



Class-12

# ACCOUNTANCY

**GENERAL EDUCATION DEPARTMENT**  
**SAMAGRA SHIKSHA, KERALA**



**ലാഭേച്ഛയില്ലാത്ത സംഘടനയുടെ സവിശേഷതകൾ താഴെ നൽകുന്നു**

<p><b>A Not for profit organisation has the following characteristics.</b></p> <p>a) <u>.Service motive-</u> aim is to provide service to members or public.</p> <p>b). <u>No trading or manufacturing activity.-</u> since the aim is to provide service and not to earn profit, there is no trading activities.</p> <p>c). <u>Sources of income-</u> subscription from members, donations, grant in aid, legacies etc</p> <p>d).<u>Net result-</u> net result is called surplus / deficit.</p> <p>e).<u>Capital fund-</u> since it is a non profit organisation, the incomes and surplus contribute to capital fund.</p> <p>f).<u>No credit transactions</u> – these organisations may not have credit transactions.</p>	<ol style="list-style-type: none"> <li>1. ഒരു പ്രത്യേക ഗ്രൂപ്പിനോ പൊതുജനങ്ങൾക്കോ വലിയ തോതിൽ സേവനം നൽകുന്നതിനായി അത്തരം സംഘടനകൾ രൂപീകരിക്കുന്നു.</li> <li>2. ഇവയെ ചാരിറ്റബിൾ ട്രസ്റ്റുകൾ/സൊസൈറ്റികൾ എന്നിങ്ങനെ സംഘടിപ്പിക്കുകയും അത്തരം ഓർഗനൈസേഷന്റെ വരിക്കാരെ അംഗങ്ങൾ എന്ന് വിളിക്കുകയും ചെയ്യുന്നു.</li> <li>3. അവരുടെ കാര്യങ്ങൾ സാധാരണയായി നിയന്ത്രിക്കുന്നത് അതിന്റെ അംഗങ്ങൾ തിരഞ്ഞെടുക്കുന്ന ഒരു മാനേജിംഗ്/എക്സിക്യൂട്ടീവ് കമ്മിറ്റിയാണ്.</li> <li>4. അത്തരം ഓർഗനൈസേഷനുകളുടെ പ്രധാന വരുമാന സ്രോതസ്സുകൾ ഇവയാണ്. അംഗങ്ങളിൽ നിന്നുള്ള മാസവരി, സംഭാവനകൾ, ലെഗസി, ഗ്രാന്റ്, നിക്ഷേപങ്ങളിൽ നിന്നുള്ള വരുമാനം.</li> <li>5. വിവിധ സ്രോതസ്സുകളിലൂടെ അത്തരം സംഘടനകൾ സ്വരൂപിക്കുന്ന ഫണ്ടുകൾ ക്യാപിറ്റൽ ഫണ്ടിലേയ്ക്കോ ജനറൽ ഫണ്ടിലേയ്ക്കോ ക്രെഡിറ്റ് ചെയ്യുന്നു.</li> </ol>
<p>Accounting records of not for profit organisations.</p>	<ol style="list-style-type: none"> <li>a. Receipt and Payment account.</li> <li>b. Income and Expenditure account.</li> <li>c. Balance Sheet.</li> </ol>

**Receipt and Payment account**

<p>Same as cash book of a business organisation. All receipts are entered in the debit side and all payments on credit side. The difference between two sides represents cash in hand or cash at bank or overdraft.</p> <p>റെസിപ്റ്റ്സ് ആന്റ് പേയ്മെന്റ് അക്കൗണ്ട് ഒരു റിയൽ അക്കൗണ്ടാണ്, അത് ഒരു അക്കൗണ്ടിംഗ് വർഷത്തിന്റെ അവസാനത്തിൽ തയ്യാറാക്കിയ ക്യാഷ് ബുക്കിൽ രേഖപ്പെടുത്തിയിരിക്കുന്ന എല്ലാ പണ രസീതുകളുടെയും പേയ്മെന്റുകളുടെയും സംഗ്രഹം (Summary)നൽകുന്നു ഇത് എല്ലാ രസീതുകളെയും (Cash Receipts)ഡെബിറ്റ് ചെയ്യുകയും എല്ലാ പേയ്മെന്റുകളെയും (Cash Payments)ക്രെഡിറ്റ് ചെയ്യുകയും ചെയ്യുന്നു. അക്കൗണ്ടിംഗ് വർഷത്തിന്റെ അവസാനത്തിൽ, ഈ അക്കൗണ്ടിലെ അന്തിമ ബാലൻസ് കയ്യിലോ ബാങ്കിലോ അല്ലെങ്കിൽ ഓവർ ഡ്രാഫ്റ്റിലോ ഉള്ള പണത്തിന്റെ ബാലൻസിനെ പ്രതിനിധീകരിക്കുന്നു.</p>	<ul style="list-style-type: none"> <li>● It is a real account.</li> <li>● Summary of cash book</li> <li>● Account balance - cash in hand or cash at bank or overdraft</li> <li>● No adjustments</li> <li>● No part of double entry</li> <li>● No distinction between capital and revenue</li> <li>● All cash items included, irrespective of period.</li> </ul>
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Income & Expenditure account	
<p>This is similar to a <b>profit and loss account</b> prepared by a trading concern. It is debited with all expenses and losses and credited with all incomes and gains. Balance of the account is either <b>surplus or deficit</b>.</p> <p>(ഒരു പ്രത്യേക കാലയളവിലെ മിച്ചമോ കമ്മിയോ കണ്ടെത്തുന്നതിന് ലാഭോഷ്ടിയാതെ പ്രവർത്തിക്കുന്ന ഒരു സംഘടന തയ്യാറാക്കുന്ന അക്കൗണ്ടാണ് വരുമാന-ചെലവ് അക്കൗണ്ട്. ലാഭനഷ്ട അക്കൗണ്ടിന്റെ രൂപത്തിലാണ് ഇത് തയ്യാറാക്കുന്നത്.</p>	<ul style="list-style-type: none"> <li>➔ It is a nominal account.</li> <li>➔ There is no opening balance.</li> <li>➔ Closing balance represents surplus / deficit .</li> <li>➔ Only revenue items are recorded.</li> <li>➔ Only current year revenue included.</li> <li>➔ Provisions and adjustments are made.</li> </ul>

### വരുമാന -ചെലവ് അക്കൗണ്ടും രസീത് പേയ്മെന്റ് അക്കൗണ്ടും തമ്മിലുള്ള വ്യത്യാസം

അടിസ്ഥാനം	വരുമാന - ചെലവ് അക്കൗണ്ട്	രസീത്-പേയ്മെന്റ് അക്കൗണ്ട്
1. സ്വഭാവം	ഇത് ലാഭനഷ്ട അക്കൗണ്ട് പോലെയാണ്	ഇത് ക്യാഷ് ബുക്കിന്റെ സംഗ്രഹമാണ്
2. രേഖപ്പെടുത്തുന്ന ഇനങ്ങളുടെ സ്വഭാവം	ആവർത്തന സ്വഭാവത്തിലുള്ള വരുമാനവും ചെലവും മാത്രം ഇതിൽ രേഖപ്പെടുത്തുന്നു.(Revenue Nature)	മൂലധന സ്വഭാവവും ആവർത്തന സ്വഭാവത്തിലുള്ളതും ആയ രസീതുകളും പേയ്മെന്റുകളും ഇതിൽ രേഖപ്പെടുത്തുന്നു.
3. കാലയളവ്	വരുമാന-ചെലവ് ഇനങ്ങൾ നടപ്പു വർഷവുമായി ബന്ധമുള്ളത് മാത്രം രേഖപ്പെടുത്തുന്നു.	രസീതുകളും പേയ്മെന്റുകളും മുമ്പത്തേയും നടപ്പു വർഷത്തെയും തുടർന്നുള്ള കാലയളവിലുള്ളതും രേഖപ്പെടുത്തുന്നു.
4. ഡെബിറ്റ് വശം	ഈ അക്കൗണ്ടിന്റെ ഡെബിറ്റ് വശം ചെലവുകളും നഷ്ടങ്ങളും രേഖപ്പെടുത്തുന്നു.	ഈ അക്കൗണ്ടിന്റെ ഡെബിറ്റ് വശം രസീതുകൾ രേഖപ്പെടുത്തുന്നു.
5. ക്രെഡിറ്റ് വശം	ഈ അക്കൗണ്ടിന്റെ ക്രെഡിറ്റ് വശം വരുമാനങ്ങളും നേട്ടങ്ങളും രേഖപ്പെടുത്തുന്നു.	ഈ അക്കൗണ്ടിന്റെ ക്രെഡിറ്റ് വശം പേയ്മെന്റുകൾ രേഖപ്പെടുത്തുന്നു.
6. മൂല്യത്തകർച്ച (Depreciation)	മൂല്യത്തകർച്ച ഉൾപ്പെടുത്തുന്നു.	മൂല്യത്തകർച്ച ഉൾപ്പെടുത്തുന്നില്ല
7. ഓപ്പണിംഗ് ബാലൻസ്	ഓപ്പണിംഗ് ബാലൻസ് ഇല്ല	ഓപ്പണിംഗ് ബാലൻസ് കൈയിലുള്ള പണത്തെയോ ബാങ്കിലുള്ള പണത്തെയോ അല്ലെങ്കിൽ ഓവർ ഡ്രാഫ്റ്റിനെയോ പ്രതിനിധീകരിക്കുന്നു.
8. ക്ലോസിംഗ് ബാലൻസ്	മിച്ചം അല്ലെങ്കിൽ കമ്മിയെ പ്രതിനിധീകരിക്കുന്നു.(Surplus or Deficit)	ക്ലോസിംഗ് ബാലൻസ് അവസാനം കൈയിലുള്ള പണത്തെയോ ബാങ്കിലുള്ള പണത്തെയോ അല്ലെങ്കിൽ ഓവർ ഡ്രാഫ്റ്റിനെയോ പ്രതിനിധീകരിക്കുന്നു.

Receipt and Payment account	Income and Expenditure account
Real account	Nominal account
Similar to cash book	Similar to Profit and Loss a/c
All items irrespective of period is considered	Only current years items are entered
Both revenue and capital items are taken	Only revenue items are taken
Balance of account is cash in hand/bank/overdraft	Balance is surplus or deficit
Debit side-Receipt, Credit side-Payment	Debit side-Expenses, credit side-Income
No adjustments or provisions	All adjustments and provisions are made.

### Treatment of Subscription.

The amount collected by Not-for-profit organisation from it's members periodically is called subscription.

Amount of subscription to be credited to Income and Expenditure =

Total amount received as subscription during the year	xxxxx
Add Subscription outstanding on closing date	xxx
Add Subscription Received in advance on opening date	xxx
Less Subscription outstanding on opening date	xx
Less Subscription Received in advance on closing date	xx
Amount to be credited to Income and Expenditure account	xxxxxx

### Try yourself

1. If the debit side of Income and expenditure account is more than credit side, then the balance is.....
2. Subscription received in advance is a.....
3. A Receipt and payment account is similar to.....
4. Income and expenditure account is a..... Account.
5. Balance of a receipt and Payment account shows.....
6. Income and expenditure accounts records transactions of..... nature only
7. From the given particulars, ascertain the amount to be credited to income and expenditure account for the year ending 31<sup>st</sup> December 2020.

Subscription received during the year	Rs.18000
Subscription outstanding on 1.1.2020	Rs.1000
Subscription received in advance on 1.1.2020	Rs.500

Subscription received in advance on 31.12.2020	Rs 300
Subscription outstanding on 31.12.2020	Rs. 200

8. Write any 5 differences between Income and Expenditure account and Receipt and Payment account.
9. Briefly explain the steps to prepare Receipt and Payment account and Income and Expenditure account.
10. From the following particulars ascertain the amount of Stationery to be debited to Income and Expenditure account for the year ending 31st March 2020.

Payment made for Stationery during 2019-2020	Rs. 9600
Amount due for Stationery during 2019-2020	Rs. 600
Stock of Stationery on 1 <sup>st</sup> April 2019	Rs. 200
Stock of Stationery on 31 <sup>st</sup> March 2020	Rs. 1500

11. From the following information prepare a receipt and payment account.

Subscriptions	₹5500	Donations	₹3000
Salaries and wages	₹3500	Electricity charges	₹500
Locker rent received	₹2100	Entrance fees	₹1000
Insurance paid	₹150	Honorarium to secretary	₹400
Telephone charges	₹450	Taxes paid	₹200
Sale of old newspapers	₹400	Cash in hand (opening)	₹2100

12. You are the Secretary of Netaji sports club. Prepare the income and expenditure account of your club from the information given below. On 31/12/2020 the books of the club revealed the following receipts and payments.

