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CONTENT

UNIT 1

ACCOUNTS FROM INCOMPLETE RECORDS

CHAPTER SNAPSHOT

Solution :

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

Particulars	₹
Closing capital as on 31.03.2018	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 01.04.2017 (B/F)	**90,000**
Loss for the year ending 31.03.2018	25,000

4. From the following details, calculate the capital as on 31st December 2018. *[PTA-4]*

Particulars	₹
Capital as on 1st January, 2018	1,00,000
Goods withdrawn for personal use by the owner	30,000
Additional capital introduced during the year	15,000
Profit for the year	60,000

Solution :

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

Particulars	₹
Closing capital	**1,45,000**
Add : Drawings	30,000
	1,75,000
Less: Additional capital during the year	15,000
Adjusted closing capital	1,60,000
Less: Opening capital as on 1st January 2018	1,00,000
Profit for the year	60,000

5. From the following details, calculate the missing figure: *[PTA-5; HY-2019]*

Particulars	₹
Capital as on 1st April, 2018	40,000
Capital as on 31st March, 2019	50,000
Additional capital introduced during the year	7,000
Profit for the year	8,000
Drawings during the year?	?

Trading and Profit and loss account for the year ended 31st December 2018

Dr. **Cr.**

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		1,20,000	By Sales	7,70,000	
To Credit purchases	6,25,000		**Less :** Sales returns	25,000	7,45,000
Less : Purchase returns	30,000	5,95,000	By Closing stock		1,70,000
To Wages A/c		65,000			
To Gross profit c/d (Transferred to profit and loss A/c)		**1,35,000**			
		9,15,000			9,15,000
To Carriage outwards A/c		7,500	By Gross profits c/d (Transferred from trading A/c)		1,35,000
To Sundry expenses A/c		28,000			
To Depreciation on land and building @ 5%		12,000			
To Provision for bad and doubtful debts		1,500			
To Net profit (Transfered to capital account)		**86,000**			
		1,35,000			1,35,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital	3,80,000		Land and buildings	2,40,000	
Add : Net profit	86,000		**Less :** Depreciation 5%	12,000	2,28,000
	4,66,000		Closing stock		1,70,000
Less : Drawings	10,000	4,56,000	Debtors	51,500	
			Less : Provision for debtors	1,500	50,000
Creditors		45,000	Cash at bank		53,000
		5,01,000			5,01,000

20. Selvam does not keep his books under double entry system. From the following information prepare trading and Profit & Loss A/c and Balance Sheet as on 31-12-2018 *[PTA-4]*

Particulars	1.1.2018 ₹	31.12.2018 ₹
Machinery	60,000	60,000
Cash at bank	25,000	33,000
Sundry debtors	70,000	1,00,000
Stock	45,000	22,000
Bills receivable	20,000	38,000
Bank loan	45,000	45,000
Sundry creditors	25,000	21,000

Dr **Trading and Profit and loss account for the year ended 31st March 2019** Cr

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		9,000	By Sales	85,000	
To Purchases	65,000		**Less :** Sales returns	1,000	84,000
Less : Purchase returns	2,000	63,000	By Closing stock		16,000
To Carriage inwards		8,000			
To Gross Profit c/d		20,000			
		1,00,000			1,00,000
To Advertising		4,700	By Gross Profit b/d		20,000
To Depreciation on Machinery 5%		1,000			
To Provision for bad and doubtful debts		300			
To Net profit (transferred to capital A/c)		14,000			
		20,000			20,000

Balance Sheet as on 31st March 2019

Liabilities	₹	₹	Assets	₹	₹
Capital	30,000		Plant and Machinery	20,000	
Add : Net profit	14,000		**Less :** Depreciation	1,000	19,000
	44,000		Closing stock		16,000
Less : Drawings	2,000	42,000	Sundry Debtors	5,300	
Sundry Creditors		4,000	**Less :** Provision for doubtful debts	300	5,000
			Cash and bank		6,000
		46,000			46,000

ADDITIONAL QUESTIONS AND ANSWERS

1. MULTIPLE CHOICE QUESTIONS.

1 MARK

(i) Choose the correct answer.

1. **The different between the total of assets and total of liabilities is taken as**
   (a) drawings (b) capital
   (c) profit (d) loss
   [Ans. (b) capital]

2. **The total assets of a proprietor are ₹5,00,000. His liabilities ₹3,50,000. Then his capital in the business is**
   (a) ₹8,50,000 (b) ₹1,50,000
   (c) ₹3,50,000 (d) ₹4,25,000
   [Ans. (b) ₹1,50,000]
   Hint: Capital = Assets – liabilities
   = ₹ 5,00,000 – ₹ 3,50,000
   = ₹ 1,50,000

3. **A firm has assets worth ₹60,000 and capital ₹45,000. Then it's liabilities is**
   (a) ₹45,000 (b) ₹1,05,000
   (c) ₹60,000 (d) ₹15,000
   [Ans. (d) ₹15,000]
   Hint: Liabilities = Assets – Capital
   = ₹ 60,000 – 45,000
   = ₹ 15,000

4. **Under the net worth method, the basis for ascertaining the profit is**
   (a) the difference between the capital on two dates
   (b) the difference between the liabilities on two dates
   (c) the different between the gross assets on two dates
   (d) the difference between the gross profit on two dates
   [Ans. (a) the difference between the capital on two dates]

Balance sheet as on 31.3.2018

Liabilities	₹	₹	Assets	₹	₹
Capital	58,750		Furniture	2,500	
Add : Net profit	19,875		**Less :** Depreciation	125	2,375
	78,625		Cash		10,000
Less : Drawings	10,000	68,625	Sundry debtors		87,500
Sundry creditors		43,750	Closing stock		12,500
		1,12,375			1,12,375

HOTS Questions And Answers

1. Under single entry system is it possible to check the arithmetical accuracy of books of accounts?

Ans. No, as arithmetical accuracy is checked by preparing a trial balance and in case of single entry system a trial balance cannot be prepared as it does not record both aspects of a transaction.

2. Can a limited company maintain its accounts under single entry system?

Ans. No, due to legal restrictions, a company cannot maintain its accounts under single entry system.

3. Why is statement of affairs prepared under single entry system not referred to as balance sheet?

Ans. Statement of affairs prepared under single entry system is not called a balance sheet because statement of affairs is not prepared with the list of ledger balances kept on the basis of double entry system. Also value of assets and liabilities shown in statement of affairs are only the estimates and not the actual values.

4. What are the possible reasons for keeping incomplete records?

Ans. It is observed that many businessmen keep incomplete records because of the following reasons.

(i) Single entry system can be adopted by people who do not have the proper knowledge of accounting principles.

(ii) As specialised accountants are not required, it is an inexpensive mode of maintaining records.

(iii) As only a few books are maintained, time consumed in maintaining records is also less.

(iv) It is suitable for organisations which have limited number of transactions and very few assets and liabilities.

Value Based Questions and Answers

1. Radhika started a small bakery for providing healthy and good quality bakery product at reasonable prices on 1st January, 2019 with a capital of ₹1,80,000. She appointed a ten year old boy as a sweeper. She withdrew ₹60,000 for household expenses. She introduced ₹20,000 as fresh capital. Her position of assets and liabilities as at 31st December, 2019 stood as follows.

	₹
Cash in hand	70,000
Stock	80,000
Bills receivable	1,00,000
Debtors	1,50,000
Creditors	60,000
Bills payable	10,000

You are required to calculate profit or loss and also identify the values introduced in this question.

ACCOUNTS FROM INCOMPLETE RECORDS

UNIT 2 ACCOUNTS OF NOT - FOR - PROFIT ORGANISATION

CHAPTER SNAPSHOT

Important Points

- Not-for-profit entities exist to provide services to the members or to the society at large.
- The three principal accounting statements of a not-for-profit organisation include Receipts and Payments Account, Income and Expenditure Account and Balance Sheet.
- The Receipts and Payments Account is a summarised cash book which records all cash receipts and cash payments effected during an accounting year irrespective of the nature as to capital or revenue, irrespective of the period to which it belongs, that is, whether it relates to the previous or current year or subsequent year.
- Income and Expenditure Account is prepared to ascertain the excess of revenue income over revenue expenditure (surplus) or excess of revenue expenditure over revenue income (deficit) for a particular accounting year, which is the result of the entity's over all activities for the accounting year.
- Opening capital is found out by comparing the opening balances of assets and liabilities.
- The Balance sheet is prepared at the end of the accounting year to show the financial position on that date.
- It includes the capital fund or accumulated fund, special purpose funds, long term liablilities and current liabilities on the liabilities side and fixed assets and current assets on the assets side.

Self-examination questions

I Multiple Choice Questions

Choose the correct answer

1. Receipts and payments account is a *[PTA-5]*

(a) Nominal A/c
(b) Real A/c
(c) Personal A/c
(d) Representative personal account

[Ans. (b) Real A/c]

2. Receipts and payments account records receipts and payments of *[PTA-4]*

(a) Revenue nature only
(b) Capital nature only
(c) Both revenue and capital nature
(d) None of the above

[Ans. (c) Both revenue and capital nature]

3. Balance of receipts and payments account indicates the *[PTA-2, 3]*

(a) Loss incurred during the period
(b) Excess of income over expenditure of the period
(c) Total cash payments during the period
(d) Cash and bank balance as on the date

[Ans. (d) Cash and bank balance as on the date]

4. Income and expenditure account is a

(a) Nominal A/c
(b) Real A/c
(c) Personal A/c
(d) Representative personal account

[Ans. (a) Nominal A/c]

Solution : **Income and Expenditure Account for the year 31st December 2018**

Dr				Cr
Expenditure	**₹**	**Income**	**₹**	**₹**
		By Subscription **Add :** Outstanding Subscription for 2018	1,72,000 8,000	 1,80,000

9. **How the following items will appear in the final accounts of a club for the year ending 31st March 2019?** ***[QY-2019]***

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

Receipts	₹	₹	Payments	₹
To Subscription 2017-2018 2018-2019 2019-2020	 10,000 50,000 5,000	 65,000		

There are 200 members in the club each paying an annual subscription of ₹400 per annum. Subscription still outstanding for the year 2017- 2018 is ₹2,000.

