IIMD

12 - Std

HALF YEARLY EXAMINATION - 2023

ACCOUNTANCY

Time : 3.00 Hrs Marks : 90

I Choose the correct answer (20 X 1 = 20)

1. Opening statement of affairs is usually prepared to find out the
   (a) Capital in the beginning of the year (b) Capital at the end of the year
   (c) Profit made during the year (d) Loss occurred during the year
2. Which of the following items relating to bills payable is transferred to total Creditors account?
   (a) Opening balance of bills payable (b) Closing balance of bills payable
   (c) Bills payable accepted during the year (d) Cash paid for bills payable
3. Subscription due but not received for the current year is
   (a) An asset (b) A liability (c) An expense (d) An item to be ignored
4. Receipts and payments account records receipts and payments of
   (a) Revenue nature only (b) Capital nature only
   (c) Both revenue and capital nature (d) None of the above
5. The average rate of return of similar concerns is considered as
   (a) Average profit (b) Normal rate of return
   (c) Expected rate of return (d) None of these
6. Book profit of 2017 is Rs. 35,000; non-recurring income included in the profit is Rs. 1,000 and abnormal loss charged in the year 2017 was Rs. 2,000, then the adjusted profit is
   (a) Rs. 36,000 (b) Rs. 35,000 (c) Rs. 38,000 (d) Rs. 34,000
7. On revaluation, the increase in the value of assets leads to
   (a) Gain (b) Loss (c) Expense (d) None of these
8. Which of the following statements is not true in relation to admission of a partner
   (a) Generally mutual rights of the partners change
   (b) The profits and losses of the previous years are distributed to the old partners
   (c) The firm is reconstituted under a new agreement
   (d) The existing agreement does not come to an end
9. A partner retires from the partnership firm on 30th June. He is liable for all the acts of the firm up to the
   (a) End of the current accounting period (b) End of the previous accounting period
   (c) Date of his retirement (d) Date of his final settlement
10. At the time of retirement of a partner, determination of gaining ratio is required
    (a) To transfer revaluation profit or loss
    (b) To distribute accumulated profits and losses (c) To adjust goodwill (d) None of these
11. 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

12. When shares are issued for purchase of assets,amount should be creditedto
 (a) Vendor's A/c (b) Sundry assets A/c
 (c) Share capital A/c (d) Bank A/c
13. Which of the following statements is not true?
 a) All the limitations of financial statements are applicable to financial statement analysis also.
 b) Financial statement analysis is only the means and not an end.
 c) Expert knowledge is not required in analysing the financial statements.
 d) Interpretation of the analysed data involves personal judgement.
14. Expenses for a business for the first year were Rs.80,000. In the 2nd year, it was increased to Rs.88,000. What is the trend percentage in the 2nd year?
 a) 10 % b) 110 % c) 90 % d) 11%
15. The mathematical expression that provides a measure of the relationship between two figures is called
 (a) Conclusion (b) Ratio (c) Model (d) Decision
16. Proportion of share holders' funds to total assets is called
 (a) Proprietary ratio (b) Capital gearing ratio (c) Debt equity ratio (d) Current ratio
17. Which of the following is shown in Profit and loss appropriation account?
 (a) Office expenses (b) Salary of staff (c) Partners' salary (d) Interest on bank loan
18. In the absence of an agreement, partners are entitled to
 (a) Salary (b) Commission (c) Interest on loan (d) Interest on capital
19. Which of the following options is used to view Trial Balance from Gateway of Tally?
 (a) Gateway of Tally -> Reports -> Trial Balance
 (b) Gateway of Tally -> Trial Balance
 (c) Gateway of Tally -> Reports -> Display -> Trial Balance
 (d) None of these
20. Function key F11 is used for
 (a) Company Features (b) Accounting vouchers
 (c) Company Configuration (d) None of these

II ANSWER ANY 7 QUESTIONS (Q.NO.: 30 IS COMPULSORY) (7 X 2 =14)

21. From the following details, calculate the missing figure.

Closing capital as on 31.3.2019	1,90,000
Additional capital introduced during the year	50,000
Drawings during the year	30,000
Opening capital on 1.4.2018	?
Loss for the year ending 31.3.2019	40,000

7 – 3

2,10,000

22. Ram and Shyam were partners. Ram withdrew Rs. 18,000 at the beginning of each half year. Interest on drawings is chargeable @ 10% p.a. Calculate interest on the drawings for the year ending 31st December 2018 using average period. 11.6 – 1.8 = 2,700

