

ACCOUNTS FROM INCOMPLETE RECORDS

I Very Short Answer Questions

01. What is meant by incomplete records?

- When accounting records are not strictly maintained according to the double-entry system, these records are called incomplete accounting records.
- Generally, cash accounts and the personal accounts of customers and creditors are maintained fully and other accounts are maintained based on necessity.

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

- * Cash account * Personal accounts.

03. What is a statement of affairs?

- ❖ A statement of affairs is a statement showing the balances of assets and liabilities on a particular date.
- ❖ This statement resembles a balance sheet.
- ❖ $\text{Capital} = \text{Assets} - \text{Liabilities}$.

II Short Answer Questions

01. What are the features of incomplete records?

1. Nature: It is an unscientific and unsystematic way of recording transactions.

Accounting principles and accounting standards are not followed properly.

2. Types 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 correctly omitted.

3. Lack of uniformity – There is no uniformity in recording the transactions among different organizations. Different organizations record their transactions according to their needs and conveniences.

4. Financial statements may not represent true and fair view – Due to the incomplete information and inaccurate records of accounts, the profit or loss calculated from these records cannot be relied upon. It may not represent true profitability. Assets and liabilities may not represent a true and fair view of financial position.

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

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

02. What are the limitations of incomplete records?

(i) Lack of proper maintenance of records:

It is an unscientific and unsystematic way of maintaining records. Real and nominal accounts are not maintained properly.

(ii) Difficulty in preparing trial balance:

As accounts are not maintained for all items, the accounting records are incomplete. Hence, it is difficult to prepare trial balance to check the arithmetical accuracy of the accounts.

(iii) Difficulty in ascertaining true profitability of the business:

Profit is found out based on available information and estimates. Hence, it is difficult to ascertain true profit as the trading and profit and loss account cannot be prepared with accuracy.

(iv) Difficulty in ascertaining financial position:

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

(v) Errors and frauds cannot be detected easily:

As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.

(vi) Unacceptable to government and other authorities:

As accounts maintained are incomplete, these may not comply with the legal requirements. Hence, government, tax authorities and other legal authorities do not accept accounts prepared from incomplete records.

03. State the procedure for calculating profit or loss through the statement of affairs.

- The difference between the closing capital and the opening capital is taken as profit or loss of the business.
- Due adjustments are to be made for any withdrawal of capital from the business and for the additional capital introduced in the business.
- Adjusting closing capital = Closing capital + Drawings – Opening capital.
Closing capital + Drawings – Additional capital – Opening capital = Profit/Loss.

04. State the differences between double-entry system and incomplete records.

Basis of distinction	Double entry system	Incomplete records
1. Recording of transactions	All the transactions are recorded.	All the transactions are not recorded
2. Type of accounts maintained	Personal, real and nominal.	personal and cash accounts
3. Preparation of trial balance	To prepare the trial balance to check the arithmetical accuracy.	It is difficult to prepare the trial balance to check arithmetic accuracy.
4. Suitability	It is suitable for all types of organisations.	It may be suitable for small sized sole traders and partnership firms.
5. Reliability	It is reliable since it is a scientific system	It is not reliable since it is unscientific.

05. Differentiate between the statement of affairs and the balance sheet.

Basis of distinction	Statement of affairs	Balance sheet
1. Objective	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.
2. Accounting system	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.
3. Basis of preparation	It is not fully based on ledger balances. Some items are taken from some source documents and some items are mere estimates.	It is prepared exclusively on the basis of ledger balances.
4. Reliability	It is not reliable as it is based on incomplete records.	It is reliable as it is prepared under double entry system.
5. Missing items	It is difficult to trace the items omitted as complete records are not maintained.	Since both the aspects of all transactions are duly recorded, items omitted can be traced easily.

06. How is the amount of credit sale ascertained from incomplete records?

For ascertaining the amount of credit sales, the total debtor's account should be prepared. The specimen of the total debtor's A/c is given below.

Dr.	Total debtors account		Cr.
Particulars	RS	Particulars	RS
To Balance b/d (opening balance)	xxx	By Cash A/c (received)	xxx
To Sales A/c (credit sales)	xxx	By Bank A/c (cheques received)	xxx
To Bank A/c (cheque dishonoured)	xxx	By Discount allowed A/c	xxx
To Bills receivable A/c (bills dishonoured)	xxx	By Sales returns A/c	xxx
		By Bad debts A/c	xxx
		By Bills receivable A/c (bills received)	xxx
		By Balance c/d (closing balance)	xxx

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION**I Very short answer questions****1. State the meaning of not-for-profit organisation.**

- Some organisations are established for the purpose of rendering services to the public without any profit motive.
- They may be created for the promotion of art, culture, education and sports, etc.
- These organisations are called not-for-profit organisation.

2. What is receipts and payments account?

- Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.
- It is a real account in nature.

3. What is legacy?

- A gift made to a not-for-profit organisation by a will, is called legacy.
- It is a capital receipt.

4. Write a short note on life membership fees.

- Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.

5. Give five examples for capital receipts of not-for-profit organisation.

1. Life membership fees
2. Legacies
3. Specific donation
4. Sale of fixed assets
5. Receipt for specific purpose or fund
6. Endowment fund

6. Give five examples for revenue receipts of not-for-profit organisation.

1. Subscription
2. Interest on investment
3. Interest on fixed deposit
4. Sale of old sports material
5. Grant-in-aid
6. Dividend

7. Give five examples for capital expenditure of not-for-profit organisation.

1. Purchase of Fixed assets
2. Purchase of Investments
3. Repayment of loan.
4. Purchase of sports equipment
5. Purchase of books for library.