Solution : **Income and Expenditure Account for the year ended 31st March, 2019**

Dr				Cr
Expenditure	**₹**	**Income**	**₹**	**₹**
		By Subscription 2018 -2019 **Add :** Outstanding for the year 2017-2018	50,000 30,000	 80,000

Notes:

		₹
Total subscription due for current year (2018-19) (200 × 400)	=	80,000
Less : Amount received for the current year (2018-19)	=	50,000
Outstanding subscription for the current year (2018-19)		₹ 30,000

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹	₹
Subscription received in advance for the year 2019-20	5,000	Outstanding subscription 2017 - 2018 2018 - 2019	 2,000 30,000	 32,000

Income and Expenditure Account for the year ended 31st December 2018

Dr. **Cr.**

Expenditure	₹	Income	₹	₹
To Upkeep of pavilion	17,000	By Subscription current year	55,000	
To Secretary's honorarium	18,000	**Add:** Outstanding	6,000	
To Bats and balls 22,000				61,000
Add: Stock 5,000	27,000	By Donations		40,000
To Grass seeds	2,000	By Interest on fixed deposit		8,000
To Sundry expenses	3,000	By Miscellaneous receipts		5,000
To Excess of income over expenditure (surplus)	**47,000**			
	1,14,000			1,14,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital fund	75,000		Fixed deposit		58,000
Add Excess of income over			Cash in hand	7,000	
expenditure (Surplus)	47,000		Cash at bank	6,000	13,000
		1,22,000	Investments		10,000
			Premises and		
Subscriptions received in			grounds		40,000
2017		5,000	Stock of bats and balls		5,000
Match refund : Receipts	30,000		Subscriptions due		
Less : Expenses	25,000	5,000	2018		6,000
		1,32,000			1,32,000

PTA QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER **1 MARK**

1. **Subscription is a** *[PTA-3]*
   (a) Revenue expenditure
   (b) Capital expenditure
   (c) Revenue receipt
   (d) Capital receipt **[Ans: (c) Revenue receipt]**

2. **From the following which is one correctly matched:** *[PTA-5, 6; QY-2019]*

(a)	Subscription	-	Revenue receipts
(b)	Special fund	-	Revenue expenditure
(c)	Purchase of sports equipment	-	Capital receipts
(d)	Honorarium	-	Capital expenditure

[Ans: (a) Subscription - Revenue receipts]

3. **Balance of income and expenditure account indicates the** *[PTA-6]*
   (a) Loss incurred during the period
   (b) Excess of income over expenditure of the period
   (c) Total cash payments during the period
   (d) Cash and bank balance as on the date

[Ans: (b) Excess of income over expenditure of the period]

Balance sheet as on 31st March, 2016					
Liabilities	**₹**	**₹**	**Assets**	**₹**	**₹**
Salary outstanding		600	Cash in hand		11,200
Rent outstanding		1,200	Subscription outstanding		
Subscription			for 2014 - 15	800	
received in advance		500	(2000 – 1200)		
Capital fund	43,550		for 2015 - 16	1,700	2,500
Add: Surplus	24,850	68,400	Fixed deposit		20,000
			Accrued interest on fixed deposit		900
			Furniture (15000–7000 + 10,500)		18,500
			Books (7,000 + 10,600)		17,600
		70,700			70,700

HOTS Questions and Answers

1. Can be balance in receipts and payments account be treated as income of the period?

Ans. No, as the balance in receipt and payments account is closing cash and bank balance.

2. Every receipt and Payments, whether capital or revenue and irrespective of the period is recorded in receipts and payments accounts why? Give reason.

Ans. It is so because receipts and payments account is prepared on cash basis of accounting.

3. Income and expenditure account of a not–for–profit organization is akin to profit and loss account of a business concern. Explain the statement.

Ans. Income and expenditure account is prepared by a non-profit organization and is a summary of income and expenditure of the accounting year.

Income and expenditure account is akin to profit and loss account because of the following similarities which are observed amongst these accounts.

(i) Both are nominal accounts.

(ii) Both are one prepared on accrual basis.

(iii) Both record revenue items related to current accounting year only.

(iv) In both the accounts, expenses and losses are recorded on the debit side and incomes and gains are recorded on the credit side.

UNIT 3

ACCOUNTS OF PARTNERSHIP FIRMS - FUNDAMENTALS

CHAPTER SNAPSHOT

Solution :

Calculation of Interest on capital:

Interest on Prakash's capital:

On opening capital for 1 year	=	$3,00,000 \times \frac{6}{100}$	=	₹ 18,000
On additional capital for 9 months	=	$60,000 \times \frac{6}{100} \times \frac{9}{12}$	=	₹ 2,700
Interest on capital			=	₹ 20,700

Interest on Supriya's capital:

On opening capital for 1 year	=	$2,00,000 \times \frac{6}{100}$	=	₹ 12,000
On additional for 6 months	=	$30,000 \times \frac{6}{100} \times \frac{6}{12}$	=	₹ 900
Interest on capital			=	₹ 12,900

Note: ☞ Since the date of additional capital introduced by Supriya is not given, interest on additional capital is calculated from an average period of 6 months.

Journal entries

Date	Particulars	L.F	Debit ₹	Credit ₹
2019 March 31	Interest on capital A/c Dr To Prakash's current A/c To Supriya's current A/c (Interest on capital provided)		33,600	 20,700 12,900
2019 March 31	Profit and loss appropriation A/c Dr. To Interest on capital A/c (Interest on capital closed)		33,600	 33,600

7. The capital account of Begum and Fatima on 1st January, 2018 showed a balance of ₹50,000 and ₹40,000 respectively. On 1st October, 2018, Begum introduced an additional capital of ₹10,000 and on 1st May, 2018 Fatima introduced an additional capital of ₹9,000. *[PTA-3]*

Calculate interest on capital at 4% p.a. for the year ending 31st December, 2018.

Solution :

Calculation of Interest on capital:

Begum:

On opening capital for 1 year	=	$50,000 \times \frac{4}{100}$	=	₹ 2,000
On additional capital for 3 months (October to December)	=	$10,000 \times \frac{4}{100} \times \frac{3}{12}$	=	₹ 100
Interest on capital			=	₹ 2,100

Fathima:

On opening capital for 1year	=	$40,000 \times \frac{4}{100}$	=	₹ 1600
On additional capital for 8months (May to December)	=	$9,000 \times \frac{4}{100} \times \frac{8}{12}$	=	₹ 240
Interest on capital			=	₹ 1840

Solution :

Profit and loss appropriation accounts for the year ended 31st March 2018

Dr **Cr**

Particulars	₹	₹	Particulars	₹
To Interest on capital A/c			By Profit and loss A/c	3,65,000
Antony (4,00,000 × 5%)	20,000			
Ranjith (3,00,000 × 5%)	15,000	35,000		
To Salary to Antony		90,000		
To Commission to Ranjith		48,000		
To Partner's capital A/c (profit)				
Antony $\left(1{,}92{,}000 \times \frac{1}{2}\right)$	96,000			
Ranjith $\left(1{,}92{,}000 \times \frac{1}{2}\right)$	96,000	1,92,000		
		3,65,000		3,65,000

Note: ***Calculation of Ranjith Commission :***

Profit before commission = 3,65,000 – (35,000 + 90,000) = ₹ 2,40,000

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

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

PTA QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS.

(ii) Match List I with List II and Select the Correct Answer using the Codes given below.

1. *[PTA-5; QY-2019]*

List I		List II	
(i)	Remuneration to partners	1.	Section 13(c)
(ii)	Profit Sharing ratio	2.	Section 13(d)
(iii)	Interest on capital	3.	Section 13(b)
(iv)	Interest on loan	4.	Section 13(a)

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	3	4	2	1
(d)	2	1	4	3

[Ans. (b) i - 4, ii - 3, iii - 1, iv - 2]

I. VERY SHORT ANSWER QUESTIONS — 2 MARKS

1. What is Fluctuating capital method? *[PTA-3]*

Ans. (i) Under this method, only one capital account is maintained for each partner.

(ii) The capital is changing from period to period.

(iii) This capital account shows always a credit balance

(iv) All adjustment relating to partners are recorded directly in the capital account.

Dr Profit and loss appropriation account for the year ended 31st December 2018 Cr

Particulars	₹	₹	Particulars	₹
			By Profit and loss A/c	18,000
To Interest on Capital A/c :			By Interest on drawings A/c :	
Alagappan		1,000	Alagappan	200
Ulagappan		500	Ulagappan	300
To Partner's Capital a/c (profit)				
Alagappan (17,000 × 10/17)	10,000			
Ulagappan (17,000 × 7/17)	7,000	17,000		
		18,500		18,500

Additional Questions and Answers

I. Multiple Choice Questions.

1 Mark

(i) Choose the correct answer.

1. **The name under which the business of a firm is carried on is called the**
   (a) Company name (b) Firm name
   (c) Partnership firm (d) Partner's name
   [Ans. (b) Firm name]

2. **The profit or loss arising from the partnership business is shared by the partners in the**
   (a) old ratio (b) new ratio
   (c) agreed ratio (d) sacrifice ratio
   [Ans. (c) agreed ratio]

3. **In India, partnership firms are governed by the Indian partnership Act.**
   (a) 1932 (b) 1930
   (c) 1992 (d) 1986
   [Ans. (a) 1932]

4. **The maximum number of partners in a partnership firm is**
   (a) 25 (b) 10
   (c) 30 (d) 50[Ans. (d) 50]

5. **In sole proprietorship, the profit or loss in the profit and loss account is transferred directly to the sole proprietor's**
   (a) drawings account (b) capital account
   (c) loan account (d) salary account
   [Ans. (b) capital account]

6. **The balance in the appropriation account is transferred to the partner's capital account in the**
   (a) agree ratio (b) sacrifice ratio
   (c) profit sharing ratio (d) old ratio
   [Ans. (c)profit sharing ratio]

7. **Capital account balance of the sole proprietor alone as shown in the balance sheet of**
   (a) Sole proprietorship (b) Partnership
   (c) Joint Hindu family (d) Company
   [Ans. (a) Sole proprietorship]

8. **Amount invested by partners in the partnership business is called**
   (a) Owner's capital
   (b) Partner's capital
   (b) Profit and loss appropriation
   (d) None of these [Ans. (b) Partner's capital]

9. **Which of the following method, the capital of the partners is not altered and it remains generally fixed?**
   (a) Fixed capital method
   (b) Fluctuating capital method
   (c) Both 'a' and 'b'
   (d) None of these
   [Ans. (a) Fixed capital method]

10. **All the transactions between the partner and the firm are recorded in the**
   (a) capital account
   (b) drawings account
   (c) profit and loss account
   (d) revaluation account
   [Ans. (a) capital account]

3. Interest on partner's capital and interest on drawings are recorded through profit and loss appropriation account instead of profit and loss account. Why?

