MARCH 2017

ACCOUNTANCY [XII] *(With Answers)*

[Time Allowed : 3 Hours] [Maximum Marks : 200]

PART - A

Note : Answer **all** the questions. **30 × 1 = 30**

I. Fill in the blanks :

1. Closing stock is valued at cost price or _________ price whichever is lower.
2. Provision for discount on creditors is deducted from __________ in the balance sheet.
3. The trial balance shows a Bank loan ₹ 5,00,000 at 12% interest on 1.4.2013. Interest paid is ₹ 30,000. Interest outstanding is ₹ _________ on 31.3.2014.
4. Cash budget is useful tool for _________.
5. A Statement of Affairs resembles as a _________.
6. Goodwill is an _________ asset.
7. If the selling price of a machinery is ₹ 4,00,000 and profit on sale is ₹ 36,000, the book value of the machinery is ₹ _________.
8. _________ method of depreciation is used in the case of lease.
9. The opening stock and the closing stock are ₹ 33, 000 and ₹ 17,000 respectively. The average stock is _________.
10. When the value of liabilities increases, it results in _________.
11. Undistributed Profit will appear on the _________ side of the balance sheet.
12. Cash budget is also called as _________.
13. _________ ratio measures the firm's ability to pay off its current dues.
14. There should be a gap of ________ between two calls.
15. A company issued 1,00,000 shares of ₹ 10 each to the public but only 70,000 shares were subscribed. Its subscribed capital is ₹ _________.

II. Choose the most suitable answer from the given three alternatives and write the option code and the corresonding answer :

16. Rent outstanding is :
    (a) a liability (b) an asset (c) an income
17. Interest on drawings is deducted from :
    (a) Income Account (b) Capital Aaccount (c) Expense Account

18. Gross profit is transferred to :
    (a) capital account (b) profit and loss account
    (c) none of these
19. Credit sales is obtained from :
    (a) bills payable account (b) total debtors account (c) total creditors account
20. Total amount of depreciation provided on the written down value method at the rate of 10% per annum on ₹ 10,000 for first three years will be :
    (a) ₹ 2,107 (b) ₹ 2,710 (c) ₹ 2,701
21. If current assets of a business concern is ₹ 80,000 and current liabilities are ₹ 40,000, then the current ratio will be :
    (a) 1 : 2 (b) 1 : 1 (c) 2 : 1
22. Budget is expressed in terms of :
    (a) money (b) physical units
    (c) money and physical units
23. Under fixed capital method salary payable to a partner is recorded :
    (a) in current account
    (b) in capital account
    (c) either in current account or capital account
24. The maximum calls that a company can make is :
    (a) one (b) two (c) three
25. At the time of retirement of a partner the difference between New Profit ratio and Old Profit ratio is _________ ratio.
    (a) Gaining (b) Capital (c) Sacrifice
26. _________ is calculated at the time of admission of a new partner.
    (a) Gaining ratio (b) Capital ratio (c) Sacrificing ratio
27. The amount credited to share forfeited account is ₹ 700. The loss on reissue of forfeited shares is ₹ 200. Capital Reserve will be :
    (a) ₹ 400 (b) ₹ 500 (c) ₹ 300
28. Creditors on 1.1.2010 is ₹ 1,21,000 and on 31.12.2010 is ₹ 1,30,000. Cash paid to creditors during the year is ₹ 2,09,000 then the credit purchases during the year is :
    (a) ₹ 2,00,000 (b) ₹ 2,09,000 (c) ₹ 2,18,000
29. Depreciation arises due to :
    (a) Wear and tear of the asset (b) Fall in the market value of asset
    (c) Fall in the value of money
30. When shares are forfeited the share capital of the company will :
    (a) remain same (b) reduce (c) increase

PART - B

Note : (i) Answer **any ten** questions. **10 × 5 = 50**

(ii) Answer to theory questions should not exceed **50 words** each.

31. What is accrued income ?
32. Give five examples for cash receipts.
33. Define single entry system.
34. Write notes on revaluation method of depreciation.
35. What is forfeiture of shares ?
36. What is super profit ?
37. Define Ratio.
38. Give adjusting entry and transfer entry for Depreciation on machinery ₹ 25,000.
39. What shall be the profit of the concern of :

	₹
Opening capital	1,60,000
Closing capital	1,80,000
Drawings	36,000
Additional capital	10,000

40. From the following particulars, find out the rate of depreciation under straight line method.

Cost of assets	₹ 1,00,000
Residual value	₹ 10,000
Estimated life	10 years

41. Calculate fixed assets Turnover Ratio :

Fixed Assets	₹ 1,00,000
Depreciation	₹ 25,000
Sales	₹ 3,00,000

42. Goodwill is to be valued at three years purchase of four years average profits. The profits for the last 4 years of the firm were :

2001 – ₹ 12,000 ; 2002 – ₹ 18,000

2003 – ₹ 16,000 ; 2004 – ₹ 14,000

Calculate the amount of Goodwill

43. Saradha and Sandhiya were sharing profits in the ratio 4 :3. Sofia was admitted with $\frac{1}{5}$ th share in profits of business. Calculate the new profit ratio.