23. The following are the profits of a firm in the last five years:
2014: Rs.4,000;2015: Rs.3,000;2016: Rs.5,000;2017: Rs.4,500 2018: Rs.3,500.
Calculate the value of goodwill at 3 years purchase of average profits of five years. 123 - 1 = AVG = 4,000 ; GW 12,000

24. Rosi, Rathi and Rani are partners of a firm sharing profits and losses equally. Rathi retired from the partnership on 1.1.2018. On that date, their balance sheet showed accumulated loss of Rs. 45,000 on the asset side of the balance sheet. Give the journal entry to distribute the accumulated loss. 216 - 2 = Rosi - 15000 ; Rathi, Rani 15,000

25. From the following information of Geetha Ltd., calculate fixed assets turnover Ratio.
(i) Revenue from operations during the year were Rs. 55,00,000.
(ii) Fixed assets at the end of the year Rs. 5,00,000. 223 - 11 = 11 times

26. What is meant by revaluation of assets and liabilities?

27. What is meant by calls in arrear?

28. List the tools of financial statement analysis.

29. Give four examples for capital receipts of not–for–profit organisation.

30. What is automated accounting system?

III. ANSWER ANY 7 QUESTIONS (Q.NO.: 40 IS COMPULSORY) (7 X 3 =21)

31. From the following particulars, prepare bills receivable amount and compute the bills received from the debtors.

Particulars	Rs.
Bills receivable at the beginning of the year	1,40,000
Bills receivable at the end of the year	2,00,000
Cash received for bills receivable	3,90,000
Bills receivable dishonoured	30,000

34 - 12 = 4,80,000

32. How will the following appear in the final accounts of Vedaranyam Sports club?

Opening stock of bats and balls	3,000
Purchase of bats and balls during the year	17,000
Sale of old bats and balls	2,000
Closing stock of bats and balls	4,000

75,15
I/E Dr 16,000 / Cr 2000
B/S 4.000

33. From the following information, find out the value of goodwill by capitalization method:
(i) Average profit Rs. 20,000 (ii) Normal rate of return 10%
(iii) Capital employed Rs. 1,50,000 135 - 11 = TCV = 2,00,000 / GW 5000

34. Aravind and Balaji are partners sharing profits and losses in 3:2 ratio. They admit Anirudh into partnership. The new profitsharing ratio is agreed at 1:1:1. Anirudh's share of goodwill is valued at Rs. 20,000 of which he pays Rs. 12,000 in cash. Pass necessary journal entries for goodwill on the assumption that the fluctuating capital method is followed. 160 - 22

35. Rani, Jaya and Rathi are partners sharing profits and losses in the ratio of 2:2:1. On 31.3.2018, Rathi retired from the partnership. Profit of the preceding years is as follows: 2014: 10,000; 2015: Rs. 20,000; 2016: Rs. 18,000 and 2017: Rs. 32,000. Find out the share of profit of Rathi for the year 2018 till the date of retirement if
1600 (a) Profit is to be distributed on the basis of the previous year's profit
1000 (b) Profit is to be distributed on the basis of the average profit of the past 4 years
Also pass necessary journal entries by assuming partners capitals are fluctuating.

219 - 14 = Rathi 1600 Rathi - 1000

36. Nivetha Ltd. forfeited 1,000 equity shares of Rs. 10 each for non payment of call of Rs. 4 per share. Of these 800 shares were reissued @ Rs. 7 per share. Pass journal entries for forfeiture and reissue. 259 - 11 = 2,400

37. From the following Balance Sheet of Arunan Ltd. as on 31.03.2019 calculate (i) Debt-equity ratio (ii) Proprietary ratio and (iii) Capital gearing ratio.

Balance Sheet of Arunan Ltd. as on 31.03.2019

303 - 7

Particulars	Rs.
I EQUITY AND LIABILITIES	
1. Shareholders' funds	
(a) Share capital	
Equity share capital	1,50,000
8% Preference share capital	2,00,000
(b) Reserves and surplus	1,50,000
2. Non current liabilities	
Long term borrowings (9% Debentures)	4,00,000
3. Current liabilities	
Short-term borrowings from banks	25,000
Trade payables	75,000
Total	10,00,000
II ASSETS	
1. Non-current assets	
Fixed assets	7,50,000
2. Current assets	
(a) Inventories	1,20,000
(b) Trade receivables	1,00,000
(c) Cash and cash equivalents	27,500
(d) Other current assets	
Expenses paid in advance	2,500
Total	10,00,000

38. State the differences between double entry system and incomplete records.

39. State the differences between fixed capital method and fluctuating capital method.
40. What are the pre-defined ledgers available in Tally.ERP 9?