Ans. Interest on partner's capital and interest on drawings are an appropriation of profit and not a charge on profit and hence is recorded through profit and loss appropriation account instead of profit and loss account

4. How is interest on drawings calculated, if the drawings are made at regular intervals as on the first day of each month?

Ans. If the drawings are made regularly on the first day of each month, the interest on drawings will be

calculated for $6\frac{1}{2}$ months i.e

Interest on drawings = Total drawings × $\frac{\text{Rate}}{100} \times \frac{6.5}{12}$

5. Salary or commission paid to a partner is debited to profit and loss appropriation account and not to profit and loss account. Why?

Ans. It is so because salary or commission paid to a partner is not a charge on profit but an appropriation of profit.

6. An accountant of the firm has debited interest on partner's loan to the profit and loss appropriation account and credited to the partner's capital account. Is he correct?

Ans. No, the accountant is not correct. He has not recorded the interest on loan currently because the interest on loan is a charge against profits and not an appropriation of profits.

7. State where the following items shall appear in case the capital contributed by partners remain fixed.

i) Interest on capital
ii) Withdrawal of capital
iii) Fresh capital introduced
iv) Drawings
v) Share of profit by a partner

Ans. (i) Credit side of partner's current account.
(ii) Debit side of partner's capital account
(iii) Credit of partner's capital account
(iv) Debit side of partner's current account
(v) Credit side of partner's current account

VALUE BASED QUESTIONS AND ANSWERS

1. The firm of A and B earned a profit of ₹2,75,000 during the year ending on 31st March, 2015. They have decided to donate 10% of this profit to an NGO working for senior citizens. Pass necessary journal entry for the distribution of profits. Identify the values shown by the firm in donating a part of profit of NGO.

Solution :

Journal entry

Date	Particulars	L.F	Debit ₹	Credit ₹
	Profit and loss appropriation A/c Dr		2,47,500	
	To A's capital A/c			1,23,750
	To B's capital A/c			1,23,750
	(Being profit transferred to capital account)			

Values shown by the firm are

i. **Responsibility :**
Firm has shown responsibility towards senior citizens by giving them their dues.

ii. **Compassion :**
Partners have shown compassion towards senior citizens by fulfilling their duties towards senior citizens.

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UNIT 4

GOODWILL IN PARTNERSHIP ACCOUNTS

CHAPTER SNAPSHOT

Important Points

- Goodwill is the good name or reputation of the business which brings benefit to the business
- Goodwill is an intangible fixed asset. It is intangible because it has no physical existence. It cannot be seen or touched.
- In case of partnership firms, whenever there is a change in the mutual rights of partners, the need for valuation of goodwill arises.
- Goodwill may be classified into acquired goodwill and self-generated goodwill.
- Annuity refers to series of uniform cash flows at regular intervals
- Only acquired goodwill can be shown in the books of accounts. Self-generated goodwill should not be shown in the books of accounts.
- Before calculating the average profit for the purpose of valuation of goodwill, all adjustments such as adjustments for non-operating expenses and incomes, non-recurring expenses and incomes and over or under-valuation of stocks must be made.
- Normal rate of return refers to the rate at which profit is earned by similar business entities in the industry under

Self-Examination Questions

I Multiple Choice Questions

Choose the correct answer

1. Which of the following statements is true? *[Govt. MQP-2019; PTA-1; QY-2019]*

(a) Goodwill is an intangible asset
(b) Goodwill is a current asset
(c) Goodwill is a fictitious asset
(d) Goodwill cannot be acquired

[Ans. (a) Goodwill is an intangible asset]

2. Super profit is the difference between *[PTA-2]*

(a) Capital employed and average profit
(b) Assets and liabilities
(c) Average profit and normal profit
(d) Current year's profit and average profit

[Ans. (c) Average profit and normal profit]

3. The average rate of return of similar concerns is considered as *[PTA-3]*

(a) Average profit
(b) Normal rate of return
(c) Expected rate of return
(d) None of these

[Ans. (b) Normal rate of return]

4. Which of the following is true? *[PTA-4; QY-2019]*

(a) Super profit = Total profit / number of years
(b) Super profit = Weighted profit / number of years
(c) Super profit = Average profit – Normal profit
(d) Super profit = Average profit × Years of purchase

[Ans. (c) Super profit = Average profit – Normal profit]

5. Identify the incorrect pair *[PTA-1]*

(a)	Goodwill under Average profit method	-	Average profit × Number of years of purchase
(b)	Goodwill under Super profit method	-	Super profit × Number of years of purchase
(c)	Goodwill under Annuity method	-	Average profit × Present value annuity factor
(d)	Goodwill under Weighted average profit method	-	Weighted average profit × Number of years of purchase

[Ans. (c) Goodwill under Annuity method - Average profit × Present value annuity factor]

$$= \frac{30,000+40,000+50,000+45,000-3000}{4}$$

$$= \frac{1,62,000}{4} = ₹40,500$$

Normal profit = Capital employed × Normal rate of return

$$= 3,00,000 \times \frac{10}{100} = ₹\ 30,000$$

Super profit = Average profit – Normal profit

= 40,500 – 30,000 = ₹ 10,500

$$\text{Goodwill} = \frac{\text{Super profit}}{\text{Normal rate of return}} \times 100$$

$$= \frac{10,500}{10} \times 100 = ₹1,05,000$$

Capitalisation Method :

11. From the following information, find out the value of goodwill by capitalisation method: *[PTA-3]*

(i) Average profit ₹ 20,000

(ii) Normal rate of return 10%

(iii) Capital employed ₹ 1,50,000

Solution :

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

$$= \frac{20,000}{10} \times 100$$

= ₹ 2,00,000

Capital employed = ₹ 1,50,000

Goodwill = Total capitalised value of the average profit – Capital employed

= 2,00,000 – 1,50,000

= ₹ 50,000

Government Exam Questions and Answers

I. Multiple Choice Questions.

(i) Choose the correct answer. 1 Mark

1. When the average profit is ₹50,000 and the normal profit is ₹30,000, super profit is *[Govt. MQP-2019]*

(a) ₹80,000 (b) ₹40,000
(c) ₹20,000 (d) ₹15,000

[Ans. (c) ₹20,000]

2. Under Weighted average profit method, Goodwill = ________. *[HY-2019]*

(a) Goodwill = Weighted average profit × Number of years of purchase
(b) Goodwill = Average profit × Number of years of purchase
(c) Goodwill = Super profit × Number of years of purchase
(d) Goodwill = Super profit × Present value annuity factor.

[Ans. (a) Goodwill = Weighted average profit × Number of years of purchase]

HOTS Questions And Answers

1. What is meant by number of years purchase at the time of valuation of goodwill?

Ans. Number of years purchase means for how many specific years the business will earn same amount of profits because of its past efforts.

2. Why is goodwill considered as an intangible asset but not a fictitious assets?

Ans. Goodwill is considered as an intangible asset because it has a realised value whereas fictitious assets do not have a realisable value.

3. How does the factor's 'quality of product' affect the goodwill of a firm?

Ans. If the firm enjoys good reputations for its product's quality, there will be higher sales and the value of its goodwill will increase.

4. How does the 'market situation' affect the value of goodwill of a firm?

Ans. The monopoly condition or limited competition enables the concern to earn high profits which leads to higher value of goodwill

Value Based Questions And Answers

1. Venu and Somu are carrying on a business of repairing electronic items.There are no other technicians for repairing electronic items in the locality. As the electric supply has a lot of fluctuations, the equipments get damaged. Therefore, both the partners themselves do the repairing work to the satisfaction of the customers. The firm donates 10% of its profits to a Charitable Hospital of the locality for the medical treatment of persons below poverty line. State the two factors affecting the goodwill of the firm discussed in the above para. Also identify any two values which the firm is trying to propagate.

Ans. The factors affecting the goodwill of the firm are

(i) Location

(ii) Market situation

The values which the firm is trying to propagate are

(i) Sensitivity towards people belonging to lower income group.

(ii) Working towards customer satisfaction

2. Kalyan and Dilip are partners in a firm dealing in stationery items. The firm is well managed and enjoys the advantage of being cost effective. It buys stationery items at reasonable cost from Dilip's relative who is manufacture of stationery items. The firm's sale outlet is situated near a school. As a result, the firm is donating 10% of is profits to the nearby school for the education of the students of below poverty line. State any two factors affecting the value of goodwill of the firm. Also identify any two values which the firm is trying to propagate.

Ans. The factors affecting the value of goodwill of the firm are

(i) Nature of business

(ii) Efficiently of management

The values which the firm is trying to propagate are

(i) Promoting education among the students of below poverty line.

(ii) Providing quality services to customers resulting in customer satisfaction.

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UNIT 5

ADMISSION OF A PARTNER

CHAPTER SNAPSHOT

7. **Amal and Vimal are partners in a firm sharing profits and losses in the ratio of 7:5. Their balance sheet as on 31st March, 2019, is as follows:** ***[QY-2019]***

Liabilities	₹	₹	Assets	₹
Capital accounts:			Land	80,000
Amal	70,000		Furniture	20,000
Vimal	50,000	1,20,000	Stock	25,000
Sundry creditors		30,000	Debtors	30,000
Profit and loss A/c		24,000	Bank	19,000
		1,74,000		1,74,000

Nirmal is admitted as a new partner on 1.4.2018 by introducing a capital of ₹30,000 for 1/3 share in the future profit subject to the following adjustments.

(a) Stock to be depreciated by ₹5,000

(b) Provision for doubtful debts to be created for ₹3,000

(c) Land to be appreciated by ₹20,000

Prepare revaluation account and capital account of partners after admission.

Solution :

Dr **Revaluation A/c** Cr

Particulars	₹	₹	Particulars	₹
To Stock A/c		5,000	By Land A/c	20,000
To Provision for doubtful debts A/c		3,000		
To Profit on revaluation transferred to				
Amal's capital A/c (7/2)	7,000			
Vimal's capital A/c (5/12)	5,000	12,000		
		20,000		20,000

Dr **Capital A/c** Cr

Particulars	Amal ₹	Vimal ₹	Nirmal ₹	Particulars	Amal ₹	Vimal ₹	Nirmal ₹
To Balance c/d	91,000	65,000	30,000	By Balance b/d	70,000	50,000	–
				By Bank A/c	–	–	30,000
				By Revaluation A/c	7,000	5,000	–
				By Profit and loss A/c	14,000	10,000	–
	91,000	65,000	30,000		91,000	65,000	30,000
				By Balance b/d	91,000	65,000	30,000

Computation of sacrificing ratio and new profit sharing ratio.