Receipts	Amount(₹)	Payments	Amount (₹)
Cash in hand	200	Salaries	3500
Subscription	5200	Scholarship	1480
Donations	1400	General expense	1960
Life membership fees	2000	Printing /stationery	340
Legacy	5000	Furniture (1-1-2020)	2500
Interest	160	Investment	1780
	13960	Balance c/d (cash)	13960
	13960		13960

Additional information:-

- Subscription outstanding on 31/12/2020 Rs.300
- Salaries outstanding Rs.330
- 5% interest has been accrued on investments for 6 months.
- Legacy and life membership fee are to be capitalised.
- Charge depreciation on furniture @10% per annum.

### ANSWERS

- Deficit
- Liability
- Cash book
- Nominal account
- Cash in hand/at bank or overdraft
- Revenue
- 17400
- Refer notes given above
- Steps in Receipts and Payments account
  - Take Opening balance of cash and bank and enter on the debit side, if bank balance is overdraft then enter on the credit side.
  - Enter on the debit side all receipts whether capital or revenue irrespective of the period.
  - Enter on the credit side all payments whether capital or revenue, irrespective of the period.
  - Receivable income and payable expenses should not be considered
  - Balance the account. If the debit side is greater than credit side, It shows a bank balance or cash balance, otherwise if credit side is greater than debit side it shows an overdraft balance.

Steps in the preparation of income and expenditure account

- Exclude opening and closing cash & bank balance of Receipt and Payment Account.

- Revenue incomes of the current year are to be entered in the credit side(Income side).
- Revenue expenses of the current year are to be entered to debit side (Expenditure side).
- If a non profit entity carries on trading activity, prepare a separate trading account.
- Include non cash transactions (Depreciation, Provision for bad debt.....)
- After above steps, the balance of Income and Expenditure account is called Surplus or Deficit. (if income is greater than expenditure, it is called surplus, and if expenditure is greater than income it known as deficit ).

10. **Calculation of stationery consumed during 2019-2020**

Payment made for Stationery during 2019-2020		Rs. 9600
Add : 1 .Stock of Stationery on 1 <sup>st</sup> April 2019	Rs. 200	
2. Amount due for Stationery during 2019-2020	Rs. 600	Rs. 800 (+)
less: - Stock of Stationery on 31 <sup>st</sup> March 2020		Rs. 1500 (-)
Stationery consumed during the year 2019-2020		<b>Rs. 8900</b>

11.

**Receipt and Payment account**

Receipts	Amount	Payments	Amount
Cash in hand	2100	Salary/wages	3500
Subscription	5500	Tax paid	200
Donations	3000	Electricity charge	500
Entrance fees	1000	Telephone charge	450
Locker rent received	2100	Honorariums paid	400
Sale of news paper	400	Insurance paid	150
		Cash in hand (balancing figure)	8900
	14100		14100



12. **Income and Expenditure account of Netaji club as on 31/12/2020**

Expenditure	Amount	Income	Amount
To Salaries	3500	By Subscription	5200
Add Outstanding	330	Add Outstanding	300
To Scholarship	1480	By Donations	1400
To General expense	1960	By Interest	160
To Depreciation- furniture	250	Add Accrued interest	60
To Printing/stationery	340	Excess of expenditure over	
		Income(Deficit )	740
	7860		7860

CHAPTER - 2

ACC 7 FOR PARTNERSHIP – BASIC CONCEPTS

FOCUS AREA	
✓	Nature of Partnership
✓	Partnership Deed
✓	Partnership Act Relevant for Accounting
✓	Accounts of Partnership
✓	Partnership and Fluctuating Capital Accounts
✓	Partnership Accounts
✓	Partnership Capital

Nature of Partnership

When two or more persons join hands to set up a business and share its profits and losses, they are said to be in partnership.

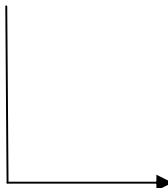


രണ്ടോ അതിലധികമോ വ്യക്തികൾ ഒരു ബിസിനസ്സ് ആരംഭിക്കാനും അതിന്റെ ലാഭനഷ്ടങ്ങൾ പങ്കിടാനും ഉദ്ദേശിക്കുമ്പോൾ, അവർ പങ്കാളിത്തത്തിലാണെന്ന് പറയപ്പെടുന്നു.

**Partnership Act 1932** defines partnership as the 'relation between persons who have agreed to share the profit of a business carried on by all or any of them acting for all'.

Persons who enter into partnership with one another are individually called 'partners' and collectively called 'firm'.

**Characteristics of Partnership**



1. Number of Persons- there should be at least two persons
2. Agreement- Partnership is the result of an agreement
3. Business: The agreement should be to carry on some business.
4. Mutual Agency
5. Sharing of Profit
6. Unlimited Liability of Partnership- Unlimited

**പങ്കാളിത്തത്തിന്റെ സവിശേഷതകൾ**

1. രണ്ടോ അതിലധികമോ വ്യക്തികളുടെ അസോസിയേഷൻ
2. ബന്ധപ്പെട്ട എല്ലാ വ്യക്തികളും സമ്മതിച്ചു കരാർ
3. ബിസിനസിന്റെ നിലനിൽപ്പ്
4. എല്ലാവർക്കുമായി എല്ലാവരാരും അല്ലെങ്കിൽ അവരിൽ ആരെങ്കിലും ഒരാൾ ബിസിനസ്സ് നടത്തുന്നു.
5. ലാഭനഷ്ടം പങ്കിടൽ

**Partnership Deed**

Partnership comes into existence as a result of agreement among the partners. The agreement can be either oral or written. The Partnership Act does not require that the agreement must be in writing. But wherever it is in writing, the document which contains terms of the agreement is called 'Partnership Deed'.

പങ്കാളികൾ തമ്മിലുള്ള കരാറിന്റെ ഫലമായാണ് പങ്കാളിത്തം നിലവിൽ വരുന്നത്. കരാർ വാക്കാലുള്ളതോ രേഖാമൂലമോ ആകാം. കരാർ രേഖാമൂലം ഉണ്ടായിരിക്കണമെന്ന് നിർബന്ധമില്ല. കരാറിന്റെ നിബന്ധനകൾ ഉൾക്കൊള്ളുന്ന പ്രമാണത്തെ 'പാർട്ണർഷിപ്പ് ഡീഡ്' എന്ന് വിളിക്കുന്നു.

<p><b>Contents of the Partnership Deed</b></p> <p>The Partnership Deed usually contains the following details:</p> <ul style="list-style-type: none"> <li>• Names and Addresses of the firm and its main business;</li> <li>• Names and Addresses of all partners;</li> <li>• Amount of capital to be contributed by each partner;</li> <li>• The accounting period of the firm;</li> <li>• The date of commencement of partnership;</li> <li>• Rules regarding operation of Bank Accounts;</li> <li>• Profit and loss sharing ratio;</li> <li>• Rate of interest on capital, loan, drawings, etc;</li> </ul>	<p><b>പങ്കാളിത്ത ഡീഡിന്റെ ഉള്ളടക്കം</b></p> <p>പങ്കാളിത്ത ഡീഡിൽ സാധാരണയായി ഇനിപ്പറയുന്ന വിശദാംശങ്ങൾ അടങ്ങിയിരിക്കുന്നു:</p> <ul style="list-style-type: none"> <li>➤ സ്ഥാപനത്തിന്റെ പേരും വിലാസവും അതിന്റെ പ്രധാന ബിസിനസ്സും</li> <li>➤ എല്ലാ പങ്കാളികളുടെയും പേരും വിലാസവും</li> <li>➤ ഓരോ പങ്കാളിയും സംഭാവന ചെയ്യേണ്ട മൂലധനത്തിന്റെ തുക</li> <li>➤ സ്ഥാപനത്തിന്റെ അക്കൗണ്ടിംഗ് കാലയളവ്</li> <li>➤ പങ്കാളിത്തം ആരംഭിക്കുന്ന തീയതി</li> <li>➤ ബാങ്ക് അക്കൗണ്ടുകളുടെ പ്രവർത്തനം സംബന്ധിച്ച നിയമങ്ങൾ</li> <li>➤ ലാഭനഷ്ടം പങ്കിടൽ അനുപാതം</li> <li>➤ മൂലധനം, വായ്പ, ഡ്രോയിംഗ്സ് (തൻപറ്റ്) മുതലായവയുടെ പലിശ നിരക്ക്</li> </ul>
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**Provisions of Partnership Act Relevant for Accounting**

<b>1. Profit Sharing Ratio</b>	If the partnership deed is silent- shared equally (പങ്കാളിത്ത കരാർ നിശ്ചിതമാണെങ്കിൽ - തുല്യമായി പങ്കിടുക)
<b>2. Interest on Capital</b>	No partner is entitled to claim any interest on the amount of capital (ഒരു പലിശയും അവകാശപ്പെടാൻ ഒരു പങ്കാളിക്കും അവകാശമില്ല)
<b>3. Interest on Drawings</b>	No interest is to be charged on the drawings (ഡ്രോയിംഗ്സുകളിൽ പലിശ ഈടാക്കേണ്ടതില്ല)
<b>4. Interest on Loan/Advances</b>	Entitled to get an interest at the rate of 6 per cent per annum (പ്രതിവർഷം 6 ശതമാനം നിരക്കിൽ പലിശ ലഭിക്കാൻ അർഹതയുണ്ട്)
<b>5. Salary/Commission</b>	No partner is entitled to get salary or other remuneration (ഒരു പങ്കാളിക്കും ശമ്പളം അല്ലെങ്കിൽ മറ്റ് പ്രതിഫലം ലഭിക്കാൻ അവകാശമില്ല)

**Maintenance of Capital Accounts of Partners**

There are two methods by which the capital accounts of partners can be maintained. These are: (i) Fixed capital method, and (ii) Fluctuating capital method.

**(a) Fixed Capital Method:**

- Under the fixed capital method, the capitals of the partners shall remain fixed unless additional capital is introduced or a part of the capital is withdrawn as per the agreement among the partners.
- The partners' capital accounts will always show a credit balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital.
- In this method two accounts are manufactured for each partner namely Capital Account and Current Account.

**(b) Fluctuating Capital Method:**

- ➔ Under the fluctuating capital method, only one account, i.e. capital account is maintained for each partner.
- ➔ This makes the balance in the capital account to fluctuate from time to time. That's the reason why this method is called fluctuating capital method.

നിർദ്ദേശങ്ങളില്ലാതെ സാഹചര്യത്തിൽ **Fluctuating Capital Method** ഉപയോഗിച്ച് മൂലധന അക്കൗണ്ട് തയ്യാറാക്കണം

**Distinction between Fixed and Fluctuating Capital Accounts**

Fixed Capital Method	Fluctuating Capital Method
ഓരോ പങ്കാളിക്കും Capital A/c, Current A/c എന്നിങ്ങനെ രണ്ട് അക്കൗണ്ടുകളുണ്ട്	ഓരോ പങ്കാളിക്കും ഒരു അക്കൗണ്ട് മാത്രമേയുള്ളൂ, അതായത് Capital A/c
സ്ഥിര മൂലധന അക്കൗണ്ട് എല്ലായ്പ്പോഴും ക്രെഡിറ്റ് ബാലൻസ് കാണിക്കുന്നു	മൂലധന A/c ന് ക്രെഡിറ്റ് അല്ലെങ്കിൽ ഡെബിറ്റ് ബാലൻസ് ഉണ്ടായിരിക്കാം
Current അക്കൗണ്ടിൽ മൂലധനത്തിന്റെ പലിശ, ശമ്പളം തുടങ്ങിയ ക്രമീകരണങ്ങൾ നടത്തുന്നു.	മൂലധന അക്കൗണ്ടിൽ മൂലധനത്തിന്റെ പലിശ, ശമ്പളം തുടങ്ങിയ ക്രമീകരണങ്ങൾ നടത്തുന്നു.
സ്ഥിര മൂലധന അക്കൗണ്ടിന് ഒരിക്കലും നെഗറ്റീവ് ബാലൻസ് കാണിക്കാൻ കഴിയില്ല.	മൂലധന അക്കൗണ്ടിൽ ഏറ്റക്കുറച്ചിലുകൾ നെഗറ്റീവ് ബാലൻസ് കാണിക്കാം
കാപിറ്റൽ, കറന്റ് അക്കൗണ്ടുകളുടെ ബാലൻസ് എന്നിവ ബാലൻസ് ഷീറ്റിൽ കാണിക്കുന്നു.	ക്യാപിറ്റൽ അക്കൗണ്ടുകൾ മാത്രമേ ബാലൻസ് ഷീറ്റിൽ കാണിക്കൂ
പങ്കാളിത്ത കരാറിൽ പ്രത്യേക വ്യവസ്ഥ ആവശ്യമാണ്	പങ്കാളിത്ത കരാറിൽ പ്രത്യേക വ്യവസ്ഥ ആവശ്യമില്ല.

