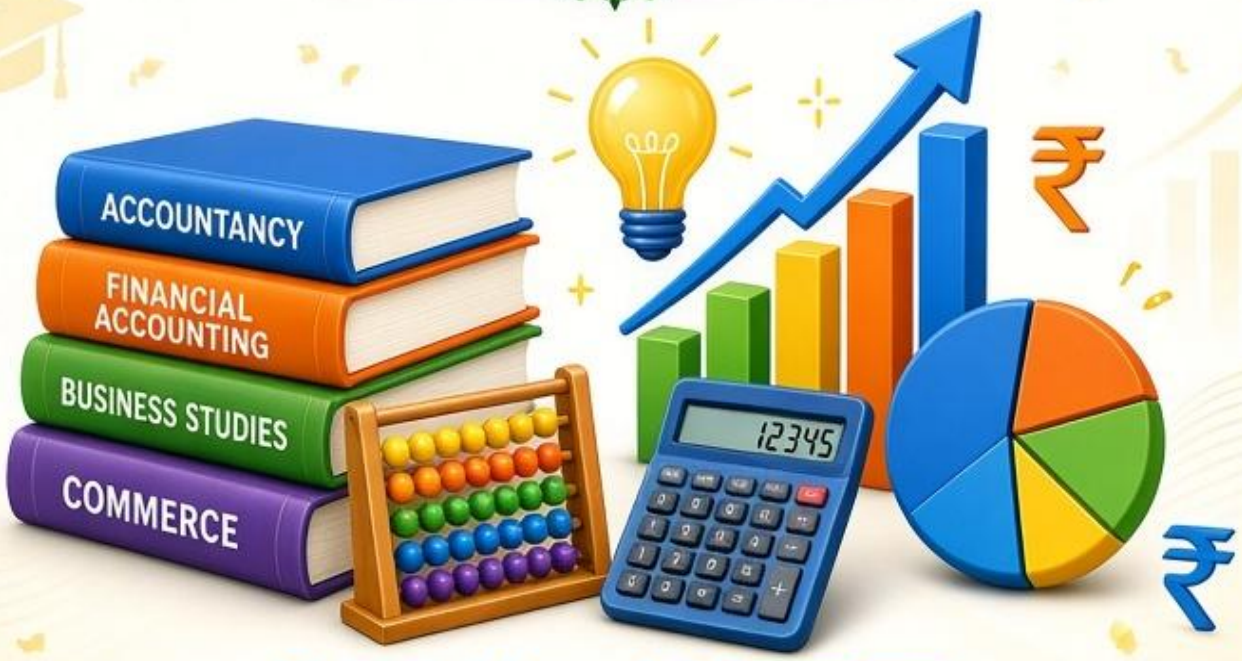
DEPARTMENT OF SCHOOL EDUCATION

CHENGALPATTU DISTRICT



12th STD

ACCOUNTANCY

ENGLISH MEDIUM

Simplified Special Study Guide

வெளியீடு

Chief Educational Office

Chengalpattu district

Grok

ஆக்கம்

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அதனை அவன்கண் விடல்.

– குறள்.

அன்பார்ந்த மாணவர்களே!

1. உங்களின் இயல்பினை அறிந்து, அனைவரும் வெற்றி பெறும் நோக்குடன் எனது வழிகாட்டுதலின் பேரில் உருவாக்கப்பட்ட சிறப்பு வழிகாட்டி இது. இந்த வழிகாட்டி முழுமையும் படித்தால் நீங்கள் வெற்றி பெறுவது உறுதி.

2. படித்ததை எழுதிப் பழகுங்கள், மேலும் படித்த வினா விடைகளைச் சக மாணவர்களோடு கலந்து பேசி தெளிவாகுங்கள், வெற்றி எளிது...

3. முயன்றால் முடியாதது எதுவுமே இல்லை. உங்களால் முடியாதது வேறு எவராலும் முடியாது என்பதை உணருங்கள்.

4. நாளைய நாட்கள் உங்களுக்காகவே காத்திருக்கின்றன. இச்சிறப்பு வழிகாட்டி உங்களை வெற்றிக்கு அழைத்துச் செல்ல இருக்கிறது. கல்வியிலும், வாழக்கையிலும் வசந்தம் பெற வாழ்த்துக்கள்.....!

முதன்மைக்கல்வி அலுவலர்,
செங்கல்பட்டு.

ONE-MARK QUESTIONS AND ANSWERS

1. Fully incomplete records are generally maintained by *[July 22, MAR 26]*

(a) Government (b) Company

(c) **Small-sized sole trader business** (d) Multinational enterprises

2. Statement of Affairs is a *[June 25, MAR 23]*

(a) Statement of income and expenditure (b) **Statement of assets and liabilities**

(c) Summary of cash transactions (d) Summary of credit transactions

3. The excess of assets over liabilities is *[MAR 25]*

(a) Loss (b) Cash (c) **Capital** (d) Profit

4. The amount of credit sales can be computed from *[MAR 24, JUNE 25]*

(a) **Total Debtors A/c** (b) Total Creditors A/c

(c) Bills Receivable A/c (d) Bills Payable A/c

5. If the owner's assets are ₹ 85,000 and liabilities are ₹ 21,000, his capital is: [MAR 23, MAR 26]

(a) ₹ 85,000 (b) ₹ 1,06,000 (c) ₹ 21,000 (d) **₹ 64,000**

6. Opening balance of debtors ₹ 30,000, cash received ₹ 1,00,000, credit sales ₹ 90,000. closing balance of debtors is *[MAR 25]*

(a) ₹ 30,000 (b) ₹ 1,20,000 (c) ₹ 40,000 (d) **₹ 20,000**

7. Opening Statement of Affairs is usually prepared to find the

(a) **Capital in the beginning of the year** (b) Capital in the end of the year

(c) Profit made during the year (d) Loss occurred during the year

8. Income and Expenditure Account is a *[July 22, June 24, MAR 25]*

(a) **Nominal Account** (b) Real Account

(c) Personal Account (d) Representative Personal Account

9. Receipts and Payments Account is a *[MAR 26]*

(a) **Real Account** (b) Nominal Account

(c) Personal Account (d) Representative Personal Account

10. Balance of Receipts and Payments Account indicates the *[July 22]*

(a) loss incurred during the period

(b) excess of income over expenses of the period

(c) Total cash payments during the period

(d) **Cash and bank balance as on the date**

11. Income and Expenditure Account is prepared to find out *[MAR 24]*

(a) Profit or loss (b) Cash and bank balance

(c) **Surplus or deficit** (d) Financial position

12. Subscription due but not received for the current year is *[MAR 24]*

(a) **An asset** (b) A liability (c) An expense (d) an item to be ignored

13. Legacy is a *[July 22, MAR 26]*

(a) Revenue expenditure (b) Capital expenditure

(c) Revenue receipt (d) **Capital receipt**

14. Donation received for a specific purpose is *[June 24, June 25]*

(a) Revenue receipt (b) **Capital receipt**

(c) Revenue expenditure (d) Capital expenditure

15. There are 500 members in the club, each paying ₹ 100 as an annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the Income and Expenditure Account. ***[MAR 23]***

