K V MATRIC. HIGHER SECONDARY SCHOOL

CREATIVITY * PROSPERITY* ACHIEVEMENT

546, SATHY MAIN ROAD, KURUMBAPALAYAM, COIMBATORE – 641 107.

HALF YEARLY EXAMINATION – 2024 12 STD ACCOUNTANCY

PART – I

1) d) Cash & Personal account
2) c)Profit
3) b)Cash & Bank account
4) d) Sale proceeds of Furniture
5) a) One
6) d) 6%
7) b)Normal rate of Return
8) b) ₹ 22,500
9) b) capital account of old partners
10) a) Gain
11) d) Indian Partnership Act – 1932
12) c) 2:1
13) d) Reserve Capital
14) c) share Capital
15) b) Working Capital
16) d) All the above
17) b) Long term Solvency
18) a) Pure
19) c) Both (i) and (ii)
20) b) Withdrawal of Cash from Bank for office use.

PART – B

21) INCOMPLETE RECORDS :
- When accounting records are not strictly maintained according to double entry system, these records are called incomplete accounting records.
- It was called single entry system of book keeping.

22) PARTNERSHIP DEED:
- Partnership deed is a document in writing that contains the terms of the agreement among the partners.
- It is not compulsory for a partnership to have a partnership deed as per the Indian Partnership Act, 1932.

23) SACRIFICING RATIO:
- The old partners may sacrifice a portion of the share of profit to the new partner.
- The sacrifice may be made by all the partners or some of the partners.
- The share sacrificed is calculated by deducting the new share from the old share.
- Share sacrificed = Old share - New share
- Sacrificing ratio = Ratio of share sacrificed by the old partners.

24) CALLS IN ADVANCE:

- The excess amount paid over the called up value of a share is known as calls in advance.
- It is the excess money paid on application or allotment or calls.
- Such excess amount can be returned or adjusted towards future payment.

25) ACCOUNTING REPORTS.

Routine accounting reports include

- Day books / Journal
- Trial balance
- Income statement
- Balance sheet
- Cash flow statement

26) WORKING CAPITAL:

- The term 'fund' refers to working capital.
- Working capital refers to the excess of current assets over current liabilities.

27) (Dr) INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2024 (Cr)

EXPENDITURE	₹	₹	INCOME	₹
To Sports materials consumed: Opening stock	6000		By Sale of old sports Materials	4000
Add : Purchase	34000			
	40000			
Less : Closing stock of Materials	8000	32000		

BALANCE SHEET AS ON 31ST MARCH, 2024

LIABILITIES	₹	₹	ASSETS	₹
			Closing stock of Sports Materials	8000

28) CALCULATION ON GOODWILL :

Goodwill = Average Profit X No. of Years Purchase
Average Profit = Total Profits /No. of Years.
Calculation on total Profit:

Year	Profit / Loss	₹
2019	Profit	30000
2020	Profit	32000
2021	Profit	34000
2022	Profit	14000
2023	Profit	38000
		148000

Average Profit = ₹148000 / 5

= ₹29,600

Good will = ₹29,600 x 2

= ₹ 59,200

29) JOURNAL ENTRY :

DATE	PARTICULARS	L.F	DEBIT (₹)	CREDIT (₹)
2024				
April -01	Ganga's Capital a/c - Dr		22500	
	Yamuna's Capital a/c - Dr		13500	
	Kaveri's Capital a/c - Dr		9000	
	To Profit & Loss a/c			45000
	(Being Accumulated loss transferred to all partners' capital account in the old profit sharing ratio)			

30) CALCULATION ON PROPRIETARY RATIO:

Proprietary ratio = $\frac{\text{SHAREHOLDERS FUND}}{\text{ASSETS}}$

Shareholders fund = Share Capital + Reserves & Surplus

= ₹400000 + 50000

= ₹ 4,50,000.

