

## Quarterly Examination - 2023

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12 - Std

## ACCOUNTANCY

Time : 3.00 Hrs

## PART - A

Marks : 90

- I. Choose the correct answer with option. (20 X 1 = 20)**
- The excess of assets over liabilities is
    - Loss
    - Cash
    - Capital
    - Profit
  - What is the amount of capital of the proprietor, if his assets are Rs. 85,000 and liabilities are Rs. 21,000?
    - Rs. 85,000
    - Rs. 1,06,000
    - Rs. 21,000
    - Rs. 64,000
  - Opening balance of debtors: Rs. 30,000, cash received: Rs. 1,00,000, credit sales: Rs. 90,000; closing balance of debtors is
    - Rs. 30,000
    - Rs. 1,30,000
    - Rs. 40,000
    - Rs. 20,000
  - Balance of receipts and payments account indicates the
    - Loss incurred during the period
    - Excess of income over expenditure of the period
    - Total cash payments during the period
    - Cash and bank balance as on the date
  - Which of the following should not be recorded in the income and expenditure account?
    - Sale of old news papers
    - Loss on sale of asset
    - Honorarium paid to the secretary
    - Sale proceeds of furniture
  - Legacy is a
    - Revenue expenditure
    - Capital expenditure
    - Revenue receipt
    - Capital receipt
  - Which of the following is shown in Profit and loss appropriation account?
    - Office expenses
    - Salary of staff
    - Partners' salary
    - Interest on bank loan
  - In the absence of an agreement, partners are entitled to
    - Salary
    - Commission
    - Interest on loan
    - Interest on capital
  - When fixed capital method is adopted by a partnership firm, which of the following items will appear in capital account?
    - Additional capital introduced
    - Interest on capital
    - Interest on drawings
    - Share of profit

10. Which of the following statements is true?  
 a) Goodwill is an intangible asset      b) Goodwill is a current asset  
 c) Goodwill is a fictitious asset      d) Goodwill cannot be acquired
11. When the average profit is Rs. 25,000 and the normal profit is Rs. 15,000, super profit is  
 a) Rs. 25,000      b) Rs. 5,000      c) Rs. 10,000      d) Rs. 15,000
12. The total capitalised value of a business is Rs. 1,00,000; assets are Rs. 1,50,000 and liabilities are Rs. 80,000. The value of goodwill as per the capitalisation method will be  
 a) Rs. 40,000      b) Rs. 70,000      c) Rs. 1,00,000      d) Rs. 30,000
13. On revaluation, the increase in the value of assets leads to  
 a) Gain      b) Loss      c) Expense      d) None of these
14. At the time of admission, the goodwill brought by the new partner may be credited to the capital accounts of  
 a) all the partners      b) the old partners  
 c) the new partner      d) the sacrificing partners
15. Select the odd one out  
 a) Revaluation profit      b) Accumulated loss  
 c) Goodwill brought by new partner      d) Investment fluctuation fund
16. 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
17. 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
18. A, B and C are partners sharing profits in the ratio of 4:2:3. C retires. The new profit sharing ratio between A and B will be  
 a) 4 : 3      b) 3 : 4      c) 2 : 1      d) 1 : 2
19. Investment Fluctuation fund is created out of profit to adjust the reduction in the \_\_\_\_\_ of the investment.  
 a) Market value  
 b) Cost value      c) Retail value      d) Realisable value
20. In a Joint life policy, one policy is taken on the lives of \_\_\_\_\_.  
 a) old partner      b) new partner  
 c) all partners      d) Retiring partner