(a) **₹ 50,000** (b) ₹ 50,200 (c) ₹ 49,900 (d) ₹ 49,800

16. In the absence of a partnership deed, profit of the firm will be shared by the partners in *[Jun 25]*
(a) **Equal ratio** (b) capital ratio (c) Both (a) and (b) (d) None of these
17. When there is no partnership deed, interest on capital among partners is *[July 26, MAR 23]*
(a) **Not allowed** (b) 6% per annum (c) 5% per annum (d) 12% per annum
18. If the firm has taken loans from partners, the interest allowed on those loans under the Indian Partnership Act, 1932 is: *[July 22, MAR 23, MAR 25]*
(a) 8% per annum (b) 12% per annum (c) **6% per annum** (d) 5% per annum
19. In a partnership firm, when the fixed capital method is followed, which of the following will be shown in the capital account? *[MAR 24]*
(a) **Additional capital brought in** (b) Interest on capital
(c) Interest on drawings (d) Profit share
20. When there is no partnership deed, partners are entitled to receive *[JUN 25, MAR 26]*
(a) Salary (b) Commission (c) **Interest on loan** (d) Interest on capital
21. When a partner regularly withdraws a fixed amount in the middle of every month, the number of months for which interest on drawings is calculated is: *[July 22]*
(a) 5.5 months (b) **6 months** (c) 12 months (d) 6.5 months
22. Which of the following is shown in the Profit and Loss Appropriation Account? *[MAR 26]*
(a) Office expenses (b) Employee salary (c) **Partner's salary** (d) Interest on bank loan
23. Super profit is difference between *[July 22, June 25]*
(a) Capital employed and average profit (b) Assets and liabilities
(c) **Average profit and normal profit** (d) None of these
24. The average rate of return of similar concerns is considered as *[MAR 25]*
(a) Average profit (b) **Normal rate of profit**
(c) Expected rate of profit (d) None of these
25. When the average profit ₹ 25,000 and normal profit ₹ 15,000, the super profit is? *[July 22, MAR 26]*
(a) ₹ 25,000 (b) ₹ 35,000 (c) **₹ 10,000** (d) ₹ 15,000
26. The total capitalised value of a business is ₹ 10,00,000, assets are ₹ 15,00,000 and liabilities are ₹ 8,00,000. The Value of Goodwill as per the capitalisation method will be *[June 22, June 25, MAR 26]*
(a) ₹ 40,000 (b) ₹ 70,000 (c) ₹ 1,00,000 (d) **₹ 30,000**
27. Which of the following statement is true?
(a) **Goodwill is an intangible asset** (b) Goodwill is a current asset
(c) Goodwill is a fictitious asset (d) Goodwill cannot be acquired
28. What is the formula for calculating super profit? *[Jun 24, MAR 25]*
(a) Super profit = Total profit / Number of years
(b) Super profit = weighted profit / Number of years
(c) **Super profit = Average profit – Normal profit**
(d) Super profit = Average profit × years of purchase
29. Revaluation Account is a *[June 25]*
(a) Real Account (b) **Nominal Account** (c) Personal Account (d) Impersonal Account
30. On revaluation, the increase in the value of assets leads to *[July 22, MAR 26]*
(a) **Gain** (b) Loss (c) Expense (d) None of these
31. If the old profit sharing ratio is more than the new profit sharing ratio of a partner, the difference is called *[MAR 26]*
(a) Capital ratio (b) **Sacrificing ratio** (c) Gaining ratio (d) None of these
32. At the time of admission, the goodwill brought by the new partner may be credited to the Capital accounts of *[MAR 25]*

(a) All partners (b) Old partners (c) New partner (d) **Sacrificing partners**

33. When assets and liabilities are revalued on admission of a partner, the profit or loss is transferred to whose capital accounts? *[June 24]*

(a) **Old partners** (b) New partner (c) All partners (d) Sacrificing partners

34. Match: *[June 25]*

List I	List II
(i) Sacrificing ratio	1. Investment fluctuation fund
(ii) Old profit sharing ratio	2. Undistributed profit
(iii) Revaluation account	3. Goodwill
(iv) Capital account	4. Unrecorded liability

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

(a) 1 2 3 4 (b) **3 2 4 1** (c) 4 3 2 1 (d) 3 1 2 4

35. James and Kamal share profits and losses in the ratio 5:3. They admit Sunil as a partner for 1/5 share of profit. Calculate the sacrificing ratio: *[MAR 24]*

(a) 1:3 (b) 3:1 (c) **5:3** (d) 3:5

36. Under which heading does the Wages Account come? *[MAR 2026]*

(a) Indirect incomes (b) Direct incomes (c) Indirect expenses (d) **Direct expenses**

37. Select the odd one out: *[MAR 2025]*

(a) Revaluation profit (b) Accumulated loss

(c) **Goodwill brought by new partner** (d) Undistributed loss

38. Select the odd one out: *[MAR 2025]*

(a) Interest on capital – Section 13(C) (b) Partners' remuneration – Section 13(A)

(c) **Interest on drawings – Section 13(D)** (d) Profit sharing ratio – Section 13(B)

39. The excess of Assets over liabilities is *[MAR 2025]*

(a) Loss (b) Cash (c) Profit (d) **Capital**

40. Which of the following is NOT a use of financial statement analysis? *[MAR 2025]*

(a) Financial planning of the firm (b) **The liquidity and solvency position of the firm**

(c) Preparing the firm's budget (d) Assessing the firm's borrowing capacity

41. Receipts and payments recorded in the Receipts and Payments Account: *[JUNE 25]*

(a) Are of revenue nature only (b) Are of capital nature only

(c) **Are of both revenue and capital nature** (d) None of the above

42. The loan account of a retiring partner appears: *[JUNE 25]*

(a) On the assets side of the Balance Sheet

(b) On the debit side of the Revaluation Account

(c) **On the liabilities side of the Balance Sheet**

(d) On the credit side of the Revaluation Account

43. Supreme Company forfeited 100 shares of ₹ 10 each because the final call of ₹ 2 per share was not paid. All of them were re-issued at ₹ 9 per share. What amount should be transferred to the Capital Reserve Account? *[JUNE 25]*

(a) **₹ 700** (b) ₹ 800 (c) ₹ 900 (d) ₹ 1,000

44. Goodwill that is not recorded in the books of account: *[MAR 2024]*

(a) **Self-generated goodwill** (b) Received goodwill

(c) Purchased goodwill (d) None of the above

45.Select the wrong pair: *[MAR 2025]*

(a) Sale of old sports goods – Capital receipt (b) General donation – Revenue receipt

(c) Billiards subscription – Revenue receipt (d) **Specific donation – Capital receipt**

46. Identify the wrong pair: *[MAR 2024]*

(a) **Goodwill under the annuity method = Average profit × Present value of annuity factor**

(b) Goodwill under the average profit method = Average profit × Number of years' purchase

(c) Goodwill under the weighted average profit method = Weighted average profit × Number of years' purchase

(d) Goodwill under the super profit method = Super profit × Number of years' purchase