Basis	Fixed Capital Account	Fluctuating Capital Account
(i) Number of accounts	Under this method. Two separate accounts are maintained for each partner viz. 'capital account' and current account'.	Each partner has one account. i. e. capital account.
(ii) Adjustments	All adjustments for drawings. salary. interest on capital. etc. are made in the current accounts	All adjustments for drawings. salary interest on capital. etc .. are made in the capital accounts
(iii) Fixed balance	The capital account balance remain unchanged unless there is addition to or withdrawal of capital.	The balance of the capital account fluctuates from year to year
(iv) Credit balance	The capital accounts always show a credit balance.	The capital account may sometimes show a debit balance.

**Profit and Loss Appropriation Account ലാഭനഷ്ട വിഹിത അക്കൗണ്ട്**

Profit and Loss Appropriation Account is merely an extension of the Profit and Loss Account of the firm. It shows how the profits are appropriated or distributed among the partners. All adjustments in respect of partner's salary, partner's commission, interest on capital, interest on drawings, etc. are made through this account. It starts with the net profit/ net loss as per Profit and Loss Account.

ലാഭനഷ്ട വിഹിത അക്കൗണ്ട് സ്ഥാപനത്തിന്റെ ലാഭനഷ്ട അക്കൗണ്ടിന്റെ വിപുലീകരണം മാത്രമാണ്. ലാഭം പങ്കാളികൾക്കിടയിൽ എങ്ങനെ വിനിയോഗിക്കുന്നു അല്ലെങ്കിൽ വിതരണം ചെയ്യുന്നുവെന്ന് ഇത് കാണിക്കുന്നു. പങ്കാളിയുടെ ശമ്പളം, കമ്മീഷൻ, മൂലധനത്തിനുള്ള പലിശ, തൻചെലവിന് പിൻവലിച്ചതിന്മേലുള്ള പലിശ മുതലായവയുമായി ബന്ധപ്പെട്ട എല്ലാ നടപടികളും ഈ അക്കൗണ്ടിലാണ് രേഖപ്പെടുത്തുന്നത്.

**SPECIMEN OF PROFIT AND LOSS APPROPRIATION ACCOUNT**

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**PROFIT AND LOSS APPROPRIATION ACCOUNT**  
for the year ended...

<b>DR.</b>		<b>CR.</b>																				
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"><b>PARTICULARS</b></th> <th style="width: 20%; text-align: center;"><b>₹</b></th> </tr> </thead> <tbody> <tr> <td>To Profit and Loss A/c (Net Loss transferred from profit and Loss Account)</td> <td></td> </tr> <tr> <td>To Interest on Capitals</td> <td></td> </tr> <tr> <td>To Partner's Salaries</td> <td></td> </tr> <tr> <td>To Partner's Commissions</td> <td></td> </tr> <tr> <td>To Reserve</td> <td></td> </tr> <tr> <td>To Profit transferred to Partner's A/c</td> <td></td> </tr> </tbody> </table>	<b>PARTICULARS</b>	<b>₹</b>	To Profit and Loss A/c (Net Loss transferred from profit and Loss Account)		To Interest on Capitals		To Partner's Salaries		To Partner's Commissions		To Reserve		To Profit transferred to Partner's A/c			<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"><b>PARTICULARS</b></th> <th style="width: 20%; text-align: center;"><b>₹</b></th> </tr> </thead> <tbody> <tr> <td>By Profit and Loss A/c (Net Profit transferred from Profit and Loss Account)</td> <td></td> </tr> <tr> <td>By Interest on Drawings</td> <td></td> </tr> </tbody> </table>	<b>PARTICULARS</b>	<b>₹</b>	By Profit and Loss A/c (Net Profit transferred from Profit and Loss Account)		By Interest on Drawings	
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**Calculation of Interest on Capital**

When the Deed specifically provides for it, interest on capital is credited to the partners capital account at the agreed rate with reference to the time period for which the capital remained in business during a financial year.

**TRY YOURSELF**

1. Identify the name of account which is prepared to show, how the profits are distributed among partners.
2. When partnership agreement is silent, which of the following partner is entitled to get interest on capital ?
  - (a) Active Partner
  - (b) Partner who contributed largest amount of capital
  - (c) Guaranteed partner
  - (d) None
3. When Partnership Deed is silent about salary, which one of the following partner will get salary?
  - (a) Sleeping Partner
  - (b) Active Partner
  - (c) Guaranteed Partner
  - (d) None
4. Write journal entry to charge interest on capital to partner 'Madhav, 63if partner's capital being fluctuating.
5. Manoj and Anoop are partners in a firm. The firm did not have any partnership deed. Specify how the following situations are treated
  - (a) Sharing of profit and losses.
  - (b) Interest on advance given by Manoj to the firm
6. Partners capital account and current account are not maintained separately under ..... method of maintaining capital account.
7. Under fixed capital method, interest on drawings is debited.....a/c
8. Aswathy is a partner in a firm, her capital at the end of the financial year 2016-17 was Rs 2,00,000. During the year she had withdrawn Rs 30,000. Her share of profit before charging interest on capital for the year was Rs 8,000. Calculate interest on capital @ 10% p.a.
9. Under fixed capital method interest on drawing should be shown in..... account.
10. Prabhod and Chandran are partners in a firm. Prabhod's capital in the firm showed Rs 2,00,000 on April-1- 2015. He introduced an additional capital of Rs 50,000 on July-1-2015. Calculate the interest on capital of Prabhod, if the rate of interest is 8%. Assume the books of accounts are closed on 31<sup>st</sup> March every year.

11. If partners are entitled to interest on capital as per agreement, such interest is payable
- only out of bank balance
  - only out of capital
  - only out of profits
  - only out of sales
12. Rithin and Joy are partners. They do not have any partnership agreement. What should be done in the following cases ?
- Rithin spends twice the time that Joy devotes to business. Rithin claims that he should get a salary of Rs 3,000 per month for his extra time spent.
  - Joy get Interest on Drawings at 6%pa
13. What is the journal entry to be passed for transferring partners salary to partner's capital account
14. What is a Partnership Deed ? Give any five items to be included in it.
15. List out any four items to be credited to a Partners Current Account, when capitals are fixed.
16. Ganesh and Ram are equal partners in a firm and their capitals as on 01-04-2016 were Rs 80,000 and Rs 60,000 respectively. As per the partnership deed Ganesh is entitled to monthly salary of Rs 3,000. Ram gets a commission of 10% on the Net Profits of the business, before charging such commission. They are also eligible for interest on capital @ 8% p.a. Interest on drawings is charged as 6% p.a. Ganesh withdrew Rs 2,000 at the beginning of every month for his personal purposes. Total drawings of Ram during 2016-17 was Rs 20,000. Prepare the Profit and Loss Appropriation Account, to show the distribution of profits among partners. The net profits of the business for the year ended 31-03-2017 was Rs 1,24,000 (before adjusting above items).
17. Madhu is a partner in a firm. On 1st April, 2017 his capital account showed a balance of Rs.5,00,000. He had withdrawn Rs 50,000 from his capital on 1st July, 2017. Calculate the amount of interest on capital @ 6% p.a. for the year ending 31st March, 2018.
18. Under fixed capital method, the interest on drawings is :
- credited to capital account
  - debited to capital account
  - credited to current account
  - debited to current account
19. Sameer and Yasmin are partners with capitals of Rs.15,00,000 and Rs. 10,00,000 respectively. They agree to share profits in the ratio of 3:2. Show how the following transactions will be recorded in the capital accounts of the partners in case: (i) the capitals are fixed, and (ii) the capitals are fluctuating. The books are closed on March 31, every year.

Particulars	Sameer	Yasmin
Additional capital contributed		
on June 30th 2018	1,00,000	50,000
Interest on capital	5%	5%



Drawings (during 2018)	30000	20000
Interest on drawings	1800	1200
Salary	20000	-
Commission	10000	7000
Share in loss for the year 2018	60000	40000

### Solution

1. Profit & Loss Appropriation A/c.
2. None
3. None
4. Interest on capital Dr  
To Madav's Capital a/c
5. a) Profit and losses shared equally  
b) 6% interest is given to Manoj's loan
6. Fluctuating capital method
7. Partner's Current A/C
8. Calculation of Interest on Capital

Particulars	Amount(Rs.)
Closing Capital balance	200000
Add: Drawings	<u>30000</u>
	230000
Less: Share of profit	<u>8000</u>
Opening Capital balance	<u>222000</u>

$$\text{Interest on Capital} = 2,22,000 \times 10/100 = \text{Rs.}22,200$$

9. Partner's Current A/C
10. Interest on Capital
 

= 200000*8/100 =	16000
= 50000*8/100*9/12=	<u>3000</u>
	<u>19000</u>
11. Only out of profits
12. 1) No salary will be paid to Rithin  
2) No interest is to be charged on the drawings

13. Salary a/c Dr

To Partners Capital a/c

14. 'Partnership Deed'.

Partnership comes into existence as a result of agreement among the partners. The agreement can be either oral or written. The Partnership Act does not require that the agreement must be in writing. But wherever it is in writing, the document which contains terms of the agreement is called 'Partnership Deed'.

- Names and Addresses of the firm and its main business;
- Names and Addresses of all partners;
- Amount of capital to be contributed by each partner;
- The accounting period of the firm;
- The date of commencement of partnership;

15. (i) Commission

(ii) Salary

(iii) Interest on capital

(iv) P/L Appropriation a/c (Profit)

16.

**Profit & Loss Appropriation a/c**

Particulars	Amount	Particulars	Amount
Salary - Ganesh	36000	Profit & Loss a/c	124000
Commission - Ram	12400	Interest On drawings	
Interest On capital		Ganesh	780
Ganesh	6400	Ram	<u>600</u>
Ram	4800		1380
Partners capital a/c			
Ganesh	32890		
Ram	<u>32890</u>		
	<b>65780</b>		
	125380		125380

Working Note:

Interest On drawings:
Ganesh = $24000 \times \frac{6}{100} \times \frac{6.5}{12} = 780$
Ram = $20000 \times \frac{6}{100} \times \frac{6}{12} = 600$

Interest On capital
Ganesh = $80000 \times \frac{8}{100} = 6400$
Ram = $60000 \times \frac{8}{100} = 4800$

17. Interest on opening Capital =  $5,00,000 \times \frac{6}{100} \times \frac{3}{12} = 7500$   
 Interest on capital after withdrawal =  $4,50,000 \times \frac{6}{100} \times \frac{9}{12} = \frac{20250}{27750}$

18. Debited to current account

**19.a. Fixed Capital Method**

**Partner's Capital Account**

Date	Particulars	JF	Sameer	Yasin	Date	Particulars	JF	Sameer	Yasin
	Balance c/d		16,00,000	10,50,000		Balance b/d		15,00,000	10,00,000
						Cash		1,00,000	50,000
			<b>16,00,000</b>	<b>10,50,000</b>				<b>16,00,000</b>	<b>10,50,000</b>

**Partner's Current Account**

Date	Particulars	JF	Sameer	Yasin	Date	Particulars	JF	Sameer	Yasin
	Drawings		30000	20000					
	Interest on drawings		1800	1200		Interest on capital		78,750	51,875
	Profit and Loss Appropriation (Loss)		60000	40000		salary		20000	
	Balance c/d		16,950			Commission		10000	7000
			<b>1,08,750</b>	<b>61,200</b>				<b>1,08,750</b>	<b>61,200</b>

**b. Fluctuating Capital Method****Partner's Capital Account**

Date	Particulars	JF	Sameer	Yasin	Date	Particulars	JF	Sameer	Yasin
	Drawings		30000	20000		Balance b/d		15,00,000	10,00,000
	Interest on drawings		1800	1200		Cash		1,00,000	50,000
	Profit and Loss Appropriation (Loss)		60000	40000		Interest on capital		78750	51875
	Balance c/d		16,16,950	10,47,675		Salary		20000	-
						Commission		10000	7000
			<b>17,08,750</b>	<b>11,08,875</b>				<b>17,08,750</b>	<b>11,08,875</b>

**Chapter 3**  
**Reconstitution of Partnership Firm -Admission of Partner**

- ✓ Modes of Reconstitution of a Partnership Firm.
- ✓ Admission of a new partner.
- ✓ New profit sharing ratio and sacrificing ratio.
- ✓ Goodwill - Factors affecting the value of Goodwill.
- ✓ Method of valuation of Goodwill – Average Profit Method.
- ✓ Treatment of Goodwill (When the new partner brings Goodwill in cash).
- ✓ Adjustment for Accumulated profits and losses.
- ✓ Revaluation of Assets and Reassessment of Liabilities.
- ✓ Preparation of Revaluation account, Partners Capital Account and Balance Sheet.