8. Give five examples for revenue expenditure of not-for-profit organisation.

1. Honorarium
2. Charity
3. Audit fees
4. Purchase of sports materials
5. Printing and stationery
6. Postage and courier charges

II Short answer questions**1. What is income and expenditure account?**

- Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year.
- It is prepared to find out the surplus or deficit pertaining to a particular year.
- It is a nominal account in nature in which items of revenue receipts and revenue expenditure, relating to the current year alone are recorded.
- It is just like preparing a profit and loss account

2. How annual subscription is dealt with in the final accounts of not-for-profit organisation?

(A) Treatment in income and expenditure account:

When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of income and expenditure account after making the adjustments given below:

- Subscription outstanding for the current year is to be added.
- Subscription received in advance in the previous year which is meant for the current year is to be added.

When total subscription received in current year is given:

- Subscription outstanding in the previous year which is received in the current year will be subtracted.
- Subscription received in advance in the previous year which is meant for the current year is added and subscription received in advance must be subtracted.

(B) Treatment in Balance sheet:

- Subscription outstanding for the current year and still outstanding for the previous year will be shown on the asset side of the Balance sheet.
- Subscriptions received in advance in the current year will be shown on the liabilities side of the Balance sheet.

3. State the 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. Nature of account	It is a real account.	It is a nominal account.
3. 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.
4. 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.
5. 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.
6. 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.

4. How the following items are dealt with in the final accounts of not-for-profit organisation?

a) Sale of sports materials

- The sale proceeds of old sports materials like balls, bats, etc. are revenue receipts.

b) Donations

- These are the amounts received by not-for-profit organisations as a gift.
- It may be general donation or specific donation.

- **General donation:** If the donation is received without any specific condition, then it is a general donation. It is a revenue receipt.
- **Specific donation:** If the donation is received with a specific condition for a particular purpose like donations for sports fund, prize fund etc., it is known as specific donation. It is a capital receipt.

c) Tournament fund

- ✚ It is recurring in nature.
- ✚ It is revenue receipt.
- ✚ It is shown on liabilities side of balance sheet.
- ✚ Opening balance added donations and subtracted expenses incurred.

(x) Honorarium

- ❖ It is the remuneration paid to a person who is not a regular employee of the organisation.
- ❖ It is a revenue expenditure.

UNIT 3

ACCOUNTS OF PARTNERSHIP FIRMS– FUNDAMENTALS

I Very short answer questions

1. Define partnership.

“The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”. - Section 4 of the Indian Partnership Act, 1932

2. What is a 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.
- But, it is desirable to have a partnership deed as it serves as an evidence of the terms of the agreement among the partners.

3. What is meant by fixed capital method?

- 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.

4. What is the journal entry to be passed for providing interest on capital to a partner?

(a) For providing interest on capital

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Interest on Capital A/c Dr.		xxx	
	To Partner's Capital current A/c			xxx

(b) For closing interest on capital account

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Profit and Loss appropriation A/c Dr.		xxx	
	To Interest on Capital A/c SamacheerKalvi.Guru			xxx

5. Why is Profit and loss appropriation account prepared?

- The profit and loss appropriation account is an extension of the profit and loss account prepared for the purpose of adjusting the transactions relating to amounts due to and amounts due from partners.
- It is a nominal account in nature.
- It is credited with net profit, interest on drawings and it is debited with interest on capital, salary, and other remuneration to the partners.
- The balance being the profit or loss is transferred to the partners' capital or current account in the profit-sharing ratio.

II Short answer questions

1. State the features of partnership.

1. Partnership is an association of two or more persons.
2. The maximum number of partners is limited to 50.
3. There should be an agreement among the persons to share the profit or loss of the business.
4. The agreement may be oral or written or implied.
5. The agreement must be to carry on a business and to share the profits of the business.
6. The business may be carried on by all the partners or any of them acting for all.

2. State any six contents of a partnership deed.

01. Name of the firm and nature and place of business
02. Date of commencement and duration of business
03. Names and addresses of all partners
04. Capital contributed by each partner
05. Profit sharing ratio
06. Amount of drawings allowed to each partner
07. Rate of interest to be allowed on capital
08. Rate of interest on drawings of partners.

4. Write a brief note on the applications of the provisions of the Indian Partnership Act, 1932 in the absence of partnership deed.

(i) Remuneration to partners

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

(ii) Profit sharing ratio

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

(iii) Interest on capital

No interest is allowed on the capital. Where a partner is entitled to interest on capital contributed as per partnership deed, such interest on capital will be payable only out of profits. [Section 13(c)]

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

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

(v) Interest on drawings

No interest is charged on the drawings of the partners.

5. Jayaraman is a partner who withdrew Rs 10,000 regularly in the middle of every month. Interest is charged on the drawings at 6% per annum. Calculate interest on drawings for the year ended 31st December, 2018.

Interest on drawings of Jayaraman: $10,000 \times 12 \times \frac{12}{24} \times \frac{6}{100} = ₹ 3600$

3. State the differences between fixed capital method and fluctuating capital method.

S. No.	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. SamacheerKalvi.Guru
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.

UNIT 4**GOODWILL IN PARTNERSHIP ACCOUNTS****I. Very Short Answer Questions****01. What is goodwill?**

- Goodwill is the good name or reputation of the business which brings benefit to the business.
- It enables the business to earn more profit. It is the present value of a firm's future excess earnings.
- It is an intangible asset as it has no physical existence.