47. If the owner's assets are ₹ 1,70,000 and liabilities are ₹ 42,000, his capital is: *[MAR 2024]*

(a) ₹ 42,000 (b) ₹ 1,70,000 (c) **₹ 1,28,000** (d) ₹ 1,06,000

48. The key used to exit from Tally is: *[MAR 2024]*

(a) **Ctrl + Q** (b) Ctrl + P (c) Ctrl + Z (d) Ctrl + X

49. Revenue from sales is ₹ 4,00,000, cost of revenue from sales is ₹ 1,50,000, administrative expenses are ₹ 50,000 and selling expenses are ₹ 8,500. Find the net profit. *[MAR 25]*

(a) **₹ 1,91,500** (b) ₹ 4,00,000 (c) ₹ 2,00,000 (d) ₹ 1,50,000

50. A company issued 50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. What is the amount of premium? *[July 22]*

(a) ₹ 1,00,000 (b) ₹ 50,000 (c) **₹ 1,50,000** (d) ₹ 2,00,000

51. On retirement of a partner, the general reserve is transferred to the *[Mar 23, June 24 & Mar 26]*

(a) **Capital accounts of all partners**

(b) Revaluation account

(c) Capital accounts of continuing partners

(d) Memorandum revaluation account

52. On revaluation, the increase in liabilities leads to *[Jun 25 & Mar 26]*

(a) Gain (b) **Loss** (c) Profit (d) None of the above

53. If the final amount due to a retiring partner is not paid immediately, it is transferred to *[Mar 23, Jun 24 & Mar 25]*

(a) Bank A/c (b) Retiring partner's Capital A/c

(c) **Retiring partner's Loan A/c** (d) Other partners' Capital A/c

54. On retirement of a partner from a partnership firm, the accumulated profits and losses are distributed to the partners in the *[Mar 24]*

(a) New profit sharing ratio (b) Sacrificing ratio

(c) **Old profit sharing ratio** (d) Gaining ratio

55. A partner retires from the partnership firm on 30th June. He is liable for all the acts of the firm up to the *[Mar 26]*

(a) end of the current accounting period (b) end of the previous accounting period

(c) **Date of his retirement** (d) Date of his final settlement

56. A, B and C are partners sharing profits in the ratio of 4:2:3. C retires. The new profit-sharing ratio between A and B will be: *[Jul 22, Mar 23 & Mar 25]*

(a) 4:3 (b) 3:4 (c) **2:1** (d) 1:2

57. A, B and C are partner sharing profits in the ratio of 2:2:1. On retirement of B, the goodwill of the firm was valued as ₹ 30,000. Find out the contribution of A and C to compensate B. *[Mar 24 & Jun 25]*

(a) ₹ 20,000 and ₹ 10,000 (b) ₹ 10,000 and ₹ 1,20,000
(c) **₹ 8,000 and ₹ 4,000** (d) ₹ 15,000 and ₹ 15,000

58. 'A' was a partner in a partnership firm. He died on 31st March 2019. The final amount due to him is f ₹ 25,000 which is not paid immediately. It will be transferred to:
(a) A's Capital A/c (b) A's current A/c
(c) A's Executor's A/c (d) **A's Executor's Loan A/c**

59. The amount received over and above the par value is credited to *[Mar 24 & Mar 26]*
(a) Share Capital A/c (b) **Securities Premium A/c**
(c) Share Forfeiture A/c (d) Calls-in-Advance A/c

60. After the forfeited shares are re-issued, the balance in the Forfeited Shares Account should be transferred to *[Mar 23, Jun 24 & Jun 25]*
(a) General Reserve Account (b) Surplus Account
(c) **Capital Reserve Account** (d) Securities Premium Account

61. If a share of ₹ 10 on which ₹ 8 has been paid up is forfeited. Minimum reissue price is *[Mar 26]*
(a) ₹ 10 per share (b) ₹ 8 per share (c) ₹ 5 per share (d) **₹ 2 per share**

62. When shares are issued for the purchase of assets, the amount should be credited to *[Jun 24 & Mar 25]*
(a) Vendor A/c (b) Sundry Assets A/c (c) **Share Capital A/c** (d) Bank A/c

63. That part of share capital which can be called up only on the winding up of a company is called: *[Mar 24]*
(a) Authorised capital (b) Called-up capital (c) Capital reserve (d) **Reserve capital**

64. At the time of forfeiture, the Share Capital Account is debited with:
(a) Face value (b) Nominal price
(c) Paid up Amount (d) **called up Amount**

65. The term "fund" refers to: *[Mar 23, Jun 25 & Mar 26]*
(a) Current liabilities (b) **Working capital** (c) Fixed assets (d) Long-term assets

66. In a common size balance sheet, if the percentage of non-current assets is 75, what would be the percentage of current assets? *[Jun 25]*
(a) 175 (b) 125 (c) **25** (d) 100

67. A limited company's sales has increased from ₹ 1,25,000 to ₹ 1,50,000. How does this appear in the comparative income statement? *[Mar 26]*
(a) **+20%** (b) +120% (c) −120% (d) −20%

68. Which of the following is NOT a tool of financial statement analysis? *[Mar 24 & Mar 25]*
(a) Trend analysis (b) Comparative statement
(c) Common size statement (d) **Standard costing**

69. Balance sheet provides information about the financial position of a business concern ____.
(a) Over a period of time (b) **As on a particular date**
(c) For a period of time (d) For a accounting period

70. ₹ 25,000 withdrawn from the bank for office use. In which type of voucher, this transaction will be *[Mar 24]*
(a) **Contra Voucher** (b) Receipt Voucher (c) Payment Voucher (d) Sales Voucher

71. Which of the following ratios are used to indicate the liquidity of a company? *[June 25, MAR 24]*
(i) Quick ratio (ii) Net profit ratio (iii) Debt-equity ratio (iv) Current ratio
(a) (i) and (ii) (b) **(i) and (iv)** (c) (ii) and (iii) (d) (ii) and (iv)

72. The mathematical expression that provides a measure of the relationship between two figures is called ***[June 25, MAR 26]***
(a) **Ratio** (b) Model (c) Resolution (d) Comparison

73. Debt-equity ratio measures of *[MAR 26]*

(a) Short-term solvency (b) Activity (c) **Long-term solvency** (d) Profitability

74. Match List I with List II and select the correct answer using the codes given below: *[MAR 25]*

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

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

75. Proportion of shareholders' funds to total assets is called *[Jul 22]*

(a) **Proprietary ratio** (b) Capital gearing ratio (c) Debt-equity ratio (d) Current ratio

76. Current ratio indicates

(a) **ability to short term obligation** (b) Efficiency of management

(c) Profitability (d) Long-term solvency

77. Current liabilities ₹ 40,000, current assets ₹ 1,00,000, inventory ₹ 20,000. Quick ratio is.

(a) **2 : 1** (b) 2.5 : 1 (c) 1 : 1 (d) 1 : 2

78. To test the liquidity of a concern, which of the following ratios are useful?

(i) Quick ratio (ii) Net profit ratio (iii) Debt-equity ratio (iv) Current ratio

Select the correct answer using the codes given below:

(a) (i) and (ii) **(b) (i) and (iv)** (c) (ii) and (iii) (d) (ii) and (iv)