**PART - B****II Answer any 7 Questions, Question no. 30 compulsory. 7 X 2 = 14**

21. From the following details, calculate the missing figure.
- |                    |               |
|--------------------|---------------|
| Closing Capital    | Rs. 1,90,000; |
| Additional Capital | Rs. 50,000;   |
| Drawings           | Rs. 30,000;   |
| Opening capital    | - ?           |
| Loss               | Rs. 40,000    |
22. From the following details calculate the printing and stationery to be debited to Income and Expenditure Account for the year ending 31<sup>st</sup> March, 2018 and also show how it will appear in the Balance Sheet as on 31st March, 2018.
- |  |           |
|--|-----------|
| Amount paid for stationery during 2017- 2018 | Rs. 1,500 |
| Stock of stationery on 1st April, 2017       | Rs. 300   |
| Stock of stationery on 31st March, 2018      | Rs. 200   |
23. What is meant by fixed capital method?
24. What is legacy?
25. State any four circumstances under which goodwill of a partnership firm is valued.
26. Velan is a partner who withdrew Rs. 20,000 on 1st April 2018. Interest on drawings is charged at 10% per annum. Calculate interest on drawings on 31st December 2018 and pass journal entries by assuming fluctuating capital method.
27. From the following information, find out the value of goodwill by capitalisation method:
- Average profit Rs. 20,000
  - Normal rate of return 10%
  - Capital employed Rs. 1,50,000
28. What is gaining ratio?
29. Raja, Ravi and Rangan are partners sharing profit & losses by equally. On 1<sup>st</sup> April 2019 Rangan was died. In the year 2018 the profit shows Rs. 18,000. Find out Rangan's share of profit on the basis of 2019 year profit.
30. Anbu and Raju are partners, sharing profits in the ratio of 3:2. Akshai is admitted as a partner. The new profit sharing ratio among Anbu, Raju and Akshai is 5:3:2. Find out the sacrificing ratio.

## PART - C

III Answer any 7 Questions, Question no. 40 compulsory.  $7 \times 3 = 21$

31. Differentiate between statement of affairs and balance sheet. (any 3)
32. From the following items of non-profit organization, ascertain capital nature or revenue nature.  
a) General Donation b) Admission fees c) Sport Equipment bought
33. State any three contents of a partnership deed.
34. How is goodwill calculated under the super profits method?
35. What are the adjustments required at the time of admission of a partner?
36. How will the following appear in the final accounts of a club for the year 2017 -2018?

Particulars	Rs.
Prize fund on 1.4.2017	60,000
Prize fund investment on 1.4.2017	60,000
Interest received on prize fund investment	6,000
Prizes distributed	8,000
Donation received for prize fund	12,000

37. Find out the value of goodwill at three years purchase of weighted average profit of last four years.

Year	Profit Rs.	Weight
2015	10,000	1
2016	12,000	2
2017	16,000	3
2018	18,000	4

38. Mala, Madhu and Vimala are partners sharing profits and losses in the ratio of 5:3:2. On 31.3.2017, Madhu retired. On the date of retirement, the books of the firm showed a reserve fund of Rs. 50,000. Pass journal entry to transfer the reserve fund.
39. Aparna and Priya are partners who share profits and losses in the ratio of 3:2. Brindha joins the firm for  $\frac{1}{5}$  share of profits and brings in cash for her share of goodwill of Rs. 10,000. Pass necessary journal entry for adjusting goodwill on the assumption that the fluctuating capital method is followed and the partners withdraw the entire amount of their share of goodwill.

40. Ahamad and Basheer contribute Rs. 60,000 and Rs. 40,000 respectively as capital. Their respective share of profit is 2:1 and the profit before interest on capital for the year is Rs. 5,000. 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 @ 4% is allowed as per the partnership deed

**PART - D**

**IV Answer all Questions.**

**(7 X 5 = 35)**

41. (a) David does not keep proper books of accounts. Following details are given from his records.

Particulars	1.4.2018 Rs.	31.3.2019 Rs.
Cash	43,000	29,000
Stock of goods	1,20,000	1,30,000
Sundry debtors	84,000	1,10,000
Sundry creditors	1,05,000	1,02,000
Loan	25,000	20,000
Business premises	2,50,000	2,50,000
Furniture	33,000	45,000

During the year he introduced further capital of Rs. 45,000 and withdrew Rs. 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

**[OR]**

- (b) Seenu and Siva are partners sharing profits and losses in the ratio of 5:3. In the view of Subbu admission, they decided
- To increase the value of building by Rs. 40,000.
  - To bring into record investments at Rs. 10,000, which have not so far been brought into account.
  - To decrease the value of machinery by Rs. 14,000 and furniture by Rs. 12,000.
  - To write off sundry creditors by Rs. 16,000.
- Pass journal entries and prepare revaluation account.

42. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31st December, 2018.

