

12TH ACCOUNTANCY QUARTERLY EXAM – ANSWER KEY SEPTEMBER - 2024

I. Choose the most appropriate answer

20 x 1 = 20

1	B	Statement of Assets and Liabilities	11	A	Capital account of all the partners
2	D	Rs.64,000	12	C	Retiring Partner's Loan A/c
3	D	Sale Proceeds of Furniture	13	C	Both (i) and (ii) are correct
4	B	Capital Receipts	14	A	Total Debtors Account
5	A	Not Allowed	15	D	Rs.4 per share
6	B	Interest on partners' capital is allowed at 7% per annum	16	D	A's Executor Loan Account
7	B	Normal Rate of Return	17	B	Sacrificing Ratio
8	D	Rs.30,000	18	C	Partners' Salary
9	A	Gain	19	D	Capital Receipt
10	C	5:3	20	A	Securities Premium Account

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

7 x 2 = 14

21) Statement of Affairs – Meaning:

- ♣ A statement of affairs is a statement showing the balances of assets and liabilities on a particular date.
- ♣ The balance of assets are shown on the right side and the balance of liabilities on the left side.
- ♣ This statement resembles a balance sheet.
- ♣ The difference between the total of assets and total of liabilities is taken as capital.
Capital = Assets – Liabilities.

22) Short note on Life Membership Fees:

- Life membership fee is accounted as a capital receipt and added to capital fund on the liabilities side of Balance sheet.
- It is non – recurring in nature.

23) Acquired Goodwill or Purchased Goodwill

- Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.
- When a firm purchases an existing business, the price paid for purchase of such business may exceed the net assets (Assets – Liabilities) of the business acquired.

24) The following purpose of calculating gaining ratio:

- The purpose of finding the gaining ratio is to bear the goodwill to be paid to the retiring partner.

25) Dr.

Bills receivable account

Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,40,000	By Cash A/c	3,90,000
To Debtors A/c (Bills received during the year) (B/F)	4,80,000	By Debtors A/c (Bills receivable dishonoured)	30,000
		By Balance c/d	2,00,000
	6,20,000		6,20,000

26) **In the books of Marthandam Women Cultural Association**
Dr. Income and Expenditure Account Cr.

Expenditure	Rs.	Rs.	Income	Rs.
<u>To Sports materials consumed:</u>				
Opening stock	16,000			
Add: Purchased in the current year	<u>84,000</u>			
	1,00,000			
Less: Closing stock	<u>10,000</u>	90,000		

Balance sheet as on 31st March, 2019

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
			Stock of sports materials		10,000

27) Since there is no partnership deed, provisions of the Indian Partnership Act, 1932 will apply.

- (i) No interest on capital is payable to any partner
- (ii) No interest is chargeable on drawings made by the partner

28) **Journal Entry**

Date	Particulars	L.F	Debit Rs.	Credit Rs.
2018 January 1	Anjali's capital A/c Dr. Nithya's capital A/c Dr. To Profit and loss a/c (Accumulated loss transferred to old partners' capital account in the old profit sharing ratio)		25,000 15,000	40,000

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

$$= \frac{20,000}{10} \times 100 = \text{Rs. 2,00,000}$$

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

30) **Issued at a Premium Rs. 2 per share**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (50,000 x 12) Dr. To Equity share application A/c (Application money received)		6,00,000	6,00,000
	Equity share application A/c (50,000 x 12) Dr. To Equity share capital A/c (50,000 x 10) To Securities Premium A/c (50,000 x 2) (Application money transfer to share capital)		6,00,000	5,00,000 1,00,000

III. Answer any 7 questions. Question No. 40 is Compulsory**7 x 3 = 21**31) **Statement of profit or loss for the year ended 31st March, 2018**

Particulars	Rs.
Closing capital (as on 31.3.2018)	80,000
Add: Drawings during the year	15,000
	95,000
Less: Additional capital introduced during the year	30,000
Adjusted closing capital	65,000
Less: Opening capital (as on 1.4.2017) (B/F)	90,000
Loss for the year ending 31.3.2018	(-) 25,000