79. Function key F11 is used for? *[MAR 26, JUN 25]*

(a) Accounting vouchers (b) Company structure

(c) **Company features** (d) None of these

80. Which of the following option is used to view the Trial Balance from the Gateway of Tally? *[June 25]*

(a) Gateway of Tally > Reports > Trial Balance

(b) Gateway of Tally > Trial Balance

(c) **Gateway of Tally > Reports > Display > Trial Balance**

(d) None of these

81. Contra Voucher is used for *[MAR 25]*

(a) Master entry (b) W**ithdrawal of cash from the bank for office use**

(c) Reports (d) Credit purchase of Assets

82. Which is not the default group in Tally? *[MAR 25]*

(a) Sales account (b) Suspense account

(c) Investments (d) **Outstanding Expenses**

83. In which voucher type credit purchase of Furniture is recorded in Tally? *[May 22]*

(a) Receipt voucher (b) **Journal voucher** (c) Purchase voucher (d) Payment voucher

84. Accounting report prepared according to the requirements of the user is *[JUN 24]*

(a) Regular accounting report (b) **Special purpose report**

(c) Trial balance (d) Balance sheet

85. What are the predefined Ledger(s) in Tally *[July 2022]*

(i) Cash (ii) Profit and Loss A/c (iii) Capital A/c

(a) (i) only (b) (ii) only **(c) Both (i) and (ii)** (d) Both (ii) and (iii)

TWO-MARK QUESTIONS

1. What is meant by incomplete records? [July 2022]

Records which are not strictly maintained according to the Double Entry System are called **incomplete records**.

2. What is a Statement of Affairs? [March 2026]

A **Statement of Affairs** is a statement showing the balances of assets and liabilities on a particular date.

3. State the accounts generally maintained by a small-sized sole trader when the Double Entry System is not followed. [June 2024]

(i) Cash Account
(ii) Personal Accounts

4. State any two features of incomplete records. [June 2023]

- Financial statements prepared from incomplete records may not show a true and fair view of the financial position.
- The personal transactions of the proprietor may be mixed with business transactions.

5. State any four revenue expenses of a not-for-profit organisation. [March 2023]

(i) Honorarium
(ii) Charity
(iii) Audit fees
(iv) Printing and stationery

6. Write a short note on Life Membership Fee. [June 2023]

The **Life Membership Fee** received from members is treated as a **capital receipt**. as it is non-recurring in nature.

7. What is Legacy? [June 2025, June 2026]

Legacy is a gift given to a not-for-profit organisation through a will. It is a capital receipt.

8. Give four examples of capital receipts of a not-for-profit organisation. [July 2022]

(i) Life Membership Fee
(ii) Legacy
(iii) Specific Fund
(iv) Prize Fund

9. What is Receipts and Payments Account?

Receipts and Payments Account is summary of cash and bank transactions of not-for-profit organisation prepared at the end of the each financial year.

10. What is a Partnership Deed?

A **Partnership Deed** is a written document in writing that containing the terms and conditions of the agreement among the partners.

11. What is meant by Fixed Capital Method?

Under the Fixed Capital Method, the capital of the partners is not altered, and it remains generally fixed, except for additional capital introduced or capital withdrawn.

12. What is a Partnership Deed? [June 2023, March 2025]

A Partnership Deed is a written document containing the terms of the agreement among the partners.

13. What is Fixed Capital Method? [June 2025, March 2026]

Under the **Fixed Capital Method**, the capital of the partners remains unchanged and fixed.

14. Name the final accounts prepared by partnership firms. [March 2024]

- Trading and Profit and Loss Account
- Profit and Loss Appropriation Account
- Balance Sheet

15. What is Super Profit? [May 2022, March 2026]

The amount by which **average profit exceeds normal profit** is called **Super Profit**.

16. What is Goodwill? [March 2024]

Goodwill is the reputation or good name of a business which bring benefit to the business.

17. What is Purchased Goodwill? [June 2024, March 2025]

Goodwill is acquired by making payment cash or kind is called Purchased Goodwill.

18. Give any two situations in which goodwill of a partnership firm is valued. [March 2023]

- When a new partner is admitted into the partnership firm.
- When a partnership firm is dissolved.

19. What is Normal Rate of Profit? [July 2022, June 2023]

It is the rate which profit is earned by similar business entities in the industry under normal circumstances.

20. How are undistributed profits and losses distributed among partners at the time of admission of a new partner? [June 2023]

Undistributed reserves, profits or losses should be distributed among the **old partners in their old profit-sharing ratio**.

21. What is Sacrificing Ratio? [May 2022]

the old partners may sacrifice a profit of a portion of the shares of profit to the new partner.

22. State any two adjustments to be made at the time of admission of a partner. [June 2025]

- Calculation of the new profit-sharing ratio and sacrificing ratio.
- Adjustment of goodwill.
- Adjustment of capital accounts.

23. What is meant by Revaluation of Assets and Liabilities? [March 2026]

Revaluation means determining the **current value of assets and liabilities**.

24. What is Retirement of a Partner? [May 2022 & March 2025]

When a partner leaves the partnership firm, it is called **Retirement of a Partner**.

25. What is Gaining Ratio? [July 2022]

The continuing partners may give a portion of the shares of profit of the retiring partner.

26. What is the purpose of calculating the Gaining Ratio? [June 2025]

The purpose of calculating the **Gaining Ratio** is to adjust the amount of goodwill payable to the retiring partner.

27. What is Over-subscription? [March 2023, June 2024 & March 2025]

When the number of shares applied for is more than the number of shares offered for issue, it is called **Over-subscription**.

28. Why are shares forfeited? [March 2024 & March 2026]

Shares are forfeited when a shareholder fails to pay the **allotment money or call money** due on the shares.

29. What is Calls in Arrears? [June 2026]

When a share holders fails to pay the amount due on allotment or on calls, the amount of remaining unpaid is known as Calls in Arrears.

30. What are Financial Statements? [March 2025]

Statements prepared at the end of an accounting year to ascertain the **operating results and financial position** of a business are called **Financial Statements**.

31. List the tools of Financial Statement Analysis. [June 2023, June 2024 & June 2026]

- Comparative Statements
- Common-size Statements
- Trend Analysis
- Funds Flow Analysis
- Cash Flow Analysis

32. What is Working Capital? [July 2022, March 2024 & June 2026]

Working Capital refers to the excess of **current assets over current liabilities**.

33. What is Quick Ratio? [March 2023 & March 2026]

The ratio between **liquid assets and current liabilities** is called the **Quick Ratio**.

34. What are Accounting Reports? [June 2023, June 2024 & March 2025]

An **Accounting Report** is a collection of accounting information obtained from the accounting records of an organisation.

35. Name any five Accounting Reports. [March 2023]

(i) Journal
(ii) Ledger
(iii) Trial Balance
(iv) Balance Sheet
(v) Income Statement

36. What is Computerised Accounting System? [May 2022 & March 2024]

A **Computerised Accounting System** is an approach to maintaining accounting records with the help of accounting software.

37. What is a Group in Tally ERP-9? [July 2022 & June 2026]

In Tally, a **Group** is a collection of ledgers having similar characteristics.

38. Explain how to view the Trial Balance in Tally ERP-9. [March 2026]

Gateway of Tally → Reports → Display → Trial Balance → Alt + F1 (Detailed)

THREE-MARK QUESTIONS AND ANSWERS

1. What are the limitations of Incomplete Records? [March 2025]

- Records are not maintained systematically.
- Preparation of Trial Balance is difficult.
- Errors and frauds cannot be easily identified.