Particulars	Rs.	Particulars	Rs.
Cash in hand (1.1.2018)	4,000	Paid for printing charges	2,500
Salaries paid	3,000	Lockers rent received	1,000
Life membership fees received	10,000	Tournament receipts	14,000
Subscription received	15,000	Tournament expenses	10,500
Rent received	2,000	Investments purchased	25,000

[OR]

- (b) John is a partner in a firm. He withdraws Rs. 1,000 p.m. regularly. Interest on drawings is charged @ 5% p.a. Calculate the interest on drawings using average period, if he draws
- at the beginning of every month
  - in the middle of every month
  - at the end of every month
43. (a) State the differences between Receipts and Payments Account and Income and Expenditure Account. [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.
- Profits for the years ending 31st December 2016, 2017 and 2018 were Rs. 46,000, Rs. 44,000 and Rs. 50,000 respectively.
  - A non-recurring income of Rs. 5,000 is included in the profits of the year 2016.
  - The closing stock of the year 2017 was overvalued by Rs. 10,000.
44. (a) Kavin, Madhan and Ranjith are partners sharing profits and losses in the ratio of 4 : 3 : 3 respectively. Kavin retires from the firm on 31<sup>st</sup> December, 2018. On the date of retirement, his capital account shows a credit balance of Rs. 1,50,000. Pass journal entries if:
- The amount due is paid off immediately.
  - The amount due is not paid immediately.
  - Rs. 1,00,000 is paid and the balance in future. [OR]

(b) From the following Receipts and Payment Account of Trichy Recreation Club, prepare Income and Expenditure Account for the year ended 31.03.2018.

Receipts	Rs.	Payments	Rs.
To Balance b/d		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 newspaper	3,000	By Postage	1,700
To Members' 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 (Book value Rs. 4,400)	5,000	By Closing balance Cash in hand	3,000
	<b>86,850</b>		<b>86,850</b>

45. (a) Distinguish between sacrificing ratio and gaining ratio. [OR]  
(b) From the following information, prepare capital accounts of partners Padmini and Padma, when their capitals are fluctuating.

Particulars	Padmini Rs.	Padma Rs.
Capital on 1st January 2018 (Cr. balance)	5,00,000	4,00,000
Drawings during 2018	70,000	40,000
Interest on drawings	2,000	1,000
Share of profit for 2018	52,000	40,000
Interest on capital	30,000	24,000
Salary	45,000	Nil
Commission	Nil	21,000

46. (a) From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018?

Subscription received in 2018 is Rs. 50,000 which includes Rs. 5,000 for 2017 and Rs. 7,000 for 2019. Subscription outstanding for the year 2018 is Rs. 6,000. Subscription of Rs. 4,000 was received in advance for 2018 in the year 2017.

[OR] (b) Rajesh, Sathish and Mathan are partners sharing profits and losses in the ratio of 3:2:1 respectively. Their balance sheet as on 31.3.2017 is given below.

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital accounts:			Premises		4,00,000
Rajesh	4,00,000		Machinery		4,20,000
Sathish	3,00,000		Debtors		1,60,000
Mathan	2,50,000	9,50,000	Stock		3,00,000
General reserve		1,20,000	Cash at bank		20,000
Creditors		50,000			
Bills payable		1,80,000			
		<b>13,00,000</b>			<b>3,00,000</b>

Mathan retires on 31<sup>st</sup> March, 2017 subject to the following conditions:

(i) Rajsh and Sathish will share profits and losses in the ratio of 3:2

(ii) Assets are to be revalued as follows: Machinery Rs. 3,90,000, Stock Rs. 2,90,000, Debtors Rs. 1,52,000.

(iii) Goodwill of the firm is valued at Rs. 1,20,000

Prepare necessary ledger accounts and the balance sheet immediately after the retirement of Mathan.

47. (a) Find out the value of goodwill by capitalising super profits:

(a) Normal Rate of Return 10%

(b) Profits for the last four years are Rs. 30,000, Rs. 40,000, Rs. 50,000 and Rs. 45,000.

(c) A non-recurring income of Rs.3,000 is included in the above mentioned profit of Rs. 30,000.

(d) Average capital employed is Rs. 3,00,000.

[OR]

47. (b) From the following particulars, calculate total sales.

Particulars	Rs.
Debtors on 1 <sup>st</sup> April 2017	1,50,000
Bills receivable on 1 <sup>st</sup> April 2017	40,000
Cash received from debtors	3,90,000
Cash received for bills receivable	90,000
Bills receivable dishonoured	10,000
Sales return	40,000
Bills receivable on 31 <sup>st</sup> March, 2018	30,000
Sundry debtors on 31 <sup>st</sup> March, 2018	1,30,000
Cash sales	2,00,000