32) **In the books of Karaikudi Sports Club
Balance sheet as on 31st March, 2018**

Liabilities	Rs.	Rs.	Assets	Rs.
Tournament fund	90,000		Tournament fund investment	90,000
Add: Interest received on Tournament fund investment	9,000			
Add: Donation for Tournament fund	<u>10,000</u>			
	1,09,000			
Less: Tournament Expenses	<u>60,000</u>	49,000		

33) **Calculation of interest on capital:****Interest on Prakash's capital:**

On opening capital for 1 year	= 3,00,000 x 6/100	= Rs. 18,000
On additional capital for 9 months	= 60,000 x 6/100 x 9/12	= <u>Rs. 2,700</u>
Interest on capital		<u>Rs. 20,700</u>

Interest on Supria's capital:

On opening capital for 1 year	= 2,00,000 x 6/100	= Rs. 12,000
On additional capital for 9 months	= 30,000 x 6/100 x 6/12	= <u>Rs. 900</u>
Interest on capital		<u>Rs. 12,900</u>

34) **Journal Entry:**

Date	Particulars	L.F	Debit Rs.	Credit Rs.
	Kavin's Capital A/c Dr. To Bank A/c (Padi off immediately)		1,50,000	1,50,000
	Kavin's Capital A/c Dr. To Kavin's Loan A/c (Padi off not immediately)		1,50,000	1,50,000
	Kavin's Capital A/c Dr. To Bank A/c To Kavin's Loan A/c (Part amount paid, remaining in future)		1,50,000	1,00,000 50,000

35) List out the adjustments made at the time of retirement.**Adjustments made at the time of retirement**

- 1) Distribution of accumulated profits, reserves, and losses
- 2) Revaluation of assets and liabilities
- 3) Determination of new profit sharing ratio and gaining ratio
- 4) Adjustment for goodwill
- 5) Adjustment for current year profit or loss up to the date of retirement
- 6) Settlement of the amount due to the retiring partner

36) Differences between Preference Shares and Equity Shares (Any 3)

BASIS	EQUITY SHARES	PREFERENCE SHARES
Payment of dividend	The dividend is paid after the payment of all liabilities.	Priority in payment of dividend over equity shareholders.
Repayment of capital	In the event of winding up of the company, equity shares are repaid at the end.	In the event of winding up of the company, preference shares are repaid before equity shares.
Rate of dividend	Fluctuating	Fixed
Redemption	No	Yes
Convertibility	Equity shares can never be converted.	Preference shares can be converted into equity shares.

37) Computation of sacrificing ratio and new profit sharing ratio

$$\text{Share sacrificed} = \frac{1}{14} : \frac{1}{14}$$

Sacrificing ratio of Vimala and Kamala is 1:1

$$\text{Old ratio is 4:3 that is } \frac{4}{7} : \frac{3}{7}$$

New share of old partner = Old share - Share sacrificed

$$\text{Vimala} = \frac{4}{7} - \frac{1}{14} = \frac{8}{14} - \frac{1}{14} = \frac{7}{14}$$

$$\text{Kamala} = \frac{3}{7} - \frac{1}{14} = \frac{6}{14} - \frac{1}{14} = \frac{5}{14}$$

Share of new partner

$$\begin{aligned} \text{Vinitha} &= \text{Sum of shares sacrificed by old partners} \\ &= \frac{1}{14} + \frac{1}{14} = \frac{2}{14} \end{aligned}$$

$$\text{New profit sharing ratio of Hameed, Govind and John is } = \frac{7}{14} : \frac{5}{14} : \frac{2}{14} = \mathbf{7:5:2}$$

38)

Calculation of weighted average profit

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

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

$$= \frac{1,54,000}{10} = \text{Rs.15,400}$$

Goodwill = Weighted average profit × Number of years of purchase
 = 15,400 × 3 = **Rs. 46,200**

39)