2. What are the features of Incomplete Records? [June 2025 & June 2026]

Nature: It is a method in which transactions are recorded in an unsystematic and unscientific manner.

Types of accounts maintained: Generally, only Cash Account and Personal Accounts are maintained.

Lack of uniformity: There is no uniformity in recording transactions.

3. State the differences between Double Entry System and Incomplete Records.

[March 2023]

Basis	Double Entry System	Incomplete Records
1. Preparation of Trial Balance	Trial Balance can be prepared.	Preparation of Trial Balance is difficult.
2. Recording of transactions	Both debit and credit aspects are recorded.	Both debit and credit aspects are not recorded.
3. Applicability	Applicable to all types of organisations.	Generally applicable only to small-sized organisations.

4. Distinguish between Statement of Affairs and Balance Sheet. [March 2024]

Basis	Statement of Affairs	Balance Sheet
Purpose	Prepared to ascertain capital in a business.	Prepared to ascertain the financial position.
Reliability	It is not highly reliable.	It is reliable.
Missing information	Finding omitted details is difficult.	Finding omitted details is comparatively easy.

5. Distinguish between Receipts and Payments Account and Income and Expenditure Account. [July 2022]

Basis	Receipts and Payments Account	Income and Expenditure Account
Purpose	Prepared to ascertain cash receipts and cash payments.	Prepared to ascertain surplus or deficit.
Nature of Account	Real Account	Nominal Account

Basis	Receipts and Payments Account	Income and Expenditure Account
Basis of Accounting	Cash basis	Accrual basis

6. Classify the following expenses of a Not-for-Profit Organisation as Capital or Revenue.
[March 2023]

- **Honorarium** – Revenue expenditure
- **Purchase of sports equipment** – Capital expenditure
- **Purchase of books for the library** – Capital expenditure

7. State any six contents of a Partnership Deed. [June 2023 & June 2025]

- Name and address of the firm
- Date of commencement of business
- Names and addresses of the partners
- Capital contributed by each partner
- Profit-sharing ratio
- Rate of interest on capital

8. State any six factors determining the value of Goodwill. [March 2023]

- Profit-earning capacity of the firm
- Efficient management
- Degree of competition
- Quality of goods and services
- Duration of the business
- Location of the business

9. What are the adjustments to be made at the time of admission of a partner?
[May 2022, June 2023 & March 2026]

- Distribution of undistributed profits, reserves and losses.
- Revaluation of assets and liabilities.
- Determination of the new profit-sharing ratio and sacrificing ratio.
- Adjustment of goodwill.
- Adjustment of capital accounts based on the new profit-sharing ratio.

10. List the adjustments to be made at the time of retirement of a partner.
[July 2022 & March 2024]

- Distribution of undistributed profits, reserves and losses.
- Revaluation of assets and liabilities.
- Determination of the new ratio and gaining ratio.
- Adjustment of goodwill.
- Settlement of the amount due to the retiring partner.

11. Distinguish between Sacrificing Ratio and Gaining Ratio.
[May 2022, June 2024 & March 2025]

Basis	Sacrificing Ratio	Gaining Ratio
1. Meaning	The share of profit sacrificed by old partners in favour of a new partner.	The share of profit acquired by continuing partners from the retiring partner.
2. Time of calculation	Calculated at the time of admission of a new partner.	Calculated at the time of retirement of a partner.
3. Formula	Sacrificing Ratio = Old Ratio − New Ratio	Gaining Ratio = New Ratio − Old Ratio

12. How can the amount payable to a retiring partner be settled? [June 2026]

- The entire amount due can be paid immediately in cash.
- The entire amount can be transferred to the retiring partner's Loan Account.
- A part of the amount can be paid immediately in cash and the balance can be transferred to the Loan Account.

13. Write a short note on Calls in Advance. [March 2023 & June 2026]

- **Calls in Advance** is the amount received from a shareholder in excess of the amount called on the shares.
- It is the amount received in advance towards share application, share allotment or share calls.
- The excess amount received has to be refunded or adjusted according to the applicable call.

14. Write short notes on the following. [June 2024 & June 2025]

Authorised Capital:

- It is the capital authorised according to the Memorandum of Association.
- It is the maximum amount of share capital which a company is authorised to issue.

Reserve Capital:

- It is a portion of the uncalled share capital which a company decides to call only at the time of winding up.

15. State the differences between Preference Shares and Equity Shares. [March 2024]

Basis	**Preference Shares**	**Equity Shares**
Meaning	Shares having preferential rights.	Shares other than preference shares.
Voting rights	Generally, voting rights are restricted.	Voting rights are available.
Dividend	Dividend rate is generally fixed.	Dividend rate may vary.

16. How is Operating Profit calculated? [July 2022]

Operating Profit = Revenue from Operations − Operating Cost

Operating Cost = Cost of Goods Sold + Operating Expenses

17. State any three advantages of Ratio Analysis. [June 2023]

- It measures the operating efficiency.
- It measures the solvency of the business.
- It helps to analyse profitability.

18. Why are inventories and prepaid expenses not considered liquid assets? [March 2023]

- They cannot be easily converted into cash.

19. Explain the steps involved in preparing a Comparative Statement. [March 2026]

Column	**Particulars**
Column 1	Enter the particulars from the Income Statement and Balance Sheet.
Column 2	Enter the amount for the first year.
Column 3	Enter the amount for the second year.
Column 4	Enter the amount of increase or decrease. Use **(+)** for an increase and **(−)** for a decrease.
Column 5	Calculate the percentage of increase or decrease.

20. What is a Contra Voucher? Write the procedure for recording it. [March 2026]

Transactions involving both the **Cash Account and Bank Account** are recorded using a **Contra Voucher**.

Tally Path: Gateway of Tally → Transactions → Accounting Vouchers → F4: Contra

21. Write any three uses of Computerised Accounting System. [June 2025]

Maintenance of Accounting Records: Computerised accounting systems help maintain accounting records easily, efficiently and for a long period.

Inventory Management: Computerised accounting systems help in efficient inventory

management.

Report Generation: Computerised accounting systems help generate various standard and specific-purpose reports.

22. Write the Gateway of Tally paths for viewing the following.

[July 2022, March 2024, March 2025 & June 2026]

Profit and Loss Account:

Gateway of Tally → Reports → Profit and Loss Account → Alt + F1 (Detailed)

Balance Sheet: Gateway of Tally → Reports → Balance Sheet → Alt + F1 (Detailed)

Day Book: Gateway of Tally → Reports → Day Book → Alt + F1 (Detailed)

23. Write a short note on Accounting Vouchers. [May 2022]

- A **voucher** is a document containing the details of a transaction.
- Transactions should be recorded through appropriate vouchers.
- Tally provides predefined vouchers such as Purchase, Sales, Payment, Receipt and Contra Vouchers.

24. Mention the commonly used types of vouchers in Tally ERP-9. [June 2024]

- Receipt Voucher
- Payment Voucher
- Contra Voucher
- Purchase Voucher
- Sales Voucher
- Journal Voucher

FIVE-MARK QUESTIONS AND ANSWERS

1. Explain any five uses of Computerised Accounting System.

[July 2022, March 2023, March 2024 & June 2026]

Maintenance of Accounting Records:

Computerised accounting systems help maintain accounting records easily, efficiently and for a long period.