IV. ANSWER ALL THE QUESTIONS. (7 x 5 = 35)

41. A. On 1st April 2017, Ganesh started his business with a capital of Rs. 75,000. He did not maintain proper book of accounts. Following particulars are available from his books as on 31.03.2018.

Particulars	Rs.	Particulars	Rs.
Cash	5,000	Debtors	16,000
Stock of goods	18,000	Creditors	9,000
Bills receivable	7,000	Cash at bank	24,000
Furniture	3,000	Bills payable	6,000
Land and buildings	30,000		

11-7- 88,000 - C.C
8,000 - Profit

During the year he withdrew Rs. 15,000 for his personal use. He introduced further capital of Rs. 20,000 during the year. Calculate his profit or loss.

(or)

B. Veena and Pearl are partners in a firm sharing profits and losses in the ratio of 2:1. Their balance sheet as on 31st March, 2018 is as follows:

Liabilities	Rs.	Rs.	Assets	Rs.
Capital accounts			Buildings	60,000
Veena	60,000		Machinery	30,000
Pearl	40,000	1,00,000	Debtors	20,000
General reserve		30,000	Stock	10,000
Workmen compensation fund		10,000	Cash at bank	30,000
Sundry creditors		10,000		
		1,50,000		1,50,000

Deri is admitted on 1.4.2018 subject to the following conditions:

168-27

(a) The new profit sharing ratio among Veena, Pearl and Deri is 5:3:2.

(b) Deri has to bring a capital of Rs. 30,000 RV - 6000/3000

(c) Stock to be depreciated by 20% GR - 5:1

(d) Anticipated claim on workmen compensation fund is Rs. 1,000 Capital - 92000/56000/30000

(e) Unrecorded investment of Rs. 11,000 has to be brought into books Cash A/c 60,000

(f) The goodwill of the firm is valued at Rs. 30,000 and Deri brought cash for his share of goodwill. The existing partners withdraw the entire amount brought by Deri towards goodwill.

Prepare the necessary ledger accounts and balance sheet after admission. B/S = 1,89,000

42. A. From the following details of Rakesh, prepare Trading and Profit and Loss account for the year ended 31st March, 2019 and a Balance Sheet as on that date.

Particulars	31.3.2018	31.3.2019
Stock of goods	2,20,000	1,60,000
Debtors	5,30,000	6,40,000
Cash at bank	60,000	10,000
Machinery	80,000	80,000
Sundry creditors	3,70,000	4,20,000

35 - 17
Cr. Sales 13,85,000
Cr Pur - 11,85,000
A/P. 1,60,000
N/P - 50,000
B/S - 8,90,000

Other details:

Particulars	Rs.	Particulars	Rs.
Rent paid	1,20,000	Cash received from debtors	12,50,000
Discount received	35,000	Drawings	1,00,000
Discount allowed	25,000	Cash sales	20,000
Cash paid to creditors	11,00,000	Capital as on 1.4.2018	5,20,000

(or)

B. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31st March, 2019. 73 - 6

Total - 1,45,000

Receipts	Rs.	Payments	Rs.
To Balance b/d		By Salaries, Surp - 14,000	20,000
Cash in hand	14,000	By Rent	24,000
To Interest received	5,000	By Travelling expenses	2,000
To Subscription	55,000	By Printing and stationery	6,000
To Legacies	48,000	By Investments made	50,000
To Entrance fees	7,000	By Sports equipment purchased	33,000
To Sale of furniture	16,000	By Balance c/d	
(Book value: Rs. 17,000)		Cash in hand	10,000
	1,45,000		1,45,000

43. A. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31st December, 2018. 71 - 1

Cash - 5000

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. Kanchana Ltd. issued 50,000 equity shares of Rs. 10 each payable as under. On application Rs. 1, On allotment Rs. 5, On first call Rs. 2, On second and final call Rs. 2 Applications were received for 70,000 shares. Applications for 8,000 shares were rejected and allotment was made proportionately towards remaining applications. The directors made both the calls and the all the amount were received except the final call on 1,500 shares which were subsequently forfeited. Later 1,200 forfeited shares were reissued by receiving Rs. 8 per share. Give journal entries. 259 - 14