**Points to remember from Focus areas**

**Reconstitution** of a partnership means a change in the nature of relationship amongst members, effected through a fresh agreement under which the existing business continues .

<p><b>Modes of Reconstitution of Partnership Firm -</b> The reconstitution of a firm usually takes place in any of the following ways:-</p> <ul style="list-style-type: none"> <li>a) Admission of a new partner</li> <li>b) Change in the profit sharing ratio among the existing partners</li> <li>c) Retirement of an existing partner</li> <li>d) Death of a partner</li> </ul>	<p><b>പങ്കാളിത്ത സ്ഥാപനത്തിന്റെ പുനർനിർമ്മാണ രീതികൾ</b></p> <p>ഒരു സ്ഥാപനത്തിന്റെ പുനർനിർമ്മാണം സാധാരണയായി ഇനിപ്പറയുന്ന ഏതെങ്കിലും വഴികളിലാണ് നടക്കുന്നത്.</p> <ul style="list-style-type: none"> <li>എ) ഒരു പുതിയ പങ്കാളിയുടെ പ്രവേശനം</li> <li>ബി) നിലവിലുള്ള പങ്കാളികൾക്കിടയിൽ ലാഭനഷ്ട വിഹിത അനുപാതത്തിൽ മാറ്റം</li> <li>സി) നിലവിലുള്ള പങ്കാളിയുടെ വിരമിക്കൽ</li> <li>ഡി) പങ്കാളിയുടെ മരണം</li> </ul>
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Admission of a New Partner	ഒരു പുതിയ പങ്കാളിയുടെ പ്രവേശനം
<p>Admission means inclusion of a new person as partner to an existing firm. A newly admitted partner acquires two main rights in the firm.</p> <ul style="list-style-type: none"> <li>1. Rights to share the assets of the partnership firm</li> <li>2. Rights to share the profits of the partnership firm.</li> </ul>	<p>പ്രവേശനം എന്നാൽ നിലവിലുള്ള ഒരു സ്ഥാപനത്തിന്റെ പങ്കാളിയായി ഒരു പുതിയ വ്യക്തിയെ ഉൾപ്പെടുത്തുക എന്നത്. പുതിയതായി പ്രവേശിച്ച പങ്കാളി സ്ഥാപനത്തിലെ രണ്ട് പ്രധാന അവകാശങ്ങൾ നേടുന്നു.</p> <ul style="list-style-type: none"> <li>1. പങ്കാളിത്ത സ്ഥാപനത്തിന്റെ ആസ്തികൾ പങ്കിടാനുള്ള അവകാശങ്ങൾ, ഒപ്പം</li> <li>2. പങ്കാളിത്ത സ്ഥാപനത്തിന്റെ ലാഭം പങ്കിടാനുള്ള അവകാശങ്ങൾ</li> </ul>

New profit sharing ratio	Sacrificing ratio
<p>The ratio in which the old partners and new partner share the future profit after admission is called new ratio.</p> <p><b>New ratio = Old ratio – Sacrificing ratio .</b></p>	<p>The ratio in which the old partners agree to sacrifice their share of profit in favour of the incoming partner is called Sacrificing ratio.</p> <p><b>Sacrificing ratio = Old ratio – New ratio .</b></p>

Goodwill	Factors affecting the value of Goodwill - ഗുഡ് വില്ല്യത്തിന്റെ മുഖ്യത്തെ ബാധിക്കുന്ന ഘടകങ്ങൾ
<p>Goodwill is an intangible asset. A well established business develops an advantage of good name, reputation and wide business connections. It helps the business to earn more profits as compared to a newly set up business. In accounting , the monetary value of such advantage is known as “Goodwill” . On admission the goodwill of the firm belongs to the old partners, so the new partner has to bring in a certain amount for getting a share in future profit. This amount is also called premium or goodwill.</p>	<ol style="list-style-type: none"> <li>1. Nature of business (1.ബിസിനസിന്റെ സ്വഭാവം)</li> <li>2. Location of business (2. ബിസിനസ്സിന്റെ സ്ഥാനം)</li> <li>3. Efficiency of management (3. മാനേജ്മെന്റിന്റെ കാര്യക്ഷമത)</li> <li>4. Marketing situation (4. മാർക്കറ്റിംഗ് സാഹചര്യം)</li> <li>5. special advantages like import licences , patents , trademarks etc . (5. ഇറക്കുമതി ലൈസൻസുകൾ, പേറ്റന്റുകൾ, വ്യാപാരമുദ്രകൾ തുടങ്ങിയ പ്രത്യേക നേട്ടങ്ങൾ)</li> </ol>

Method of valuation of Goodwill – Average Profit Method
<p><b>Under this method , the goodwill is valued at agreed number of ‘years’ purchase of the average profits of the past few years.</b></p>
<p style="text-align: center;"><b>Average profit = <u>Total profits for past few years</u></b> <b>No. of years</b></p>

**Goodwill = Average profit \* No of years purchase .**

### Adjustment for Accumulated profits and losses

General reserve , Accumulated profits or losses appearing in the balance sheet on the date of admission should be transferred to old partners capital accounts in their **Old Ratio**.

#### Journal Entries

<b>i) For Reserve and undistributed profits .</b>	Reserves / Profit and Loss Account Dr  To Old partners capital accounts ( individually )
<b>ii) For Accumulated losses</b>	Old partners capital accounts ( individually ) Dr  To Profit and Loss Account

### Revaluation of Assets and Reassessment of Liabilities

Revaluation account is prepared to bring the assets and liabilities to their current value and helps to ascertain the profit or loss on revaluation. Revaluation account is credited with increase in the value of assets and decrease in value of liabilities. It is debited with decrease in the value of assets and increase in the value of liabilities. Further , in case any unrecorded asset is to be brought into account it is credited in the revaluation account and any liability to be recorded is debited in it.

#### Proforma of Revaluation account

Particulars	Amount	Particulars	Amount
<i>Decrease in value of assets</i>	<i>xxx</i>	<i>Increase in value of assets</i>	<i>xxx</i>
<i>Increase in value of Liabilities</i>	<i>xxx</i>	<i>Decrease in value of Liabilities</i>	<i>xxx</i>
<i>Unrecorded Liabilities</i>	<i>xxx</i>	<i>Unrecorded assets</i>	<i>xxx</i>
<i>Partners capital account : (individually)</i>	<i>xxx</i>	<i>Partners capital account : (individually)</i>	<i>xxx</i>
<i>(Profit on revaluation transferred to old partners capital account in old ratio )</i>	<i>xxx</i>	<i>(Loss on revaluation transferred to old partners capital account in old ratio )</i>	<i>xxx</i>
	<i>xxx</i>		<i>xxx</i>

**Preparation of Revaluation account, Partners capital account and Balance Sheet****1 score questions**

1. Credit balance of Revaluation account means .....
  - a) Revaluation profit
  - b) Revaluation loss
  - c) Revenue loss
  - d) Capital profit
2. At the time of admission of new partner in a firm, unrecorded liabilities will be debited to ..... accounts.
  - a) Profit and loss account
  - b) Revaluation account
  - c) Realisation account
  - d) Goodwill account
3. At the time of admission of a partner in a firm, undistributed profit / general reserve appearing in the old Balancesheet is transferred to .....
  - a) New partners capital account
  - b) Old partners capital account
  - c) All partners capital account
  - d) None of these account.
4. Manoj and Manju are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Manu for  $\frac{1}{4}$  share in the profits. Then the sacrificing ratio of Manoj and Manju will be .....
  - a) 4:1
  - b) 2:3
  - c) 3:2
  - d) 5:1
5. The revaluation profit /loss at the time of admission of a partner is shared by .....
  - a) Admitted partner
  - b) All partners including admitted partner
  - c) Old partners
  - d) None of these
6. The share of Goodwill brought in by new partner in cash is called .....
  - a) Drawings
  - b) Capital
  - c) Profit
  - d) Premium
7. Sacrificing ratio is calculated on ..... of a partner
  - a) Admission
  - b) Retirement
  - c) Death
  - d) Dissolution

**Answers:-** 1 (a) , 2 (b) , 3 (b) , 4 (c) , 5 (c) , 6 (d) , 7 (a)



**2 or 3 score questions**

8. What do you mean by reconstitution of partnership firm?
9. Write any three situation in which reconstitution of a firm take place?
10. List out the two main rights acquired by a newly admitted partner of a firm.
11. Explain any four factors affecting the value of goodwill.
12. Write any three items that normally appearing on the credit side of Revaluation account?

**Answer:-** Increase in value of assets , Decrease in value of Liabilities, Unrecorded assets

13. The profit for the last 4 years of a firm were as follows:-

Year	2015	2016	2017	2018
Profit (Rs.)	1,20,000	1,30,000	1,00,000	1,50,000

Calculate the value of goodwill of the firm on the basis of 2 years purchase of the average profits for the last 4 years.

**Answer:-**

$$\text{Average profit} = \frac{(1,20,000+1,30,000+1,00,000+1,50,000)}{4} = \frac{5,00,000}{4} = 1,25,000.$$

$$\text{Goodwill} = 2 \text{ years purchase of the average profits for the last 4 years} \\ = 1,25,000 * 2 = \mathbf{2,50,000.}$$

14. Anil and Babu are partners sharing profits and losses in the ratio of 3:2. They admit Chandran as a partner for 1/3 share and he brings cash Rs. 80,000 as capital and 30,000 as premium for goodwill. Show the journal entries to record the above transactions.

**Answer:-**

**Journal entries**

Date	Particulars	LF	Debit - Amount	Credit - Amount
	Cash account Dr To Chandran's capital account (Amount brought in by Chandran as capital)		80,000	80,000
	Cash account Dr To Anil's Capital To Babu's Capital (Amount brought in by new partner as goodwill and shared by old partners in their sacrificing ratio)		30,000	18,000 12,000

15. Sunitha and Sindhu are partners sharing profits and losses in the ratio of 5:3 . Their Balance Sheet as on 31<sup>st</sup> March 2020 shows the following items:-

General reserve Rs. 32,000

Profit and loss accounts (Debit balance ) Rs. 8,000

On 1<sup>st</sup> April 2020, they decided to admit Bindu into Partnership. Pass necessary journal entries for adjustment of General reserve and accumulated Profit and loss account (Debit balance) at the time of Bindu's admission.

**Answer:-**

Journal entries

Date	Particulars	LF	Debit -Amount	Credit - Amount
	General reserve account                      Dr		32,000	
	To Sunith's capital account			20,000
	To Sindhu's capital account			12,000
	(General reserve transferred to old partners capital account in old ratio )			
	Sunitha's capital account                      Dr			
	Sindhu's capital account                      Dr		5,000	
	To Profit and loss account		3,000	
	( For transfer of accumulated loss to old partners capital account in old ratio )			8,000

16. Rajan and Syam are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Gopal as a new partner. Rajan surrenders 1/4 of his share and Syam 1/3 of his share in favour of Gopal. Calculate **new profit sharing** ratio of Rajan, Syam and Gopal.