44. Pandian Ltd. issued 1,000 shares of ₹ 100 each @ a premium of ₹ 20 per share. Pass Journal entry.

PART - C

Note : (i) Answer **any five** questions including question number **45** which is **compulsory**.

(ii) Answers to theory questions should not exceed **150** words each. **5 × 12 = 60**

45. (a) The trial balance shows on 31.03.2005 as follows : Sundry Debtors ₹ 65,000.

Adjustments :

(i) Bad debts to be written off ₹ 5,000.

(ii) Provision for bad and doubtful debts be created at 5%.

(iii) Provide discount on debtors at 2%.

Pass Adjusting Entries and also show how these items will appear in the final accounts.

(OR)

(b) Mr. Simon keeps his books by single entry system. His assets and liabilities on 01.01.2005 and 31.12.2005 stood as follows.

	01.01.2005	**31.12.2005**
	₹	₹
Cash in hand	20,000	30,000
Sundry Debtors	1,60,000	1,90,000
Investments	40,000	40,000
Furniture	10,000	10,000
Sundry Creditors	1,00,000	1,20,000
Stock	70,000	1,30,000

He introduced an additional capital of ₹ 40,000. He withdrew ₹ 80,000 for domestic purposes. Find out profit or loss for the year 2005.

46. Define depreciation. What are the reasons for providing depreciation ?

47. What are the characteristics and advantages of cash budget ?

48. Distinguish between fixed capital method and fluctuating capital method.

49. Mohan Manufacturing Company purchased on 1st April 2010 machinery for ₹ 1,95,000 and spent ₹ 5,000 on its installation. After having used it for three years it was sold for ₹ 1,20,000.

Depreciation is to be provided every year at the rate of 10% per annum on the fixed Instalment method.

Prepare machinery account and depreciation account for three years ended on 31st March every year.

50. From the following details, calculate Gross Profit Ratio, Net Profit Ratio and Operating Profit Ratio :

	₹		₹
Sales	2,00,000	Loss on sale of machinery	1,600
Gross Profit	50,000	Interest received	800
Office expenses	1,000	Net profit	32,000
Selling expenses	3,000		

51. Cheran, Pallavan are partners with capitals of ₹ 60,000 and ₹ 20,000 respectively on 1st January 2005. The trading profit (before taking into account the provision of the deed) for the year ended 31st December, 2005 was ₹ 12,000. Interest on capital is to be allowed at 6% per annum. Pallavan is entitled to a salary of ₹ 3,000 per annum. The drawings of the partners were Cheran ₹ 2,000 and Pallavan ₹ 1,000 ; the interest on drawings for Cheran being ₹ 100 and for Pallavan ₹ 50.

    Assuming that Cheran, Pallavan are equal partners, prepare the Profit and Loss Appropriation Account and the partners capital account, also assuming that the capitals are fluctuating.

52. Selvam Ltd., forfeited 1,000 equity shares of ₹ 10 each fully called upon which final call of ₹ 3 has not been paid. Out of these 800 shares were re-issued at ₹ 8 per share as fully paid up. Give necessary Journal entries and prepare Ledger accounts for Forfeited Shares Account and Capital Reserve Account.

PART - D

Note : Answer **any three** questions including question number **53** which is **compulsory**.

3 × 20 = 60

53. (a) From the following information, prepare Trading and Profit and Loss Account and Balance Sheet as on 31.03.2012 of Mr. Amudharasan who keeps his books on incomplete double entry system.

	1.4.2011 ₹	31.3.2012 ₹
Sundry Creditors	37,500	43,750
Furniture	2,500	2,500
Cash	6,250	10,000
Sundry Debtors	62,500	87,500
Stock	25,000	12,500

Other details :

	₹
Drawings	10,000
Discount received	3,750
Discount allowed	2,500
Cash received from debtors	1,35,000
Cash paid to creditors	1,12,500
Sales Returns	3,750
Purchase Returns	1,250
Sundry expenses paid	8,750

Charge depreciation on furniture at 5% p.a.