02. What has acquired 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.

03. What is a super profit?

- Super profit is the excess of average profit over the normal profit of a business.
- Super profit = Average profit – Normal profit.
- Average profit is calculated by dividing the total of adjusted actual profit of certain number of years by the total number of such years.
- Normal profit is the profit earned by the similar business firms under normal conditions.

- Normal profit = Capital employed x Normal rate of return
Capital employed = Fixed assets + Current assets – Current liabilities.

04. What is the normal rate of return?

Normal rate of return = It is the rate at which profit is earned by similar business entities in the industry under normal circumstances.

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

- When there is a change in the profit-sharing ratio.
- When a new partner is admitted into a firm.
- When an existing partner retires from the firm or when a partner dies.
- When a partnership firm is dissolved.

II. Short Answer Questions

01. State any six factors determining goodwill.

(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) Favourable location of the business enterprise

If the firm is located in a prominent place which is easily accessible to the customers, it can attract more customers. Its sales and profit will be higher when compared to a firm which is not located in a prominent place. Hence, it will have high value of goodwill.

(iii) 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.

(iv) Tenure of the business enterprise

A firm which has carried on business for several years will have higher reputation among its customers as it is better known to the customers. Such a firm will have higher earnings and higher value of goodwill when compared to a new firm.

(v) 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.

(vi) Degree of competition

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

(vii) 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.

02. How is goodwill calculated under the super-profits method?

- 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
- 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

• Capitalisation of super profit method: Goodwill = $\frac{\text{Super profit}}{\text{Normal rate of return}} \times 100$

03. How is the value of goodwill calculated under the capitalisation method?

Capitalisation method:

- Under Capitalisation method, goodwill is the excess of capitalised value of average profit of the business over the actual capital employed in the business.
- Goodwill = Total capitalised value of the business – Actual capital employed.
- The total capitalised value of the business is calculated by capitalising the average profits on the basis of the normal rate of return.

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

• Actual capital employed = Fixed assets (excluding goodwill) + Current assets – Current liabilities

04. Compute average profit from the following information.

Calculation of Average profit: 2016 – ₹ 8,000; 2017 – ₹ 10,000; 2018 – ₹ 9,000

2016 –	₹ 8,000	
2017 –	₹ 10,000	
2018 –	₹ 9,000	
Total profit	27,000	SamacheerKalvi.Guru
Average profit = $\frac{\text{Total profit}}{\text{Number of years}} = \frac{27,000}{3} = ₹ 9,000$		

Valuation of goodwill = ₹ 9,000

05. Calculate the value of goodwill at 2 years purchase of average profit when the average profit is ₹ 15,000.

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{no. of Year's purchases} \\ &= 15,000 \times 2 \\ &= ₹ 30,000 \end{aligned}$$

ADMISSION OF A PARTNER

I. Very Short Answer Questions

01. What is meant by the revaluation of assets and liabilities?

- When a partner is admitted into the partnership, the assets and liabilities are revealed 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.

02. How are accumulated profits and losses distributed among the partners at the time of admission of a new partner?

- Profits and losses of previous years which are not distributed to the partners are called accumulated profit and losses.
- This belongs to the old partners and hence these should be distributed to the old partners in the old profit sharing ratio.

03. What is sacrificing ratio?

- The sacrificing ratio is the proportion of the profit which is sacrificed or foregone by the old partners in favour of the new partner.
- The share sacrificed is calculated by deducting the new share from the old share.
- Share sacrificed = Old share – New share

04. Give the journal entry for writing off existing goodwill at the time of admission of a new partner.

Journal Entry

Date	Particulars.	L.F.	Debit ₹	Credit ₹
	Old Partner's Capital/Current A/c (in old ratio) To Goodwill A/c (Existing goodwill written off) SamacheerKalvi.Guru		.....	.....

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

- Depreciation on assets
- Unrecorded liability
- Provision for outstanding expenses
- Appreciation of assets
- Answer:
- Depreciation on assets – Debited
- Unrecorded liability – Debited
- Provision for outstanding expenses – Debited
- Appreciation of assets – Debited

II. Short Answer Questions

01. What are the adjustments required at the time of admission of a partner?

- The following adjustment is necessary at the time of admission of a partner:
- Distribution of accumulated profits, reserves, and losses
- Revaluation of assets and liabilities
- Determination of new profit-sharing ration and sacrificing ratio
- Adjustment for goodwill
- Adjustment of capital on the basis of new profit sharing ratio (if so agreed)

02. What are the journal entries to be passed on revaluation of assets and liabilities?

Date	Particulars	L.F.	Debit ₹	Credit ₹
	1) For the increase in the value of assets Concerned Assets A/c To Revaluation A/c	Dr.	.....	.....
	2) For decrease in the value of asset Revaluation A/c To Concerned asset A/c	Dr.	.....	.....
	3) For increase with the amount of liabilities Revaluation A/c To Concerned liability	Dr.	.....	.....
	4) For decrease in the amount of liabilities Concerned liability A/c To Revaluation A/c	Dr.	.....	.....
	5) For recording an in recorded asset Concerned asset A/c To Revaluation A/c	Dr.	.....	.....
	6) For recording an in recorded liability Revaluation A/c To Concerned liability	Dr.	.....	.....
	7) For transferring the balance in the revaluation (a) If there is profit on revaluation Revaluation A/c To old partners capital A/c (individually in old ratio)	Dr.	.....	.....
	(b) If there is loss in revaluation old partners. Capital A/c (individually in old ratio) To Revaluation A/c	Dr.	.....	.....

03. Write a short note on the accounting treatment of goodwill.

1. For the goodwill brought in cash credited to old partner's capital account

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Cash/Bank A/c To old partner's capital/current A/c (in sacrificing ratio)	Dr.	.....	.....