**Answer:-**

Rajan's old share =  $\frac{3}{5}$  .                      Share surrendered by Rajan =  $\frac{1}{4}$  of  $\frac{3}{5}$  =  $\frac{3}{20}$

Rajan's new share =  $\frac{3}{5} - \frac{3}{20} = \frac{9}{20}$

Syam's old share =  $\frac{2}{5}$  .                      Share surrendered by Syam =  $\frac{1}{3}$  of  $\frac{2}{5}$  =  $\frac{2}{15}$

Syam's new share =  $\frac{2}{5} - \frac{2}{15} = \frac{4}{15}$

Gopal new share = Rajan's sacrifice + Syam's sacrifice =  $\frac{3}{20} + \frac{2}{15} = \frac{9}{60} + \frac{8}{60} = \frac{17}{60}$

**New profit sharing ratio** of Rajan , Syam and Gopal

=  $\frac{9}{20} : \frac{4}{15} : \frac{17}{60} = \frac{27}{60} : \frac{16}{60} : \frac{17}{60} = \mathbf{27:16:17}$

17. Riju and Mohan are partners in a firm sharing profits in the ratio of 5:3 . They admit Binu as a new partner for 1/7 share in the profit . The new profit sharing ratio will be 4:2:1 . Calculate the **sacrificing ratio** of Riju and Mohan.

Riju's old share =  $5/8$                       Riju's new share =  $4/7$

Riju's sacrifice =  $5/8 - 4/7 = 35/56 - 32/56 = 3/56$

Mohan's old share =  $3/8$                       Riju's new share =  $2/7$

Mohan's sacrifice =  $3/8 - 2/7 = 21/56 - 16/56 = 5/56$

**Sacrificing ratio** of Riju and Mohan = **3 : 5**

**4 or 5 score questions**

18. Rajesh and Srikanth are partners in a firm sharing profit and losses in the ratio of 2:1. Their Balance Sheet as on 1<sup>st</sup> January 2020 was as follows:-

Liabilities		Amount	Assets		Amount
Creditors		20,000	Cash in hand		12,000
Capital :			Stock		43,000
Rajesh	90000		Debtors		14,000
Srikanth	60000	1,50,000	Furniture		23,000
		-----	Building		78,000
		<b>1,70,000</b>			<b>1,70,000</b>
		=====			=====

Boban is admitted into the firm with 1/4 th share in profits on the following terms:

1. Stock is revalued at Rs. 40,000
2. Furniture is depreciated by 10%.
3. Buildings are valued at Rs.94,000
4. Rs 1700 is to be provided for doubtful debts.

Prepare **Revaluation account**.

**Answer:-Revaluation account**

Particulars		Amount	Particulars		Amount
Stock		3,000	Building		16,000
Depreciation – Furniture		2,300			
Provision for doubtful debts.		1,700			
Partner's Capital A/c : Rajesh	6000				
Srikanth	3000	9,000			
		<b>16,000</b>			<b>16,000</b>
		=====			=====

**8 score question**

19. The following is the Balance Sheet of Maya and Lekha who share profits in the ratio of 3:2.

Balance Sheet as on 31 March 2019

Liabilities		Amount	Assets		Amount
Capital Accounts :			Land and Building		2,26,000
Maya	2,40,000		Plant and Machinery		1,50,000
Lekha	1,80,000	4,20,000	Sundry debtors		30,000
Sundry Creditors		12,000	Stock		38,000
General Reserve		<u>20,000</u>	Cash in hand		8,000
		<b>4,52,000</b>			<b>4,52,000</b>
		=====			=====

They agreed to admit Deepa into partnership by giving her 1/5 th share on the following terms-

1. The value of Land and Building is to be increased to Rs. 2,60,000.
2. Stock revalued at Rs. 40,000.
3. Write down Plant and Machinery by 10%.
4. Sundry Creditors were unrecorded to the extend of Rs. 1,800.
5. Deepa will bring in Rs. 1,20,000 as her share of Capital and Rs. 25,000 as her share of Goodwill.

Prepare **Revaluation account** and **partners Capital accounts** and the **Balance Sheet** after admission of the new partner.

**Answer:-**

**Revaluation account**

Particulars	Amount	Particulars	Amount
Depreciation - Plant and Machinery	15,000	Land and Building	34,000
Sundry Creditors (unrecorded)	1,800	Stock	2,000
Maya's capital account	11,520		
Lekha's capital account	7,680		
	19,200		
	<b>36,000</b>		<b>36,000</b>
	=====		=====

## Partners Capital Account

Particulars	Maya	Lekha	Deepa	Particulars	Maya	Lekha	Deepa
				Balance b/d	2,40,000	1,80,000	-
Balance c/d	2,78,520	2,05,680	1,20,000	Cash	-	-	1,20,000
				General Reserve	12,000	8,000	-
				Goodwill	15,000	10,000	-
				Revaluation a/c (Profit)	11,520	7,680	
	<b>2,78,520</b>	<b>2,05,680</b>	<b>1,20,000</b>		<b>2,78,520</b>	<b>2,05,680</b>	<b>1,20,000</b>
	=====	=====	=====		=====	=====	=====

Balance Sheet as on 1<sup>st</sup> April 2019

Liabilities		Amount	Assets		Amount
Capital Accounts :			Land and Building		2,60,000
Maya	2,78,520		Plant and Machinery	1,50,000	
Lekha	2,05,680		Less Depreciation	15,000	1,35,000
Deepa	1,20,000	6,04,200	Sundry debtors		30,000
			Stock		40,000
Sundry Creditors		13,800	Cash in hand		1,53,000
		-----			
		<b>6,18,000</b>			<b>6,18,000</b>
		=====			=====

## Chapter-4

### Reconstitution of a Partnership Firm-Retirement/Death of a Partner

#### Points to remember from Focus areas

- New Profit Sharing Ratio and Gaining Ratio
- Adjustment for revaluation of assets and liabilities
- Adjustment of accumulated profit or loss
- Disposal of amount due to Retiring Partner
- Preparation of Partner's Loan Account
- Death of a Partner – calculation of amount due to deceased partner

#### 1) **New Profit Sharing Ratio**

*The new share of each of the remaining partner will consist of his own share in the firm plus the share acquired from the retiring /deceased partner.*

In the absence of any information regarding profit sharing ratio of remaining partners the relative share of them would be the new profit sharing ratio.

The continuing partners may acquire the share in the profits of the retiring/deceased partner in a proportion other than their old ratio, In that case, there is need to compute the new profit sharing ratio among them.

*New share of Continuing Partner = Old Share + Acquired share from the Outgoing Partner*

**NEW RATIO = OLD RATIO + GAINING RATIO**

#### 2) **Gaining Ratio**

The ratio in which the continuing partners have acquired the share from the retiring/deceased partner is called the gaining ratio. If the continuing partners acquire the share of retiring/deceased partner in their old profit sharing ratio and no need to compute gaining ratio, then the old ratio and gaining ratio will be the same. If the relative share of the continuing partners gets changed the gaining ratio should be computed.

**Gaining share of Continuing Partner = New share – Old share**

**3) Adjustment for revaluation of assets and liabilities**

Preparation of Revaluation account is same as you have studied in the case of admission

**Revaluation account**

Particulars	Amount	Particulars	Amount
Decrease in the value of assets (individually)	xxx	Increase in the value of Assets (Individually)	xxx
Increase in the value of liabilities (individually)	xxx	Decrease in the value of liabilities (individually)	xxx
Unrecorded liabilities	xxx	Unrecorded assets	xxx
Partners Capital a/c –profit on revaluation (old ratio)	xxx	Partners Capital a/c –Loss on revaluation (old ratio)	xxx
	xxx		xxx

**4) Adjustment of accumulated profit or loss**

Adjustment of accumulated profit or loss is same as in the case of admission

Undistributed profit and Accumulated losses appearing in the balance sheet on the date of retirement / death should be transferred to all partners capital accounts in their **Old Ratio**.

**Journal Entries**

<b>i) For Reserve and undistributed profits .</b> (General Reserve/Reserve fund/Profit and Loss account (Credit balance))	Reserves / Profit and Loss Account Dr To All partners capital accounts (individually)
<b>ii) For Accumulated losses</b> Profit and Loss account (Debit balance)	All partners capital accounts ( individually) Dr To Profit and Loss Account

**5) Disposal of Amount Due to Retiring Partner**

1. When retiring partner is paid cash in full.  
Retiring Partner's Capital A/c..... Dr.  
To Cash/Bank A/c
2. When retiring partner's whole amount is treated as loan.  
Retiring Partner's Capital A/c..... Dr.  
To Retiring Partner's Loan A/c
3. When retiring partner is partly paid in cash and the remaining amount treated as loan.  
Retiring Partner's Capital A/c..... Dr. (Total Amount due)  
To Cash/Bank A/c (Amount Paid)  
To Retiring Partner's Loan A/c (Amount of Loan)
4. When Loan account is settled by paying in instalment includes principal and interest.
  - a) For interest on loan  
Interest A/c..... Dr.  
To Retiring Partner's Loan A/c
  - b) For payment of instalment  
Retiring Partner's Loan A/c..... Dr.  
To Cash/Bank A/c

**6) Ascertaining the Amount Due to Retiring/Deceased Partner**

The sum due to the retiring partner (in case of retirement) and to the legal representatives/executors (in case of death) includes:

- (i) Credit balance of his capital account;
- (ii) Credit balance of his current account (if any);
- (iii) His share of goodwill ;
- (iv) His share of accumulated profits (reserves);
- (v) His share in the gain of revaluation of assets and liabilities;
- (vi) His share of profits up to the date of retirement/death;
- (vii) Interest on his capital, if involved, up to the date of retirement/death; and
- (viii) Salary/commission, if any, due to him up to the date of retirement/death.

The following deductions, if any, may have to be made from Retiring/Deceased Partner's Share:

- (i) Debit balance of his current account (if any);
- (ii) His share of goodwill to be written off; if necessary;
- (iii) His share of accumulated losses;
- (iv) His share of loss on revaluation of assets and liabilities;
- (v) His share of loss up to the date of retirement/death;
- (vi) His drawings up to the date of retirement/death;
- (vii) Interest on drawings, if involved, up to the date of retirement/death.



**TRY YOURSELF**

1. The sum due to the retiring partner do not includes.....
  - (a) Credit balance of his capital account;
  - (b) Credit balance of his current account (if any);
  - (c) His share of goodwill ;
  - (d) Future earn earnings of the firm after his retirement (ans)
  
2. Which of the following debit has to be made in the capital account of retiring partner
  - a) His share of accumulated losses (ans)
  - b) His share of profits up to the date of retirement
  - c) Salary/commission, if any, due to him up to the date of retirement
  - d) His share in the gain of revaluation of assets and liabilities
  
3. In the absence of any information regarding the acquisition of share in profit of the retiring/deceased partner by the remaining partners, it is assumed that they will acquire his/her share.....
  - (a) Old Profit Sharing Ratio (Ans)
  - (b) New Profit Sharing Ratio
  - (c) Equal Ratio
  - (d) None of these
  
4. Amrinder, Mahinder and Joginder are partners in a firm. Mahinder retires from the firm. On his date of retirement, Rs. 60,000 becomes due to him. Amrinder and Joginder promise to pay him in instalments every year at the end of the year. Prepare Mahinder's Loan Account assuming that payment is made four yearly instalments plus interest @ 12% p.a. on the unpaid balance.