**In the books of Goutham Ltd.,
Journal entries**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Equity share capital A/c (500 × 10) Dr. To Equity share final call A/c (500 × 2) To Forfeited shares A/c (500 × 8) (200 Shares forfeited)		5,000	1,000 4,000
	Bank A/c (500 × 8) Dr. Forfeited shares A/c (500 × 2) Dr. To Equity share capital A/c (500 × 10) (Forfeited shares reissued)		4,000 1,000	5,000
	Forfeited shares A/c (4,000 - 1,000) Dr. To Capital reserve A/c (Gain on reissue of forfeited shares transferred to capital reserve account)		3,000	3,000

40) Calculation of Sacrificing Ratio:

$$\begin{aligned} \text{Share sacrificed} &= \text{Old share} - \text{New share} \\ \text{Varun} &= \frac{5}{9} - \frac{1}{3} = \frac{5-3}{9} = \frac{2}{9} \\ \text{Barath} &= \frac{4}{9} - \frac{1}{3} = \frac{4-3}{9} = \frac{1}{9} \end{aligned}$$

Sacrificing ratio of Varun and Barath is $\frac{2}{9} : \frac{1}{9}$ that is **2:1**

Journal Entry

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Cash A/c Dr.		10,000	
	Dhamu's Capital A/c Dr.		5,000	
	To Varun's capital A/c			10,000
	To Barath's Capital A/c			5,000
	(Share of goodwill of Dhamu credited to old partners' capital account)			

IV. Answer all the questions**7 x 5 = 35****41) (a) Calculation of opening capital**

In the books of Ananth
Statement of affairs as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	1,70,000	Cash at bank	5,000
Capital (balancing figure)	1,93,000	Cash in hand	3,000
		Stock of Goods	35,000
		Sundry Debtors	1,00,000
		Plant and Machinery	80,000
		Land and Buildings	1,40,000
	3,63,000		3,63,000

Calculation of closing capital

Statement of affairs as on 31st March, 2019

Liabilities	Rs.	Assets	Rs.	Rs.
Bank overdraft	60,000	Cash in hand		4,500
Sundry Creditors	1,30,000	Stock of Goods		45,000
Capital (balancing figure)	1,57,000	Sundry Debtors	90,000	
		Less: Provision for doubtful debts @ 5%	4,500	85,500
		Plant and Machinery	80,000	
		Less: Depreciation	8,000	72,000
		Land and Buildings		1,40,000
	3,47,000			3,47,000

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

Particulars	Rs.
Closing capital as on 31.3.2019	1,57,000
Add: Drawings during the year	60,000
	2,27,000
Less: Additional capital introduced during the year	17,000
Adjusted closing capital	2,10,000
Less: Opening capital as on 31.3.2018	1,93,000
Profit for the year ending 31.3.2019 (B/F)	7,000

[OR]**41) b.****Journal Entries**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2018 April 1	Land and Building A/c To Revaluation A/c (Increase in the value of Land and building)	Dr.	18,000	18,000
	Revaluation A/c To Machinery A/c To Outstanding Expenses A/c (Reduction in the value of furniture and outstanding salary accounted)	Dr.	23,000	15,000 8,000
	Vinoth's capital A/c Karthi's capital A/c Pranav's capital A/c To Revaluation A/c (Loss on revaluation transferred)	Dr. Dr. Dr.	2,000 2,000 1,000	5,000

Dr.**Revaluation Account****Cr.**

Particulars	Rs.	Particulars	Rs.
To Machinery A/c	15,000	Building A/c	18,000
To Outstanding wages A/c	8,000		
		To Loss on revaluation transferred to	
		Vinoth's capital A/c (2/5)	2,000
		Karthi's capital A/c (2/5)	2,000
		Pranav's capital A/c (1/5)	<u>1,000</u>
	23,000		5,000
			23,000

42) (a)**In the books of Tenkasi Thiruvalluvar Manram****Dr.****Income and Expenditure Account for the year ended 31st March, 2019****Cr.**