2. For the goodwill brought in kind (in the form of the asset) credited to the old partner's capital account

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Respective Asset A/c To old partner's capital/current A/c (in sacrificing ratio)	Dr.	.....	.....

3. For withdrawal of cash received for goodwill by the old partners

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Old partners capital/current A/c To Cash/Bank A/c	Dr.	.....	.....

RETIREMENT AND DEATH OF A PARTNER

I. Very short answer questions

1. What is meant by retirement of a partner?

- When a partner leaves from a partnership firm, it is known as retirement.
- The reasons for the retirement of a partner may be illness, old age, better opportunity elsewhere, disagreement with other partners, etc.
- On retirement of a partner, existing agreement comes to an end.

2. What is 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.
- Share gained = New share – Old share

3. What is the 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

4. What is the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner?

(i) To transfer the amount due to the deceased partner to the executor or legal representative of the deceased partner.

Date	Particulars	L.F	Debit	Credit
	Deceased partner's capital A/c. Dr		xxxxx	
	To Deceased partner's executor A/c			xxxxx

II Short answer questions

1. List out the adjustments made at the time of retirement of a partner in a partnership firm.

- (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's profit or loss upto the date of death
- (6) Settlement of the amount due to the deceased partner

2. Distinguish between sacrificing ratio and gaining ratio.

Basis	Sacrificing ratio	Gaining ratio
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.
Purpose	To determine the amount to be adjusted towards goodwill for the sacrificing partners.	To determine the amount to be adjusted towards goodwill for the gaining partners.

Time of calculation	Admission of a new partner.	Retirement of a partner.
Method of calculation	Sacrificing ratio = Old profit sharing ratio – New profit sharing ratio	. Gaining ratio = New profit sharing ratio - Old profit sharing ratio

3. What are the ways in which the final amount due to an outgoing partner can be settled?

- The amount due to the retiring partner from the partnership firm is the balance of his capital account after making adjustments for goodwill, accumulated profits and losses, profit or loss on revaluation, remuneration due, etc.
- The settlement is to be done in the manner prescribed in the partnership deed.
- The amount due to the retiring partner may be settled in one of the following ways:

(i) Paying the entire amount due immediately in cash

(ii) Transfer the entire amount due, to the loan account of the partner

(iii) Paying part of the amount immediately in cash and transferring the balance to the loan account of the partner.

(a) When the amount due is paid in cash immediately

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Retiring partner's capital A/c Dr. To Cash / Bank A/c		xxx	xxx

(b) When the amount due is not paid immediately in cash

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Retiring partner's capital A/c Dr. To Retiring partner's loan A/c		xxx	xxx

(c) When the amount due is partly paid in cash immediately

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Retiring partner's capital A/c Dr. To Cash / Bank A/c (amount paid) To Retiring partner's loan A/c		xxx	xxx xxx

COMPANY ACCOUNTS

I Very short answer questions

1. What is a share?

The capital of a company is divided into small units of fixed amount. These units are called shares. The shares which can be issued by a company are of two types

- (i) preference shares and (ii) equity shares.

2. What is over-subscription?

When the number of shares applied for is more than the number of shares offered for subscription, it is said to be over subscription.

3. What is meant by 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.

4. Write a short note on securities premium account.

- When a company issues shares at a price more than the face value (nominal value), the shares are said to be issued at premium.
- The excess is called as premium amount and is transferred to securities premium account.

5. Why are the shares forfeited?

- When a shareholder defaults in making payment of allotment and/or call money, the shares may be forfeited.

II Short answer questions

1. State the differences between preference shares and equity shares.

(i) Preference shares

- Preference shares are the shares which have the following two preferential rights over the equity shares:
 - (a) Preference towards the payment of dividend at a fixed rate during the life time of the company.
 - (b) Preference towards the repayment of capital on winding up of the company.

(ii) Equity shares

- Equity shares are those shares which are not preference shares.
- These shares do not enjoy any preferential rights. Rate of dividend is not fixed on equity shares and it depends upon the profits earned by the company.
- In case of winding up of a company equity shareholders are paid after the payments are made to preference shareholders.
- Equity shares are also known as ordinary shares.

2. Write a brief note on 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.
- ❖ If the company decides to adjust such amount towards future payment, the excess amount may also be transferred to a separate account called calls in advance account.

3. What is reissue of forfeited shares?

- Shares forfeited can be reissued by the company.
- The shares can be reissued at any price. But, the reissue price cannot be less than the amount unpaid on forfeited shares.
- Example: If a share of Rs 10 on which Rs 4 has already been paid as application money is forfeited and reissued as fully paid up, then a minimum of Rs 6 must be fixed as the new price ($10 - 4 = 6$).
- When forfeited shares are reissued at a loss, such loss is to be debited to forfeited shares account

4. Write a short note on

(a) Authorised capital :

- It means such capital as is authorised by the memorandum of association.
- It is the maximum amount which can be raised as capital.
- It is also known as registered capital or nominal capital.

(b) Reserve capital :

- The company can reserve a part of its subscribed capital to be called up only at the time of winding up.
- It is called reserve capital.

5. What is meant by issue of shares for consideration other than cash?

A company may issue shares for consideration other than cash when the company acquires fixed assets such as land and buildings, machinery, etc. Under such situation, the following journal entries are to be passed.

Date	Particulars	L.F.	Debit ₹	Credit ₹
	(i) For purchase of asset			
	Respective asset A/c	Dr.	xxx	
	To Vendor A/c			xxx
	(ii) For issue of shares			
	Vendor A/c	Dr.	xxx	
	To Equity share capital A/c			xxx
	To Securities premium A/c (if issued at premium)			xxx

A company may also issue shares as consideration for the purchase of business, to promoters for their services and to brokers and underwriters for their commission.