8. **Praveena and Dhanya are partners sharing profits in the ratio of 7:3. They admit Malini into the firm. The new ratio among Praveena, Dhanya and Malini is 5:2:3. Calculate the sacrificing ratio.**

Solution :

Share sacrificed = Old share – New share

Old ratio of Praveena and Dhanya = 7:3 that is $\frac{7}{10}:\frac{3}{10}$

New ratio of Paveena, Dhanya and Malini = 5 : 2 : 3 that is, $\frac{5}{10}:\frac{2}{10}:\frac{3}{10}$

Balance Sheet

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Computer		40,000
Anbu	5,20,000		Motor Car	1,60,000	
Shankar	3,80,000		**Add:** Appreciation	40,000	2,00,000
Rajesh	1,50,000	10,50,000	Stock	4,00,000	
Creditors		1,20,000	**Less:** Depreciation	20,000	3,80,000
Workmen compensation fund (60,000 – 50,000)		10,000	Debtors	3,60,000	
			Less: Under valued	10,000	3,50,000
			Bank		2,05,000
			Unrecorded investment		5,000
		11,80,000			11,80,000

GOVERNMENT EXAM QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS. 1 MARK

(i) Choose the correct answer.

1. Match List 1 with List 2 and select the correct answer using the codes given below : *[Govt. MQP-2019]*

List I		List II	
(i)	Sacrificing ratio	1.	Goodwill
(ii)	Old profit sharing ratio	2.	Accumulated profit
(iii)	Revaluation Account	3.	Unrecorded liability
(iv)	Capital Account	4.	Partner's Salary

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	3	2	4	1
(c)	4	3	2	1
(d)	3	1	4	2

[Ans. (a) (i) - 1, (ii) - 2, (iii) - 3, (iv) - 4]

II. SHORT ANSWER QUESTIONS. 3 MARKS

1. Ajay and Devan are partners sharing profits and losses in the ratio of 5:3. In the view of Gopal admission, they decided *[Govt. MQP-2019]*

(i) To increase the value of building by ₹40,000.

(ii) To decrease the value of machinery by ₹14,000 and furniture by ₹12,000

(iii) An unrecorded liability ₹6,000 has to be recorded now.

Solution :

Journal Entries

Date	Particulars		L.F	Debit ₹	Credit ₹
	Building A/c	Dr		40,000	
	Unrecorded liability A/c	Dr		6,000	
	To Revaluation A/c				46,000
	(Increase in the value of building and unrecorded liability write off accounted)				

Additional Questions and Answers

I. Multiple Choice Questions. 1 Mark

(i) Choose the correct answer :

1. A person may join as a new partner in an existing
(a) Partnership firm
(b) Sole proprietorship
(c) Hindu undivided Family
(d) None of these
[Ans. (a) Partnership firm]

2. Revaluation account is also called
(a) Accumulation profit and loss account
(b) Profit and loss adjustment account
(c) Profit and loss appropriation account
(d) None of these
[Ans. (b) Profit and loss adjustment account]

3. When the value of an asset increases, it results in
(a) profit (b) loss
(c) income (d) expense
[Ans. (a) profit]

4. When an unrecorded liabilities is brought into books, is results in
(a) profit (b) loss
(c) income (d) expense
[Ans. (b) loss]

5. The revaluation profit or loss is transferred to the old partner's capital accounts, in their
(a) Old ratio (b) New ratio
(c) Sacrifice ratio (d) Gain ratio
[Ans. (a) Old ratio]

6. When A and B sharing profits and losses in the ratio of 3:2, they admit C as a partner giving him 1/3 share of profits. This will be given by A and B.
(a) Equality
(b) In the ratio of their capitals
(c) In the ratio of their profits
(d) None of these
[Ans. (c) In the ratio of their profits]

7. In order to maintain fair dealings, at the time of admission, it is necessary to revalue assets and liabilities of the firm to their
(a) Cost price (b) True value
(c) Selling price (d) None of these
[Ans. (b) True value]

8. On admission of a partner if goodwill account is to be raised this should be debited to
(a) Partner's capital account
(b) Goodwill account
(c) Revaluation account
(d) None of these
[Ans. (b) Goodwill account]

9. The old partners share all the accumulated profits and reserve in their
(a) new profit sharing ratio
(b) old profit sharing ratio
(c) capital ratio
(d) sacrificing ratio
[Ans. (b) old profit sharing ratio]

10. Old ratio of profit minus sacrifice ratio will be
(a) New ratio
(b) Old profit sharing ratio
(c) Sacrifice ratio
(d) None of these [Ans. (a) New ratio]

11. In admission undistributed profit or loss is transferred to
(a) New partner's capital A/c only
(b) Old partner's capital A/c only
(c) All the partner's capital accounts
(d) None of these
[Ans. (b) Old partner's capital A/c only]

(ii) Match List I with List II and Select the Correct Answer using the Codes given below.

1.

List I		List II	
(i)	New share	1.	Partner
(ii)	Sacrifice	2.	Revaluation method
(iii)	Treatment of Goodwill	3.	Old share – Sacrifice
(iv)	Admission	4.	Old share – New share

UNIT 6

RETIREMENT AND DEATH OF A PARTNER

CHAPTER SNAPSHOT

Dr **Capital Account** Cr

Particulars	Kannan ₹	Rahim ₹	John ₹	Particulars	Kannan ₹	Rahim ₹	John ₹
To Profit and Loss A/c	10,000	6,000	4,000	By Balance b/d	1,00,000	80,000	40,000
To Revaluation A/c	500	300	200	By Workman's compensation fund	15,000	9,000	6,000
To Bank	–	–	41,800				
To Balance c/d	1,04,500	82,700	–				
	1,15,000	89,000	46,000		1,15,000	89,000	46,000
				By Balance b/d	1,04,500	82,700	–

Balance Sheet as on 1st January 2018

Liabilities	₹	₹	Assets	₹	₹
Capital accounts			Buildings	90,000	
			Add: Appreciation	9,000	99,000
Kannan	1,04,500		Machinery		60,000
Rahim	82,700	1,87,200			
			Debtors	30,000	
Sundry creditors		20,000	**Less:** Bad debts	1,000	29,000
Unrecorded liability		8,000			
			Stock	20,000	
			Less: Depreciation	1,000	19,000
			Cash at bank	50,000	
			Less: Amount paid to John	41,800	8,200
		2,15,200			2,15,200

18. **Saran, Arun and Karan are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31.12.2016 was as follows:** ***[PTA - 3; HY-2019]***

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Buildings		60,000
Saran	60,000		Machinery		40,000
Arun	50,000		Investment		20,000
Karan	40,000	1,50,000	Stock		12,000
General reserve		15,000	Debtors	25,000	
Creditors		35,000	**Less:** Provision for bad debts	1,000	24,000
			Cash at bank		44,000
		2,00,000			2,00,000

Karan retires on 1.1.2017 subject to the following conditions:

(i) Goodwill of the firm is valued at ₹ 21,000

(ii) Machinery to be appreciated by 10%

(iii) Building to be valued at ₹ 80,000

Working Notes:

(i) Profit sharing ratio = capital ratio = 70,000 : 50,000 : 30,000 that is 7 : 5 : 3
Gaining ratio between Vijayan and Sudhan = old profit sharing ratio =7 : 5

(ii) Calculation of current year's profit

Average profit = $\frac{40,000 + 50,000 + 30,000}{3} = \frac{1,20,000}{3} = 40,000$

Current year's profit = $40,000 \times \frac{3}{12} = 10,000$

Suman's Share of current year's profit = $10,000 \times \frac{3}{15} = 2,000$

(iii) Suman's Share of good will = $36,000 \times \frac{3}{15} = 7,200$

It is to be borne by Vijayan and Sudhan in the gaining ratio 7:5

PTA Questions and Answers

I. Multiple Choice Questions.

Choose the correct answer **1 Mark**

1. On revaluation, the decrease in liabilities leads to *[PTA-6]*

(a) Income (b) Loss (c) Profit (d) None of these

[Ans: (c) Profit

Government Exam Questions and Answers

I. Problems. 3 Marks

1. Nandhini, Sandhiya and Rajesh are partners sharing profits and losses in the ratio of 5:3:3 respectively. Nandhini retires from the firm on 31st December, 2019. On the date of retirement, her capital account shows a credit balance of ₹1,00,000. *[Govt. MQP-2019]*

Pass journal entries if:
(i) The amount due is paid off immediately.
(ii) The amount due is not paid immediately.
(iii) ₹50,000 is paid immediately by cheque.

Solution :

Journal Entries

Date	Particulars	L.F	Debit ₹	Credit ₹
2019 Dec. 31	(i) Nandhini's Capital A/c Dr To Bank A/c (Amount due paid immediately)		1,00,000	 1,00,000
"	(ii) Nandhini's Capital A/c Dr To Nandhini's Loan A/c (Amount due transferred to loan account)		1,00,000	 1,00,000
"	(iii) Nandhini's Capital A/c Dr To Bank A/c To Nandhini's Loan A/c (₹50,000 paid and the balance transferred to an account)		1,00,000	 50,000 50,000

2. A, B, and C are partners in affirm sharing profits and losses equally. Their balance sheet as on 31st March 2018 is as follows:

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Office equipment		70,000
A	80,000		Machinery		1,40,000
B	60,000		Sundry debtors	52,000	
C	1,00,000	2,40,000	**Less:** Provision for doubtful debts	2,000	50,000
Sundry creditors		1,20,000			
			Stock		60,000
			Cash at bank		40,000
		3,60,000			3,60,000

'C' Retired on 31st March 2018 Subject to the following conditions:

(i) Machinery is valued at ₹ 1,30,000

(ii) Value of office equipment is brought down by ₹ 2,000.

(iii) Provision for doubtful debts should be increased to ₹ 3,000.

(iv) Investment of ₹ 25,000 not recorded in the books is to be recorded now. Pass necessary journal entries and prepare revaluation account and capital account of partners.