CR - 7,200

44. A. From the following information, prepare capital accounts of partners Mannan and Sevagan, when their capitals are fluctuating. 90 - 4

Particulars	Mannan	Sevagan
Capital on 1st 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

Total - 251,000 / 2,04,500 (or) M - 2,10,000 S - 1,69,000

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

Statement of Profit and loss

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

323 - 18
G/P - 40%
N/P - 20%
O/C - 75%
O/P - 25%

45. A. For the purpose of admitting a new partner, a firm has decided to value its goodwill at 3 years purchase of the average profit of the last 4 years using weighted average method. Profits of the past 4 years and the respective weights are as follows:

Particulars	2015	2016	2017	2018
Profit (Rs.)	20,000	22,000	24,000	28,000
Weight	1	2	3	4

126 - 6
248,000/10 = 24800
74,400 ✓

Compute the value of goodwill.

(OR)

B. Akash, Bala, Chandru and Daniel are partners in a firm. There is no partnership deed. How will you deal with the following? 112 - 1

(i) Akash has contributed maximum capital. He demands interest on capital at 10% per annum.

(ii) Bala has withdrawn Rs. 3,000 per month. Other partners ask Bala to pay interest on drawings @ 8% per annum to the firm. But, Bala did not agree to it.

(iii) Akash demands the profit to be shared in the capital ratio. But, others do not agree.

(iv) Daniel demands salary at the rate of Rs. 10,000 per month as he spends full time for the business.

(v) Loan advanced by Chandru to the firm is Rs. 50,000. He demands interest on loan @ 12% per annum.

46. A.From the following particulars, prepare comparative income statement of Arul Ltd.

	Particulars	2015-16Rs.	2016-17Rs.
20	Revenue from operations	50,000	60,000
200	Other income	10,000	30,000
25	Expenses	40,000	50,000

286/1

T/R = 50% P/L. 100% (or)

B. Distinguish between sacrificing ratio and gaining ratio.

47. A.Prepare common-size balance sheet of Sharmila Ltd. and Sangeetha Ltd. as on 31st March, 2019.

Particulars	Sharmila Ltd	Sangeetha Ltd	
	Rs.	Rs.	
I EQUITY AND LIABILITIES			
Shareholders' funds	5,00,000	11,00,000	55
Non-current liabilities	4,00,000	7,00,000	35
Current liabilities	1,00,000	2,00,000	10
Total	10,00,000	20,00,000	100
II ASSETS			
Non-current assets	6,50,000	18,00,000	90
Current assets	3,50,000	2,00,000	10
Total	10,00,000	20,00,000	100

278 - 10

(or)

B. Explain any five applications of computerised accounting system.

21

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

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
Less: Opening capital (as on 1.4.2018) (balancing figure)	**2,10,000**
Loss for the year ending 31.3.2019	(-) 40,000

Answer: **22**

Total amount of drawing: 18, 000 x 2 = 36,000

Interest on drawings = Amount x Rate of Interest x $\frac{\text{Average period}}{12}$

$= 36{,}000 \times \frac{10}{100} \times \frac{9}{12} =$ ₹ 2700

Solution 23

Goodwill = Average profit × Number of years of purchase

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

$$= \frac{4{,}000 + 3{,}000 + 5{,}000 + 4{,}500 + 3{,}500}{5}$$

$$= \frac{20{,}000}{5} = ₹\,4{,}000$$

Goodwill = Average profit × Number of years of purchase

$= 4{,}000 \times 3 = ₹\,12{,}000$

Answer: **24**

Particulars	Dr.	Cr.
Rosi's Cap. A/c Dr.	15,000	
Rathi's Cap. A/c Dr.	15,000	
Rani's Cap. A/c Dr.	15,000	
To profit and loss A/c		45,000
(Accumulated loss transferred to all partners capital account)		

Solution: **25**

$$\text{Fixed assets turnover ratio} = \frac{\text{Revenue from operations}}{\text{Average fixed assets}} = \frac{55,00,000}{5,00,000} = 11 \text{ times}$$

26 Revaluation of assets and liabilities

When a partner is admitted into the partnership, the assets and liabilities are revalued as the current value may differ from the book value. Determination of current values of assets and liabilities is called revaluation of assets and liabilities. The reasons for revaluation of assets and liabilities are as follows:

27 Calls in arrear

When a shareholder fails to pay the amount due on allotment or on calls, the amount remaining unpaid is known as calls in arrears. In other words, the amount called up but not paid is calls in arrear.