(OR)

(b) A and B were partners sharing profits in the ratio 3 : 2. Their Balance Sheet as on 31.03.2012 was as follows :

Liabilities	₹	Assets	₹
Bills payable	75,000	Cash in hand	15,000
Creditors	1,20,000	Stock	30,000
Loans	1,35,000	Debtors	1,50,000
General Reserve	45,000	Machinery	75,000
Capital accounts :		Building	4,50,000
A 3,00,000		Investments	1,00,000
B 2,25,000	5,25,000	Goodwill	80,000
	9,00,000		9,00,000

On 1st April 2012 they agreed to admit 'C' into the firm for $\frac{1}{5}$ th share of future profits on the following terms :

(i) 'C' to bring ₹ 1,50,000 as capital

(ii) Goodwill was valued at ₹ 1,00,000

(iii) Depreciate building by ₹ 20,000

(iv) ₹ 30,000 creditors to be written off

Prepare Revaluation Account, Capital Account and the Balance Sheet of the new firm.

54. From the following particulars of Mrs. Kanmani prepare Trading and Profit and Loss Account and Balance Sheet for the year ending 31st March 2004.

Trial Balance		
Particulars	Debit ₹	Credit ₹
Capital		7,50,000
Cash	40,000	
Buildings	4,00,000	
Salary	1,10,000	
Rent and Taxes	21,000	
Opening Stock	1,20,000	
Machinery	1,20,000	
Drawings	40,000	
Purchases	5,00,000	
Sales		7,50,000
Carriage inwards	5,000	
Fuel, Gas	37,000	
Sundry Debtors	2,50,000	
Sundry Creditors		1,20,000
Bills Receivable	53,000	
Dividend		28,000
Loan		60,000
Bad debts	2,000	
Advertisement	16,000	
Commission received		6,000
	17,14,000	17,14,000

Adjustments :

(i) Closing stock ₹ 1,40,000

(ii) Write off depreciation on buildings at 10% p.a.

(iii) Provide interest on capital at 10% p.a.

(iv) Commission received in advance ₹ 1,000

(v) Prepaid salary ₹ 10,000.

55. From the following Balance Sheet Calculate:

(i) Current Ratio

(ii) Liquid Ratio

(iii) Debt Equity Ratio

(iv) Proprietory Ratio

Balance Sheet as on 31.3.2008

Liabilities	₹	Assets	₹
Share Capital	70,000	Fixed Assests	65,000
Reserves	5,000	Stock	15,000
Loans	37,500	Sundry Debtors	30,000
Creditors	25,000	Bills Receivable	10,000
Bank Overdraft	5,000	Cash	5,000
		Goodwill	17,500
	1,42,500		1,42,500

56. Prepare a cash budget for the months March, April and May 2005 from the following information :

Month	Credit Sales ₹	Credit purchases ₹	Wages ₹	Misc. Expenses ₹	Office Expenses ₹
January	60,000	36,000	9,000	4,000	2,000
February	82,000	38,000	8,000	3,000	1,500
March	84,000	33,000	10,000	4,500	2,500
April	78,000	35,000	8,500	3,500	2,000
May	56,000	39,000	9,500	4,000	1,000

Additional Informations :

(i) Opening cash balance ₹ 8,000.

(ii) Period of credit allowed to customers - one month.

(iii) Period of credit allowed by suppliers - two months

(iv) Wages and miscellaneous expenses are payable in same month.

(v) Lag in payment of office expenses is one month.

57. Susann Grace Ltd., issued 20,000 shares of ₹ 100 each at ₹ 120 payable as follows :

On Application	₹ 25
On Allotment	₹ 45 (including premium ₹ 20)
On First Call	₹ 25
On Final Call	₹ 25

All the shares are fully subscribed. Both the calls were made and all the money were duly received.

Pass Journal Entries. Prepare Bank Account, Share Capital Account, Securities Premium Account and the Balance Sheet.

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ANSWERS

PART - A

I.
1. market
2. sundry creditors
3. ₹ 30,000
4. Financial Planning
5. Balance Sheet
6. Intangible
7. ₹ 3,64,000
8. Annuity
9. ₹ 25,000
10. loss
11. liabilities
12. Finance budget
13. Liquid
14. one month
15. ₹ 7,00,000

II.
16. a) a liability
17. b) Capital Account
18. b) profit and loss account
19. b) total debtors account
20. b) ₹ 2,710
21. c) 2 : 1
22. c) money and physical units
23. a) in current account
24. c) three
25. a) Gaining
26. c) sacrificing ratio
27. b) ₹ 500
28. b) ₹ 2,09,000
29. a) Wear and tear of the asset
30. b) reduce

PART - B

31. Income which has been earned but not received during the accounting period is called as accrued income.

32. • Cash sales
• Cash receivable from customers.
• Business receipts like interest, commission, dividend etc.
• Sale of assets.
• Proceeds from issue of shares/ debentures.
• Loans borrowed.