**Ans.**

**Mahinder's Loan Account**

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1 <sup>st</sup> year	Bank(15000+7500)	22500	1 <sup>st</sup> year	Mahinder Capital	60,000
	Balance c/d	45000		Interest 12% * 60000	7,500
		<b>67500</b>			<b>67500</b>
2 <sup>nd</sup> year	Bank (15000+5400)	20400	2 <sup>nd</sup> year	Balance b/d	45000
	Balance c/d	30000		Interest 12% * 45000	5400
		<b>50400</b>			<b>50400</b>
3 <sup>rd</sup> year	Bank (15000+3600)	18600	3 <sup>rd</sup> year	Balance b/d	30000
				Interest 12% * 30000	3600

	Balance c/d	15000			
		<b>33600</b>			<b>33600</b>
4 <sup>th</sup> year	Bank (15000+1800)	16800	4 <sup>th</sup> year	Balance b/d	15000
				Interest 12% * 15000	1800
		<b>16800</b>			<b>16800</b>

5. Calculate the amount to be transferred to the executor's loan a/c of deceased partner on 30/06/2018 from the following information assuming that:
- Deceased partner's share is 1/5
  - Capital balance of the deceased partner is Rs.60000/-
  - Goodwill of the firm was valued at Rs. 2,00,000/-
  - Revaluation loss of deceased partner amounted to Rs. 15000/-
  - General reserve shown in the balance sheet Rs. 25000/-
  - Amount transferred immediately to the deceased partner's bank account Rs. 50000/-

**Ans:**

$$60000+40000 - 15000+5000 = 90000 \text{ (total amount due)}$$

$$90000-50000 = 40000/- \text{ (transferred to the deceased partner's loan account)}$$

**OR**

#### Deceased Partner's Capital Account

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Revaluation a/c	15000	Balance b/d	60000
Bank a/c	50000	Goodwill(1/5)	40000
		General Reserve (1/5)	5000
Executors loan a/c	40000		
	<b>105000</b>		<b>105000</b>

6. Sanjana, Sadhna and Ramana are partners sharing profits in the ratio 4:3:2. Sanjana retires; Sadhna and Ramana decided to share profits in future in the ratio of 5:3. Calculate the Gaining Ratio.

$$\text{Old share of Sanjana, Sadhna and Ramana} = 4:3:2$$

$$\text{New share of Sadhna and Ramana} = 5:3$$

$$\text{Gaining Share} = \text{New Share} - \text{Old Share}$$

$$\text{Sadhna's Gaining Share} = 5/8-3/9 = (45-24)/72 = 21/72$$

$$\text{Ramana's gaining share} = 3/8-2/9 = (27-16)/72 = 11/72$$

$$\text{Gaining Ratio } 21:11$$

7. Write any four items to be credited to the retiring partner's capital account while preparing capital account on retirement.
- credit balance of his capital account;
  - credit balance of his current account(if any);
  - his share of goodwill ;
  - his share of accumulated profits (reserves);

- (v) his share in the gain of revaluation of assets and liabilities;
- (vi) his share of profits up to the date of retirement/death;
- (vii) interest on his capital, if involved, up to the date of retirement/death; and
- (viii) salary/commission, if any, due to him up to the date of retirement/death.

8. Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of 3 : 2 : 1. On March 31<sup>st</sup>, 2007, Naman retires. The various assets and liabilities of the firm on the date were as follows: Cash Rs.10,000, Building Rs.1,00,000, Plant and Machinery Rs. 40,000, Stock Rs.20,000, Debtors Rs.20,000 and Investments Rs.30,000. The following was agreed upon between the partners on Naman's retirement:

- (i) Building to be appreciated by 20%.
- (ii) Plant and Machinery to be depreciated by 10%.
- (iii) A provision of 5% on debtors to be created for bad and doubtful debts.
- (iv) Stock was to be valued at Rs. 18,000 and Investment at Rs. 35,000.

Find the share of revaluation profit/loss transferred to Naman's capital account

**Ans:**  $20000 - 4000 - 1000 - 2000 + 5000 = 18000$  (balance of revaluation account)

Naman's share of revaluation profit =  $18000/6 = 3000/-$

**OR**

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant and Machinery	4000	Building	20000
provision of 5% on debtors	1000	Investment	5000
Stock	2000		
Capital a/c:			
H- $18000 \times \frac{3}{6} = 9000$			
G- $18000 \times \frac{2}{6} = 6000$			
N- $18000 \times \frac{1}{6} = 3000$			
	18000		
	25000		25000

Naman's share of revaluation profit =  $18000 \times \frac{1}{6} = 3000/-$

## Chapter-5

## Dissolution of Partnership Firm

## Focus Area

- ✓ Dissolution of Partnership.
- ✓ Dissolution of Partnership firm.
- ✓ Distinction between Dissolution of Partnership and Dissolution of Firm.
- ✓ Preparation of Realisation Account.

**Dissolution of Partnership** –The relation of partnership among different partners changes without affecting the entity of the firm is called Dissolution of Partnership.

**Dissolution of Partnership firm** –The termination of partnership business and partnership among all the partners in a firm is called Dissolution of Partnership firm.

**(Dissolution of Partnership and Dissolution of firm)**

A. The dissolution of *partnership* may take place in any of the following ways:

- (1) Change in existing profit sharing ratio among partners;
- (2) Admission of a new partner;
- (3) Retirement of a partner;
- (4) Death of a partner;
- (5) Insolvency of a partner;
- (6) Completion of the venture, if partnership is formed for that; and
- (7) Expiry of the period of partnership, if partnership is for a specific period of time;

B. Dissolution of a *firm* takes place in any of the following ways:

1. *Dissolution by Agreement:*
2. *Compulsory Dissolution*
3. *On the happening of certain contingencies*
4. *Dissolution by Notice*
5. *Dissolution by Court*

C. **Distinction between Dissolution of Partnership and Dissolution of Firm**

Sl. No.	Basis	Dissolution of Partnership	Dissolution of Firm
1	Termination of business	The business is not terminated.	The business of the firm is closed.
2	Settlement of assets and liabilities	Assets and liabilities are revalued and new balance sheet is drawn.	Assets are sold and liabilities are paid-off.
3	Court's intervention.	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by the court's order.
4	Economic relationship	Economic relationship between the partners	Economic relationship between the partners comes

		continues though in a changed form.	to an end.
5	Closure of books.	Does not require because the business is not terminated.	The books of account are closed.
6	Other dissolution	It may or may not involve dissolution of the firm	It necessarily involves dissolution of partnership.

**Realisation account :** The Realisation account is prepared to close the accounts of assets and liabilities, and to ascertain the profits or losses on realisation of assets and payments of liabilities, at the time of Dissolution of a Partnership firm.

**Proforma of Realisation Account**

Particulars	Amount	Particulars	Amount
<ul style="list-style-type: none"> <li>To All assets (other than cash, bank)</li> <li>To Capital A/c (Liabilities taken over by the partners)</li> </ul>	xxx	<ul style="list-style-type: none"> <li>All Liabilities in the balance sheet other than capital, partners loan and accumulated profit</li> </ul>	Xxx
<ul style="list-style-type: none"> <li>To Cash/bank (payment)</li> </ul>	Xxx	<ul style="list-style-type: none"> <li>Capital a/c of partners (Assets taken over by the partners)</li> </ul>	Xxx
<ul style="list-style-type: none"> <li>To Capital account (profit on realisation)</li> </ul>	Xxx	<ul style="list-style-type: none"> <li>Cash/bank a/c (any type of cash receipt on dissolution)</li> </ul>	Xxxx
	xxx	<ul style="list-style-type: none"> <li>Capital account (loss on realisation transferred to capital a/c)</li> </ul>	Xxx
	xxx		xxx

- On dissolution of a firm, partner’s loan account would not be transferred to Realisation account
- After transferring liabilities like creditors and bills payables in the Realisation Account, in the absence of any information regarding their payments, such liabilities are treated as fully paid.
- On dissolution of a firm, bank overdraft is transferred to Realisation a/c

**TRY YOURSELF**

- Which of the following statement is true with respect to realisation account.
  - Partners loan account is always transferred to realisation account
  - All assets (except cash/bank and fictitious assets) are transferred to the realisation account (Ans)
  - All amount realised from sale of assets are debited to the realisation account
  - Profit on realisation is transferred directly to cash account

2. If a liability is assumed by a partner, such Partner’s Capital Account is \_\_\_\_\_
  - a) Debited
  - b) Credited (Ans)
  - c) No treatment is needed
  - d) Debited or Credited
3. If a partner takes over an asset, which is ----- to Partner’s Capital Account.
  - a) Debited (Ans)
  - b) Credited
  - c) No treatment is needed
  - d) Debited or Credited
4. Which of the following item not recorded in the realisation account?
  - a) Fixed assets of the firm
  - b) Current liability of the firm
  - c) Partners loan account (Ans)
5. The journal entry for the cash payment of realisation expense is.....
  - a) Cash a/c.....Dr  
 To Ralisation a/c
  - b) Realisation a/c.....Dr (Ans)  
 To Cash a/c
  - c) Realisation expenses a/c.....dr  
 To Cash a/c
  - d) Capital account of all partners .....Dr  
 To Cash a/c
6. On dissolution of a firm, bank overdraft is transferred to :
  - (a) Cash Account
  - (b) Bank Account
  - (c) Realisation Account (Ans)
  - (d) Partner’s capital Account.
7. Anup and Sumit are equal partners in a firm. They decided to dissolve the partnership on December 31, 2017. When the balance sheet is as under:

**Balance Sheet of Anup and Sumit as on December 31, 2017**

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	27,000	Cash at bank	11,000
Reserve fund	10,000	Sundry Debtors	12,000
Loan	40,000	Plants	47,000
Capital		Stock	42,000
Anup	60,000	Lease hold land	60,000
Sumit	60,000	Furniture	25,000
	1,97,000		1,97,000

The Assets were realised as follows:

Lease hold land	72,000
Furniture	22,500
Stock	40,500
Plant	48,000
Sundry Debtors	10,500

The Creditors were paid Rs.25,500 in full settlement. Expenses of Realisation amount to Rs.2,500.

Prepare **Realisation Account**.

**ANS:**

**Realisation Account**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Sundry Debtors	12,000	Sundry Creditors	27,000
Plants	47,000	Loan	40,000
Stock	42,000	Bank:	
Lease hold land	60,000	Lease hold Land	72,000
Furniture	25,000	Furniture	22,500
Bank:		Stock	40,500
Creditors	25,500	Plant	48,000
Loan	40,000	Sundry Debtors	10,500
Expenses	2500		1,93,500
Profit transferred to			
Anup's Capital A/c	3,250		
Sumit's Capital A/c	3250		
	6,500		
	2,60,500		2,60,500

8. Sita, Rita and Meeta are partners sharing profit and losses in the ratio of 2:2:1. They decided to dissolve the business. The following amounts were realised: Plant and Machinery Rs.4,250, Stock Rs.3,500, Debtors Rs.1850, Furniture 750. Sita agreed to bear all realisation expenses. For the service Sita is paid Rs.60. Actual expenses on realisation amounted to Rs.450. Creditors paid 2% less. There was an unrecorded assets of Rs.250, which was taken over by Rita at Rs.200. Calculate the amount realised in the process of dissolution.

**Ans.** Amount realised =  $4250 + 3500 + 1850 + 750 = 10350$

(Realisation expenses met by partner and assets taken over are transferred to partner's capital account)

9. Give the journal entries to be recorded for the following, in case of the dissolution of a partnership firm.

1. For closure of assets accounts.
2. For closure of liabilities accounts.
3. For sale of assets.
4. For settlement of a creditor by paying cash

**Ans:**

1. Realisation a/c .....	Dr
To Assets a/c .....	
<hr style="width: 80%; margin-left: 0;"/>	
2. Liabilities a/c .....	Dr
To Realisation a/c .....	
<hr style="width: 80%; margin-left: 0;"/>	
3. cash a/c .....	Dr
To Realisation a/c .....	
<hr style="width: 80%; margin-left: 0;"/>	
4. Realisation a/c .....	Dr
To Cash .....	

10. Differentiate between Realisation Account and Revaluation Account.

Basis of Difference	Realisation Account	Revaluation Account
Meaning	It records the sale of various assets and payment of various liabilities.	It records the effect of revaluation of assets and liabilities on the eve of admission, retirement, death and change in the profit sharing ratio.
Time	It is prepared at the time of dissolution of firm.	It is prepared when admission/retirement/death or change in profit sharing ratio takes place.
Objective	To find profit or loss on realisation of assets and payment of liabilities.	To find out profit or loss on revaluation of assets and liabilities.
Amount	Assets and liabilities are shown at the book value.	Increase or decrease in the value of assets and liabilities are shown in this account.
Records	All assets and liabilities are recorded here.	Only those assets and liabilities are recorded here whose values have changed over a period of time.
Effect	All accounts of assets and liabilities are closed.	No account is closed on revaluation of assets and liabilities.



**PART B**



**CHAPTER 1 OVERVIEW OF COMPUTERISED ACCOUNTING SYSTEM**

**FOCUS AREA**

1. Features of CAS
2. Components of CAS
3. Grouping of CAS
4. Codification of accounts
5. Merits and Demerits of CAS

.....