Solution :

Journal entries

Date	Particulars	L.F	Debit ₹	Credit ₹
2018 Dec.31	Revaluation A/c Dr		13,000	
	To Machinery A/c			10,000
	To Office equipment A/c			2,000
	To Provision for doubtful debts A/c			1,000
	(Depreciation on machinery and furniture and provision made for doubtful debts adjusted)			
2018 Dec.31	Investments A/c Dr		25,000	
	To Revaluation A/c			25,000
	(unrecorded investment brought into accounts)			
2018 Dec.31	Revaluation A/c Dr		12,000	
	To A's capital A/c			4,000
	To B's capital A/c			4,000
	To C's capital A/c			4,000
	(profit on revaluation transferred to capital accounts)			

Solution :

Dr **Revaluation Account** Cr

Particulars	₹	₹	Particulars	₹
To Stock A/c		2,000	By Land A/c	11,000
To Debtors A/c		3,000		
To Profit on revaluation transferred to				
Sankar's capital A/c (6,000 × 3/6)	3,000			
Saleem's capital A/c (6,000 × 2/6)	2,000			
Pandian's capital A/c (6,000 × 1/6)	1,000	6,000		
		11,000		11,000

Dr **Capital Account** Cr

Particulars	Sankar ₹	Saleem ₹	Pandiyan ₹	Particulars	Sankar ₹	Saleem ₹	Pandiyan ₹
To profit and loss A/c	3,000	2,000	1,000	By Balance b/d	50,000	40,000	10,000
				By General reserve	18,000	12,000	6,000
To Pandian's Executor's A/c			16,000				
To Balance c/d	68,000	52,000	–	By Revaluation A/c (profit)	3,000	2,000	1,000
	71,000	54,000	17,000		71,000	54,000	17,000
				By Balanced b/d	68,000	52,000	

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital account:			Land	80,000	
Sankar	68,000		**Add:** Appreciation	11,000	91,000
Saleem	52,000	1,20,000			
Pandian's Executor's A/c		16,000	Stock	20,000	
Sundry creditors		14,000	**Less:** Depreciation	2,000	18,000
			Debtors	30,000	
			Less: Bad debts	3,000	27,000
			Cash at bank		14,000
		1,50,000			1,50,000

HOTS Questions And Answer

1. If the retiring partner is not paid the full amount due to him immediately on retirement, how should his capital account be shown in subsequent balance sheet?

Ans. If the retiring partner is not paid fully immediately on retirement, then the remaining balance of his capital account will be transferred to his loan account and will be shown as his loan on the liabilities side of the balance sheet of the firm.

2. Name the account which is opened to credit the share of profit of the deceased partner, till the time of death to his capital account.

Ans. Profit and loss suspense account is opened to credit the share of profit of the deceased partner

3. For which share of goodwill, a partner is entitled at the time of his retirement?

Ans. At the time of retirement a partner is entitled to get an amount equal to his share in profits out of firm's goodwill.

UNIT 7

COMPANY ACCOUNTS

CHAPTER SNAPSHOT

Important Points

- Authorised capital is the maximum amount that can be raised as capital as is authorised by the memorandum of association.
- Reserve capital is part of subscribed capital to be called up at the time of winding up of the company.
- Issue of equity shares to public through prospectus by a public company is called public issue
- When the share capital is received through instalments, first instalment is called application money.
- The application money must be at least 5 percent of the nominal value of the shares.
- When the number of shares subscribed is less than the number of shares offered, it is known as under subscription
- When the minimum subscription stated in the prospectus has been subscribed for by the public, a company can allot shares.
- When applications are allotted in proportion of shares applied for it is called pro-rata allotment.
- The excess amount paid over the called up value of a share is known as calls in advance.
- When a shareholder fails to pay the amount due on allotment or on calls, the amount remaining unpaid is known as calls in arrears.
- When a company issues shares at a price more than the face value (nominal value), the shares are said to be issued at premium.

Self-examination Questions

I. Multiple Choice Questions.

Choose the correct answer :

1. A preference share is one
(i) which carries preferential right with respect to payment of dividend at fixed rate
(ii) which carries preferential right with respect to repayment of capital on winding up *[Govt. MQP-2019; PTA-1]*
(a) Only (i) is correct
(b) Only (ii) is correct
(c) Both (i) and (ii) are correct
(d) Both (i) and (ii) are incorrect
[Ans. (c) Both (i) and (ii) are correct]

2. That part of share capital which can be called up only on the winding up of a company is called: *[PTA-1; QY-2019]*
(a) Authorised capital (b) Called up capital
(c) Capital reserve (d) Reserve capital
[Ans. (d) Reserve capital]

3. At the time of forfeiture, share capital account is debited with *[PTA-2]*
(a) Face value
(b) Nominal value
(c) Paid up amount
(d) Called up amount
[Ans. (d) Called up amount]

4. After the forfeited shares are reissued, the balance in the forfeited shares account should be transferred to *[PTA-3, 6; HY-2019]*
(a) General reserve account
(b) Capital reserve account
(c) Securities premium account
(d) Surplus account
[Ans. (b) Capital reserve account]

5. The amount received over and above the par value is credited to *[PTA-4]*
(a) Securities premium account
(b) Calls in advance account
(c) Share capital account
(d) Forfeited shares account
[Ans. (a) Securities premium account]

	Equity share first and final call A/c Dr. To Equity share capital A/c (Call money due)		18,000	18,000
	Bank A/c Dr. To Equity share first and final call A/c (Call money received)		18,000	18,000

4. Jenifer Ltd., issued 10,000 equity shares of ₹10 each at par payable on application ₹3 per share, on allotment ₹3 per share, on first and final call ₹4 per share. The issue was fully subscribed and all the amounts were duly received with the exception of 100 shares held by Subbu, who failed to pay the first and final call. His shares were forefeited and reissued to Hema at ₹7 per share. Journalise the above transactions. *[HY-2019]*

Solution :

Journal entries in the books of Jenifer Ltd.,

Date	Particulars	L.F	Debit ₹	Credit ₹
	Bank A/c (10,000 × 3) Dr. To Equity share application A/c (Application money received)		30,000	30,000
	Equity share application A/c Dr. To Equity share capital A/c (Transfer of share application money to share capital A/c)		30,000	30,000
	Equity share allotment A/c (10,000 × 3) Dr. To Equity share capital A/c (Share allotment money due)		30,000	30,000
	Bank A/c Dr To Equity share allotment A/c (Share allotment money received)		30,000	30,000
	Equity share first and final call A/c (10,000 × 4) Dr To Equity share capital A/c (Share allotment money due)		40,000	40,000
	Bank A/c (9,900 × 4) To Equity share first and final call A/c (Share allotment money received)		39,600	39,600
	Equity share capital A/c (100 × 10) Dr To Equity share first and final call A/c (100 × 4) To Shares forfeited A/c (100 × 6) (100 Shares forfeited)		1,000	400 600
	Bank A/c (100 × 7) Dr Shares forfeited A/c (100 × 3) Dr To Equity share capital A/c (Reissue of 100 forfeited shares)		700 300	1,000
	Shares forfeited A/c (600 – 300) Dr To Capital reserve A/c (Profit on reissue of 100 forfeited shares transferred to capital reserve A/c)		300	300

5. Give Journal entries for the following : *[HY-2019]*

(i) Issue of shares for cash in lumpsum

(ii) Issue of shares for consideration other than cash.

Solution :

(i) Issue of shares for cash in lumpsum :

Date	Particulars	L.F	Debit ₹	Credit ₹
	(i) For receipt of application money			
	Bank A/c Dr.		xxx	
	To Equity share application A/c			xxx
	(ii) For transfer application money			
	Equity share application A/c Dr.		xxx	
	To Equity share capital A/c			xxx
	To Securities Premium A/c (if issued at premium)			xxx

(ii) Issue of shares for consideration other than cash :

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

Additional Questions and Answers

I. Multiple Choice Questions. 1 Mark

(i) Choose the correct answer.

1. In order to meet them production must be carried on a

(a) small scale (b) large scale
(c) medium scale (d) none of these

[Ans. (b) large scale]

2. The capital of companies is divided into small units called

(a) shares (b) debentures
(c) dividend (d) none of these

[Ans. (a) shares]

3. The money raised by issuing shares is called

(a) Share capital (b) Dividend
(c) Equity capital (d) Share application

[Ans. (a) Share capital]

4. Profits are distributed among the shareholders in the form of

(a) shares (b) dividends
(c) both (d) none of these

[Ans. (b) dividends]

5. Company is a voluntary association of persons which has separate

(a) legal entity
(b) voluntary association
(c) common seal
(d) limited liability

[Ans. (a) legal entity]

6. The liability of the shareholders of the company is limited to the extent of face value of the shares held by the

(a) shareholders (b) cardholders
(c) debenture holders (d) none of these

[Ans. (a) shareholders]

IV. Problems 5 Marks

1. Preeti Ltd. invited applications for 5,000 shares of ₹ 10 each payable as follows ₹ 3 on Application, ₹ 2 on Allotment, ₹ 2 on First call and ₹ 3 on Final call. All these shares were subscribed and paid for. Pass journal entries.

Solution :

Journal Entries in the Books of Preeti Ltd.