**12<sup>TH</sup> ACCOUNTANCY QUARTERLY EXAM**  
**ANSWER KEY SEP. – 2023 [EM]**

Time Allowed : 2.30 Hours

Maximum Marks : 90

**I. Choose the correct answer with option**

**20 x 1 = 20**

1	C	Capital	11	C	10,000
2	D	64,000	12	D	30,000
3	D	20,000	13	A	Gain
4	D	Cash and Bank balance as on the date	14	D	The Sacrificing Partners
5	D	Sale proceeds of furniture	15	C	Goodwill brought by new partner
6	D	Capital Receipt	16	A	Capital account of all the partners
7	C	Partner's Salary	17	C	Retiring Partner's Loan A/c
8	C	Interest on Loan	18	C	2:1
9	A	Additional Capital Introduced	19	A	Market Value
10	A	Goodwill is an intangible asset	20	C	All Partners

**II. Answer any 7 questions. Question No. 30 is Compulsory**

**7 x 2 = 14**

**21)**

**Calculation of Opening Capital**

Particulars	
Closing capital (as on 31.3.2019)	1,90,000
Add: Drawings during the year	30,000
	2,20,000
Less: Additional capital introduced during the year	50,000
Adjusted closing capital	1,70,000
<b>Less: Opening capital (as on 1.4.2018) (B/F)</b>	<b>2,10,000</b>
Loss for the year ending 31.3.2019	(-) 40,000

**22) \_Dr. Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2018**

**Cr.**

Expenditure			Income		
<b>To Stationery consumed:</b>					
Opening stock	300				
<b>Add: Purchases</b>	<u>1,500</u>				
	1,800				
Less: Closing stock	<u>200</u>	<b>1,600</b>			

**Balance sheet as on 31<sup>st</sup> March, 2018**

Liabilities		Assets	
		Stock of stationery	<b>200</b>

**23) Fixed Capital Method – Meaning:**

- ♣ Under the fixed capital method, the capital of the partners is not altered and it remains generally fixed.
- ♣ Two accounts are maintained for each partner namely
  - ♣ Capital account
  - ♣ Current account.
- ♣ The transactions relating to initial capital introduced, additional capital introduced, and capital permanently withdrawn are entered in the capital account and all other transactions are recorded in the current account.

**24) Legacy – Meaning:**

- a. It is the amount given to a non-trading concern as per the will.
- b. It is like a donation.
- c. It appears on the debit side of receipts and payments account, but is not treated as income because it is not of recurring nature.
- d. It is a capital receipt.

**25) Circumstances under goodwill of a partnership firm is value:**

- (i) When there is a change in the profit sharing ratio
- (ii) When a new partner is admitted into a firm
- (iii) When an existing partner retires from the firm or when a partner dies
- (iv) When a partnership firm is dissolved

**26) Interest on drawings = Amount of drawings x Rate of interest x Period of interest**  
**= 20,000 x 10/100 x 9/12 = 1,500**

Date	Particulars	L.F.	Debit	Credit
2018 Dec. 31	Velan's capital A/c Dr. To Interest on drawings A/c (Interest on drawings charged)		1,500	1,500
„	Interest on drawings A/c Dr. To Profit and loss appropriation A/c (Interest on drawings account closed)		1,500	1,500

**27) Total capitalized value of the business =  $\frac{\text{Average profit}}{\text{Normal rate of return}} \times 100$**

**=  $\frac{20,000}{10} \times 100 = 2,00,000$**

**Goodwill = Total capitalized value of the business - Capital employed**  
**= 2,00,000 – 1,50,000 = 50,000**

**28) Gaining Ratio – Meaning:**

- a) Gaining ratio is the proportion of the profit which is gained by the continuing partner.
- b) Gaining ratio = Ratio of share gained by the continuing partner
- c) Share gained = New share – Old share

**29)** Rangan's share of profit for 3 months =  $18,000 \times \frac{3}{12} \times \frac{1}{3} = 1,500$

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2019 March 31	Profit and loss Suspense A/c Dr. To Rangan Executor's Capital A/c (Rangan's current year share of profit credited to his executor capital account)		1,500	1,500

**30) Calculation of Sacrificing Ratio:**

Old ratio of Anbu and Raju = 3:2 that is,  $\frac{3}{5} : \frac{2}{5}$

New ratio of Anbu, Raju and Akshai = 5:3:2 that is,  $\frac{5}{10} : \frac{3}{10} : \frac{2}{10}$

**Share sacrificed = Old share - New share**

$$\text{Anbu} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{Raju} = \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$$

**Sacrificing ratio of Anbu and Raju is  $\frac{1}{10} : \frac{1}{10}$  that is **1:1****

**III. Answer any 7 questions. Question No. 40 is Compulsory **7 x 3 = 21****

**31) Differences between the Statement of Affairs and the Balance Sheet**

Basis of distinction	Statement of Affairs	Balance Sheet
<b>1. Objective</b>	Statement of affairs is generally prepared to find out the capital of the business.	Balance sheet is prepared to ascertain the financial position of the business.
<b>2. Accounting system</b>	Statement of affairs is prepared when double entry system is not strictly followed.	Balance sheet is prepared when accounts are maintained under double entry system.
<b>3. Reliability</b>	It is not reliable as it is based on incomplete records.	It is reliable as it is prepared under double entry system.