Computerised accounting	Features of computerised Accounting system.
<p>Computerised accounting is the process of recording transactions and generating financial statements with the use of computers.</p> <p>കമ്പ്യൂട്ടർ ഉപയോഗിച്ചുള്ള ഇടപാടുകൾ രേഖപ്പെടുത്തുന്നതിനും സാമ്പത്തിക പ്രസ്താവനകൾ സൃഷ്ടിക്കുന്നതിനുമുള്ള പ്രക്രിയയാണ് കമ്പ്യൂട്ടറൈസ്ഡ് അക്കൗണ്ടിംഗ്.</p>	<ol style="list-style-type: none"> <li>a. Simple and Integrated</li> <li>b. Transparency and control</li> <li>c. Accuracy and speed</li> <li>d. Scalability</li> <li>e. Reliability</li> <li>f. Quick decision making</li> <li>g. For improved business performance</li> </ol>

**Components of CAS**

- a. Data - Raw facts and figures used by a computer
- b. Procedure - Steps to be follow
- c. Hardware - Physical devices of a computer
- d. Software - Collection of programs that operates a computer.
- e. Users - Person who operates the computer (Human ware)

### Grouping of Accounts

Bringing together accounts of similar nature at one place at one time is known as grouping of accounts. Grouping is done on the basis of accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Capital} + (\text{Income} - \text{Expenses})$$

### Codification of accounts

Allotting codes to various items in financial statements is called Codification. Codes may be a symbol, alphabet, or number allotted to particular item.

### Types of codes

1. Sequential Codes	Numbers and / or letters assigned in consecutive order Eg : CM001 – Excel Company Ltd. CM002 – Modern company Ltd. etc
2. Block codes	Range of numbers is assigned in consecutive order. Eg: 1001 – 1999 Televisions 2001 – 2999 Mobilephones . etc
3. Mnemonic codes	Alphabets or abbreviations are assigned for piece of information Eg : SJ Sales journal CB - Cash book PGT - Palakkad , TVM - Trivandrum etc.

### Merits and Demerits of Computerised Accounting System ( CAS)

Merits of CAS	Demerits of CAS
<ol style="list-style-type: none"> <li>1. Timely generation of desired reports.</li> <li>2. Efficiency in record keeping</li> <li>3. Saves time and money</li> <li>4. Confidentiality of data is maintained</li> <li>5. Automated document preparation</li> <li>6. Transparency and reliability</li> <li>7. Accurate and updated information.</li> </ol>	<ol style="list-style-type: none"> <li>1. Danger of hackers and stealing of database</li> <li>2. Problem with technology</li> <li>3. Non availability of skilled personnel</li> <li>4. Chance of data loss due to various reasons</li> <li>5. Faster obsolescence of technology</li> <li>6. Huge training cost of employees</li> <li>7. Unprogrammed reports cannot be generated.</li> </ol>

**TRY YOURSELF**

1. Unprocessed raw facts are called -----
2. Processed data is called -----
3. Cash and bank will come under the group-----
4. Trivandrum is represented as TVM. Identify the type of code.
5. Write the features of CAS.
6. What are the Components of CAS?
7. What do you mean by grouping of accounts?
8. What is codification and what are the different types of codes?
9. Briefly explain the merits and demerits of CAS.

**ANSWERS**

- 1.Data.
- 2.Information.
- 3.Current Asset.
- 4.Mnemonic code.



**Features of LibreOffice Calc/ Spread Sheet**

1. Easy calculations – The software provides a lot of tools with which one can perform even complex calculations on different data spread across sheets with ease .
2. What-If calculations – This lets users to predict what will happen if certain condition changes.
3. Serves as a database - The data stored in LibreOffice Calc can be organised or reorganised according to the needs of the user.
4. Arranging data - This programme allows storing any number of data in different sheets. Storing, retrieving, filtering etc are easy in it.
5. Dynamic charts - Different types of charts are available in LibreOffice Calc and are enable the user to present various data in an appealing manner.

**Components of LibreOffice Calc**

- ✓ Rows and Columns
- ✓ Cell
- ✓ Range
- ✓ Title bar
- ✓ Menu Bar
- ✓ Tool Bar
- ✓ Formula Bar
- ✓ Individual Cells
- ✓ Sheet tabs
- ✓ Status bar

**Rows and Columns :** The worksheet in LibreOffice Calc contains Rows and Columns in Table format . Rows are named numerically ( 1, 2, 3, ..... ) from top to bottom while Columns are referred by alpha characters ( A, B, C ..... ) from left to right .

**Cell :-** The intersection of a Row and a Column is called a Cell. Data are recorded in Cells.

**Cell reference :-**

Cell address used in a formula is called Cell reference. A Cell reference identifies the location of a cell or group of cells in the spreadsheet. A cell reference may be relative, absolute and mixed.

**Relative Cell Reference**

It means when the formula is copied, it changes to reflect the new location. Example : In the cell C1, we have given a formula as =A1+B1 to add values in A1 and B1. If we copy the formula to C2, the formula is converted as =A2+B2 .

### **Absolute Cell Reference**

Absolute cell reference is used to keep a cell reference constant. The cell references in a formula remain the same even when the formula is copied to a new location. It consists of column letter and row number surrounded by dollar sign (\$).

### **Mixed Cell Reference**

Mixed cell reference is a combination of Relative and Absolute cell references. This reference holds either row or column constant when the formula is copied to another location.

**Range:** Range is a group or block of cells that are highlighted in a worksheet. A range may contain just a single cell or many cells. Eg: A5 : D19

**Naming Range:** Naming Range means giving a name to a specific range. This name can be used in formula instead of specifying these cell reference of the range.

### **Functions (Date and Time, Statistical, Logical and Mathematical)**

Function is a pre-defined formula in spreadsheet that returns a specific result. Formula should begin with an '='. The important functions are:

1. Date and Time Function
2. Mathematical Function
3. Text Manipulation Function
4. Logical Functions
5. Lookup and Reference Function
6. Financial Function

#### **1. Date and Time Function**

- a. **Today ( )** -The function '=Today( )' in a cell gives the current system date in that cell. Syntax =TODAY()
- b. **Now( )**- It is a similar function of Today(). But this function includes the current time also with the date. Syntax =NOW()
- c. **Day ( )**- This function returns the day of a date, represented by a serial number. Syntax =DAY("DATE")
- d. **Month ( )** - This function returns the serial number of the month.  
Syntax =MONTH("DATE" ) .
- e. **Year( )**- This function returns the serial number of the year.  
Syntax =YEAR("DATE" ) .
- f. **DATEVALUE( )**- LibreOffice Calc considers 30/12/1899 as the base date with date value zero (0). Based upon this, Datevalue function converts the given date and return its corresponding date value number.  
Syntax =DATEVALUE("text")

g. **DATE ( )** - This function returns a date , when the year, month and day parameters are given as integer separated by commas .

Syntax: =DATE(Year, Month, Day)

## 2. Statistical Function

a. **COUNT( )**- The COUNT function will count cells that contain numbers or count the numbers.

Syntax =COUNT(Range )

b. **COUNTA( )** - The COUNTA function counts the number of cells that contain any type of data.

Syntax =COUNTA(Range )

c. **COUNTBLANK( )**- COUNTBLANK function counts the number of cells which are empty .

Syntax =COUNTBLANK(Range )

d. **COUNTIF( )**- COUNTIF function is used to count the number of cells that meet a criteria.

Syntax =COUNTIF(Range, criteria )

## 3. Logical Functions

a. **IF( )** - IF function used to test a condition and to return one value if the condition is true, and another value if the condition is false.

Syntax =IF(Test, Then\_value, Otherwise\_value)

b. **Nested if**- The IF function can be nested, when you have multiple conditions to meet.

Syntax =IF(Test\_1, Then value\_1, If(Test\_2, Then value\_2),If ( .....))

c. **AND( )** - It checks more than one condition at the same time and returns TRUE if all the conditions are satisfied.

Syntax: =AND( logical value 1, logical value2, ..... logical value30)

d. **OR** - This function is used to compare two values or statements.

Syntax: =OR( logical value 1, logical value, ..... logical value30)

## 4. Mathematical Function

a. **SUM( )** The SUM function adds together a set of numbers or numbers in a given range and returns the sum of these values.

Syntax: =SUM(range )

b. **SUMIF( )** SUMIF function adds all numbers in a range of cells, only if it meets the given criteria. Syntax: =SUMIF(range , "criteria", sum\_range)

c. **Round( )** Calc provides ROUND function to round-off number to a certain number of decimal places . Syntax:= Round( Number, Count)

1. **ROUNDUP( )**- The ROUNDUP function always round a number to upward. Syntax:= Roundup( Number, Count)

2. **ROUNDDOWN( )**- The ROUNDDOWN function always round a number to downward . Syntax:= Rounddown( Number, Count)

**SPREADSHEET OPERATIONS**

1. **Open worksheet:** We can open a new workbook by choosing New option or by clicking the respective icon from the "FILE" menu. An existing workbook can be opened by choosing "OPEN" option in the File menu or by clicking the "icon" on the standard tool bar.
2. **Save a Worksheet:** SAVE option in the file menu is used to save a worksheet, OR "SAVE ICON" on the Standard Tool Bar can also be used to save a file.
3. **Close worksheet:** A workbook can be closed with "CLOSE" option in the file Menu or use "Close Button" on the right top of the screen.
4. **Add Worksheet:** Right click the mouse at the sheet Tab area and select the " Insert Sheet" from the Popup Menu or click on the plus mark (+) near the sheet tab on the bottom of the screen.
5. **Delete Worksheet:** Inorder to delete a worksheet , right click the sheet Tab to be deleted and select " Delete Sheet" from the pop up menu.
6. **Rename Worksheet:** By default, worksheets are named as Sheet 1, Sheet 2, Sheet 3 ... etc . A worksheet can be renamed by selecting the option " Rename Sheet" from the popu menu on a right click of sheet tab. Give the your sheet name and click OK then new name will appear on the Sheet tab.

**Workbook and Worksheet:** A file in spreadsheet is known as a " Workbook". A workbook is a collection of worksheets".

**TRY YOURSELF****[1 mark questions]**

1. \_\_\_\_\_ is sheet of rows and columns. Ans: Spreadsheet
2. A file in calc is known as \_\_\_\_\_.Ans: Workbook
3. A workbook is a collection of \_\_\_\_\_.Ans:Worksheet
4. The intersection of rows and columns is called \_\_\_\_\_.  
Ans: Cell
5. \_\_\_\_\_ is a combination of column name and row number.  
Ans: Cell Address
6. Cell has unique identification called \_\_\_\_\_.Ans:Cell Address
7. \_\_\_\_\_ is the cell address of the cell at fifth (5th) row under column F.Ans:F5
8. Cell address is also referred to as \_\_\_\_\_.Ans: Cell Reference
9. \_\_\_\_\_ is identified by the cell references at the cells in the upper left and lower right corners. Ans: Range
10. A formula begins with \_\_\_\_\_.Ans: Equal sign
11. \_\_\_\_\_ Function shows the todays date in the cell.Ans: =Today ( )
12. \_\_\_\_\_ Function converts a date to a serial number.Ans: =Datevalue ( )
13. The identifier of a piece of information shown in chart is \_\_\_\_\_.Ans: Legend
14. Libre office calc is a \_\_\_\_\_ software.
  - a. Database
  - b. Text documents
  - c. Presentation
  - d. Spreadsheet**



15. \_\_\_\_\_ is a collection of selected cells. Ans: Cell Range
16. The number of worksheets in LibreOffice calc is seen by default when you open a workbook is \_\_\_\_\_. Ans: One
17. In cell address D7, D represents \_\_\_\_\_. 4<sup>th</sup> Column
18. Dollar symbol is prefix word on the column and row names in a formula is:
- a. Mixed cell – reference                      b. **Absolute cell reference**  
c. Relative cell reference                      d. All of these.
19. Identify the function which converts date into the corresponding internal date number:
- a. NOW      b. DATE      c. **DATE VALUE**      d. TODAY
20. If function comes under \_\_\_\_\_.
- a. Statistical      b. **Logical**      c. Spreadsheet      d. Text manipulation
21. A function inside another function is called \_\_\_\_\_.
- a. Round function      b. **Nestedif function**      c. Next function      d. Sum function
22. By default, “Numbers” entered in a spreadsheet have \_\_\_\_\_ alignment.
- a. Left                      b. **Right**                      c. Middle
23. By default, ”labels” entered in a spread sheet have \_\_\_\_\_ alignment.
- a. Right                      b. **Left**                      c. Middle
24. SUMIF () is an example for \_\_\_\_\_ function. Ans: Mathematical
25. The function which counts the number of cells which contain any value \_\_\_\_\_.  
Ans: = Counta( )
26. AND function comes under \_\_\_\_\_ function. Ans: Logical

[ 2 mark questions]

27. Write the steps to draw a range in Libre office calc?
28. Write the name of any two date and time function?
29. Give the syntax of any two mathematical function?
30. Give the absolute cell reference to represent the following in Spread sheet package Cell at
- a, 10<sup>th</sup> column and 15<sup>th</sup> row?  
b, Range of cells from 5<sup>th</sup> column and 5<sup>th</sup> row to 11<sup>th</sup> column to 8<sup>th</sup> row?
31. Identify the spreadsheet function mention in the following
- a, Display the current date  
b, Display the current date and time

32. Explain the procedure for the following spreadsheet operations in Libre office calc.

- a, Rename a worksheet
- b, Delete a worksheet

33. Write any two features of LibreOffice calc?

34. Difference between absolute cell reference and relative cell reference?

35. Differentiate between worksheet and workbook?

**[3 mark question]**

36. Explain the meaning of the following

- a) Relative cell reference b) Absolute cell reference C) Mixed cell reference

37. Explain cell, cell pointer and cell address?

38. Match column A with B

A

a) Mathematical Function

b) Logical Function

c) Statistical Function

B

(i) IF

(ii) COUNT BLANK

(iii) ROUND

39. What are the components of a formula?

40. Write any three statistical function and its syntax?

**[5 mark questions]**

41. Write the syntax of the following spreadsheet function

- a) Date value
- b) Count
- c) Sum if
- d) Round
- e) If

42 . Explain the mathematical functions?