Expenditure	Rs.	Income	Rs.
To Salaries	20,000	By Interest received	5,000
To Rent	24,000	By Subscription	55,000
To Travelling Expenses	2,000	By Entrance Fees	7,000
To Printing and Stationery	6,000		
To Loss on sale of Furniture	1,000		
To Surplus (Excess of income over expenditure)	14,000		
	67,000		67,000

[OR]**42) b.** Total amount withdrawn = $2,500 \times 12 = \text{Rs. } 30,000$ **(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

$$= 30,000 \times \frac{4}{100} \times \frac{6.5}{12} = \text{Rs. } 650$$

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

Average period = 6

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

$$= 30,000 \times 4/100 \times 6/12 = \text{Rs.600}$$

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

Average period = 5.5

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

$$= 30,000 \times 4/100 \times 5.5/12 = \text{Rs.550}$$

43) (a)

In the books of Kurunji Sports Club

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

Receipts	Rs.	Payments	Rs.
To Balance b/d Cash in hand	4,000	By Salaries paid	3,000
To Life Membership fees received	10,000	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	By Balance c/d Cash in hand	5,000
To Tournament Receipts	14,000		
	46,000		46,000

[OR]

43) b.

Calculation of adjusted profit

Particulars	2016 Rs.	2017 Rs.	2018 Rs.
Profit	25,000	23,000	26,000
Less: Non- recurring income	2,500	-	-
	22,500	23,000	26,000
Add: Stock destroyed by fire (abnormal loss)	-	3,500	-
Profit after adjustments	22,500	26,500	26,000

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years purchase}} \\ &= \frac{22,500 + 26,500 + 26,000}{3} \\ &= \frac{75,000}{3} = \text{Rs.25,000} \end{aligned}$$

Particulars	Rs.
Average profit before adjusting insurance premium payable in future	25,000
Less: Insurance premium payable in future	250
Average profit	24,750

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{Number of years of purchase} \\ &= 24,750 \times 2 = \text{Rs. 49,500} \end{aligned}$$

[OR]

44) (a) Dr. Bills Payable Account Cr.

Particulars	Rs.	Particulars	Rs.
To Cash A/c (bills paid)	30,000	By Balance b/d	25,000
To Balance c/d	20,000	By Sundry creditors A/c (Bills accepted) (B/F)	25,000
	50,000		50,000

Dr. Total Creditors Account Cr.

Particulars	Rs.	Particulars	Rs.
To Cash A/c (paid)	1,20,000	By Balance b/d	30,000
To Purchases return A/c	15,000	By Purchases A/c (credit) (B/F)	1,55,000
To Bills payable A/c	25,000		
To Balance c/d	25,000		
	1,85,000		1,85,000

$$\begin{aligned} \text{Total purchases} &= \text{Cash purchases} + \text{Credit purchases} \\ &= \text{Rs. 2,25,000} + \text{Rs. 1,55,000} = \text{Rs. 3,80,000} \end{aligned}$$

44) b.

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Stock		2,000	By Building A/c	5,000
To Furniture		100		
To Provision for doubtful debts		800		
To Profit on revaluation transferred to Rajan's capital A/c (3/4)	1,575			
Selva's capital A/c (1/4)	525	2,100		
		5,000		5,000

Partners' Capital Account

Particulars	Rajan Rs.	Selva Rs.	Ganesan Rs.	Particulars	Rajan Rs.	Selva Rs.	Ganesan Rs.
To Profit and Loss A/c	7,500	2,500	-----	By Balance B/d	30,000	16,000	-----
To Balance C/d	27,075	15,025	10,000	By Bank A/c	-----	-----	10,000
				By General Reserve	3,000	1,000	-----
				By Revaluation Profit	1,575	525	-----
	34,575	17,525	10,000		34,575	17,525	10,000
				By Balance B/d	27,075	15,025	10,000

Balance Sheet as on 31st March 2017

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital A/c			Building	25,000	
Rajan	27,075		(-) Appreciation 20%	5,000	30,000
Selva	15,025		Stock	20,000	
Ganesan	10,000	52,100	(-) Depreciation 10%	2,000	18,000
			Furniture	1,000	
Creditors		37,500	(-) Depreciation 10%	100	900
			Debtors	16,000	
			(-) Provisions @ 5%	800	15,200
			Bills Receivable		3,000
			Cash at Bank	12,500	
			(+) Ganesan's Capital	10,000	22,500
		89,600			89,600

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 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	It is the difference between the new ratio and the old ratio.
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. Income and Expenditure Account for the year ended 31st December, 2018 Cr.**

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

46) (a)

In the books of Progress Ltd.