Total Assets = Fixed Assets + Non-Current Assers + Current Assets

= ₹ 460000+100000+40000

= ₹ 600000

Proprietary ratio = $\frac{450000}{600000}$

Proprietary ratio = 0.75: 1

31) Examples for Capital Receipts :

- Life membership fees
- Legacies
- Endowment fund
- Sale of fixed assets
- Sale of investments
- Donation for specific purpose
- Receipt for specific purpose or fund.

32) GOODWILL CALCULATED UNDER THE SUPER PROFITS METHOD:
- Super profit methods under these methods, super profit are the base for calculation of the value of goodwill.
- Super profit is the excess of average profit over the normal profit of a business.
- Super profit = Average profit – Normal profit
- Normal profit = Capital employed × Normal rate of return
- Capital employed = Fixed assets + Current assets – Current liabilities
- Normal rate of return = It is the rate at which profit is earned by similar Business entities in the industry under normal circumstances.

33) GAINING RATIO :
- The continuing partners may gain a portion of the share of profit of the retiring partner.
- The gain may be shared by all the partners or some of the partners.
- Purpose of calculating gaining ratio :
- The purpose of finding the gaining ratio is to bear the goodwill to be paid to the retiring partner.
  - ✓ Share gained = New share – Old share
  - ✓ Gaining ratio = Ratio of share gained by the continuing partners.

34) THE FOLLOWING STEPS CAN BE FOLLOWED TO COMPUTE TREND PERCENTAGES:
- Take the earliest year as the base year.
- Take the figures for the base year as 100.
- Express the figures for the other years as a percentage to the base year and determine the trend.

35) ROUTINE ACCOUNTING REPORTS INCLUDE
- Day books / Journal
- Ledger
- Trail balance
- Income statement
- Balance sheet
- Cash flow statement

36) CALCULATION ON CREDIT SALES :

(Dr) TOTAL DEBTORS A/C (Cr)

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Balance b/d		75000	By Cash r/received		195000
To Bills receivable dishonoured		5000	By Return Inwards		20000
			By Bills Receivable received		45000
To Credit Sales (Balancing Figure)		245000	By Balance c/d		65000
		325000			325000

Total Sales = Cash Sales + Credit Sales
= ₹ 100000 + 245000
Total Sales = ₹ 345000

37) CALCULATION ON INTEREST ON CAPITAL :

Anbu:

Interest on Capital	= Amount of Capital x Rate of Interest x Period of Interest.
Beginning of the Capital	= ₹ 80000
	$= (80000 \times \frac{9}{100})$ = ₹ 7200
Additional capital Introduced	= ₹ 20000 (9 Months)
(As on 31.03.24)	$= (20000 \times \frac{9}{100} \times \frac{9}{12})$ = ₹ 1350
Interest on Capital	**= ₹ 8550**

Balan:

Interest on Capital	= Amount of Capital x Rate of Interest x Period of Interest.
Beginning of the Capital	= ₹ 60000
	$= (60000 \times \frac{9}{100})$ = ₹ 5400
Additional capital Introduced	= ₹ 10000 (6 Months during the year)
(During the year)	$= (10000 \times \frac{9}{100} \times \frac{6}{12})$ = ₹ 450
Interest on Capital	**= ₹ 5850**

Cheran:

Interest on Capital	= Amount of Capital x Rate of Interest x Period of Interest.
Beginning of the Capital	= ₹ 40000
	$= (40000 \times \frac{9}{100})$ = ₹ 3600
Additional capital Introduced	= ₹ 5000 (0 Months)
(As on 31.12.24)	
Interest on Capital	**= ₹ 3600.**

38) COMPUTATION OF SACRIFICING RATIO AND NEW PROFIT SHARING RATIO :

Computation of sacrificing ratio and new profit sharing ratio Since share sacrificed, proportion of share sacrificed and new profit sharing ratio are not given, it is assumed that the existing partners sacrifice in their old profit sharing ratio, that is, 2:1.