28. Tools of financial statement analysis

1. Comparative Statement.
2. Common Size Statement.
3. Trend Analysis.
4. Funds Flow Analysis.
5. Cash Flow Analysis.

29. Examples of Capital Receipts

1. Life membership fees
2. Legacies
3. Specific donation
4. Sale of fixed assets

30. Automated Accounting System

Automated accounting is an approach to maintain up-to-date accounting records with the aid of accounting software.

31 Bills Receivable Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	1,40,000	By Cash receivable	3,90,000
To B/R	4,80,000	By Debtors A/c (dishonoured)	30,000
		By Balance c/d	2,00,000
	6,20,000		6,20,000

Answer: 32

Income & Expenditure Account for the year ended

Expenses	₹	₹	Income	₹
To Opening Stock	3,000		By Sale of Old Bats and Balls	2,000
(+) Purchased	17,000			
	20,000			
(–) Closing Stock	4,000	16,000		

Balance Sheet as on ....

Liabilities	₹	₹	Assets	₹
			Closing Stock of Bats and Balls	4,000

Answer: **33**

Capital Assets – Liabilities

= 2, 20, 000 – 70, 000 = ₹ 1, 50, 000

Capitalised value of business = $\frac{\text{Average profit}}{\text{Normal rate of return}}$ x 100

= $\frac{20,000}{10}$ x 100 = ₹ 2, 00, 000

Value of goodwill = Total capitalised average profit – Capital employed

= 2, 00, 000 – 1, 50, 000

= ₹ 50,000

Solution 34

Calculation of sacrificing ratio

Sacrificing ratio = Old share – New share

Aravind $= \frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$

Balaji $= \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$

Therefore, sacrificing ratio is 4:1

Journal entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c Dr.		12,000	
	Anirudh's capital A/c Dr.		8,000	
	To Aravind's capital A/c (4/5)			16,000
	To Balaji's capital A/c (1/5)			4,000
	(Share of goodwill of Anirudh credited to old partners' capital account)			

Answer: **35**

(a) If the profit is to be distributed on the basis of previous year profit (2017)

Rathi's share distributed 3 months = ₹ 32,000 x $\frac{1}{5}$ x $\frac{3}{12}$ = ₹ 1600

Date	Particulars		L.F.	Debit	Credit
	Profit and loss suspense A/c	Dr.		1,600	
	To Rathi's Capital A/c				1,600
	(Profit is to be distributed on the basis of previous year profit)				

(b) Average Profit

Year	Profit
2014	10,000
2015	20,000
2016	18,000
2017	32,000
Total profit	80,000

$$\text{Average Profit} = \frac{\text{Total Profit}}{\text{No. of years}}$$

$$= \frac{80000}{4} = ₹\ 20{,}000$$

$$\text{Rathi's Share} = 20{,}000 \times \frac{1}{5} = ₹\ 4{,}000$$

Date	Particulars		L.F.	Debit	Credit
	Profit and loss suspense A/c	Dr.		4,000	
	To Rathi's Capital A/c				4,000
	(Rathi's current year share of profit Cr. to her cap. A/c)				

Answer: **36**

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Share Capital A/c	Dr.		10,000	
	To Share forfeited A/c				6,000
	To Share call A/c				4,000
	(1,000 Shares were forfeited A/c)				
	Bank A/c (800 x 7)	Dr.		5,600	
	Share forfeited A/c (800 x 3)	Dr.		2,400	
	To Share Capital A/c				8,000
	(1,000 shares were reissued)				
	Share forfeited A/c	Dr.		2,400	
	To Capital Reserve A/c				2,400
	(Profit on Share reissue transfer)				

Solution 37

(i) Debt equity ratio $= \dfrac{\text{Long term debt}}{\text{Shareholders' funds}} = \dfrac{4,00,000}{5,00,000} = 0.8:1$

Long term debt = 9% Debentures = ₹ 4,00,000

Shareholders' funds = Equity share capital + Preference share capital + Reserves and surplus