Date	Particulars	L.F	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (money received on 5,000 shares @ ₹3 per share)		15,000	15,000
	Share Application A/c Dr. To Share Capital A/c (Transfer of application money on 5,000 shares @ ₹3 each)		15,000	15,000
	Share Allotment A/c Dr. To Share Capital A/c (amount due on the allotment of 5,000 shares @ ₹2 per share)		10,000	10,000
	Bank A/c Dr. To Share Allotment A/c (Allotment money received on 5,000 shares @ ₹2 per share)		10,000	10,000
	Share First call A/c Dr. To Share Capital A/c (First call money due on 5,000 shares @ ₹2 per share)		10,000	10,000
	Bank A/c Dr. To Share First call A/c (First call money received for 5,000 shares @ ₹2 per share)		10,000	10,000
	Share Final call A/c Dr. To Share Capital A/c (Final call money due on 5,000 shares @ ₹3 per share)		15,000	15,000
	Bank A/c Dr. To Share Final call A/c (Final call money received for 5,000 shares @ ₹3 per share)		15,000	15,000

	Equity share Allotment A/c (10,000 × 4) Dr. To Equity share capital A/c (Allotment money due)		40,000	40,000
	Bank A/c (40,000–20,000) Dr. To Equity share allotment A/c (Allotment money received)		20,000	20,000
	Equity share first call A/c (10,000 × 2) Dr. To Equity share capital A/c (First call money due)		20,000	20,000
	Bank A/c Dr. To Equity share first call A/c (First call money received)		20,000	20,000
	Equity share second and final call A/c (10,000 × 2) Dr. To Equity share capital A/c (Share second and final call due)		20,000	20,000
	Bank A/c (9,400 × 2) Dr. To Equity share second and final call A/c (Second and final call money received on 9,400 shares)		18,800	18,800
	Equity share capital A/c (600 × 10) Dr. To Equity share second and final call A/c (600 × 2) To Forfeited shares A/c (600 × 8) (Shares forfeited for nonpayment of final call money)		6,000	1,200 4,800
	Bank A/c (400 × 7) Dr. Forfeited shares A/c (400 × 3) To Equity share capital A/c (400 forfeited shares reissued at ₹7 per share)		2,800 1,200	4,000
	Forfeited shares A/c Dr. To Capital reserve A/c (Gain on reissue credited to capital reserve A/c)		2,000	2,000

Working note:

Amount forfeited for 600 shares = ₹4,800

Amount forfeited for 400 shares = $\frac{4800}{600} \times 400 =$ ₹3,200

Less: Discount on reissue = 1,200

Net gain transferred to capital reserve 2,000

☆☆☆

UNIT 8
FINANCIAL STATEMENT ANALYSIS

CHAPTER SNAPSHOT

In Kala Ltd:

Percentage for other income $= \frac{30,000}{2,00,000} \times 100 = 15\%$

Percentage for Expenses $= \frac{1,20,000}{2,00,000} \times 100 = 60\%$

Percentage for profit before tax $= \frac{1,10,000}{2,00,000} \times 100 = 55\%$

8. Prepare common-size income statement for the following particulars of Sam Ltd. *[PTA - 3]*

Particulars	2015 - 16 ₹	2016 - 17 ₹
Revenue from operations	4,00,000	5,00,000
Other income	80,000	50,000
Expenses	2,40,000	2,50,000
Income tax	30 %	30 %

Solution :

Common-size income statement of Sam Ltd for the year ended 31st March, 2016 and 31st March, 2017

Particulars	Absolute amount 2015-16 ₹	Percentage of revenue from operations for 2015-16 ₹	Absolute amount 2016-17 ₹	Percentage of revenue from operations for 2016-17
Revenue from Operations	4,00,000	100	5,00,000	100
Add : Other income	80,000	20	50,000	10
Total revenue	4,80,000	120	5,50,000	110
Less : Expenses	2,40,000	60	2,50,000	50
Profit before tax	2,40,000	60	3,00,000	60
Less : Income tax (30%)	72,000	18	90,000	18
Profit after tax	1,68,000	42	2,10,000	42

Note: In 2015-16

Percentage for other income $= \frac{80,000}{4,00,000} \times 100 = 20\%$

Percentage for Total revenue $= \frac{4,80,000}{4,00,000} \times 100 = 120\%$

Percentage for Expenses $= \frac{2,40,000}{4,00,000} \times 100 = 60\%$

Percentage for Profit before tax $= \frac{2,40,000}{4,00,000} \times 100 = 60\%$

Percentage for tax $\frac{72,000}{4,00,000} \times 100 = 18\%$

Percentage for Profit after tax $\frac{1,68,000}{4,00,000} \times 100 = 42\%$

In 2016-17

$\frac{50,000}{5,00,000} \times 100 = 10\%$

$\frac{5,50,000}{5,00,000} \times 100 = 110\%$

$\frac{2,50,000}{5,00,000} \times 100 = 50\%$

$\frac{3,00,000}{5,00,000} \times 100 = 60\%$

$\frac{90,000}{5,00,000} \times 100 = 18\%$

$\frac{2,10,000}{5,00,000} \times 100 = 42\%$

FINANCIAL STATEMENT ANALYSIS

Government Exam Questions and Answers

I. Multiple Choice Questions. 1 Mark

(i) Choose the correct answer.

1. **Expenses for a business for the first year were ₹70,000. In the second year, it was increased to ₹77,000. The trend percentage in the second year is** *[Govt. MQP-2019]*

(a) 10% (b) 110% (c) 90% (d) 11% **[Ans. (b) 110%]**

II. Problems : 3 Marks

1. **Complete the following comparative statement.** *[Govt. MQP-2019]*

Particulars	2019	2020	Absolute amount of increase (+) or decrease (–)	Percentage increase (+) or decrease (–)
	₹	₹	₹	%
Revenue from operations	4,00,000	5,00,000	----------	25
Less : Operating expenses	----------	1,80,000	–20,000	–10
Profit before tax	2,00,000	----------	+1,20,000	+60
Less : Income tax	40,000	1,60,000	+1,20,000	----------
Profit after tax	----------	----------		

Solution :

Comparative Statement

Particulars	2019	2020	Absolute amount of increase (+) or decrease (–)	Percentage increase (+) or decrease (–)
	₹	₹	₹	%
Revenue from operations	4,00,000	5,00,000	+1,00,000	25
Less : Operating expenses	2,00,000	1,80,000	–20,000	–10
Profit before tax	2,00,000	3,20,000	+1,20,000	+60
Less : Income tax	40,000	1,60,000	+1,20,000	+300
Profit after tax	1,60,000	1,60,000	--	--

2. **Calculate trend percentages for the following particulars of Kurinji Ltd.** *[HY-2019]*

Particulars	₹ in thousands		
	2015 - 16	2016 - 17	2017 - 18
Revenue from operations	120	132	156
Other income	50	38	65
Expenses	100	135	123

IV. Problems 5 Marks

1. **From the following balance sheet of Gupta ltd, prepare comparative balance sheet as on 31st March 2017 and 31st March 2018.**

Particulars	31st March 2017 ₹	31st March 2018 ₹
I. Equity and liabilities		
shareholder's fund	2,00,000	5,20,000
Non-current liabilities	1,00,000	1,20,000
Current liabilities	50,000	60,000
Total	3,50,000	7,00,000
II. Assets		
Non-current assets	2,00,000	4,00,000
Current assets	1,50,000	3,00,000
Total	3,50,000	7,00,000

Solution :

Comparative balance sheet of Gupta Ltd as on 31st March 2017 and 31st March 2018

Particulars	2016-17 ₹	2017-18 ₹	Absolute amount of increase (+) or decrease (–)	Percentage increase (+) or decrease (–)
I. Equity and liabilities				
Shareholder's fund	2,00,000	5,20,000	+ 3,20,000	+ 160
Non-current liabilities	1,00,000	1,20,000	+ 20,000	+ 20
Current liabilities	50,000	60,000	+ 10,000	+ 20
Total	3,50,000	7,00,000	3,50,000	+ 100
II. Assets				
Non-current assets	2,00,000	4,00,000	+ 2,00,000	+ 100
Current assets	1,50,000	3,00,000	+ 1,50,000	+ 100
Total	3,50,000	7,00,000	3,50,000	+ 100

UNIT 9

RATIO ANALYSIS

CHAPTER SNAPSHOT

Important Points

- Analysis of financial statements involves study of items in the financial statements and making a logical conclusion.
- Ratio is a mathematical expression of relationship between two related or interdependent items.
- Ratio analysis is a tool which involves analysing the financial statements by calculating various ratios.
- Traditional classification of ratios is done on the basis of the financial statements from which the ratios are calculated.
- Functional classification of ratios is based on the purpose for which ratios are computed and it is the most commonly used classification.
- Liquidity ratios help to assess the ability of a business concern to meet its short term financial obligations.
- Inventory is not considered as liquid asset because it takes some time to sell the inventory and to convert into cash.
- Debit balance in the statement of profit and loss shall be shown as a negative figure under the head Reserves and surplus.
- Fixed assets turnover ratio can also be calculated by substituting cost of net revenue from operations instead of net revenue from operations.

Self-Examination Questions

I Multiple Choice Questions

Choose the correct answer

1. The mathematical expression that provides a measure of the relationship between two figures is called *[PTA-5; HY-2019]*

(a) Conclusion (b) Ratio
(c) Model (d) Decision

[Ans. (b) Ratio]

2. Current ratio indicates *[PTA-4]*

(a) Ability to meet short term obligations
(b) Efficiency of management
(c) Profitability
(d) Long term solvency

[Ans. (a) Ability to meet short term obligations]

3. Current assets excluding inventory and prepaid expenses is called *[PTA-3]*

(a) Reserves (b) Tangible assets
(c) Funds (d) Quick assets

[Ans. (d) Quick assets]

4. Debt equity ratio is a measure of *[Govt. MQP-2019; PTA-2]*

(a) Short term solvency
(b) Long term solvency
(c) Profitability
(d) Efficiency

[Ans. (b) Long term solvency]

5. Match List I with List II and select the correct answer using the codes given below: *[PTA-1]*

List I		List II	
(i)	Current ratio	1.	Liquidity
(ii)	Net profit ratio	2.	Efficiency
(iii)	Debt-equity ratio	3.	Long term solvency
(iv)	Inventory turnover ratio	4.	Profitability

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	4	3	2
(b)	3	2	4	1
(c)	4	3	2	1
(d)	1	2	3	4

[Ans. (a) (i)-1, (ii)-4, (iii)-3, (iv)-2]

14. **Following is the statement of profit and loss of Padma Ltd. for the year ended 31st March, 2018. Calculate the operating cost ratio.**

Statement of Profit and Loss

Particulars	Note No.	Amount ₹
I. Revenue from operations		15,00,000
II. Other Income		40,000
III. Total revenue (I +II)		**15,40,000**
IV. Expenses:		
Purchases of Stock-in-trade		8,60,000
Changes in inventories		40,000
Employee benefits expense (Salaries)		1,60,000
Other expenses	1	1,70,000
Total expenses		12,30,000
V. Profit before tax (III-IV)		**3,10,000**

Notes to Accounts

Particulars	Amount ₹
1. Other expenses	
Office and administrative expenses	50,000
Selling and distribution expenses	90,000
Loss on sale of furniture	30,000
	1,70,000

Solution :

Operating cost ratio $= \dfrac{\text{Operating cost}}{\text{Revenue from operations}} \times 100$

Cost of revenue from operations = Purchases of stock-in-trade + Change in inventories of stock in trade + Direct expenses (wages)

= ₹8,60,000 + 40,000 = ₹9,00,000

Operating expenses = Administrative expenses + Selling and distribution expenses + Employee benefits expenses (salaries)