Inventory Management:

Computerised accounting systems provide an efficient way to manage inventory.

Report Generation:

They help generate various standard and specific-purpose reports.

Taxation:

They help calculate different taxes, make necessary corrections and facilitate payment to the Government.

Payroll Preparation:

The computerised accounting system records employee attendance and helps calculate salary.

2. Distinguish between Fixed Capital Method and Fluctuating Capital Method. [March 2023]

Basis	**Fixed Capital Method**	**Fluctuating Capital Method**
Number of Accounts	Two accounts are maintained: Capital Account and Current Account.	Only one Capital Account is maintained.
Capital Balance	Capital remains unchanged.	Capital balance changes from year to year.
Closing Balance	Capital Account normally shows a credit balance; Current Account may show either a debit or credit balance.	Capital Account shows a credit balance and may also show a debit balance.
Adjustments	Adjustments are made in the Current Account.	Adjustments are made in the Capital Account.

3. Distinguish between Sacrificing Ratio and Gaining Ratio. [March & June 2023]

Basis	Sacrificing Ratio	Gaining Ratio
1. Meaning	The share of profit sacrificed by old partners in favour of a new partner.	The share of profit acquired by continuing partners from the retiring partner.
2. Time of calculation	Calculated at the time of admission of a new partner.	Calculated at the time of retirement of a partner.
3. Formula	Sacrificing Ratio = Old Ratio − New Ratio	Gaining Ratio = New Ratio − Old Ratio
4. Purpose	Used to calculate the goodwill amount payable to sacrificing partners.	Used to calculate the goodwill amount payable by gaining partners.

4. Mention and explain any five commonly used Accounting Vouchers in Tally ERP-9. **[March 2025]**

Receipt Voucher: All cash or bank receipts are recorded using the Receipt Voucher.
Payment Voucher: All cash or bank payments are recorded using the Payment Voucher.
Contra Voucher: Transactions involving both Cash Account and Bank Account are recorded using the Contra Voucher.
Purchase Voucher: It is used to record cash and credit purchases of goods.
Sales Voucher: It is used to record cash and credit sales of goods.

5. State and explain any five factors determining the value of Goodwill. [March 24 & June 24]

Profit-earning Capacity of the Firm:
The profit-earning capacity of a business determines the value of its goodwill. A firm earning higher profits generally has a higher value of goodwill.
Quality of Goods and Services:
Providing good-quality goods and services helps the business earn a good reputation among customers.
Duration of the Business:
A business which has been operating successfully for many years may have a higher goodwill value because customers are familiar with it.
Efficient Management:
A business having efficient management may have a higher value of goodwill.
Degree of Competition:
A business facing little or no competition may have a higher value of goodwill.

6. State the rules to be followed under the Indian Partnership Act, 1932 in the absence of a Partnership Deed.

Partners' Remuneration:
No partner is entitled to salary or remuneration for taking part in the business.
Profit-sharing Ratio: Profits and losses are shared equally among the partners.
Interest on Capital: No interest is allowed on partners' capital.
Interest on Drawings: No interest is charged on partners' drawings.
Interest on Loan: Interest on a loan given by a partner to the firm is allowed at **6% per annum**.

7. Write the Gateway of Tally paths for viewing the following. [June 2025]

Trial Balance:
Gateway of Tally → Reports → Trial Balance → Alt + F1 (Detailed)
Profit and Loss Account:
Gateway of Tally → Reports → Profit and Loss Account → Alt + F1 (Detailed)

Balance Sheet:
Gateway of Tally → Reports → Balance Sheet → Alt + F1 (Detailed)
Ratio Analysis:
Gateway of Tally → Reports → Ratio Analysis → Alt + F1 (Detailed)
Day Book:
Gateway of Tally → Reports → Day Book → Alt + F1 (Detailed)

8. What are Accounting Reports? Explain the steps involved in designing Accounting Reports. [March 2026]

An **Accounting Report** is a collection of accounting information obtained from the accounting records of an organisation.
The steps involved in designing an Accounting Report are:

- Define the purpose of preparing the report.
- Specify the structure of the report.
- Create queries to retrieve, modify, add or delete data from the database and accounting records.

TWO-MARK PROBLEMS

1. Calculate the Profit or Loss from the following information. [March 2023 & June 2025]

Particulars	**Amount (₹)**
Capital on 1 January 2021	2,60,000
Capital on 31 December 2021	3,60,000
Additional Capital introduced during the year	20,000
Drawings during the year	50,000

Solution:
Statement of Profit or Loss for the year ended 31 December 2021

Particulars	**Amount (₹)**
Closing Capital (31-12-2021)	3,60,000
Add: Drawings	50,000
	4,10,000
Less: Additional Capital	20,000
Adjusted Closing Capital	**3,90,000**
Less: Opening Capital	2,60,000
Profit for the year	**1,30,000**

2. Calculate the Profit or Loss from the following information. [June 2025 & June 2026]

Particulars	**Amount (₹)**
Opening Capital	2,50,000
Closing Capital	4,25,000
Additional Capital introduced during the year	60,000
Drawings during the year	35,000

Solution:
Statement of Profit or Loss

Particulars	**Amount (₹)**
Closing Capital	4,25,000
Add: Drawings	35,000
	4,60,000
Less: Additional Capital	60,000

Particulars	Amount (₹)
Adjusted Closing Capital	**4,00,000**
Less: Opening Capital	2,50,000
Profit for the year	**1,50,000**

3. Calculate the income from subscriptions for the year 2018 from the following information. [March 2026]

Particulars	1-1-2018 (₹)	31-12-2018 (₹)
Subscription Outstanding	3,000	5,000
Subscription Received in Advance	4,000	7,000

Subscription received during 2018 = **₹45,000**

Solution: Calculation of Subscription Income for 2018

Particulars	₹	₹
Subscription received during 2018		45,000
Add: Subscription for 2018 received in 2017	4,000	
Subscription outstanding for 2018	5,000	9,000
		54,000
Less: Subscription outstanding for 2017	3,000	
Subscription received in advance for 2019	7,000	**10,000**
Subscription income for 2018		**44,000**

4. Praveena and Tanya were partners sharing profits in the ratio of 7:3. They admitted Malini as a partner. The new profit-sharing ratio of Praveena, Tanya and Malini is 5:2:3. Calculate the Sacrificing Ratio. [March 2024]

Solution:

Old profit-sharing ratio of Praveena and Tanya: **7 : 3**

Therefore: Praveena = 7/10

Tanya = 3/10

New profit-sharing ratio of Praveena, Tanya and Malini: **5 : 2 : 3**

Therefore:

Praveena = 5/10

Tanya = 2/10

Sacrificing Share = Old Share − New Share

Praveena: 7/10 − 5/10 = 2/10

Tanya: 3/10 − 2/10 = 1/10

Therefore:

Sacrificing Ratio = 2/10 : 1/10 = 2 : 1

5. Kavitha is a partner in a partnership firm. She regularly withdraws ₹2,500 every month. Interest on drawings is calculated at 4% per annum. Calculate the interest on drawings by using the average period method, assuming that the drawings are made at the beginning of every month. [May 2022]

Solution: Interest on Drawings under Average Period Method

Total Drawings= **Monthly Drawings × 12** = ₹2,500 × 12 = **₹30,000**

Interest on Drawings = **Total Drawings × Rate of Interest × Average Period / 12**

= ₹30,000 × 4/100 × 6.5/12 = **₹650**

6. Abdul Limited issued 50,000 Equity Shares of ₹10 each at a premium of ₹3 per share. The entire amount was payable along with the application. Give the Journal Entries.

