in advance in 2015-16 for 2016-17	1,000	63,400

37 Computation of Interest on capital

(i) Interest on capital will not be allowed as the partnership deed is silent as to the interest on capital.

(ii) Profit before interest on capital is ₹ 27,000.

Computation of interest on capital:

$$A: 4,00,000 \times \frac{3}{100} = ₹ 12,000$$

$$B: 2,00,000 \times \frac{3}{100} = ₹ 6,000$$

Since there is sufficient profit, interest on capital will be provided.

(iii) Profit before interest on capital is ₹ 27,000.

Computation of interest on capital:

$$A: 4,00,000 \times \frac{5}{100} = ₹ 20,000$$

$$B: 2,00,000 \times \frac{5}{100} = ₹ 10,000$$

Since the profit is insufficient, interest on capital will not be provided. Profit of ₹ 27,000 will be distributed to the partners in their capital ratio of 2:1.

38 Calculation of Goodwill:

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years}} \\ &= \frac{40,000 + 50,000 + 48,000 + 46,000}{4} \\ &= \frac{1,84,000}{4} = ₹ 46,000 \end{aligned}$$

Average profit before adjusting fair remuneration of the partner

₹ 46,000

Less: Fair remuneration of partners

6,000

Average profit

40,000

Goodwill = Average profit × Number of years of purchase

$$= 40,000 \times 3 = ₹ 1,20,000$$

39 Preparation of Revaluation Account

Date	Particulars	LF	Debit Rs.	Credit Rs.
a)	Premises A/c Dr To Revaluation a/c (Premises value increased)		60000	60000
b).	Revaluation a/c Dr To Stock a/c To Furniture a/c To Machinery a/c To Unrecorded Liability (Asset valued decreased and Provision for unrecorded liability)		9500	5000 2000 2500 500

Revaluation profit: 50,000

40 Journal Entries:**Journal entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
2018 Dec. 31	(i) Kumudha's capital A/c To Bank A/c (Amount due paid immediately)	Dr.	2,00,000	2,00,000
"	(ii) Kumudha's capital A/c To Kumudha's loan A/c (Amount due transferred to loan account)	Dr.	2,00,000	2,00,000
"	(iii) Kumudha's capital A/c To Bank A/c To Kumudha's loan A/c (₹ 70,000 paid and the balance transferred to loan account)	Dr.	2,00,000	70,000 1,30,000

IV. ANSWER THE FOLLOWING QUESTIONS:**7*5=35****41 a). Calculation Of Statement of Profit or Loss**

Closing capital: 4,20,000/-
Profit: 2,90,000/-

b). Preparation of Revaluation account

Revaluation profit: 2,100;
Capital accounts: Rajan: 27,075;Selva: 15,025; Ganesan: 10,000;
Balance sheet total: ` 89,600

42 a). Calculation of Total Sales

B/R received: ` 2,05,000;
Credit sales: ` 9,85,000;
Total sales: ` 13,00,000

b). What are the Limitation of Incomplete records?**(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, it is difficult to prepare trial balance to check 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) Difficulty in ascertaining financial position:

In general, only the estimated values of assets and liabilities are available from incomplete records.
Hence, it is difficult to ascertain true and fair view of state of affairs or financial position as on a particular date.

(v) 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.

43 a). Preparation of Receipts and payments

Solution

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

b). Journal Entries

Chapter – 7 (Out of Portions)

44 a). Calculation of Goodwill

Calculation of adjusted profit

Particulars	2016 ₹	2017 ₹	2018 ₹
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	-
Profit after adjustments	27,000	31,000	32,000

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

$$\begin{aligned} \text{Average profit} &= \frac{27,000 + 31,000 + 32,000}{3} \\ &= \frac{90,000}{3} = ₹ 30,000 \end{aligned}$$

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

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{Number of years of purchase} \\ &= 24,400 \times 2 \\ &= ₹ 48,800 \end{aligned}$$

b). Preparation of Capital account:

Dr.		Partners' Capital A/c		Cr.	
Particulars	Mannan ₹	Sevagan ₹	Particulars	Mannan ₹	Sevagan ₹
To Drawings A/c	40,000	35,000	By Balance b/d	2,00,000	1,75,000
To Interest on drawings A/c	1,000	500	By Profit and loss appropriation A/c	21,000	16,500
To Balance c/d	2,10,000	1,69,000	By Interest on capital A/c	12,000	10,500
			By Salary A/c	18,000	-
			By Commission A/c	-	2,500
	2,51,000	2,04,500		2,51,000	2,04,500
			By Balance b/d	2,10,000	1,69,000

45 a). Preparation of Profit and Loss Appropriation account:

Share of profit: Dinesh: ` 50,000; Sugumar: ` 25,000

b). Write a brief note on the applications of the provisions of the Indian Partnership Act, 1932 in the absence of partnership deed.**(i) Remuneration to partners:**

No salary or remuneration is allowed to any partner. [Section 13(a)]

(ii) Profit sharing ratio:

Profits and losses are to be shared equally. [Section 13(b)]

(iii) Interest on capital:

No interest is allowed on the capital. [Section 13(c)]

(iv) Interest on loans advanced by partners to the firm:

Interest on loan is to be allowed at the rate of 6%. [Section 13(d)]

(v) Interest on drawings:

No interest is charged on the drawings of the partners.

46 a). Preparation of Income and Expenditure Account

Surplus: ` 14,000)

b). Journal Entries

Chapter – 7 (out of Portions)

47 a). Preparation of Revaluation account, capital account and Balance sheet:

Dr.		Revaluation Account		Cr.	
Particulars	₹	Particulars	₹	₹	
To Furniture A/c	1,000	By Stock A/c			4,000
To Provision for bad debts A/c	1,000	By Loss on revaluation transferred to			
To Outstanding repairs	11,000	Charles capital A/c (3/9)	3,000		
		Muthu's capital A/c (4/9)	4,000		
		Sekar's capital A/c (2/9)	2,000		9,000
	13,000				13,000

Dr.		Capital Account			Cr.		
Particulars	Charles ₹	Muthu ₹	Sekar ₹	Particulars	Charles ₹	Muthu ₹	Sekar ₹
To Profit and loss A/c	6,000	8,000	4,000	By Balance b/d	30,000	40,000	20,000
To Revaluation A/c (loss)	3,000	4,000	2,000	By Workmen's compensation fund	9,000	12,000	6,000
To Bank	30,000	-	-				
To Balance c/d		40,000	20,000				
	39,000	52,000	26,000	By Balance b/d	-	40,000	20,000

Balance Sheet as on 1st January 2019

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Furniture	20,000	
Muthu	40,000		Less: Depreciation	1,000	19,000
Sekar	20,000	60,000	Stock	40,000	
Sundry creditors		33,000	Add: Appreciation	4,000	44,000
Outstanding repairs		11,000	Debtors	30,000	
			Less: Provision for bad debts	1,000	29,000
			Cash at bank	42,000	
			Less: Amount paid to Charles	30,000	12,000
		1,04,000			1,04,000

b). Calculation of Goodwill:

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years}} \\ &= \frac{13,000 + 15,000 + 17,000}{3} \\ &= \frac{45,000}{3} \\ &= ₹ 15,000 \end{aligned}$$

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{Normal rate of return} \\ &= 50,000 \times 10\% \\ &= ₹ 5,000 \end{aligned}$$

$$\begin{aligned} \text{Super profit} &= \text{Average profit} - \text{Normal profit} \\ &= 15,000 - 5,000 \\ &= ₹ 10,000 \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= \text{Super profit} \times \text{Value of annuity} \\ &= 10,000 \times 2.4868 = ₹ 24,868 \end{aligned}$$

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- ❖ All of the above I mentioned is my own proposed list.
- ❖ This is not final decision.
- ❖ This subject to be changed.
- ❖ If there is any error in this, please correct it.

PREPARED BY

P.VAHEESWARAN *M.Com., M.Phil., DCA., B.ED.,*

VICE- PRINCIPAL

PG ASSISTANT OF COMMERCE & ACCOUNTANCY

VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL

PANNAIKADU PIRIVU, KODAIKANAL MAIN ROAD,

DINDIGUL DISTRICT.

EMAIL: npvasu92@gmail.com