33. According to kohler "single entry system is a system of book-keeping in which as a rule, only records of cash and personal accounts are maintained. It is always incomplete double entry varying with circumstances"

34. Under the revaluation method, the asset like loose tools are revalued at the end of the accounting period and the same is compared with the value of the asset at the beginning of the year. The difference is considered as depreciation.

35. (i) Sometimes shareholders may fail to pay any call money due to the company.
(ii) In such situation after giving due notice, the directors of the company can forfeit (cancel) the shares.
(iii) Thus, forfeiture means to cancel the allotment of shares to the defaulting shareholder.

36. The excess of average profit over normal profit is called super profit.

37. In the words of Kennedy and McMillan "the relationship of an item to another expressed in simple mathematical form is known as a ratio.

38. **Adjusting Entry**

Date	Particulars	L.F	Debit Rs	Credit Rs
	Depreciation A/C Dr.		25,000	
	To Machinery A/C			25,000
	(Depreciation on Machinery)			

Transfer Entry

Date	Particulars	L.F	Debit Rs	Credit Rs
	Profit & Loss A/C Dr		25,000	
	To Depreciation A/C			25,000
	(Depreciation on Machinery transferred to profit and Loss account.)			

39. **Statement of profit or loss**

Particulars	**Rs.**
Closing Capital	1,80,000
Add: Drawings	36,000
	2,16000
Less: Additional capital	10,000
Adjusted closing capital	2,06,000
Less: opening capital	1,60,000
Profit	46,000

40. Amount of depreciation $= \dfrac{\text{Cost of the asset} - \text{Residual Value}}{\text{Estimated life}}$

Amount of depreciation $= \dfrac{\text{Rs}1,00,000 - \text{Rs}.10,000}{10}$

$= \dfrac{\text{Rs}.90,000}{10} = \text{Rs}.9,000$

Rate of depreciation $= \dfrac{\text{Amount of Depreciation}}{\text{cost of the Asset}} \times 100$

$= \dfrac{\text{Rs}.9,000}{1,00,000} \times 100$

$= 9\%$

41. Fixed Assets turnover ratio $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

Fixed Assets = Fixed Asset – Depreciation

= 1,00,000 – 25,000 = Rs.75,000

Fixed Asset Turnover Ratio $= \dfrac{3,00,000}{75,000} = 4$ times.

42. **(a) Calculation of Average profit :**

Year		Rs.
2001	=	12,000
2002	=	18,000
2003	=	16,000
2004	=	14,000
Total Profit	=	60,000

Average profit $= \dfrac{\text{Total Profit}}{\text{No. of years}} = \dfrac{60,000}{4} = 15,000$

(b) Calculation of Goodwill :

Goodwill = Average profit × Number of years of purchase

= Rs.15,000 × 3

= Rs.45,000.

43. New profit sharing ratio : Let total profit be 1

New partner sofia's share $= \dfrac{1}{5}$

Remaining share of saradha and sandhiya $= 1 - \dfrac{1}{5} = \dfrac{4}{5}$

New share of saradha = Remaining share × saradh's old share

		saradha		sandhiya		sofia
old ratio	=	4	:	3		
old share	=	$\frac{4}{7}$	:	$\frac{3}{7}$		
New ratio	=	Remaining share × old share				
	=	$\frac{4}{5}\times\frac{4}{7}$	:	$\frac{4}{5}\times\frac{3}{7}$		
	=	$\frac{16}{35}$	:	$\frac{12}{35}$	:	$\frac{7}{35}$
∴ New Ratio	=	16 : 12 : 7				

44. **Journal Entries**

Date	Particulars	L.F	Debit Rs.	Credit Rs
	Bank A/C Dr		1,20,000	
	To share capital A/C			1,00,000
	To securities premium A/C			20,000
	(1,000 shares issued @ Rs. 100 per share with premium of Rs.20)			