= 1,50,000 + 2,00,000 + 1,50,000 = ₹ 5,00,000

(ii) Proprietary ratio $= \dfrac{\text{Shareholders' funds}}{\text{Total assets}} = \dfrac{5,00,000}{10,00,000} = 0.5:1$

(iii) Capital gearing ratio $= \dfrac{\text{Funds bearing fixed interest and dividend}}{\text{Equity Shareholders' funds}} = \dfrac{6,00,000}{3,00,000} = 2:1$

Funds bearing fixed interest or dividend = 8% Preference share capital + 9% Debentures

= 2,00,000 + 4,00,000 = ₹ 6,00,000

Equity shareholders' funds = Equity share capital + Reserves and surplus

= 1,50,000 + 1,50,000 = ₹ 3,00,000

38 Any 3 points

Differences between double entry system and incomplete records

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. For some transactions both aspects are entered, some transactions are partially recorded and some transactions are omitted to be entered.
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.
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 accounts as the accounts are incomplete.
4. Determination of true profit or loss	Trading and profit and loss account can be prepared to find out the true profit or loss.	Trading and profit and loss account cannot be prepared with accuracy as complete information is not available and hence profit or loss found out may not be accurate.
5. 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.
6. Suitability	It is suitable for all types of organisations.	It may be suitable for small sized sole traders and partnership firms.
7. 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.
8. Acceptability	Accounting records are acceptable to all users including tax authorities and financial institutions.	Accounting records may not be acceptable to all users.

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Differences between fixed capital method and fluctuating capital method

Any 3 points

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.

Answer: **40**

Tally has two pre – defined ledgers, cash and profit and loss A/c. The user has to create various other ledgers based on their requirements. Predefined group/ledger cannot be deleted.

41. a Solution

Statement of affairs of Ganesh as on 31st March, 2018

Liabilities	₹	Assets	₹
Creditors	9,000	Cash	5,000
Bills payable	6,000	Cash at bank	24,000
Capital (balancing figure)	**88,000**	Stock of goods	18,000
		Debtors	16,000
		Bills receivable	7,000
		Land and buildings	30,000
		Furniture	3,000
	1,03,000		1,03,000

Statement of profit or loss for the year ending 31st March, 2018

Particulars	₹
Closing capital as on 31.03.2018	88,000
Add: Drawings during the year	15,000
	1,03,000
Less: Additional capital introduced during the year	20,000
Adjusted closing capital	83,000
Less: Opening capital as on 01.04.2017	75,000
Profit made during the year ending 31.03.2018	8,000

Solution

41. b

Dr. **Revaluation Account** Cr.

Particulars	₹	₹	Particulars	₹
To Stock A/c		2,000	By Investments A/c	11,000
To Profit on revaluation transferred to				
Veena's capital A/c (2/3)	6,000			
Pearl's capital A/c (1/3)	3,000	9,000		
		11,000		11,000

Old ratio of Veena and Pearl $= 2:1$ that is, $\frac{2}{3}:\frac{1}{3}$

New ratio of Veena, Pearl and Deri $= 5:3:2$ i.e. $\frac{5}{10}:\frac{3}{10}:\frac{2}{10}$

Share sacrificed = Old share - New share

Veena $= \frac{2}{3} - \frac{5}{10} = \frac{20-15}{30} = \frac{5}{30}$

Pearl $= \frac{1}{3} - \frac{3}{10} = \frac{10-9}{30} = \frac{1}{30}$

Sacrificing ratio of Veena and Pearl = 5:1

Dr. **Capital Account** Cr.

Particulars	Veena ₹	Pearl ₹	Deri ₹	Particulars	Veena ₹	Pearl ₹	Deri ₹
To Bank A/c	5,000	1,000	-	By Balance b/d	60,000	40,000	-
To Balance c/d	**92,000**	**56,000**	**30,000**	By Bank A/c	-	-	30,000
				By General reserve A/c	20,000	10,000	-
				By Workmen compensation fund A/c (10,000- 1,000)	6,000	3,000	-
				By Revaluation A/c	6,000	3,000	-
				By Bank A/c* (share of goodwill)	5,000	1,000	-
	97,000	57,000	30,000		97,000	57,000	30,000
				By Balance b/d	92,000	56,000	30,000

Dr. **Cash at bank Account** Cr.