FINANCIAL STATEMENT ANALYSIS

I. Very Short Answer Questions

01. What are the financial statements?

- Financial statements are the statements prepared by the business concerns at the end of the accounting period to ascertain the operating results and the financial position.
- The basic financial statements prepared by business concerns are the income statements and balance sheets.

02. List the tools of financial statement analysis.

- Comparative Statement. * Common Size Statement.
- Trend Analysis. * Funds Flow Analysis.
- Cash Flow Analysis.

03. What is working capital?

- The working capital statement or schedule of changes in working is prepared to disclose net changes in working capitals on two specific dates (generally two balance sheet dates).
- It is prepared from current assets and current liabilities.
- Working Capital = Current Assets – Current Liabilities.

04. When is trend analysis preferred to other tools?

- Trend refers to the tendency of movement.
- Trend analysis refers to the study of the movement of figures over a period.
- The trend may be an increasing trend or a decreasing trend or irregular.
- When data for more than two years are to be analyzed, it may be difficult to use a comparative statement.
- For this purpose, the trend analysis may be used.

II. Short Answer Questions

01. 'Financial statements are prepared based on past data'. Explain how this is a limitation?

- Financial statements are prepared based on historical data.
- They may not reflect the current position.
- The balance sheet is prepared on the historical record of the value of assets.
- It is just possible that assets may not have the same value Financial statements are prepared according to certain conventions at a point in time, whereas the investor is concerned with the present & future of the company.
- Which is not reflected in the financial statements.
- It is a major limitation for the users of financial statements.

02. Write a short note on cash flow analysis.

- Cash flow analysis concerned with the preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalents in a given period of time.
- Cash includes cash in hand and demand deposit with banks.
- Cash equivalents denotes short term investments which can be realised easily within a short period of time without much loss in value.
- Cash flow analysis helps in assessing the liquidity and solvency of a business concern.

03. Briefly explain any three limitations of financial statements.**Lack of qualitative information:**

- Qualitative information that is non-monetary information is also important for business decisions.
- For example, the efficiency of the employees, the 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.

04. Explain the steps involved in preparing comparative statements.

- Column 1 : In this column, particulars of items of income statements or balance sheet are written.
- Column 2 : Enter absolute amount of year 1.
- Column 3 : Enter absolute amount of year 2.
- Column 4 : Show the difference in amounts between year 1 and year 2. If there is an increase in year 2, put plus sign and there is a decrease put minus sign.
- Column 5 : Show percentage increase or decrease of the difference amount shown in column 4 by dividing the amount shown in column 4 (absolute amount of increase or decrease) by column 2 (year

$$\text{1 amount)Percentage increase (or) decrease} = \frac{\text{Absolute amount of Increase/decrease}}{\text{Year 1 amount}} \times 100$$

05. Explain the procedure for preparing common – size statement.

- Column 1: In this column, particulars of items of income statement or balance sheet are written.
- Column 2: Enter absolute amount.
- Column 3: Choose a common base as 100. For example, revenue from operations can be taken as the base for income statement and total of balance sheet can be taken as the base for balance sheet. Work out the percentage for all the items of column 2 in terms of the common base and enter them in column 3.

CHAPTER 9

FINANCIAL STATEMENT ANALYSIS

I. Very Short Answer Questions

1. What is meant by accounting ratios?

- ❖ Ratio is a mathematical expression of relationship between two related or interdependent items.
- ❖ It is the numerical or quantitative relationship between two items.
- ❖ When ratios are calculated on the basis of accounting information, these are called 'accounting ratios'.

2. What is quick ratio?

- Quick ratio gives the proportion of quick assets to current liabilities.
- It is otherwise called liquid ratio or acid test ratio.

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

-
- Quick assets = Current assets – Inventories – Prepaid expenses .

3. What is meant by debt equity ratio?

- Debt equity ratio is calculated to assess the long term solvency position of a business concern.
- Debt equity ratio expresses the relationship between long term debt and shareholders' funds.

$$\text{Debt equity ratio} = \frac{\text{Long term debt}}{\text{Shareholders' funds}}$$

4. What does return on investment ratio indicate?

- ❖ Return on investment shows the proportion of net profit before interest and tax to capital employed (shareholders' funds and long term debts).
- ❖ This ratio measures how efficiently the capital employed is used in the business.
- ❖ It is an overall measure of profitability of a business concern.

$$\text{Return on Investment (ROI)} = \frac{\text{Net profit before interest and tax}}{\text{Capital employed}} \times 100$$

- ❖
- ❖ Capital employed = Shareholders' funds + Non current liabilities.

5. State any two limitations of ratio analysis.

- (i) Ratios are only means
- (ii) Accuracy of financial information
- (iii) Consistency in preparation of financial statements
- (iv) Non-availability of standards or norms
- (v) Change in price level

II. Short Answer Questions

1. Explain the objectives of ratio analysis.

- (i) To simplify accounting figures

- (ii) To facilitate analysis of financial statements
- (iii) To analyse the operational efficiency of a business
- (iv) To help in budgeting and forecasting
- (v) To facilitate intra firm and inter firm comparison of performance

2. What is inventory conversion period? How is it calculated?

- ❖ Inventory conversion period is the time taken to sell the inventory.
- ❖ A shorter inventory conversion period indicates more efficiency in the management of inventory.

$$\text{Inventory conversion period (in days)} = \frac{\text{Number of days in a year}}{\text{Inventory turnover ratio}}$$

$$\text{Inventory conversion period (in months)} = \frac{\text{Number of months in a year}}{\text{Inventory turnover ratio}}$$

3. How is operating profit ascertained?

- Operating profit ratio gives the proportion of operating profit to revenue from operations.
- Operating profit ratio is an indicator of operational efficiency of an organisation.

$$\text{Operating profit ratio} = \frac{\text{Operating profit}}{\text{Revenue from operations}} \times 100$$

-
- Operating profit ratio = 100 – Operating cost ratio
- Operating profit = Revenue from operations – Operating cost

4. State any three advantages of ratio analysis.

(i) Measuring operational efficiency: Ratio analysis helps to know operational efficiency of a business by finding the relationship between operating cost and revenues and also by comparison of present ratios with those of the past ratios.