Sacrificing ratio of Dharun and Eswar is 2:1

Let the total share be 1

Felix's Share $= \frac{1}{4}$

Remaining share $= 1 - \frac{1}{4} = \frac{3}{4}$

New share of old partners = Remaining share × Old share

Dharun $= \frac{3}{4} \times \frac{2}{3} = \frac{6}{12}$

Eswar $= \frac{3}{4} \times \frac{1}{3} = \frac{3}{12}$

Share of new partner Felix's = 1 4

In order to equalise the denominator, multiply and divide by 3

Felix's share $= \frac{1}{4} \times \frac{3}{3} = \frac{3}{12}$

New profit sharing ratio of Dharun, Eswar and Felix = $\frac{6}{12} : \frac{3}{12} : \frac{3}{12}$ that is, 2:1:1

39) JOURNAL ENTRY :

DATE	PARTICULARS	L.F	DEBIT (₹)	CREDIT (₹)
200 x 6	Equity share capital a/c - Dr		1200	
200 x 3	To Equity share Allotment a/c			600
200 x 1	To Equity share First call a/c			200
200 x 2	To Share Forfeited a/c			400
	(Being share forfeited for non-payment of allotment & Call Money)			

40) CASE I :

Operating Profit Ratio = $\frac{\textit{Operating Profit}}{\textit{Revenue from Operations}}$ x 100

= $\frac{150000}{1000000}$ x 100

= 15%

CASE II:

Operating Profit Ratio = $\frac{\textit{Operating Profit}}{\textit{Revenue from Operations}}$ x 100

Operating profit = Revenue from operations – Operating Cost
= 15,00,000 – 12,00,000
= ₹3,00,000

= $\frac{30000}{1500000}$ x 100

= 20%

CASE III:

Operating Profit Ratio = $\frac{\textit{Operating Profit}}{\textit{Revenue from Operations}}$ x 100

Gross Profit = 2000000 X $\frac{30}{100}$
= ₹6,00,000

Operating profit = Gross profit – Operating expenses
Operating profit = 6, 00,000 – 4, 00,000
= ₹200000

Operating Profit Ratio $= \frac{200000}{2000000} \times 100$

$= 10\%$

PART – D

41) A) FEATURES OF INCOMPLETE RECORDS:

NATURE:

- It is an unscientific and unsystematic way of recording transactions. Accounting principles and accounting standards are not followed properly.

TYPE OF ACCOUNTS MAINTAINED:

- In general, only cash and personal accounts are maintained fully.
- Real accounts and nominal accounts are not maintained properly.
- Some transactions are completely omitted.

LACK OF UNIFORMITY:

- There is no uniformity in recording the transactions among different organisations.
- Different organisations record their transactions according to their needs and conveniences.

MIXING UP OF PERSONAL AND BUSINESS TRANSACTIONS:

- Generally, personal transactions of the owners are mixed up with the business transactions.

SUITABILITY:

- Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records.
- Hence, it may be maintained by small sized sole traders and partnership firms.

MIXING UP OF PERSONAL AND BUSINESS TRANSACTIONS:

- Generally, personal transactions of the owners are mixed up with the business transactions.
- For example, purchase of goods for own use may be mixed up along with business purchases

41b) DIFFERENCES BETWEEN FIXED CAPITAL METHOD AND FLUCTUATING CAPITAL METHOD.

Basis of distinction	Fixed capital method	Fluctuating capital method
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.
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

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
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

42) a) CHARACTERISTICS OF A COMPANY:

- Voluntary association:
  - A company is a voluntary association of persons.
  - No law can compel persons to form a company.
- Separate legal entity:
  - Company is an artificial person.
  - It has a separate legal entity which is separate and distinct from its members.
- Common seal:
  - A company may have a common seal which can be affixed on the documents.
- Perpetual succession:
  - A company continues for ever.
  - Its continuity is not affected by the changes in its members.
  - It can be wound up only by law.
- Limited liability:
  - The liability of the shareholders of the company is limited to the extent of face value of the shares held by them.
- Transferability of shares:
  - The shares of a company are freely transferable except in case of a private company.