**32) Ascertain Capital Nature or Revenue Nature:**

- |                            |   |                |
|----------------------------|---|----------------|
| (a) General Donation       | - | Revenue Nature |
| (b) Admission Fees         | - | Revenue Nature |
| (c) Sport Equipment Bought | - | Capital Nature |

**33) The contents of the partnership deed are: (Any 3)**

1. The name of the firm and nature and place of business.
2. Date of commencement and duration of business.
3. Names and addresses of all partne
4. Capital contributed by each partner.
5. Profit-sharing ratio.
6. Amount of drawings allowed to each partner.

**34) Goodwill calculated under the super-profits method**

1. **Purchase of super profit method:**

- ✎ Goodwill is calculated by multiplying the super profit by a certain number of years of purchase.
- ✎ **Goodwill = super profit x No. of years of purchase**

2. **Annuity method:**

- ✎ The value of goodwill is calculated by multiplying the super profit with the present value of the annuity.
- ✎ **Goodwill = Super profit x Present value annuity factor**

3. **Capitalisation of super profit method:**

$$\text{✎ Goodwill} = \frac{\text{Super profit}}{\text{Normal rate of return}} \times 100$$

**35) The following adjustment is necessary at the time of admission of a partner:**

1. Distribution of accumulated profits, reserves, and losses
2. Revaluation of assets and liabilities
3. Determination of new profit-sharing ration and sacrificing ratio
4. Adjustment for goodwill
5. Adjustment of capital on the basis of new profit sharing ratio (if so agreed)

**36)**

**Balance sheet as on 31<sup>st</sup> March, 2018**

Liabilities		Assets			
Prize fund	60,000		Prize fund investment		60,000
Add: Interest received on prize fund investment	6,000				
Add: Donation for prize fund	<u>12,000</u>				
	78,000				
Less: Prizes distributed	<u>8,000</u>	<b>70,000</b>			

**37)**

**Calculation of weighted average profit**

Year	Profits (a)	Weights (b)	Weighted profits (a × b)
2015	10,000	1	10,000
2016	12,000	2	24,000
2017	16,000	3	48,000
2018	18,000	4	72,000
<b>Total</b>		<b>10</b>	<b>1,54,000</b>

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

$$= \frac{1,54,000}{10} = \mathbf{15,400}$$

$$\begin{aligned} \text{Goodwill} &= \text{Weighted average profit} \times \text{Number of years of purchase} \\ &= 15,400 \times 3 = \mathbf{46,200} \end{aligned}$$

**38)**

**Journal Entry**

Date	Particulars	L.F.	Debit	Credit
2017 March 31	Reserve fund A/c Dr. To Mala's capital A/c (50,000 × 5/10) To Madhu's capital A/c (50,000 × 3/10) To Vimala's capital A/c (50,000 × 2/10) (Reserve fund transferred to all partners' capital account in the old profit sharing ratio)		<b>50,000</b>	25,000 15,000 10,000

**39) Calculation of Share of Goodwill:**

As the sacrifice made by the existing partners is not mentioned, it is assumed that they sacrifice in their old profit sharing ratio 3:2. Therefore, sacrificing ratio is 3:2.