Particulars	₹	Particulars	₹
To Balance b/d	30,000	By Veena's capital A/c	5,000
To Deri's capital A/c	30,000	By Pearl's capital A/c	1,000
To Veena's capital A/c	5,000	By Balance c/d	60,000
To Pearl's capital A/c	1,000		
	66,000		66,000

Balance Sheet as on 1st April 2018

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Buildings		60,000
Veena	92,000		Machinery		30,000
Pearl	56,000		Investments		11,000
Deri	30,000	1,78,000	Debtors		20,000
Workmen's compensation			Stock	10,000	
fund (10,000-9,000)		1,000	Less: Decrease	2,000	8,000
Sundry creditors		10,000	Cash at bank		60,000
		1,89,000			1,89,000

Answer: 42. a

Total Debtors Account

Dr. Cr.

Particulars	₹	Particulars	₹
To balance c/d	5,30,000	By discount allowed	25,000
To credit sales	13,85,000	By cash received	12,50,000
		By balance c/d	6,40,000
	19,15,000		19,15,000

Total Creditors Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Discount received	35,000	By balance b/d	3,70,000
To Cash paid	11,00,000	By credit purchase (B/F)	11,85,000
To balance c/d	4,20,000		
	15,55,000		15,55,000

Trading Account for year ended 31st March 2019

Dr. Cr.

Particulars	₹	Particulars	₹
To Opening Stock	2,20,000	By Sales	
To Credit purchases	11,85,000	Cash: 20,000	
		Credit: 13,85,000	14,05,000
To Gross profit	1,60,000	By Closing Stock	1,60,000
	15,65,000		15,65,000

Profit/Loss Account for the year ended 31st March 2019

Dr. Cr.

Particulars	₹	Particulars	₹
To Rent	1,20,000	By discount received	35,000
To discount allowed	25,000	By Gross profit	1,60,000
To Net profit	50,000		
	1,95,000		1,95,000

Balance Sheet as on 31st March 2019

Liabilities		₹	Assets	₹
Creditors		4,20,000	Closing Stock	1,60,000
Capital	5,20,000		Debtors	6,40,000
(+) Net Profit	50,000		Cash at bank	10,000
	5,70,000		Machinery	80,000
(–) Drawings	1,00,000	4,70,000		
		8,90,000		8,90,000

Answer: **42. b**

Tenkasi Thiruvalluvar Manram Income and Expenditure Account for ended 31.03.19

Dr. **Cr.**

Expenses	₹	Income	₹
To Loss on Sale of Furniture	1,000	By Interest Received	5,000
To Salary	20,000	By Subscription	55,000
To Rent	24,000	By Entrance Fees	7,000
To Travelling Expenses	2,000		
To Printing and Stationery	6,000		
To Surplus	14,000		
(Excess of Income Over Expenditure)			
	67,000		67,000

Answer: **43. a**

Kurinji Sports Club Account for the year ended 31st Dec 2018

Receipts and Payments

Dr. **Cr**

Receipts	₹	Payments	₹
To Balance b/d Cash	4,000	By Salaries	3,000
To Life membership fees	10,000	By Printing Charges	2,500
To Subscription	15,000	By Tournament Exp	10,500
To Rent Received	2,000	By Investment Purchased	25,000
To Locker Rent Recd.	1,000	By Balance c/d Cash	5,000
To Tournament Receipts	14,000		
	46,000		46,000

Answer: **43. b**

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		70,000	
	To Share Application A/c				70,000
	(Share Application money received)				
	Share Application A/c	Dr.		8,000	
	To Bank				8,000
	(Excess Share Application money rejected)				
	Share Application A/c	Dr.		62,000	
	To Share Allotment A/c				12,000
	To Share Capital A/c				50,000
	(Share Application money tr to share capital)				
	Share Allotment A/c	Dr.		2,50,000	
	Share Capital A/c				2,50,000
	(Share Allotment tr to Share Capital)				
	Bank A/c	Dr.		2,38,000	
	To Share Allotment A/c				2,38,000
	(Share Allotment money received)				
	Share I^{st} Call A/c	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Share I^{st} Call Due)				
	Bank A/c	Dr.		1,00,000	
	To Share I^{st} Call A/c				1,00,000
	(Share I^{st} call money received)				
	Share final call A/c	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Share final call due)				
	Bank A/c	Dr.		97,000	
	To Share final call A/c				97,000
	(Share final call money received)				
	Share Capital A/c	Dr.		15,000	
	To Share forfeited A/c				12,000
	To Share final call A/c				3,000
	(1,500 shares were forfeited)				
	Bank A/c	Dr.		9,600	
	Share forfeited A/c	Dr.		2,400	
	To Share Capital A/c				12,000
	(1,200 shares were reissued @ ₹ 8% per share)				
	Share forfeiture A/c	Dr.		7,200	
	To Capital Reserve A/c				7,200
	(P[illegible] A/c)				