= 50,000 + 90,000 + 1,60,000 = ₹3,00,000

Operating cost = Cost of revenue from operations + Operating expenses

= 9,00,000 + 3,00,000 = ₹12,00,000

∴ Operating cost ratio $= \dfrac{12,00,000}{15,00,000} \times 100 = 80\%$

15. **Calculate operating profit ratio under the following cases.** *[PTA-1, 6]*

Case 1 : **Revenue from operations ₹ 8,00,000, Operating profit ₹ 2,00,000.**

Case 2 : **Revenue from operations ₹ 20,00,000, Operating cost ₹ 14,00,000.**

Case 3 : **Revenue from operations ₹ 10,00,000, Gross profit 25% on revenue from operations, Operating expenses ₹ 1,00,000**

Solution :

Case 1 : Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{Revenue from operations}} \times 100$

$= \dfrac{2,00,000}{8,00,000} \times 100 = 25\%$

RATIO ANALYSIS

Additional Questions and Answers

I. Multiple Choice Questions.

(i) Choose the correct answer. 1 Mark

1. The financial status and financial performance of business entities can be assessed through.
(a) financial analysis
(b) managerial analysis
(c) cash flow statement
(d) none of these [Ans. (a) financial analysis]

2. If both items in a ratio are from balance sheet, it is classified as
(a) Inter statement ratio
(b) Income statement ratio
(c) Balance sheet ratio
(d) All of these [Ans. (c) Balance sheet ratio]

3. If the two items in a ratio are from income statement, it is classified as
(a) balance sheet ratio
(b) income statement ratio
(c) inter statement ratio
(d) none of these
[Ans. (b) income statement ratio]

4. If a ratio is computed with one item from income statement and another item from balance sheet, it is called
(a) Inter-statement ratio
(b) Balance sheet ratio
(c) Income statement ratio
(d) None of these
[Ans. (a) Inter-statement ratio]

5. Which ratio is the proportion of fixed income bearing funds to equity shareholders funds?
(a) Debt equity ratio
(b) Capital gearing ratio
(c) Proprietary ratio (d) Profitability ratio
[Ans. (b) Capital gearing ratio]

6. Which ratio indicates the efficiency of utilisation of fixed assets?
(a) Inventory turnover ratio
(b) Trade receivables turnover ratio
(c) Trade payables turnover ratio
(d) Fixed assets turnover ratio
[Ans. (d) Fixed assets turnover ratio]

7. All solvency ratios are expressed in term of
(a) Proportion (b) Time
(c) Money (d) Percentage
[Ans. (a) Proportion]

8. All activity ratios are expressed in terms of
(a) Money (b) Percentage
(c) Times (d) Proportion
[Ans. (c) Times]

9. All profitability ratios are expressed in terms of
(a) Proportion (b) Percentage
(c) Times (d) Money
[Ans. (b) Percentage]

10. Shareholder funds includes
(a) Equity share capital, preference share capital, reserve and surplus
(b) Loans from banks and financial institutions
(c) Equity share capital, preference share capital, reserves & surplus and loans from banks
(d) None of these
[Ans. (a) Equity share capital, preference share capital, reserve and surplus]

11. Operating ratio is equal to
(a) 100 – Operating profit ratio
(b) 100 + Operating profit ratio
(c) Operating cost (d) None of these
[Ans. (a) 100 – Operating profit ratio]

12. Cost of goods sold is ₹4,00,000 and average stock is ₹80,000. Stock turnover ratio will be
(a) 5 times (b) 4 times
(c) 7 times (d) 8 time
[Ans. (a) 5 times]

Hint : Cost of goods sold /Stock turnover ratio
= 4,00,000/ 80,000
= 5 times

13. Current assets of a business concern is ₹60,000 and current liabilities are ₹30,000. Current ratio will be
(a) 1 : 2 (b) 1 : 1 (c) 2 : 1 (d) 3 : 2
[Ans. (c) 2 : 1]

Hint :

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

$$= \frac{60,000}{30,000} = 2:1$$

Value Based Questions and Answers

1. The current assets of Maxell Ltd. are ₹10,00,000 and its current liabilities are ₹4,00,000. Find its current ratio. It is satisfactory? What value is exhibited by the company on maintaining such a ratio?

Solution :

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

$$= \frac{10,00,000}{4,00,000} = 2.5:1$$

Yes, it is satisfactory, as it exceeds the ideal ratio of 2:1

Value exhibited by Maxell Ltd. is ability to honour their debts on time.

2. Write the values which can be associated with a company which carries ratio analysis on its financial statements.

Solution :

Values reflected by the company are

(i) **Doing Your Best :** A company does its best by analysing the financial ratios and enabling the interested parties in taking better decisions about investing and tending.

(ii) **Transparent :** A company works towards transparency by simplifying the accounting information for various users.

3. Sai Ltd had a current ratio of 3.5:1 and quick ratio of 2:1. If the excess of current assets over quick assets as represented by inventory is ₹1,50,000. calculate current assets and current liabilities. Which value can be associated with the business having such current ratio and quick ratio?

Solution :

Let the current liabilities = x;

Current ratio = 3.5:1

Therefore, current assets = 3.5 x

Quick ratio = 2:1

Therefore, quick or liquid assets = $2x$

Liquid assets = Current assets – Inventory

$$2x = 3.5x - 1,50,000$$

$$\Rightarrow \quad 2x - 3.5x = -1,50,000 \text{ (or)}$$

$$1.5x = -1,50,000$$

$$x = \frac{1,50,000}{1.5} = 1,00,000$$

Current liabilities = ₹1,00,000

Current assets = 3.5 × 1,00,000

= ₹3,50,000

Values that can be associated with the business are

(i) **Doing Your Best :** Business is doing its beast in keeping its liquidity ratios well above the ideal ratios.

(ii) **Safety :** Business shows safety towards its short-term creditors by maintaining such short-term solvency ratios.

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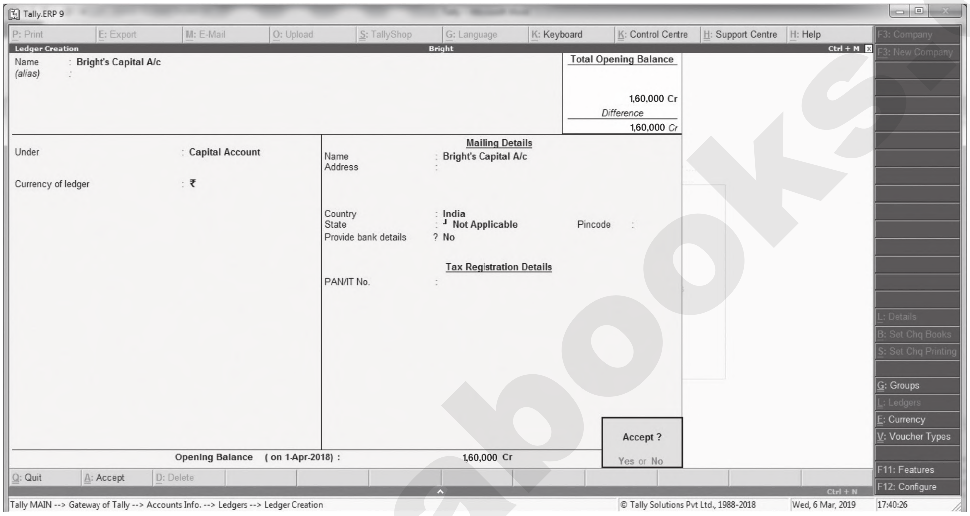
UNIT 10

COMPUTERISED ACCOUNTING SYSTEM - TALLY

CHAPTER SNAPSHOT

Creation of	Name	Under	Opening balance	Accept
Pearl's Capital A/c	Pearl's Capital A/c	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
Furnitures A/c	Furnitures 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	20,000	Yes
Cash in hand	Cash	Cash-in-Hand	30,000	Yes
Cast at bank	Bank	Bank Accounts	60,000	Yes



CREATION OF PEARL CAPITAL A/C

NOTE : 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 balance of cash : Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Alter

ADDITIONAL QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS.

(i) Choose the correct answer. 1 MARK

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

(a) Private account
(b) Company account
(c) Government account
(d) None of the above

[Ans. (c) Government account]

2. In 2009, Tally Solutions introduced the software

(a) Tally. ERP 9 (b) Tally. ERP 10
(c) Tally. ERP 6.0 (d) Tally. 8.0

[Ans. (a) Tally. ERP 9]

3. Transactions are to be recorded through

(a) journal entries (b) voucher entries
(c) accounting entries (d) none of these

[Ans. (b) voucher entries]

4. All transactions related to receipt either in cash or through bank are recorded using

(a) payment voucher (b) contra voucher
(c) receipt voucher (d) sales voucher

[Ans. (c) receipt voucher]

5. All transactions related to payments either in cash or through bank are recorded using

(a) journal voucher (b) contra voucher
(c) receipt voucher (d) payment voucher

[Ans. (d) payment voucher]

(vii) Choose the Correct Statement.

1. (i) Computerise Accounting System facilitates fast and accurate retrieval of data and information.
   (ii) Accounting report may be classified as routine reports and special purpose reports
   (iii) Accounting information system collects financial data, processes them and provides information to the various users.
   (a) (i) is correct
   (b) (i) and (ii) are correct
   (c) (ii) and (iii) are correct
   (d) (i), (ii) and (iii) are correct
   [Ans. (d) (i), (ii) and (iii) are correct]

2. (i) Sales vouchers are used for recording both cash and credit sales of goods.
   (ii) Purchase vouchers are used for recording both cash and credit purchases of goods.
   (iii) All transactions related to payments either in cash or through bank are recorded using receipt voucher.
   (a) (i) is correct
   (b) (i) and (ii) are correct
   (c) (ii) and (iii) are correct
   (d) (i), (ii) and (iii) are correct
   [Ans. (b) (i) and (ii) are correct]

II. Very Short Answer Questions : 2 Marks

1. **What is computerised accounting system?**

Ans. (i) Computerised accounting system refers to the system of maintaining accounts using computers.
(ii) It involves the processing of accounting transactions through the use of computer in order to maintain and produce accounting records and reports.

2. **What are the steps involved in designing accounting reports?**

Ans. Following are the steps involved in designing accounting reports:
(i) Define the objective of generating report
(ii) Specify the structure of the report
(iii) Creating database queries to interact with the database to retrieve, modify, add or delete data from the records.