**Journal Entry**

Date	Particulars	L.F.	Debit	Credit
	Bank A/c Dr. To Aparna's capital A/c (10,000 × 3/5) To Priya's capital A/c (10,000 × 2/5) (Cash brought for goodwill credited to Aparna and Priya in sacrificing ratio)		<b>10,000</b>	6,000 4,000
	Aparna's capital A/c Dr. Priya's capital A/c Dr. To Bank A/c (Amount withdrawn by the partners)		<b>6,000</b> 4,000	10,000

**40) (i) No, 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 5,000.**

**Computation of interest on capital:**

$$A: = 60,000 \times 4/100 = 2,400$$

$$B: = 40,000 \times 4/100 = 1,600$$

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

### Journal Entries

Date	Particulars	L.F.	Debit	Credit
	Building A/c Dr. Investment A/c Dr. Sundry Creditors A/c Dr. To Revaluation A/c (Increase in the value of building, unrecorded investment and written off sundry creditors accounted)		70,000 20,000 16,000	1,06,000
	Revaluation A/c Dr. To Machinery A/c To Furniture A/c (Reduction in the value of office equipment and provision of outstanding wages recorded)		26,000	14,000 12,000
	Revaluation A/c Dr. To Siva's capital A/c To Raja's capital A/c (Profit on revaluation transferred to old partners accounts)		80,000	50,000 30,000

### IV. Answer all the questions

**7 x 5 = 35**

**41)a.**

In the books of David

### Calculation of opening capital

Statement of affairs as on 1<sup>st</sup> April, 2018

Liabilities		Assets	
Sundry creditors	1,05,000	Cash	43,000
Loan	25,000	Stock of goods	1,20,000
<b>Capital (balancing figure)</b>	<b>4,00,000</b>	Sundry debtors	84,000
		Business premises	2,50,000
		Furniture	33,000
	5,30,000		5,30,000

Calculation of closing capital

Statement of affairs as on 31st March, 2019

Liabilities		Assets	
Sundry creditors	1,02,000	Cash	29,000
Loan	20,000	Stock of goods	1,30,000
Capital (balancing figure)	4,42,000	Sundry debtors	1,10,000
		Business premises	2,50,000
		Furniture	45,000
	<b>5,64,000</b>		<b>5,64,000</b>

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

Particulars		
Closing capital as on 31.3.2019		4,42,000
Add: Drawings during the year (2,500 x 12)		30,000
		4,72,000
Less: Additional capital introduced during the year		45,000
Adjusted closing capital		4,27,000
Less: Opening capital as on 1.4.2018		4,00,000
Profit made during the year ending 31.3.2019 (B/F)		27,000

[OR]

41.b.

Journal Entries

Date	Particulars	L.F.	Debit	Credit
	Building A/c Dr. Investment A/c Dr. Sundry Creditors A/c Dr. To Revaluation A/c (Increase in the value of building, unrecorded investment and written off sundry creditors accounted)		40,000 10,000 16,000	66,000
	Revaluation A/c Dr. To Machinery A/c To Furniture A/c (Reduction in the value of office equipment and provision of outstanding wages recorded)		26,000	14,000 12,000
	Seenu's capital A/c Dr. Siva's capital A/c Dr. To Revaluation A/c (Loss on revaluation transferred)		5,000 2,500	7,500

**Dr. Revaluation Account Cr.**

Particulars		Particulars		
To Machinery A/c		14,000	Building A/c	40,000
To Furniture A/c		12,000	Investment A/c	10,000
			Sundry Creditors A/c	16,000
<b>To Profit on revaluation transferred to</b>				
Seenu's capital A/c (5/8)	25,000			
Siva's capital A/c (3/8)	15,000	40,000		
		<b>66,000</b>		<b>66,000</b>

**42) a.**

**In the books of Kurunji Sports Club**

**Dr. Receipts and Payments Account for the year ended 31<sup>st</sup> December, 2018 Cr.**

Receipts		Payments	
To Balance b/d		By Salaries paid	3,000
Cash in hand	4,000		
To Life Membership fees received	15,000	By Printing Charges	2,500
To Subscription received	15,000	By Tournament Expenses	10,500
To Rent Received	2,000	By Investment purchased	25,000
To Locker Rent Received	1,000	<b>By Balance c/d</b>	
		<b>Cash in hand</b>	<b>5,000</b>
To Tournament Receipts	14,000		
	<b>51,000</b>		<b>51,000</b>

**[OR]**

**42.b.** Total amount withdrawn =  $1,000 \times 12 = 12,000$

**(i) If drawings are made at the beginning of every month:**

Average period = 6.5

Interest on drawings = Total amount of drawings  $\times$  Rate of interest  $\times$  Average Profit / 12

$$= 12,000 \times 5/100 \times 6.5/12 = 325$$

**(ii) If drawings are made in the middle of every month:**

Average period = 6

Interest on drawings = Total amount of drawings  $\times$  Rate of interest  $\times$  Average Profit / 12

$$= 12,000 \times 5/100 \times 6/12 = 300$$

**(iii) If drawings are made at the end of every month:**

Average period = 5.5

Interest on drawings = Total amount of drawings  $\times$  Rate of interest  $\times$  Average Profit / 12

$$= 12,000 \times 5/100 \times 5.5/12 = 275$$

**43) a. Differences between Receipts and Payments Account and Income and Expenditure Account**

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	It is prepared to know the cash receipts and cash payments.	It is prepared to know whether there is an excess of income over expenditure (surplus) or an excess of expenditure over income (deficit) during the current period.
2. Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded.	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
3. Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.
4. Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
5. Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded.	It contains only the items relating to the current period.