PART - C

45.a) **Adjusting and Transfer Entry**

Date	**Particulars**	**L.F.**	**Debit ₹**	**Credit ₹**
2005 March 31	Bad debts A/c Dr. To sundry debtors A/c (Adjusting entry made)		5,000	5,000
"	Profit and Loss A/c Dr. To Provision for bad and doubtful debts A/c (5% Provision for bad and doubtful debts)		3,000	3,000
"	Profit and Loss A/c Dr. To Provision for discount on debtors A/c (2% provision for discount on debtors)		1,140	1,140

Profit and Loss Account for the year ended 31st March 2005

Dr Cr

	Rs.	**Particulars**	**Rs.**
To Bad debts A/C	5,000		
To Provision for Bad and doubtful debts A/C	3,000		
To Provision for discount on debtors	1,140		

Balance sheet as on 31st March 2005

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
			Sundry Debtors	65,000	
			Less : Bad debts	5,000	
				60,000	
			Less : Provision for bad and doubtful debts	3,000	
				57,000	
			Less : Provision for discount on debtors	1,140	55,860

(OR)

b) **Statement of affairs as on 1.1.2005 of Mr. Simon**

Liabilities	Rs.	Assets	Rs.
Sundry creditors	1,00,000	cash in hand	20,000
		Sundry Debtors	1,60,000
		Investments	40,000
Opening capital		Furniture	10,000
(B/F)	2,00,000	Stock	70,000
	3, 00,00		3,00,000

Statement of Affairs as on 31.12.2005

Liabilities	Rs.	Assets	Rs.
Sundry creditors	1,20,000	Cash in hand	30,000
		Sundry Debtors	1,90,000
		Investments	40,000
Capital at the end		Furniture	10,000
(b/f)	2,80,000	Stock	1,30,000
	4,00,000		4,00,000

Statement of profit or Loss for the year ended 31.12.2005

Particulars	Rs.
Capital at the end	2,80,000
Add : Drawings	80,000
	3,60,000
Less : Additional Capital	40,000
	3,20,000
Less : Opening Capital	2,00,000
profit made during the year	1,20,000

46. **Need for providing depreciation :**

Carter defines depreciation as "the gradual and permanent decrease in the value of an asset from any cause".

Needs for providing depreciation: The reason for providing depreciation in accounting records arises due to any one or more of the following reasons.

1. **To ascertain correct profit/loss:** For proper matching of cost with revenues, it is necessary to charge depreciation against revenue in each accounting year, to calculate the correct net profit or net loss.
2. **To present a true and fair view of the financial position.**
   To present a true and fair view of the financial position of the business, it is necessary that depreciation must be deducted from the book value of the assets in the balance sheet.
3. **To ascertain the real cost of production:**
   For ascertaining the real cost of production it is necessary to provide depreciation.
4. **To comply with legal requirements:** As per Section 205 (1) of the Companies Act 1956, it is compulsory for companies to provide depreciation on fixed assets before it declares dividend.
5. **To replace assets:** Depreciation is provided to replace the assets when it becomes useless.

47. The important characteristics of budget are

1. It is prepared in advance and relates to a future period.
2. It is expressed in terms of money and / or Physical units.
3. It is a mean to achieve the planned objective.

Advantages of cash budget:

1. It helps in maintaining an adequate Cash balance.
2. It provides the following useful information to the management.

(a) To determine the future Cash needs of a business concern.
(b) To plan for financing those needs and
(c) To have control over cash balance of the business concern.

Thus in short cash budget is an useful tool for financial planning.

48. The main difference between the two methods of maintaining capital accounts are as follows:

Basis of distinction	**Fixed capital method**	**Fluctuating capital method**
Change in capital	The capital normally remains unchanged except under special circumstances.	The capital is changing from period to period.
Number of accounts	Each partner has two accounts, namely, capital account and current Account.	Each partner has only one account i.e., capital Account
Balance	Capital account shows always a credit balance. Current account may sometimes shows debit or credit balance.	Capital accounts shows always a credit balance.
Adjustments	All adjustments are relating to partners are recorded in the current Accounts.	All adjustments relating to partners are recorded directly in the capital Account itself.

49. Dr. **Machinery A/c** Cr.

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
01.04.2010	To Bank A/c (1,95,000 + 5000)	2,00,000	31.03.11 "	By Depreciation A/c By Balance c/d	20,000 1,80,000
		2,00,000			2,00,000
01.04.2011	To Balance b/d	1,80,000	31.03.12	By Depreciation A/c By Balance c/d	20,000 1,60,000
		1,80,000			1,80,000
01.04.2012	To Balance b/d	1,60,000	31.03.13	By Depreciation A/c By Bank A/c To Profit & Loss A/c	20,000 1,20,000 20,000
		1,60,000			1,60,000

Dr. **Depreciation A/c** Cr.