Journal entries

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Bank A/c (50,000 x 2) To Equity share application A/c (Application money received)	Dr.	1,00,000	1,00,000
	Equity share application A/c To Equity share capital A/c (Transfer of share application money to share capital)	Dr.	1,00,000	1,00,000
	Equity share allotment A/c (50,000 x 4) To Equity share capital A/c (Share allotment money due)	Dr.	2,00,000	2,00,000
	Bank A/c To Equity share allotment A/c (Allotment money received)	Dr.	2,00,000	2,00,000
	Equity share first call A/c (50,000 x 2) To Equity share capital A/c (Share first call money due)	Dr.	1,00,000	1,00,000
	Bank A/c To Equity share first call A/c (Share first call money received)	Dr.	1,00,000	1,00,000
	Equity share second and final call A/c (50,000 x 2) To Equity share capital A/c (Share second and final call money due)	Dr.	1,00,000	1,00,000
	Bank A/c To Equity share second and final call A/c (Share second and final call money received)	Dr.	1,00,000	1,00,000

[OR]

46) b. Calculation of Goodwill:

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years purchase}} \\ &= \frac{20,000 + 17,000 + 23,000}{3} \\ &= \frac{60,000}{3} = \text{Rs. } 20,000 \end{aligned}$$

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{Normal rate of return} \\ &= 80,000 \times 15/100 = \text{Rs. } 12,000 \end{aligned}$$

Super profit = Average profit – Normal profit

$$= 20,000 - 12,000 = \text{Rs. } 8,000$$

Goodwill = Super profit × Number of years of purchase

$$= 8,000 \times 2 = \text{Rs. } 16,000$$

47) (a) Dr. Profit and loss appropriation account for the year ended 31st March 2018 Cr.

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Interest on capital A/c: Antony (4,00,000 x 5%) Ranjith (3,00,000 x 5%)	20,000 15,000	35,000	By Profit and loss A/c		3,65,000
To Salary to Antony		90,000			
To Commission to Ranjith		48,000			
To Partners' capital A/c (profit) Antony (1/2) Ranjith (1/2)	96,000 96,000	1,92,000			
		3,65,000			3,65,000

Note: Calculation of commission:

$$\text{Profit before commission} = 3,65,000 - (35,000 + 90,000) = \text{Rs. } 2,40,000$$

$$\text{Commission} = \text{Net profit before commission} \times \frac{\text{Rate of commission}}{(100 + \text{Rate of commission})}$$

$$\text{Commission} = 2,40,000 \times \frac{25}{125} = \text{Rs. } 48,000$$

[OR]

47) b. Factors determining the value of goodwill of a partnership firm

(i) Profitability of the firm

- ♣ The profit earning capacity of the firm determines the value of its goodwill.
- ♣ A firm earning higher profits and having potential to generate higher profits in future will have higher value of goodwill.

(ii) Good quality of goods or services offered

- ♣ If a firm enjoys good reputation among the customers and general public for the good quality of its products or services, the value of goodwill for the firm will be high.

(iii) Efficiency of management

- ♣ A firm having efficient management will earn more profits and the value of its goodwill will be higher compared to a firm with less efficient managerial personnel.

(iv) Degree of competition

- ♣ In the case of business enterprises having no competition or negligible competition, the value of goodwill will be high.

(v) Other factors

- ♣ There are other factors which add to the value of goodwill of a business such as popularity of the proprietor, impressive advertisements and publicity, good relations with customers, etc.

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