[OR]

**43.b. Calculation of adjusted profit**

Particulars	2016	2017	2018
Profit	46,000	44,000	50,000
<b>Less: Non- recurring income</b>	5,000	-	-
	<b>41,000</b>	<b>44,000</b>	<b>50,000</b>
<b>Less: Over valuation of closing stock</b>	-	10,000	-
	<b>41,000</b>	<b>34,000</b>	<b>50,000</b>
<b>Add: Over valuation of opening stock</b>	-	-	10,000
<b>Profit after adjustments</b>	<b>41,000</b>	<b>34,000</b>	<b>60,000</b>

$$\begin{aligned}
 \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years purchase}} \\
 &= \frac{41,000 + 34,000 + 60,000}{3} \\
 &= \frac{1,35,000}{3} = \mathbf{45,000}
 \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{Number of years of purchase} \\ &= 45,000 \times 2 = \mathbf{90,000} \end{aligned}$$

**44)a. Journal entries**

Date	Particulars	L.F.	Debit	Credit
(a)	Kavin's Capital A/c Dr. To Bank A/c (Amount due paid immediately)		1,50,000	1,50,000
(b)	Kavin's Capital A/c Dr. To Kavin's Loan A/c (Amount due transferred to loan account)		1,50,000	1,50,000
(c)	Kavin's Capital A/c Dr. To Bank A/c To Kavin's Loan A/c (1,00,000 paid and the balance transferred to loan account)		1,50,000	1,00,000 50,000

**[OR]**

**44.b. In the books of Trichy Recreation Club**

**Dr. Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2018 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 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
	<b>73,850</b>		<b>73,850</b>

**45) a. Differences between the sacrificing ratio and the gaining ratio**

Basis	Sacrificing ratio	Gaining ratio
1. Meaning	It is the proportion of the profit which is sacrificed by the old partners in favour of a new partner.	It is the proportion of the profit which is gained by the continuing partners from the retiring partner.
2. Purpose	It is calculated to determine the amount to be adjusted towards goodwill for the sacrificing partne	It is calculated to determine the amount to be adjusted towards goodwill for the gaining partne
3. Time of calculation	It is calculated at the time of admission of a new partner.	It is calculated at the time of retirement of a partner.
4. Method of calculation	It is the difference between the old ratio and the new ratio	It is the difference between the new ratio and the old ratio.
5. Formula	Sacrificing ratio = Old profit sharing ratio - New profit sharing ratio	Gaining ratio = New profit sharing ratio - Old profit sharing ratio

**[OR]**

**45.b.**

**Dr. Partners' Capital Account Cr.**

Date	Particulars	Padmini	Padma	Date	Particulars	Padmini	Padma
	To Drawings	70,000	40,000		By Balance b/d	5,00,000	4,00,000
	To Interest on drawings	2,000	1,000		By Profit & Loss Appropriation A/c (Share of Profit)	52,000	40,000
	<b>To Balance C/d</b>	<b>5,55,000</b>	<b>4,44,000</b>		By Interest of Capital	30,000	24,000
					By Salary	45,000	
					By Commission	---	21,000
		<b>6,27,000</b>	<b>4,85,000</b>			<b>6,27,000</b>	<b>4,85,000</b>
					<b>By Balance b/d</b>	<b>5,55,000</b>	<b>4,44,000</b>

**46. a)**

**Dr. Income and Expenditure Account for the year ended 31<sup>st</sup> December, 2018 Cr.**

Expenditure		Income		
		By Subscription received during the year	50,000	
		<b>Less: Subscription received for 2017</b>	<u>5,000</u>	
			45,000	
		<b>Less: Subscription received for 2019</b>	<u>7,000</u>	
			38,000	
		<b>Add: Subscription due for 2018</b>	<u>6,000</u>	
			44,000	
		<b>Add: Received in advance in 2017 for 2018</b>	<u>4,000</u>	<b>48,000</b>

**[OR]**

**46.b.**

**Dr. Revaluation Account Cr.**

Particulars		Particulars		
To Machinery	30,000	By Loss on revaluation transferred to Rajesh's capital A/c (3/6)	24,000	
To Stock	10,000	Sathish's capital A/c (2/6)	16,000	
To Debtors	8,000	Mathan's capital A/c (1/6)	8,000	48,000
	48,000			48,000

Dr.

