



Padalsalai's Telegram Groups!

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12th Accountancy – Study Materials

Std :XII

Notes : there is a chance of asking this differences in 3 marks or 5 marks. By studying all the differences , surely it will ask one or two differences in public exam.

1. Differentiate between statement of affairs and 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. Wherever possible ledger balances are taken. 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.

2. . DIFFERENCES BETWEEN RECEIPTS & PAYMENTS ACCOUNT AND INCOME & EXPENDITURE ACCOUNT :

BASIS OF DISTINCTION	RECEIPTS & PAYMENTS ACCOUNT	INCOME & 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 real account. It is a summary of cash account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. It is similar to profit and loss account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
3. BASIS OF ACCOUNTING	It is based on cash system of accounting. Non-cash items	It is based on accrual system of accounting. Non-cash

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	are not recorded.	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.

3. DIFFERENCES BETWEEN FIXED CAPITAL METHOD AND FLUCTUATING CAPITAL METHOD :

BASIS OF DISTINCTION	FIXED CAPITAL METHOD	FLUCTUATING CAPITAL METHOD
1. NUMBER OF ACCOUNTS	Two accounts are maintained for each partner, that is, capital account and current account.	Only one account, that is, capital account is maintained for each partner.
2. CHANGE IN CAPITAL	The amount of capital normally remains unchanged except when additional capital is introduced or capital is withdrawn permanently.	The amount of capital changes from period to period.
3. CLOSING BALANCE	Capital account always shows a credit balance. But, current account may show either debit or credit balance.	Capital account generally shows credit balance. It may also show a debit balance.
4. ADJUSTMENTS	All adjustments relating to interest on capital, interest on drawings salary or commission , share of profit or loss are done in current account.	All adjustments relating to interest on capital, interest on drawings, salary or commission, share of profit or loss are done in the capital account.

4. DIFFERENCES BETWEEN THE SACRIFICING RATIO AND THE GAINING RATIO :

BASIS OF DISTINCTION	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	It is calculated to determine the amount to be adjusted towards goodwill for the gaining

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	partners.	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 CALCULATING	It is the difference between the old ratio and the new ratio Sacrificing ratio = old profit sharing ratio - new profit sharing ratio	It is the difference between the new ratio and the old ratio Gaining ratio = new profit sharing ratio - old profit sharing ratio

5. Differences between double entry system and incomplete records

Basis of distinction	Double entry system	Incomplete records
Recording of transaction	Both debit and credit aspects of all the transactions are recorded	Debit and credit aspects all the transactions are not recorded completely
Types of accounts maintained	Personal real and nominal accounts are maintained fully	In general only personal and cash accounts are maintained fully real and nominal accounts are not maintained fully
Preparation of trail balance	Trail balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts	Trail balance cannot be prepared to check arithmetic accuracy of entries made in the books of accounts
Suitability	It is suitable for all types of organisations	It may be suitable for small sized sole traders partnership firms
Reliability	It is reliable	It is not reliable

6. Differences between over subscription and under subscription

Under subscription	Over subscription
In under subscription all the shares offered may not be taken up by the public	In over subscription all the shares offered are taken up by the public
The shares cannot be allotted if the minimum subscription is not received	Here all shares are subscribed so there is no question of minimum subscription
Under subscription does not require any special treatment in journal entries	In over subscription additional journal entries are required for rejection and adjustment of application money

7. Differences between preference shares and equity shares

Basis	Equity shares	Preference shares
Meaning	Equity shares are the ordinary shares of the company representing the part ownership of the shareholder	Preference shares are the shares that carry preferential rights on the matters of payment of dividend and

	in the company	repayments of capital
Payment of dividend	The dividend is paid after the payment of all liabilities	Priority in payment of dividend over equity shareholders
Rate of dividend	Fluctuating	Fixed
Voting rights	Equity shares carry voting rights	Normally preference shares do not carry voting rights
convertibility	Equity shares can never be converted	Preference shares can be converted into equity shares

8. Distinguish between income and expenditure account and profit and loss account

Basis	Income and expenditure account	Profit and loss account
preparation	Income and expenditure account is prepared by non-profit organisation	Profit and loss account is prepared by organisation whose main objective is to earn profit
Basis of preparation	It is prepared on the basis of receipts and payments account	It is prepared on the basis of trail balance and additional information
Objective	Its main objective is to ascertain surplus or deficit	Its main objective is to ascertain net profit or loss
Balance	The balance in this account is either surplus or deficit	The balance in this account is either net profit or net loss