42B) LIMITATIONS OF FINANCIAL STATEMENTS:

Following are the limitations of financial statements:

- LACK OF QUALITATIVE INFORMATION:
  - Qualitative information that is non-monetary information is also important for business decisions.
  - For example, efficiency of the employees, efficiency of the management, etc. But, this is ignored in financial statements.
- RECORD OF HISTORICAL DATA:
  - Financial statements are prepared based on historical data.
  - They may not reflect the current position.
- IGNORE PRICE LEVEL CHANGES:
  - Adjustments for price level changes are not made in the financial statements.
  - Hence, financial statements may not reveal the current position.

- LACK OF CONSISTENCY:
  - Different business concerns may use different accounting methods.
  - Hence, comparison between two business concerns becomes difficult.
- GIVE ONLY INTERIM REPORTS:
  - Financial statements are prepared at the end of every accounting period.
  - But, the actual position of the business can be known only when the business is closed.
  - Hence, financial statements may not reveal the exact position of the business concern.
- LIMITED ACCESS TO EXTERNAL USERS:
  - The external users do not have detailed and frequent information of financial results as they have limited access.
- INFLUENCED BY PERSONAL JUDGEMENT:
  - Preparation of financial statements may be influenced by personal judgements and therefore these are not free from bias.

43) A)MAJOR ACCOUNTING VOUCHERS USED IN AN ORGANISATION:

- Receipt Voucher
- Payment Voucher
- Contra Voucher
- Purchase Voucher
- Sales Voucher
- Journal Voucher

Receipt Voucher (F6: Receipt)

- All transactions related to receipt either in cash or through bank are recorded using receipt voucher.
- In this voucher, cash or bank account is debited and other ledger account is credited.
- To record receipt: Gateway of Tally > Transactions > Accounting Vouchers > F6:Receipt

Payment Voucher :(F5: Payment)

- All transactions related to payments either in cash or through bank are recorded using payment voucher.
- In this voucher, cash or bank account is credited and other ledger account is debited.
- To record payment way of Tally > Transactions > Accounting Vouchers > F5: Payment.

Contra Voucher :(F4: Contra)

- A transaction involving both cash account and bank account is recorded using contra voucher.
- The transaction may be for deposit of cash into bank account or withdrawal of cash from bank account.
- To record contra: Gateway of Tally > Transactions > Accounting Vouchers > F4:Contra

Purchase Voucher: (F9: Purchase)

- Purchase vouchers are used for recording both cash and credit purchases of goods.
- To record purchases: Gateway of Tally > Transactions > Accounting Vouchers > F9:Purchase

Sales Voucher: (F8: Sales)

- Sales vouchers are used for recording both cash and credit sales of goods.
- To record sales: Gateway of Tally > Transactions > Accounting Vouchers > F8:Sales

Journal Voucher (F7: Journal)

- Journal vouchers are used for recording transactions involving other than cash, bank, purchases and sales such as depreciation, provision for bad debts. .
- To record journal: Gateway of Tally > Transactions > Accounting Vouchers > F7:Journal
- To record transactions using voucher, Accounting Voucher Creation has to be used.

43b)

Dr BILLS RECEIVABLE A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To balance b/d		5000	By Cash received for bills		14000
To Bills receivable received during the year (Bal. Fig.)		11200	By Bills receivable dishonoured		1200
			By Balance c/d		1000
		16200			16200

Dr TOTAL DEBTORS A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To balance b/d		60000	By Cash Received a/c		130000
To Bills receivable dishonoured		1200	By Discount allowed a/c		5500
			By Bad debts a/c		3500
To Credit Sales a/c(Bal. Fig)		144000	By Bills receivable received a/c		11200
			By Balance c/d		55000
		205200			205200

Dr BILLS PAYABLE A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Cash paid for Bills		7000	By Balance b/d		2000
To Balance c/d		3000	By Bills Accepted during the year (Bal. Fig.)		8000
		10000			10000

Dr TOTAL CREDITORS A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Discount received		3500	By Balance b/d		25000
To Cash Paid		70000	By Credit Purchase (Bal. Fig)		76500
To Balance c/d		28000			
		101500			101500