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
31.03.2011	To Machinery A/c	20,000	31.03.2011	By Profit & Loss A/c	20,000
		20,000			20,000
31.03.2012	To Machinery A/c	20,000	31.03.2012	By Profit & Loss A/c	20,000
		20,000			20,000
31.03.2013	To Machinery A/c	20,000	31.03.2013	By Profit & Loss A/c	20,000
		20,000			20,000

50. (i) Gross Profit Ratio $= \frac{\text{Gross Profit}}{\text{Sales}} \times 100$

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

$= 25\%$

(ii) Net Profit Ratio $= \frac{\text{Net Profit}}{\text{Sales}} \times 100$

Net Profit Ratio $= \frac{32,000}{2,00,000} \times 100$

$= 16\%.$

(iii) Operating Profit Ratio $= \frac{\text{operating profit}}{\text{sales}} \times 100$

Operating Profit = Net Profit + Non-Operating expenses – Non-operating Income.

= Net Profit + Loss on sale of plant + Financial expenses – Interest received

= 32,000 + 1,600 – 800

= Rs. 32,800

Operating Profit ratio $= \frac{32,800}{2,00,000} \times 100$

$= 16.4\%$

51. **Dr** **Profit and Loss Appropriation Account** **Cr**

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Interest on Capital			By Trading Profit b/d		12,000
Cheran	3,600		By Interest on Drawings		
Pallavan	1,200	4,800	Cheran	100	
			Pallavan	50	150
To Salary					
Pallavan		3,000			
To Profit transferred to Capital's A/c					
Cheran	2,175				
Pallavan	2,175	4,350			
		12,150			12,150

In the books of the firm

Dr. **Capital Account** **Cr.**

Date	Particulars	Cheran	Pallavan	Date	Particulars	Cheran	Pallavan
2005 Dec 31	To Drawings	2,000	1,000	2005 Jan 01	By balance b/d	60,000	20,000
	To Interest on drawings	100	50	2005 Dec 31	By Interest on capital	3,600	1,200
	To Balance c/d	63,675	25,325		By salary	-	3,000
					By Profit and Loss Appropriation A/c	2,175	2,175
		65,775	26,375			65,775	26,375
				2006 Jan 01	By Balance b/d	63,675	25,325

52. **Journal Entries in the books of Selvam Ltd.,**

Particulars	L.F	Debit ₹	Credit ₹
Share Capital A/c Dr		10,000	
To share Forfeiture A/c			7,000
To Final call A/c			3,000
(being 1000 equity shares of 10 each for non-payment of final call ₹ 3 per share are forfeited)			
Bank A/c Dr		6,400	
Share Forfeiture A/c Dr		1,600	
To share Capital A/c			8,000
(Being 800 shares of ₹ 8 per share were re issued)			
Share Forfeiture A/c Dr		4,000	
To Capital Reserve A/c			4,000
(Being share forfeiture is transferred to Capital Reserve Account)			

Dr **Share Forfeiture Account** Cr

Particulars	₹	Particulars	₹
To Share Capital A/c	1,600	By Share capital A/c	7,000
To Capital Reserve A/c	4,000		
To Balance c/d	1,400		
	7,000		7,000
		By Balance b/d	1,400

Dr **Capital Reserve Account** Cr

Particulars	₹	Particulars	₹
To Balance c/d	4,000	By Share Forfeiture A/c	4,000
	4,000		4,000
		By Balance b/d	4,000

PART - D

53. a) **(i) Calculation of Opening Capital**

Statement of Affairs as on 31-3-2012

Liabilities	Rs.	Assets	Rs.
Sundry creditors	37,500	Furniture	2,500
Opening capital (b/f)	58,750	Cash	6,250
		Sundry Debtors	62,500
		Stock	25,000
	96,250		96,250

(ii) Calculation of Credit Sales

Dr **Total Debtors Account** Cr

Particulars	Rs.	Particulars	Rs.
To Balance b/d	62,500	By Cash received	1,35,000
To Credit sales (b/f)	1,66, 250	By Discount allowed	2,500
		By Sales returns	3,750
		by Balance c/d	87,500
	2,28,750		2,28,750

(iii) Calculation of Credit Purchases

Dr **Total Creditors Account** Cr

Particulars	Rs.	Particulars	Rs.
To Cash paid	1,12,500	By balance b/d	37,500
To Discount received	3,750	By credit purchase (b/f)	1,23,750
To Purchase Returns	1,250		
To Balance c/d	43,750		
	1,61,250		1,61,250