## Capital Account

Cr.

Particulars	Rajesh	Sathis	Madhan	Particulars	Rajesh	Sathis	Madhan
To Revaluation A/c	24,000	16,000	8,000	By Balance b/d	4,00,000	3,00,000	2,50,000
To Mathan's Capital A/c	12,000	8,000	--	By General Reserve A/c	60,000	40,000	20,000
To Mathan's Loan A/c	--	--	2,82,000	By Rajesh's Capital A/c	--	--	12,000
To Balance c/d	4,24,000	3,16,000	--	By Sathish's Capital A/c	--	--	8,000
	4,60,000	3,40,000	2,90,000		4,60,000	3,40,000	2,90,000
				By Balance b/d	4,24,000	3,16,000	--

## Working Notes:

(i) Computation of Gaining Ratio

Share Gained = New Share – Old Share

$$\text{Rajesh} = \frac{3}{5} - \frac{3}{6} = \frac{18 - 15}{30} = \frac{3}{30}$$

$$\text{Sathish} = \frac{2}{5} - \frac{2}{6} = \frac{12 - 10}{30} = \frac{2}{30}$$

**Gaining Ratio of Rajesh and Sathish is = 3 : 2**

(ii) Adjustment of Goodwill

Goodwill = 1,20,000

Share of goodwill of Mathan = 1,20,000 x 1/6 = 20,000

It is to be adjusted in the capital accounts of Rajesh and Sathish in the gaining ratio of 3:2

$$\text{Rajesh} = 20,000 \times \frac{3}{5} = 12,000$$

$$\text{Sathish} = 20,000 \times \frac{2}{5} = 8,000$$

Balance Sheet as on 31<sup>st</sup> March, 2017

Liabilities			Assets		
Capital account:			Premises		4,00,000
Rajesh	4,24,000		Machinery	4,00,000	
Sathish	3,16,000	7,40,000	(-) Reduced	10,000	3,90,000
			Debtors	1,60,000	
Madhan's Loan A/c		2,82,000	(-) Reduced	8,000	1,52,000
Creditors		50,000	Stock	3,00,000	
Bills Payable		1,80,000	(-) Reduced	10,000	2,90,000
			Cash at Bank		20,000
		12,52,000			12,52,000

**47) a.**

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years purchase}} \\ &= \frac{(30,000 - 3,000) 27,000 + 40,000 + 50,000 + 45,000}{4} \\ &= \frac{1,62,000}{4} = \mathbf{40,500} \end{aligned}$$

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{Normal rate of return} \\ &= 3,00,000 \times 10/100 = \mathbf{30,000} \end{aligned}$$

$$\begin{aligned} \text{Super profit} &= \text{Average profit} - \text{Normal profit} \\ &= 40,500 - 30,000 = \mathbf{10,500} \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= \frac{\text{Super profit}}{\text{Normal rate of return}} \times 100 \\ &= \frac{10,500}{10} \times 100 = \mathbf{1,05,000} \end{aligned}$$

**OR]**

**47.b.**

Dr.		Bills receivable account		Cr.	
Particulars		Particulars			
To Balance b/d	40,000	By Cash A/c		90,000	
To Debtors A/c* (Bills received during the year) (B/F)	90,000	By Debtors A/c (Bills receivable dishonoured)		10,000	
		By Balance c/d		30,000	
	<b>1,30,000</b>			<b>1,30,000</b>	

Dr.		Total debtors account		Cr.	
Particulars		Particulars			
To Balance b/d	1,50,000	By Cash A/c		3,90,000	
To Bills receivable A/c (dishonoured)	10,000	By Sales returns A/c		40,000	
To Sales A/c (credit) (B/F)	4,90,000	By Bills receivable A/c* (bills received)		90,000	
		By Balance c/d		1,30,000	
	<b>6,50,000</b>			<b>6,50,000</b>	

$$\text{Total Sales} = \text{Cash Sales} + \text{Credit Sales} = 2,00,000 + 4,90,000 = \mathbf{6,90,000}$$

\*\*\*\*\* All the Best \*\*\*\*\*