(ii) Measuring financial solvency: Ratio analysis helps to ascertain the liquidity or short term solvency and long term solvency of a business concern.

(iii) Facilitating investment decisions: Ratio analysis helps the management in making effective decisions regarding profitable avenues of investment.

(iv) Analysing the profitability: Ratio analysis helps to analyse the profitability of a business in terms of sales and investments.

5. Bring out the limitations of ratio analysis

(i) Ratios are only means: Ratios are not end in themselves but they are only means to achieve a particular purpose. Analysis of related items must be done by the management or experts with the help of ratios.

(ii) Accuracy of financial information: The accuracy of a ratio depends on the accuracy of information taken from financial statements. If the statements are inaccurate, ratios computed based on that will also be inaccurate.

(iii) Consistency in preparation of financial statements: Inter firm comparisons with the help of ratio analysis will be meaningful only if the firms follow uniform accounting procedures consistently.

(iv) **Non-availability of standards or norms:** Ratios will be meaningful only if they are compared with accepted standards or norms. Only few financial ratios have universally recognised standards. For other ratios, comparison with standards is not possible.

(v) **Change in price level:** Ratio analysis may not reflect price level changes and current values as they are calculated based on historical data given in financial statements.

CHAPTER - 10

COMPUTERISED ACCOUNTING SYSTEM-TALLY

I VERY SHORT ANSWER QUESTIONS

1. What is automated accounting system?

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

2. What are accounting reports?

- Accounting report is a compilation of accounting information that are derived from the accounting records of a business concern.
- Accounting reports may be classified as routine reports and special purpose reports.

3. State any five accounting reports.

- ❖ Daybooks/Journal
- ❖ Ledger
- ❖ Trial Balance
- ❖ Income statement
- ❖ Balance sheet

4. What is Accounting Information System (AIS)?

- Accounting Information System (AIS) collects financial data, processes them, and provides information to the various users.
- To provide information AIS requires data from another information system that is manufacturing, marketing, and human resources.
- Similarly, other information systems require data from AIS in order to provide information.

5. What is a group in Tally.ERP 9?

- ✓ A group is a collection of ledgers of the same nature.
- ✓ There are predefined groups of accounts which are widely used in accounts of any organization.
- ✓ Groups are categorized as primary groups and subgroups.

II SHORT ANSWER QUESTIONS

1. Write a brief note on accounting vouchers.

- A voucher is a document which contains details of transactions. Transactions are to be recorded through voucher entries.
- Tally has a set of predefined vouchers such as Purchase, Sales, Payment, Receipt and Contra.
- To view the list of voucher types:
 - Gateway of Tally → Masters Accounts Info → Voucher Type → Display
- As per the requirements of users, additional voucher type can be created.

Following are some of the major accounting vouchers used in an organisation:

- | | |
|--------------------|---------------------|
| 1. Receipt Voucher | 4. Payment Voucher |
| 2. Contra Voucher | 5. Purchase Voucher |
| 3. Sales Voucher | 6. Journal Voucher |

2. What are the pre-defined ledgers available in Tally.ERP 9?

- ❖ In Tally, to record transactions, the transactions are to be identified with the related ledger accounts.

❖ Tally has two predefined ledgers, Cash and Profit & Loss A/c. The user has to create various other ledgers based on their requirements.

❖ To create ledger:

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

3. Mention the commonly used voucher types in Tally.ERP 9.

1. Receipt Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F6:Receipt

2. Payment Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F5:Payment

3. Contra Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F4:Contra

4. Purchase Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F9:Purchase

5. Sales Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F8:Sales

6. Journal Voucher

Gateway of Tally > Transactions > Accounting Vouchers > F7:Journal

4. Explain how to view profit and loss statement in Tally.ERP 9.

❖ F10: A/c Reports > Profit & Loss A/c > AltF1 (detailed)

(or)

❖ Gateway of Tally > Reports > Profit & Loss A/c > AltF1 (detailed)

5. Explain any five applications of computerised accounting system.

1. Maintaining accounting records:

In CAS, accounting records can be maintained easily and efficiently for long time period. It does not require a large amount of physical space. It facilitates fast and accurate retrieval of data and information.

2. Inventory management:

CAS facilitates efficient management of inventory. Fast moving, slow moving and obsolete inventory can be identified. Updated information about availability of inventory, level of inventory, etc., can be obtained instantly.

3. Pay roll preparation:

Pay roll involves the calculation of amount due to an employee. Pay of an employee may be calculated based on hours/days worked or units produced. CAS records the attendance of employees, computes the amount of salary, makes deductions such as provident fund, income tax, etc.

4. Report generation:

CAS helps to generate various routine and special purpose reports.

5. Data import/export:

Accounting data and information can be imported from or exported to other users within the organisation as well as outside the organisation.

6. Taxation:

CAS helps to compute various taxes and to deduct these and deposit the same to the Government account.