Dr **Trading and Profit & Loss Account for the year ended 31-3-1998** Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening stock		25,000	By Sales	1,66,250	
To Purchases	1,23,750		Less: Sales Returns	3,750	1,62,500
Less: Purchase Returns	1,250	1,22,500	By Closing Stock		12,500
To Gross Profit		27,500			
(To be Transferred to P&L a/c)		1,75,000			1,75,000
To Discount allowed		2,500	By Gross Profit		27,500
To Sundry expenses		8,750	(Transferred from Trading a/c)		
To Depreciation		125			
To Net Profit			By Discount received		3,750
(To be Transferred to Capital A/c		19,875			
		31,250			31,250

Balance Sheet as on 31.3.2012

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
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
		112375			112375

(or)

53. (b)

Dr **Revaluation Account** Cr

Particulars	₹	₹	Particulars	₹	₹
To Depreciation on Building		20,000	By Creditors written off		30,000
To Profit					
A	6,000				
B	4,000				
		10,000			
		30,000			30,000

Dr **Capital Accounts** Cr

Particulars	A	B	C	Particulars	A	B	C
To Balance c/d	3,45,000	2,55,000	1,50,000	By Balance b/d	3,00,000	2,25,000	
				By Cash	-	-	1,50,000
				By Goodwill	12,000	8,000	-
				By Revaluation a/c	6,000	4,000	-
				By General Reserve	27,000	18,000	-
	3,45,000	2,55,000	1,50,000		3,45,000	2,55,000	1,50,000
				By Balance b/d	3,45,000	2,55,000	1,50,000

Balance Sheet of A, B, C as on 31st March 2012

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Bills payable		75,000	Cash in hand	15,000	
Creditors	1,20,000		**Add :** C brought capital	1,50,000	1,65,000
Less : Written off	30,000	90,000	Stock		30,000
Loans		1,35,000	Debtors		1,50,000
Capital Accounts			Machinery		75,000
A	3,45,000		Building	4,50,000	
B	2,55,000		**Less :** Depreciation	20,000	4,30,000
C	1,50,000	7,50,000	Investments		1,00,000
			Goodwill	80,000	
			Add : Appreciation	20,000	1,00,000
		10,50,000			10,50,000

54. Trading, Profit and Loss Account of Mrs. Kanmani for the year ending 31st March 2004.

Dr. **Cr.**

Particulars	**₹**	**₹**	**Particulars**	**₹**	**₹**
To Opening Stock		1,20,000	By Sales		7,50,000
To Purchases		5,00,000	By Closing stock		1,40,000
To Carriage inwards		5,000			
To Fuel, Gas		37,000			
To Gross profit c/d (Transferred to Profit & Loss A/C)		2,28,000			
		8,90,000			8,90,000
To Salary	1,10,000		By Gross profit b/d (Transferred from trading a/c)		2,28,000
Less : Prepaid Salary	10,000	1,00,000			
To Rent and Taxes		21,000	By commission received	6,000	
To Advertisements		16,000	Less : advance	1,000	5,000
To Bad debts		2,000	By Dividend		28,000
To depreciation on buildings		40,000			
To Interest on Capital		75,000			
To Net Profit		7,000			
		2,61,000			2,61,000

Balance Sheet

Liabilities	**₹**	**₹**	**Assets**	**₹**	**₹**
Capital	7,50,000		Cash		40,000
Add : Net Profit	7,000		Buildings	4,00,000	
	7,57,000		(–) depreciation	40,000	3,60,000
Add : Interest on Capital	75,000		Machinery		1,20,000
	8,32,000		Sundry debtors		2,50,000
Less : Drawings	40,000	7,92,000	Bills Receivable		53,000
Sundry Creditors		1,20,000	Closing stock		1,40,000
Loan		60,000	Prepaid salary		10,000
Commission received in advance		1,000			
		9,73,000			9,73,000

55. (i) Current Ratio $= \dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

Current Assets = Stock + Sundry debtors + Bills Receivable + Cash

= ₹ 15,000 + ₹ 30,000 + ₹ 10,000 + ₹ 5,000

= ₹ 60,000

Current liabilities = Creditors + Bank over draft

= ₹ 25,000 + ₹ 5,000

= ₹ 30,000

∴ Current Ratio $= \dfrac{₹\ 60,000}{₹\ 30,000} = 2 : 1$

(ii) Liquid Ratio $= \dfrac{\text{Liquid Assets}}{\text{Current Liabilities}}$

Liquid Assets = Current Assets – Stock

(or)