Solution **44. a**

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

Solution: **44. b**

1. Gross profit ratio = $\frac{\text{Gross profit}}{\text{Revenue from operations}} \times 100$

Gross profit = Revenue from operations – Purchase of stock in trade – Changes in inventories

= 44,00,000 – 21,00,000 – 30,000

= 16,00,000

Greater profit ratio = $\frac{1,60,000}{4,00,000}$ x 100 = 40%

2. Net Profit Ratio = $\frac{\text{Net profit}}{\text{Revenue from operation}} \times 100$

Net profit ratio = $\frac{80,000}{4,00,000}$ x 100 = 20%

3. Operating cost ratio = $\frac{\text{Operating cost}}{\text{Revenue from operations}} \times 100$

Cost of revenue from operations = Purchases of stock-in-trade + Change in inventories of stock

= 2,10,000 + 30,000 = 2,40,000

Operating expenses = Administrative expenses + Selling and expenses = 60,000

Operating cost = 2,40,000 + 60,000 = 3,00,000

Operating cost ratio = $\frac{3,00,000}{4,00,000}$ x 100 = 75%

4. Operating profit ratio = $\frac{\text{Operating profit}}{\text{Revenue from operation}} \times 100$

Operating profit = Gross profit – Operating expenses

= 1,60,000 – 60,000 = 1,00,000

Operating profit ratio = $\frac{10,00,00}{4,00,000}$ x 100 = 25%

Solution **45. a**

Calculation of weighted average profit

Year	Profits (a) ₹	Weights (b)	Weighted profits (a × b) ₹
2015	20,000	1	20,000
2016	22,000	2	44,000
2017	24,000	3	72,000
2018	28,000	4	1,12,000
Total		10	2,48,000

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

$$= \frac{2,48,000}{10} = ₹\ 24,800$$

Goodwill = Weighted average profit × Number of years of purchase

= 24,800 × 3 = ₹ 74,400

Answer: **45. b**

1. No interest on capital is payable to any partner.
2. No interest is charged on drawing made by the partner.
3. Profit should be distributed equally.
4. No remuneration is payable to any partner.
5. Interest on loan is payable at 6% per annum.

Answer: **46. a**

Comparative Income Statement Analysis of Arul Ltd.

for the year ended 31.3.2016 to 31.3.2017

Particular	2015-16 ₹	2016-17 ₹	Absolutement of Increase (+) (or) decrease (–) ₹	Percentage Increase (+) Decrease (–)
Revenue from operation	50,000	60,000	+10,000	+20
Add: Other income	10,000	30,000	–20,000	–200
Total Revenue	60,000	90,000	+30,000	+50
Less: Expenses	40,000	50,000	–10,000	–25%
Profit before tax	20,000	40,000	20,000	+25%

46.b 6.3 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 partners.	It is calculated to determine the amount to be adjusted towards goodwill for the gaining partners.
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 Sacrificing ratio = Old profit sharing ratio – New profit sharing ratio	It is the difference between the new ratio and the old ratio. Gaining ratio = New profit sharing ratio - Old profit sharing ratio

Solution **47. a**

Common-size balance sheet of Sharmila Ltd and Sangeetha Ltd as on 31st March, 2019

Particulars	Sharmila Ltd		Sangeetha Ltd	
	Absolute amount ₹	Percentage of total assets	Absolute amount ₹	Percentage of total assets
I EQUITY AND LIABILITIES				
Shareholders' funds	5,00,000	50	11,00,000	55
Non-current liabilities	4,00,000	40	7,00,000	35
Current liabilities	1,00,000	10	2,00,000	10
Total	10,00,000	100	20,00,000	100
II ASSETS				
Non-current assets	6,50,000	65	18,00,000	90
Current assets	3,50,000	35	2,00,000	10
Total	10,00,000	100	20,00,000	100

Answer: **47. b**

The applications of CAS are as follows

1. Maintaining accounting records
2. Inventory management
3. Pay – roll preparation
4. Report generation
5. Data Import/Export
6. Taxation