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44) a)

Dr RECEIPTS & PAYMENTS A/C OF KOVAI SPORTS CLUB Cr

FOR THE YEAR ENDED 31ST DECEMBER 2023

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Balance b/d			By Honorarium paid		4000
Cash		22000	By Audit Fees		3000
To Sale of Furniture		6000	By Postage		4000
To Donation Received		78000	By Investment		79000
To Locker Rent received		11000	By General Expenses		6000
To Subscription Received		13000	By balance c/d		
			Cash a/c		34000
		130000			130000

44b)

Dr PROFIT & LOSS APPROPRIATION A/C Cr

FOR THE YEAR ENDED 31ST MARCH 2024 A/C

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Interest on Capital			By Profit		40000
Ram (50000 x 5/100)	2500		By Interest on Drawings		
Selvan (60000 x 5/100)	3000	5500	Ram	600	
To salary(Ram)		10000	Selvan	900	1500
To Commission (Selvan)		4000			
To Profit transfer to Partners capital a/c					
Ram (22000 x 2/5)	8800				
Selvan (22000 x 3/5)	13200	22000			
		41500			41500

45) a)

Good will = Super Profit x No. of years Purchase.

Super Profit = Average Profit – Normal Profit

Average Profit = Total Profit / Total No. of years.

$$= \frac{30000+32000+35000+37000+40000}{5}$$

Average Profit before Remuneration = ₹34800

Less: Remuneration = 2800

Average Profit = 32000

Normal Profit = Capital Employed x Normal Rate of Return

$$= 120000 X \frac{20}{100}$$

Normal Profit = ₹ 24000.

Super Profit = 32000 – 24000

= ₹ 8000

Good will = Super Profit x No. of years Purchase
= 8000 x 5

Good will = ₹ 40000

45b)

Dr REVALUATION A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Furniture		4000	By Stock		16000
To Bad debts		4000			
To Outstanding repairs		3500			
To Revaluation Profit					
P's Capital (4500x5/9)	2500				
Q's Capital (4500x4/9)	2000	4500			
		16000			16000

Dr CAPITAL A/C Cr

PARTICULARS	P (₹)	Q (₹)	R(₹)	PARTICULARS	P (₹)	Q (₹)	R(₹)
To Profit & Loss a/c	45000	36000	-	By Balance b/d	200000	160000	-
				By Bank	-	-	240000
To Balance c/d	217500	174000	240000	By Workmen Compensation Fund	60000	48000	-
				By Revaluation Profit	2500	2000	-
	262500	210000	240000		262500	210000	240000
				By Balance b/d	217500	174000	240000

46) a)

Dr REVALUATION A/c Cr

PARTICULARS	₹	₹	PARTICULARS	₹	₹
To Stock a/c		6000	By Investment		33000
To Bad debts		9000			
To Revaluation Profit					
Ram's Capital (18000x6/15)	7200				
Selvam's Capital(18000x5/15	6000				
Thangam's Capital (18000x4/15)	4800	18000			
		33000			33000

Dr CAPITAL A/C Cr

PARTICULARS	P (₹)	Q (₹)	R(₹)	PARTICULARS	P (₹)	Q (₹)	R(₹)
To Bank	-	-	86000	By Balance b/d	90000	60000	50000
				By General Reserve	36000	30000	24000
To Balance c/d	144000	105000	-	By Workmen Compensation Fund	10800	9000	7200
				By Revaluation Profit	7200	6000	4800
	144000	105000	86000		144000	105000	86000
				By Balance b/d	144000	106000	-

46 b) COMMON-SIZE INCOME STATEMENT OF SIVA LTD
FOR THE YEAR ENDED 31ST MARCH, 2023 AND 31ST MARCH, 2024.