06. Record the following transactions in Tally.

S.No	Particulars <small>SamacheerKalvi.Guide</small>	Debit Rs.	Credit Rs.	Voucher type	Group
1	Cash A/c Dr.	4,00,000		Receipt	Cash in hand
	To Devis capital A/c		4,00,000	Voucher	Capital A/c
2	Indian Bank A/c Dr.	60,000		contra	Bank A/c
	To Cash A/c		60,000	Voucher	Cash in hand
3	Furniture A/c Dr.	15,000		Payment	Fixed Assets
	To Cash A/c		15,000	Voucher	Cash in hand
4	Purchases A/c Dr.	50,000		Purchase	Purchases A/c
	To Sumathi's A/c		50,000	Voucher	Sundry crsA/c
5	Cash A/c Dr.	10,000		Receipt	Cash-in-hand
	To Sales A/c		10,000	Voucher	Sales A/c
6	Purchases A/c Dr.	5,000		Purchase	Purchases A/c
	To Bank A/c		5,000	Voucher	Bank A/c
7	Arun's A/c Dr.	70,000		Sales	Sundry Debtors
	To Sales A/c		70,000	Voucher	Sales Account

8	Cash A/c Dr.	25,000		Contra	Cash in hand
	To Bank A/c		25,000	Voucher	Bank A/c
9	Sumathi's A/c Dr.	30,000		Payment	Sundry Crs
	To Bank A/c		30,000	Voucher	Bank A/c
10	Cash A/c Dr.	10,000		Receipt	Cash in hand
	To Arun's A/c		10,000	Voucher	Sundry Debtors
11	Salaries A/c Dr.	36,000		Payment	Indirect Expenses
	To Bank A/c <small>SamacheerKalvi.Guide</small>		36,000	Voucher	Bank A/c
12	Carriage on purchaseA/cDr.	'6,000		Payment	Direct Expenses
	To Cash A/c		6,000	Voucher	Cash-in-hand
13	Computer A/c Dr.	44,000		Payment	Fixed Assets
	To Muthu Ltd A/c		44,000	Voucher	Sundry Crs A/c

Enter Transactions in Tally ERP 9

Solution:

1. Following Steps are to be followed to enter the transactions in Tally ERP9,

1. To Create Company:

Company Info > Create Company

Type the Name as Devi and keep all other fields as they are and choose. "Yes" to accept

2. To maintain accounts only:

Gateway of Tally > F11 Accounting Features > General > Maintain Accounts only: Yes > Accept Yes

3. To Create Ledger Accounts:

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

(i) To Create Devi's Capital A/c

Name: Devi's Capital A/c

Under: Capital Account Accept: Yes

(ii) To Create Indian Bank A/c

Name: Indian Bank A/c Under: Bank Accounts Accept: Yes

(iii) To Create Furniture A/c

Name: Furniture A/c Under Fixed Assets Accept: Yes

(iv) To Create Purchases A/c

Name: Purchases A/c Under Purchase Accept: Yes

(v) To Create Sumathy A/c Name: Sumathy A/c Under: Sundry Creditors Accept: Yes

(vi) To Create Sales A/c Name: Sales A/c Under: Sales Account Accept: Yes

(vii) To Create Aran A/c Name: Aran A/c Under: Debtors A/c Accept: Yes

(viii) To Create Salaries A/c Name: Salaries A/c Under: Indirect Expenses Accept: Yes

(ix) To Create Carriage A/c Name: Carriage A/c Under: Direct Expenses Accept: Yes

(x) To Create Computer A/c Name: Computer A/c Under: Assets A/c Accept: Yes

(xi) To Create Muthu Ltd A/c Name: Muthu Ltd A/c Under: Sundry Creditors Accept: Yes

4. To enter transactions through vouchers

Gateway of Tally > Transaction > Accounting vouchers

(i) Devi commenced a business with a capital of Rs.4,00,000

F6: Receipt Voucher Accounts: Cash

Particulars: Devi's Capital A/c (Choose from List of Ledger Accounts)

Enter the Amount of Capital of Rs. 4,00,000

Narration: Capital introduced. Accept: Yes

(ii) An Account was opened with Indian Bank and deposited Rs. 60,000

F4: Contra Voucher Accounts: Indian Bank

Particulars: Cash Amount: Rs. 30,000

Narration: Opened Bank Account in Indian Bank Accept: Yes

(iii) Purchased furniture by paying cash Rs. 15,000

F5: Payment Voucher Account: Cash

Particulars: Furniture A/c Amount: Rs. 15,000 Narration: Furniture bought by cash Accept: Yes

(iv) Goods purchased on credit from Sumathy for Rs. 50,000

F9: Purchase Voucher Party' A/c, Name: Sumathy A/c

Particulars: Purchase A/c Amount: Rs. 50,000

Narration: Goods purchased on credit from Sumathy Accept: Yes

(v) Cash Sales made for Rs. 10,000

F8: Sales Voucher Account: Cash

Particulars: Sales A/c Amount: Rs. 10,000

Narration: Cash Sales made Accept: Yes

(vi) Goods purchased from Raja Rs. 5,000 and paid by Cheque

F9: Purchase Voucher Account: Bank

Particulars: Purchase A/c Amount: Rs. 5,000

Narration: (Bank) Purchase by cheque

(vii) Goods sold to Arun on credit for Rs. 70,000

F8: Sales Voucher Party A/c Name: Arun A/c Amount: Rs. 70,000

Narration: Goods sold on credit to Arun Accept: Yes (viii) Money withdrawn from bank for office use Rs.