3. **What is MIS?**

Ans. (i) A Management Information System (MIS) is a system that provides information for decision making at all levels of management.
(ii) It includes manufacturing information system, marketing information system, human resource information system and accounting information system.

HOTS Questions and Answers

1. **Identify the value, violated by the employee of company? Who uses office computer for chatting on social networking sites?**

Ans. Ethical values are being violated as the employer is not right in his conduct.

2. **A chemist as per the requirement of law makes use of computer for recording the stock of all the medicines including their manufacturing and expiry dates. What benefits he will get from computerised records also tell the values indicated in the question.**

Ans. The benefits he will get from computerised records are
(i) High speed
(ii) Accuracy
(iii) Reliability
(iv) Versatility
(v) Storage

Value indicated is - Taking care of public health by showing manufacturing and expiry date electronically.

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12th STD.

GOVT. MODEL QUESTION PAPER 2019-20

ACCOUNTANCY

Time allowed : 3.00 hours★] as per Govt. Notifications [Maximum Marks: 90

Instructions: (1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the hall supervisor immediately.
(2) Use **Blue** or **Black** ink to write and underline use Pencil to draw diagrams.

PART - I

Note: (i) Answer all the questions. **(20 × 1 = 20)**
(ii) Choose the most suitable answer from the given four alternatives and write the option code with the corresponding answer.

1. Which one of the following statements is not true in relation to incomplete records?
   (a) It is an unscientific method of recording transactions
   (b) Records are maintained only for cash and personal accounts
   (c) Tax authorities do not accept
   (d) It is suitable for all types of organizations

2. What is the amount of capital of the proprietor, if his assets are ₹85,000 and liabilities are ₹20,000?
   (a) ₹65,000 (b) ₹1,06,000
   (c) ₹21,000 (d) ₹85,000

3. Which of the following should not be recorded in the income and expenditure account?
   (a) Sale of old newspapers
   (b) Loss on sale of asset
   (c) Honorarium paid to the secretary
   (d) Sale proceeds of furniture

4. There are 100 members in a club each paying ₹500 as annual subscription. Subscription due but not received for the current year is ₹200; Subscription received in advance is ₹300. The amount of subscription to be shown in the income and expenditure account is.
   (a) ₹50,000 (b) ₹50,200
   (c) ₹49,900 (d) ₹49,800

5. Which of the following is the incorrect pair?
   (a) Interest on drawings - Debited to capital account
   (b) Interest on capital - Credited to capital account
   (c) Interest on loan - Debited to capital account
   (d) Share of profit - Credited to capital account

6. In the absence of an agreement amount the partners, interest on capital is
   (a) not allowed
   (b) allowed at bank rate
   (c) allowed @ 5% per annum
   (d) allowed @6% per annum

7. Which of the following statements is true?
   (a) Goodwill is an intangible asset
   (b) Goodwill is a current asset
   (c) Goodwill is a fictitious asset
   (d) Goodwill cannot be acquired

8. When the average profit is ₹50,000 and the normal profit is ₹30,000, super profit is
   (a) ₹80,000 (b) ₹40,000
   (c) ₹20,000 (d) ₹15,000

9. Match List 1 with List 2 and select the correct answer using the codes given below :

	List 1	List 2
(i)	Sacrificing ratio	1. Goodwill
(ii)	Old profit sharing ratio	2. Accumulated profit
(iii)	Revaluation Account	3. Unrecorded liability
(iv)	Capital Account	4. Partner's Salary

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	3	2	4	1
(c)	4	3	2	1
(d)	3	1	4	2

10. Bala and Keerthana are sharing profits and losses in the ratio of 5:3. They admit Eshwar as a partner giving him 1/5 share of profits. The sacrificing ratio is.
   (a) 1:3 (b) 3:1 (c) 5:3 (d) 3:5

12th STD. Common Quarterly Examination September- 2019

Accountancy

Time Allowed : 2.30 Hours] [Maximum Marks : 90

Instructions :

(1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.

(2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagram

PART - I

Note : (i) Answer all the questions. **[20 × 1 = 20]**

(ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. Statement of affairs is a
(a) Statement of income and expenditure
(b) Statement of assets and liabilities
(c) Summary of cash transactions
(d) Summary of credit transactions

2. The amount of credit sales can be computed from
(a) Total Debtors account
(b) Total Creditors account
(c) Bills receivable account
(d) Bills payable account

3. The excess of assets over liabilities is
(a) Loss (b) Cash
(c) Capital (d) Profit

4. Legacy is a
(a) Revenue expenditure
(b) Capital expenditure
(c) Revenue receipt
(d) Capital receipt

5. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.
(a) ₹ 50,000 (b) ₹ 50,200
(c) ₹ 49,900 (d) ₹ 49,800

6. Income and Expenditure account is prepared to find out
(a) Profit or loss
(b) Cash and Bank balance
(c) Surplus or Deficit
(d) Financial position

7. Which of the following is the incorrect pair?

(a)	Interest on drawings	-	Debited to capital account
(b)	Interest on capital	-	Credited to capital account
(c)	Interest on loan	-	Debited to capital account
(d)	Share of profit	-	Credited to capital account

8. Which of the following is shown in Profit and loss appropriation account?
(a) Office expenses (b) Salary of staff
(c) Partners' salary
(d) Interest on bank loan

9. In the absence of a partnership deed, profits of the firm will be shared by the partners in
(a) Equal ratio (b) Capital ratio
(c) Both (a) and (b) (d) None of these

10. When the average profit is ₹25,000 and the normal profit is ₹15,000, super profit is
(a) ₹25,000 (b) ₹5,000
(c) ₹10,000 (d) ₹15,000

11. Which of the following is true?
(a) Super profit = Total profit / Number of years
(b) Super profit = Weighted profit / Number of years
(c) Super profit = Average profit – Normal profit
(d) Super profit = Average profit × Years of purchase

12th STD

PUBLIC EXAM QUESTION PAPER MARCH - 2020
PART - III
Accountancy (with Answer)

Reg. No.

Time Allowed : 3.00 Hours] **[Maximum Marks : 90**

Instructions : 1. Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.
2. Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams.

PART - I

Note : i) Answer **all** the questions. **20 × 1 = 20**
ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.

1. Statement of affairs is generally prepared to find out the _________ of the business.
(a) Profit or loss (b) Financial position
(c) Capital (d) Arithmetical accuracy

2. Income and Expenditure account is a :
(a) Representative Personal Account
(b) Real Account
(c) Nominal Account
(d) Personal Account

3. Closing Capital + Drawings – Additional Capital = __________.
(a) Adjusted Opening Capital
(b) Opening Capital
(c) Profit or Loss
(d) Adjusted Closing Capital

4. There are 500 members in a club each paying ₹100 as annual subscription. Subscription due but not received for the current year is ₹200. Subscription received in advance is ₹300. Find out the amount of subscription to be shown in the income and expenditure account.
(a) ₹ 49,800
(b) ₹ 50,000
(c) ₹ 50,200
(d) ₹ 49,900

5. In the absence of agreement among the partners, interest on capital is :
(a) Allowed @ 6% per annum
(b) Not allowed
(c) Allowed at bank rate
(d) Allowed @ 5% per annum

6. Select the odd one out :
(a) Fixed capital method
(b) Average profit method
(c) Super profit method
(d) Capitalisation method

7. Under fixed capital method, partners' salary, commission and interest on capital will be credited in :
(a) Drawings Account
(b) Capital Account
(c) Current Account
(d) Loan Account

8. If the old profit sharing ratio is more than the new profit sharing ratio of a partner, the difference is called :
(a) Solvency ratio (b) Capital ratio
(c) Sacrificing ratio (d) Gaining ratio

9. When shares are issued for purchase of assets, the amount should be credited to :
(a) Bank Account
(b) Vendors Account
(c) Sundry Assets Account
(d) Share Capital Account

10. That part of share capital which can be called up only on the winding up of a company is called :
(a) Reserve capital
(b) Authorised capital
(c) Called up capital
(d) Capital reserve

11. X, Y and Z were partners sharing profits and losses equally. X died on 1st April 2019. Find out the share of X in the profit of 2019 based on the profit of 2018 which showed ₹36,000.
(a) ₹36,000 (b) ₹1,000
(c) ₹3,000 (d) ₹12,000

12. The financial statements do not exhibit :
(a) Long-term data (b) Non-monetary data
(c) Past data (d) Short-term data

(iii) Operating Profit ratio $= \dfrac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$

Operating Profit = Revenue from operations – Operating Cost

= 20,000 – 18,400 = ₹1,600

∴ Operating Profit ratio $= \dfrac{1,600}{20,000} \times 100 = 8\%$

47. (a)

In the books of Nivetha Ltd Journal entries

Date	Particulars	L.F	Debit ₹	Credit ₹
	Equity share capital A/c (1000 × 10) Dr To Equity share final call A/c (1000 × 4) To Forfeited shares A/c (1000 × 6) (1000 shares forfeited)		10,000	 4,000 6,000
	Bank A/c (800 × 7) Dr Forfeited shares A/c (800 × 3) To Equity share capital A/c (800 × 10) (800 forfeited shares reissued @ 7 per share)		5,600 2,400	 8,000
	Forfeites shared A/c Dr To Capital reserve A/c (Gain in reissue of forfeited shares transferred to capital reserve account)		2,400	 2,400

Working Note:

Forfeited amount for 1,000 shares = 6,000

Forfeited amount for 800 shares $= \dfrac{6,000}{1,000} \times 800$

= ₹4,800

Gain or loss = Amount forfeited – Loss on reissue

= ₹ 4,800 – 2,400 = ₹2,400

(OR)

(b) The commonly used voucher types in Tally.ERP9 are following:

i) Receipt Voucher
ii) Payment Voucher
iii) Contra Voucher
iv) Purchase Voucher
v) Sales Voucher
vi) Journal Voucher

(i) Receipt Voucher

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

(ii) Payment Voucher

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

(iii) Contra Voucher

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

(iv) Purchase Voucher

Purchase vouchers are used for recording both cash and credit purchases of goods.

To record purchases: Gateway of Tally > Transactions > Accounting Vouchers > F9:Purchase

(v) Sales Voucher

Sales vouchers are used for recording both cash and credit sales of goods.

To record sales: Gateway of Tally > Transactions > Accounting Vouchers > F8:Sales

(vi) Journal Voucher

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

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