PARTICULARS	ABSOLUTE AMOUNT 2022-23 (₹)	PERCENTAGE OF REVENUE FROM OPERATIONS FOR 2022-23	ABSOLUTE AMOUNT 2023-24 (₹)	PERCENTAGE OF REVENUE FROM OPERATIONS FOR 2023-24	Working note	
Revenue from operations	300000	100	450000	100	2022-23	2023-24
Add: Other income	50000	16.66	75000	16.66	50000/ 300000	75000/ 450000
Total revenue	350000	116.66	525000	116.66	350000/ 300 000	525000/ 450000
Less: Expenses	400000	133.33	325000	72.22	400000/ 300000	325000/ 450000
Profit / loss before tax	-50000	-16.66	200000	44.44	-50000/ 300000	200000/ 450000
Less: Income tax (40%)	-	-	80000	17.77	-	80000/ 450000
Profit after tax	-50000	-16.66	120000	26.66	50000/ 300000	120000/ 450000

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47) A) JOURNAL ENTRIES OF KANNIKA LTD.

DATE	PARTICULARS	L.F	DEBIT (₹)	CREDIT (₹)
60000 X 3	Bank a/c - Dr To Equity share Application a/c (Being 50000 Shares @ ₹ 3 per share application Money Received)		180000	180000
	Equity share Application a/c -Dr To Equity Share Capital a/c (Being 50000 Equity Share Application Money transfer to Equity Share Capital)		150000	150000
10000 x 3	Equity share Application a/c -Dr To Bank a/c (Being 10000 Share Application Money was refunded)		30000	30000
50000 x 4	Equity Share Allotment a/c -Dr To Equity Share Allotment a/c To Share Premium a/c (Being 50000 shares @ ₹ 4 per share including Premium money due)		200000	150000 50000
	Bank a/c -Dr To Equity Share Allotment a/c (Being Equity Share Allotment Money received along with Premium)		200000	200000
50000 x 2	Equity Share First Call a/c -Dr To Equity Share Capital a/c (Being 50000 shares @ ₹ 2 per share First Call Money due)		100000	100000
	Bank a/c -Dr To Equity Share First Call a/c (Being Equity Share First Money received)		100000	100000
50000 x 2	Equity Share Final Call a/c -Dr To Equity Share Capital a/c (Being 50000 shares @ ₹ 2 per share Final Call Money due)		100000	100000
49800 x 2	Bank a/c -Dr To Equity Share Final Call a/c (Being 49800 shares @₹2per share Equity Share Final call Money received)		99600	99600

47b)

(a) CALCULATION ON CURRENT RATIO :

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = Inventories +Trade Receivables + Cash and Cash Equivalents + Prepaid Expenses

= 90000+140000+60000+10000

= ₹300000

Current Liabilities = Trade Payables + Short term Borrowings + Outstanding Expenses + Short Term Provisions

= 50000+34000+6000+10000

= ₹ 100000

$$\text{Current Ratio} = \frac{300000}{100000}$$

Current Ratio = 3:1

(b) CALCULATION ON QUICK RATIO :

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Quick Assets = Current Assets- Inventories - Prepaid Expenses

= 300000-90000-10000

= ₹200000

Current Liabilities = Trade Payables + Short term Borrowings + Outstanding Expenses + Short Term Provisions

= 50000+34000+6000+10000

= ₹ 100000

$$\text{Quick Ratio} = \frac{200000}{100000}$$

Quick Ratio = 2:1

(c) CALCULATION ON DEBT EQUITY RATIO :

Debt Equity Ratio $= \frac{\text{Long term debts}}{\text{Share holders Fund}}$

Long term Debt = Long term Borrowings

= ₹ 100000

Shareholders Fund = Share capital

= ₹ 400000

Debt Equity Ratio $= \frac{100000}{400000}$

Debt Equity Ratio = 0.25: 1

(d) CALCULATION ON SHAREHOLDERS FUND RATIO (PROPRIETARY RATIO) :

Proprietary ratio $= \frac{\text{Shareholders Fund}}{\text{Total Assets}}$

Shareholders Fund = Share capital

= ₹ 400000

Total Assets = Fixed Assets + Current Assets

= ₹ 600000

Proprietary ratio $= \frac{400000}{600000}$

Proprietary ratio = 0.66 : 1

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