= Sundry debtors + Bills Receivable + Cash

= ₹ 60,000 – ₹ 15,000 = ₹ 45,000

(or)

= ₹ 30,000 + ₹ 10,000 + ₹ 5,000

= ₹ 45,000

Current Liabilities = ₹ 30,000

Liquid Ratio $= \dfrac{₹\ 45,000}{₹\ 30,000} = 1.5 :1$

(iii) Debt Equity Ratio $= \dfrac{\text{Total long term debts}}{\text{Shareholders funds}}$

Total long term Debts = Loans ₹ 37,500

Shareholders funds = Share Capital + Reserves

= ₹ 70,000 + ₹ 5,000

= ₹ 75,000

Debt - Equity Ratio $= \dfrac{₹\ 37,500}{₹\ 75,000} = 0.5 : 1$

(iv) Proprietory Ratio $= \dfrac{\text{Shareholders funds}}{\text{Total Tangible Assets}}$

Shareholders funds = ₹ 75,000

Total Tangible Assets = Total Asset – Good Will

(or)

Fixed Assets + Current Assets = ₹ 1,42,500 – ₹ 17,500 = ₹ 1,25,000

(or)

= ₹ 65,000 + ₹ 60,000 = ₹ 1,25,000

∴ Proprietory Ratio $= \dfrac{₹\ 75,000}{₹\ 1,25,000} = 0.6 : 1$

56. **Cash Budget for the period March, April & May 2005**

Particulars	**March (Rs)**	**April (Rs)**	**May (Rs)**
Opening cash balance	8,000	38,000	69,500
Add: Estimated cash receipt :			
Cash receivable from customers	82,000	84,000	78,000
Total cash available during the month	90,000	1,22,000	1,47,500
Less : Estimated cash payments:			
Payments to suppliers	36,000	38,000	33,000
Wages	10,000	8,500	9,500
office expenses	1,500	2,500	2,000
Miscellaneous expenses	4,500	3,500	4,000
Total cash payments during the month	52,000	52,500	48,500
Closing cash balance	38,000	69,500	99,000

57. **Journal Entries in the books of Susan Grace Ltd.**

Date	Particulars	L.F	Debit ₹	Credit ₹
	Bank A/c Dr To Share Application A/c (Being application money received for 20,000 shares ₹.25 each)		5,00,000	 5,00,000
	Share Application A/c Dr To Share Capital A/c (Being application money transferred to share capital account)		5,00,000	 5,00,000
	Share Allotment A/c Dr To Share Premium A/c To Share Capital A/c (Being share allotment money is due for 20,000 shares of ₹.45 each)		9,00,000	 4,00,000 5,00,000
	Bank A/c Dr To Share Allotment A/c (Being allotment money received)		9,00,000	 9,00,000
	First call A/c Dr To share capital A/c (Being first call money due for 20,000 shares of ₹.25 each)		5,00,000	 5,00,000
	Bank A/c Dr To First Call A/c (Being First call money is received)		5,00,000	 5,00,000
	Final call A/c Dr To share capital A/c (Being final call money is due for 20,000 shares of ₹.25 each)		5,00,000	 5,00,000
	Bank A/c Dr To share Final call A/c (Being final call money is received)		5,00,000	 5,00,000

Dr **Bank Account** **Cr**

Particulars	₹	Particulars	₹
To Share Application A/c	5,00,000		
To Share Allotment A/c	9,00,000		
To First Call A/c	5,00,000		
To Final Call A/c	5,00,000	By Balance c/d	24,00,000
	24,00,000		24,00,000
To balance b/d	24,00,000		

Dr **Share Capital Account** **Cr**

Particulars	₹	Particulars	₹
To balance c/d	20,00,000	By share Application A/c	5,00,000
		By share Allotment A/c	5,00,000
		By First call A/c	5,00,000
		By Final Call A/c	5,00,000
	20,00,000		20,00,000
		By Balance b/d	20,00,000

Dr **Securities premium Account** **Cr**

Particulars	₹	Particulars	₹
To balance c/d	4,00,000	By Share Allotment	4,00,000
	4,00,000		4,00,000
		By Balance b/d	4,00,000

Balance Sheet

Liabilities	₹	Assets	₹
Share Capital : Authorised	XXX	**Current Assets :** Cash at bank	24,00,000
Issued Capital : 20,000 share of ₹ 100 each	20,00,000		
Called up paid up : 20,000 share of ₹ 100 each	20,00,000		
Reserves & Surplus share premium	4,00,000		
	24,00,000		24,00,000

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