43. Write any five spreadsheet operations?

**CHAPTER -3****USE OF SPREAD SHEET IN BUSINESS APPLICATIONS**

FOCUS AREA:

- Payroll Accounting
- Asset Accounting

**Payroll Accounting**

Payroll is the statement prepared by every organisation to show the detailed salary calculation. It includes BP and allowances such as DA, HRA ,TA, CCA and deductions such as PF, SLI, GIS, TDS, Loan Repayments etc.

- Gross pay = BP + DA + HRA + TA + CCA
- Net pay= Gross pay -Total Deductions. (PF, SLI, GIS, TDS, Loan repayment )
- Net pay = (BP+ DA+HRA+TA+CCA ) - (PF, SLI, GIS, TDS, Loan Repayment)

**Components of Payroll includes-**

1. Basic Pay (BP)
2. Grade Pay (GP)
3. Dearness Pay (DP)
4. Dearness Allowance (DA)
5. House Rent Allowance (HRA)
6. Transport Allowance (TA )
7. Education Allowance
8. Medical Allowance
9. Washing Allowance

**Deductions includes-**

1. Professional Tax (PT)
2. Provident Fund (PF)
3. Tax Deductions at Source (TDS)
4. Loan Instalment (LOAN)
5. Festival Advance

### **Asset Accounting**

Depreciation means the gradual and permanent decrease in the value of fixed asset . Normally there are two methods for charging depreciation; they are

1. **Straight Line Method (SLN )**
2. **Written down value method ( DB )**

**1. Straight Line Method (SLN ):** Under straight line method, a fixed amount is deducted from the value of an asset. In other words depreciation charged every year is CONSTANT.

*Syntax: = SLN(Cost, Salvage, Life)*

- Cost = Purchase Value + installation charges + Pre-operating expenses
- Salvage = Scrap value after the life of asset.
- Life = Life period of asset.

**2. Written down value method ( DB ):** Under this method the amount of depreciation will diminish year after year because of depreciation is calculated on the written down value of asset.

*Syntax: =DB(cost, salvage, life, period, months)*

### **TRY YOURSELF**

1. 'Gross pay ' includes -

- a) BP            b) HRA            c) DA            d) All of these

Ans - d) All of these

2. Gross pay – Total deductions = .....

Ans - Net pay

3. Write the syntax of the following functions -

- a) **SLN**            b) **DB**

Ans - a) Syntax: = SLN(Cost, Salvage, Life)

b) Syntax: = DB(cost, salvage, life, period, months)

4. Describe various components of salary and deductions in relation to payroll accounting .

5. Name the two method of depreciation functions used in LibreOffice Calc?

6. Write the equation used for finding 'Gross salary' and 'Net salary', if Basic pay , DA, HRA, PF, and SLI are given as salary components and deductions .

7. What are the different methods for calculating depreciation on fixed assets?

**CHAPTER -4 GRAPHS AND CHARTS FOR BUSINESS****FOCUS AREA:**

- **Column Chart**
- **Bar Chart**
- **Pie Chart**
- **Doughout Chart**
- **Advantages of GRAPHS and CHARTS**

**Column Chart:** In the column chart, categories are displayed horizontally and values vertically. Column chart works well when we want to compare data sets between each other.

**Bar Chart:** The bar chart is similar to the column chart, with the difference being that the data series are displayed horizontally and not vertically. Similar to the column chart, in the bar chart we can compare one or more data series.

**Pie Chart :-** The pie chart contains only one data series. A series of data in a pie chart is displayed as a percentage of the total.

**Donut Chart** (also known as **Doughnut chart**) is a variation on a **Pie chart** except it has a round hole in the centre which makes it look like a donut, hence the name. This empty space can be used to display additional data

**Advantages of using Graphs and Charts**

1. Create Visually appeal
2. Read the data easy
3. analyse and interact the data quickly
4. Simple to peruse the information
5. Fast examination and understanding of information with a brief period
6. To know the patterns without any problem
7. A huge volume of data can be shown through graphs without any problem

**STEPS for Creating Charts**

Step 1 : Open new worksheet and enter the details

Step 2: Creation of Chart:

Select Data - Insert - Chart - Select Chart Type - Next – Finish.

**TRY YOURSELF**

- 1 ..... chart contains only one data series .
  - a) Bar
  - b) Pie
  - c) Column
  - d) None of these
2. Show the steps for creating chart ?
3. List out the advantages of charts and graphs in business applications ?
4. Write short notes on-
  - a) Column Chart
  - b) Bar Chart
  - c) Pie Chart
5. In the column chart, categories are displayed .....Ans: Horizontally
6. .... chart is used to compare data sets between each other. Ans: Bar
7. In bar chart, the data series are displayed horizontally (**TRUE/FALSE**)
8. The pie chart contains only one data series (**TRUE/FALSE**)
9. What are the different types of charts?

**CHAPTER 5****ACCOUNTING SOFTWARE PACKAGE- GNUKhata****FOCUS AREA:**

- ➔ **Creation of Organisation ,**
- ➔ **Ledger Creation**
- ➔ **Voucher Entry**

Accounting software is a computer program that assists bookkeepers and accountants in recording and reporting a firm's financial transactions. There are number of accounting software packages available in the market like TALLY, GNUKhata, SAP, Tata Ex, Peachtree, Dac Easy, Fesh books, Quick books, Wave, etc.

**GNUKhata**

**GNUKhata** is free and open source software for accounting and inventory management. **GNUKhata** was developed by Digital Freedom Foundation, a public charitable trust.

**Starting GNU Khata****Step-1-Open GNU Khata**

Application----Office----GNUKhata or Click the GNUKhata icon from the desktop

**Step-2 Create Organisation**

To create organization click “Create Organisation”. While creating an organization the following details are to be given.

- A. Organisation Name
- B. Case
- C. Organization Type
- D. Financial Year
- E. Accounts only-----**Proceed**

**Step-3 Create Admin**

- ✓ User Name
- ✓ Password
- ✓ Confirm Password
- ✓ Security Question
- ✓ Click- Create & Login

## → Ledger Creation

GNU Khata has 13 predetermined group, of which 9 relates to the Balance Sheet and the other 4 relates to the P & L Account.

Name of the Group	Name of the Sub-Group
Capital-	None
Current Asset -	Bank, cash, Loans & Advances, Sundry Debtors
Current Liability-	Provisions, Sundry Creditors for expenses, Sundry creditors for purchase
Fixed Asset	Building, furniture, land, plant and machinery
Investment	Investment in Bank Deposit, Investment in shares and debentures
Loans(Asset)	None
Loans(Liability)	Secure, Unsecure
Miscellaneous Expense (Asset)	None
Reserve	None

P & L Account Groups and their Sub-groups:

Name of the Group	Sub-group
Direct Income	None
Indirect Income	None
Direct Expense	None
Indirect Expense	None

**Step-4 Creating Ledger Accounts** Master Menu-----> Create Accounts -----> Enter details.

### Step-5 Voucher Entry

Voucher-----> Select appropriate voucher-----> Enter details

### System generated ledger accounts in GNUKhata

In GNUkhata, there are 4 system generated ledger accounts

- Closing Stock
- Opening Stock
- Stock at the beginning
- P&L Account or Income and Expenditure Account



**TRY YOURSELF**

1. Name the system generated ledger accounts in GNUKhata ?
2. Describe the steps in ledger creation
3. Write the path to display ledger accounts, Profit and Loss account, and Balance Sheet?
4. Write the steps for creating an Organisation in GNUKhata?
5. From the following identify the Free and Open Source Accounting software.
  - a) Dacey
  - b) GNUKhata**
  - c) Peachtree
  - d) Tally
6. Identify the system generated ledger account from the following.
  - a) Cash account
  - b) Closing stock**
  - c) Prepaid expenses
  - d) Bank account
8. Write names of any two Accounting Software?
9. Write down any five transactions. Identify the accounts involved in it. Prepare a table showing the Accounts, Account Group, Vouchers etc.
10. write the steps involved in the Creation of company ?
11. Write the procedure for recording transactions SS2 LTD with the help an accounting software :

1/4/2020	Start a business with cash Rs. 500000
4/4/2020	Opened a bank account with SBI Rs.30000
6/4/2020	Purchased goods for cash Rs.20000
10/4/2020	Cash Sales Rs.40000 (5marks)
11. What is FOSS
12. Write the sub groups of current account?
13. What are total Predefined groups in GNUKhata ?
14. What are the Profit and loss account groups?
15. GNUKhata is a free and open source software for accounting, developed by  
..... Answer:: Digital Freedom Foundation.
- 16.Amount received by way of cash or cheque is recorded in GNUKhata by using .....voucher.  
Answer:Receipt Voucher (F4)
- 17.Sub Group “Sundry Debtors” under \_\_\_\_\_ Group  
Answer: Current Asset

**CHAPTER 6****DATABASE MANAGEMENT SYSTEM****FOCUS AREA:**

- ➔ **Components of DBMS**
- ➔ **Preparation of Table in design view**

**Database Management System:** It is a general purpose software system which helps the users in the process of defining, creating, updating, reading, maintaining and protecting the data base. Eg: LibreOffice base , Oracle, Sybase, MS Access etc.

**Database :** A database is an organised collection of data. Data is always organised in data table consisting of rows and columns. It is indexed in such way that relevant information can be quickly and easily accessed , managed and updated.

**Creation of Database :** To create a new database

Application -----> Office -----> LibreOffice Base

From **database wizard** select **create** ----->**a new database** ----->**click next** , then to next page choose **Yes, register the database for me** and **open the database for editing** Then click **Finish button** and the application will take you to next screen. There save database with desired files name . LibreOffice Base application by default will provide an **extension .ODB** to all the files saved.

**Creation of Table in Design view :** For creating Table in Design view

First create a database file or open an existing database file -----> From database pane click **Tables** -----> then click **Create Tables in design view** in Tasks area -----> a new table will appear in the work area of the window with Field Name , Field Type and Description . ---> Enter the details of **Field Name , Field type, Description** -----> Set **Primary key** and save the table .

**Components of DBMS**

- 1.Tables:-** Tables are used to store the data in the database .Tables are the foundation of the database
- 2. Forms:-** Forms are screens that allow viewing, adding and updating the data stored in the tables
- 3. Queries:-** Query may be defined as a set of instructions to retrieve certain information from the database.
- 4. Reports:-** Report allow printing the data based on queries from the tables in a specific layout.

**TRY YOURSELF**

1. An organised collection of data is called -----

Ans. Database

2. A -----is a data structure that arranges information in rows and columns

Ans. table

3. The unique identifier of the entire records is called-----

Ans. Primary key

4. What are the components of Libre Office Base?

5. Write short notes on

a)Queries

b)Forms

6. What do you mean by DBMS?

It is a general purpose software system which helps the users in the process of defining, creating, updating, reading, maintaining and protecting the data base. Eg: Oracle, Sybase, MS Access, LibreOffice base.

7. Explain briefly the steps in the creation of table.

Ans:- Tables – Create table in design view – Enter Filed Name - Field Type – Description –Set Primary Key – Save

8. fill in the blanks

Field Name	Field Type
1. EMP_ID	a.
2. EMP_NAME	b.
3. EMP_DESIGN	c.
4.EMP_BP	d.
5.EMP_DA	e.