[March 2022]

Journal Entries of Abdul Limited

Particulars	**Debit (₹)**	**Credit (₹)**
Bank A/c Dr.	6,50,000	
To Share Application A/c		6,50,000
(Share application money received for all shares)		
Share Application A/c Dr.	6,50,000	
To Share Capital A/c (50,000 × ₹10)		5,00,000
To Securities Premium A/c (50,000 × ₹3)		1,50,000
(Share application money transferred to Share Capital and Securities Premium Account)		

7. Calculate the Quick Ratio from the following information. [March 2022]

- Current Liabilities = ₹2,40,000
- Current Assets = ₹4,50,000
- Inventory = ₹70,000
- Prepaid Expenses = ₹20,000

Solution:

Quick Ratio = Liquid Assets / Current Liabilities

Liquid Assets = Current Assets − Inventory − Prepaid Expenses

= ₹4,50,000 − ₹70,000 − ₹20,000 = **₹3,60,000**

Therefore:

Quick Ratio = ₹3,60,000 / ₹2,40,000 = **1.5 : 1**

8. Prepare a Comparative Income Statement of Arul Limited from the following information.

[March 2026]

Particulars	**2015–16 (₹)**	**2016–17 (₹)**
Revenue from Operations	50,000	60,000
Other Income	10,000	30,000
Expenses	40,000	50,000

Solution: Comparative Income Statement of Arul Limited

Particulars	**2015–16 (₹)**	**2016–17 (₹)**	**Amount (+/−)**	**Percentage (+/−)**
Revenue from Operations	50,000	60,000	+10,000	+20%
Add: Other Income	10,000	30,000	+20,000	+200%
Total Income	**60,000**	**90,000**	**+30,000**	**+50%**
Less: Expenses	40,000	50,000	+10,000	+25%
Profit before Tax	**20,000**	**40,000**	**+20,000**	**+100%**

9. Prepare a Comparative Income Statement of Tarun & Co. Limited from the following information. [March 2022]

Particulars	**2016–17 (₹)**	**2017–18 (₹)**
Revenue from Operations	1,00,000	1,25,000
Other Income	25,000	20,000
Expenses	75,000	60,000

Solution: Comparative Income Statement of Tarun & Co. Limited

Particulars	2016–17 (₹)	2017–18 (₹)	Amount (+/−) (₹)	Percentage (+/−)
Revenue from Operations	1,00,000	1,25,000	+25,000	+25%
Add: Other Income	25,000	20,000	−5,000	−20%
Total Income	**1,25,000**	**1,45,000**	**+20,000**	**+16%**
Less: Expenses	75,000	60,000	−15,000	−20%
Profit before Tax	**50,000**	**85,000**	**+35,000**	**+70%**

Note: Percentage = Increase / Decrease in Amount ÷ Amount of the First Year × 100
= 25,000 ÷ 1,00,000 × 100 = **25%**

10. Ram and Shyam are partners. Ram withdraws ₹12,000 at the beginning of every half-year. Interest on drawings is charged at 10% per annum. Calculate the interest on drawings for the year ended 31 December 2021 using the Average Period Method.
[May 2023]

Solution:

Total Drawings = ₹12,000 × 2 = **₹24,000**

Average period for drawings made at the beginning of every half-year = **9 months**

Interest on Drawings = Total Drawings × Rate of Interest × Average Period / 12
= ₹24,000 × 10/100 × 9/12 = **₹1,800**

11. Calculate Gross Profit from the following information. [March 2024, June 2023]

- Revenue from Operations = ₹1,00,000
- Cost of Revenue from Operations = ₹80,000
- Purchases = ₹62,500

Solution:

Gross Profit = Revenue from Operations − Cost of Revenue from Operations
= ₹1,00,000 − ₹80,000 = **₹20,000**

Gross Profit Ratio = Gross Profit / Revenue from Operations × 100
= ₹20,000 / ₹1,00,000 × 100 = **20%**

12. Calculate Gross Profit from the following information. [March 2025]

- Revenue from Operations = ₹2,00,000
- Cost of Revenue from Operations = ₹1,60,000
- Purchases = ₹1,25,000

Solution:

Gross Profit = Revenue from Operations − Cost of Revenue from Operations
= ₹2,00,000 − ₹1,60,000 = **₹40,000**

Gross Profit Ratio = Gross Profit / Revenue from Operations × 100
= ₹40,000 / ₹2,00,000 × 100 = **20%**

14. Anand and Suman are partners sharing profits and losses in the ratio of 3:2. They admit Saran as a partner for 1/5 share. Saran obtains his entire share from Anand. Calculate the new profit-sharing ratio and Sacrificing Ratio. [March 2025]

Solution:

Old profit-sharing ratio of Anand and Suman = **3 : 2**

i.e., Anand = 3/5
Suman = 2/5
Saran obtains his entire share from Anand.
Therefore:
Sacrificing Ratio = 1 : 0

Anand alone sacrifices his share.

New Share = Old Share − Sacrificed Share

Anand = 3/5 − 1/5 = **2/5**
Suman = 2/5 = **2/5**
Saran = **1/5**

Therefore, the new profit-sharing ratio of Anand, Suman and Saran is: **2 : 2 : 1**

15. Prepare a Common-size Income Statement of Raja Limited for the year ended 31 March 2023 from the following information.

Particulars	2022–23 (₹)
Revenue from Operations	4,50,000
Other Income	67,500
Expenses	1,35,000

Solution: Common-size Income Statement

Particulars	Amount (₹)	Percentage (%) of Revenue from Operations
Revenue from Operations	4,50,000	100%
Add: Other Income	67,500	15%
Total Income	**5,17,500**	**115%**
Less: Expenses	1,35,000	30%
Profit before Tax	**3,82,500**	**85%**

Note:

Percentage of Other Income:

= ₹67,500 / ₹4,50,000 × 100 = **15%**

16. Calculate the Debt-Equity Ratio from the following information.

- Debentures = ₹80,000
- Equity Share Capital = ₹1,00,000
- Reserves and Surplus = ₹60,000

Solution:

Debt-Equity Ratio = Long-term Debt / Shareholders' Funds

Long-term Debt = Debentures = **₹80,000**

Shareholders' Funds = Equity Share Capital + Reserves and Surplus

= ₹1,00,000 + ₹60,000 = **₹1,60,000**

Debt-Equity Ratio = ₹80,000 : ₹1,60,000 = **0.5 : 1**

17. The goodwill of Arul Trading Company is ₹1,20,000 and the average profit is ₹40,000. Calculate the number of years' purchase. [March 2023]

Solution:

Goodwill = Average Profit × Number of Years' Purchase

Therefore,

Number of Years' Purchase

= Goodwill / Average Profit = ₹1,20,000 / ₹40,000 = **3 years**

JOURNAL-ENTRY PROBLEMS

18. A, B and C are partners sharing profits and losses in the ratio of 5:3:2. A retires from the partnership on 31 March 2019. At the time of his retirement, the firm's books show a Reserve Fund of ₹1,00,000. Give the Journal Entry for transferring the Reserve Fund. [March 2026]

Solution: Journal Entry

Particulars	Debit (₹)	Credit (₹)
Reserve Fund A/c Dr.	1,00,000	
To A's Capital A/c		50,000
To B's Capital A/c		30,000
To C's Capital A/c		20,000
(Reserve Fund transferred to the Capital Accounts of all partners in the old profit-sharing ratio.)		