25,000 F4: Contra Voucher Account: Cash Particulars: Indian Bank Amount: Rs. 25,000 Narration: Cash

withdrawn from bank Accept: Yes

(ix) Part Payment of Rs. 30,000 to Sumathy by Cheque

F5: Payment Voucher Account: Indian Bank

Particulars: Sumathy A/c Amount: Rs. 30,000

Narration: Payment made to Sumathy by Cheque Accept: Yes

(x) Salaries paid to staff through ECS Rs. 36,000

F5: Payment Voucher Account: Indian Bank

Particulars: Salaries A/c Amount: Rs. 36,000

Narration: Salaries paid through ECS Accept: Yes

(xi) Carriage of Rs. 6,000 paid by cash

F5: Payment Voucher Account: Cash

Particulars: Carriage A/c Amount: Rs. 6,000

Narration: Carriage paid by Cash Accept: Yes

(xii) Purchase computer from Muthu Ltd. on credit Rs. 44,000

F7: Journal Voucher Particulars: Computer

Amount Rs. 44,000 To Muthu Ltd Amount: Rs. 44,000

Narration: Computer bought on credit from Muthu Ltd. Accept: Yes

5. To view reports:

(i) To view Trial Balance

Gateway of Tally > Reports > Display > Trial Balance > Alt FI (detailed)

(ii) To view Profit and Loss Account

F10: A/c Reports > Profit and Loss A/c > Alt FI (detailed) (or)

Gateway of Tally > Reports > Profit and Loss A/c Alt FI (detailed)

(iii) To view Balance Sheet

F10: A/c Reports > Balance Sheet > Alt FI (detailed) (or)

Gateway of Tally > Reports > Balance Sheet > Alt FI (detailed)

(iv) To view Ratio Analysis

F10: A/c Reports > Ratio Analysis (or)

Gateway of Tally > Reports > Ratio Analysis

(v) To view Day Book

F10: A/c Reports > Day Book > Alt FI (detailed) (or)

Gateway of Tally > Reports > Display > Day Book > Alt FI (detailed)

Question 2. The following balance sheet has been prepared from the books of Pearl on 1 – 4 – 2018.

02. To Create Company Company Info > Create Company

Type the Name as Pearl and keep all other fields as they are and choose. “Yes” to accept

2. To maintain accounts only

Gateway of Tally F11 Accounting Features > General > Maintain Accounts only: Yes > Accept: Yes

3. To Create Ledger Accounts with Opening Balances

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

Creation of	Name	Under	Opening balance	Accept
Pearl's Capital	Pearl's Capital	Capital Account	1,60,000	Yes
Maya A/c Sundry Creditors	Maya A/c	Sundry Creditors	20,000	Yes
Buildings A/c	Buildings A/c	Fixed Assets	40,000	Yes
Furniture A/c SamacheerKalvi.Guru	Furniture A/c	Fixed Assets	20,000	Yes
Opening stock	Opening stock	Stock-in-Hand	10,000	Yes
Peter A/c (Sundry Debtors)	Peter A/c	Sundry Debtors A/c	20,000	Yes
Cash in hand	Cash	Cash-in-Hand	30,000	Yes
Cash at bank	Bank	Bank Accounts	60,000	Yes

Note: A cash account need not be created as it is a default ledger. Only the opening balance has to be recorded by altering the cash account.

To record the opening balances of cash

Gateway of Tally > Masters > Accounts Info > Ledger > Single Ledger > Alter

After creating the Ledgers and recording the opening balances of ledger accounts the balance sheet of Pearl is shown as in the following figure.

3. To Create Ledger Accounts for Transactions

Creation of	Name	Under	Accept
Wages A/c	Wages A/c	Direct Expenses	Yes
Salaries A/c	Salaries A/c	Indirect Expenses	Yes
Purchases A/c	Purchases A/c	Purchase Accounts	Yes
Yazhini A/c	Yazhini A/c	Sundry Creditors A/c	Yes
Sales A/c SamacheerKalvi.Guru	Sales A/c	Sales Account A/c	Yes
Peter A/c	Peter A/c	Sundry Debtors A/c	Yes
Depreciation A/c	Depreciation A/c	Indirect Expenses	Yes

4. To enter transaction through vouchers

Gateway of Tally > Transactions > Accounting Vouchers

Example: Wages of Rs. 4,000 paid by cash

F5: Payment Voucher

Account: Cash

Particulars: Wages A/c

Amount: Rs. 4,000

Narration: Wages paid by Cash

Accept: Yes

In a similar way, recorded the other transactions. Use payment voucher for salaries paid and payments to yazhini.

Use purchase voucher for credit sales to Jothi and Cash sales. Use Receipt voucher for cash received from Peter.

Use Journal voucher for depreciation.

5. To record closing stock:

Since maintaining accounts only is set to 'Yes' and integrate accounts and inventory is set to 'No' under accounting features. The stock has to be recorded manually. Hence the closing stock has to be recorded by altering the stock account and while entering the date of closing stock, the date of opening stock has to be

entered. The following procedure is to be followed: Gateway of Tally > Masters > Accounts Info > Ledger > Single Ledger > Alter > Stock > Closing Balance > Date (Opening date) > Amount > Accept: Yes

6. To view reports

(i) To view Profit and Loss Account

F10 A/c Reports > Profit and Loss A/c > Alt F1 (detailed)

(or) Gateway of Tally > Reports > Profit and Loss A/c > Alt FI (detailed)

(ii) To view Balance Sheet

F10 A/c Reports > Balance Sheet > Alt FI (detailed) (or)

Gateway of Tally > Reports > Balance Sheet > Alt FI (detailed)

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