20. Deena, Surya and Janaki are partners sharing profits and losses in the ratio of 5:3:2. Deena retires from the partnership on 31 March 2018. At the time of her retirement, the firm's books show a Reserve Fund of ₹50,000. Give the Journal Entry for transferring the Reserve Fund. [March 2024, June 2024]

Solution: Journal Entry

Particulars	**Debit (₹)**	**Credit (₹)**
Reserve Fund A/c Dr.	50,000	
To Deena's Capital A/c		25,000
To Surya's Capital A/c		15,000
To Janaki's Capital A/c		10,000
(Reserve Fund transferred to the Capital Accounts of all partners in the old profit-sharing ratio.)		

21. Show how the following information will appear in the Income and Expenditure Account of Seerkazhi Dramatists' Association.

- Stock of stationery on 01.04.2018 = ₹2,600
- Stationery purchased during the year = ₹6,500
- Stock of stationery on 31.03.2019 = ₹2,200

Solution:

Income and Expenditure Account of Seerkazhi Dramatists' Association
For the year ended 31 March 2019

Expenditure	**Amount (₹)**	**Income**	**Amount (₹)**
Stationery consumed:			
Opening Stock	2,600		
Add: Purchases	6,500		
	9,100		
Less: Closing Stock	(2,200)		
Stationery consumed	**6,900**		

22. The following are the balances of Shanthi as on 31 December 2018. Prepare the Statement of Affairs as on 31 December 2018 and calculate the Capital on that date.

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Bills Receivable	6,000	Sundry Creditors	25,000
Bills Payable	4,000	Stock	45,000
Machinery	60,000	Debtors	70,000
Furniture	10,000	Cash	4,000

Solution: Statement of Affairs of Shanthi as on 31 December 2018

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Sundry Creditors	25,000	Cash	4,000
Bills Payable	4,000	Stock	45,000
		Debtors	70,000
Capital (Balancing Figure)	1,66,000	Bills Receivable	6,000
		Machinery	60,000
		Furniture	10,000
Total	**1,95,000**	**Total**	**1,95,000**

Capital = ₹1,66,000

24. Calculate the value of Goodwill when the average profit is ₹30,000 and the number of years' purchase is 3 years. [June 2026]

Solution:

Goodwill = Average Profit × Number of Years' Purchase = ₹30,000 × 3= **₹90,000**

25. Kala, Mala and Neela are partners sharing profits in the ratio of 2:2:1. Kala retires from the partnership. The new profit-sharing ratio between Mala and Neela is 3:2. Calculate the Gaining Ratio. [June 2026]

Solution:

Old profit-sharing ratio:

Kala : Mala : Neela = **2 : 2 : 1**

New profit-sharing ratio:

Mala : Neela = **3 : 2**

Gaining Share = New Share − Old Share

Mala: 3/5 − 2/5 = **1/5**

Neela: 2/5 − 1/5 = **1/5**

Therefore: **Gaining Ratio = 1 : 1**

26. Calculate the Fixed Assets Turnover Ratio of Asha Limited from the following information. [June 2026]

(i) Revenue from Operations during the year = ₹6,00,000

(ii) Fixed Assets at the end of the year = ₹60,000

Solution:

Fixed Assets Turnover Ratio = Revenue from Operations / Fixed Assets

= ₹6,00,000 / ₹60,000 = **10 times**

SHARE FORFEITURE

27. Anita holds 500 Equity Shares of ₹10 each in Thanjavur Motors Limited. She has paid ₹3 on application and ₹5 on allotment. She failed to pay the first and final call of ₹2 per share. The Directors forfeited the shares for non-payment of the call. Give the Journal Entry for forfeiture. [June 2025]

Solution: Journal Entry

Particulars	**Debit (₹)**	**Credit (₹)**
Equity Share Capital A/c Dr.	5,000	
To Equity Share First and Final Call A/c		1,000
To Share Forfeiture A/c		4,000
(500 Equity Shares of ₹10 each forfeited for non-payment of the first and final call of ₹2 per share.)		

28. Calculate the Debt-Equity Ratio from the following information. [June 2025]

- Debentures = ₹80,000
- Equity Share Capital = ₹1,00,000
- Reserves and Surplus = ₹60,000

Solution:

Shareholders' Funds = Equity Share Capital + Reserves and Surplus

= ₹1,00,000 + ₹60,000 = **₹1,60,000**

Debt-Equity Ratio = Long-term Debt / Shareholders' Funds

= ₹80,000 / ₹1,60,000 = **0.5 : 1**

29. Calculate the value of Goodwill on the basis of 3 years' purchase of the average profit of the last four years. [June 2025, June 2023]

Year	Particulars	Amount (₹)
2020	Profit	10,000
2021	Profit	16,000
2022	Loss	6,000
2023	Profit	12,000

Solution:

Average Profit = Total Profit / Number of Years

= (₹10,000 + ₹16,000 − ₹6,000 + ₹12,000) / 4

= ₹32,000 / 4 = **₹8,000**

Goodwill = Average Profit × Number of Years' Purchase

= ₹8,000 × 3 = **₹24,000**

30. Varasi, Rathi and Rani are partners sharing profits and losses equally. Rathi retires from the partnership on 1 January 2018. On that date, the assets side of the Balance Sheet shows an undistributed loss of ₹45,000. Give the Journal Entry for distributing the undistributed loss. [June 2023, June 2024]

Solution: Journal Entry

Particulars	Debit (₹)	Credit (₹)
Varasi's Capital A/c Dr.	15,000	
Rathi's Capital A/c Dr.	15,000	
Rani's Capital A/c Dr.	15,000	
To Profit and Loss A/c		45,000
(Undistributed loss transferred to the Capital Accounts of the partners.)		

THREE-MARK PROBLEMS:

1. Calculate Total Sales from the following information.

Particulars	Amount (₹)
Debtors on 1 January 2018	1,30,000
Cash received from Debtors during the year	4,20,000
Sales Returns	35,000
Debtors on 31 December 2018	2,00,000
Cash Sales	4,60,000
Bad Debts	15,000

Solution: Total Debtors Account

Debit	Amount (₹)	Credit	Amount (₹)
Balance b/d (Opening Balance)	1,30,000	Cash A/c	4,20,000
Credit Sales	5,40,000	Sales Returns	35,000
		Bad Debts	15,000
		Balance c/d (Closing Balance)	2,00,000
Total	**6,70,000**	**Total**	**6,70,000**

Credit Sales = ₹5,40,000

Total Sales = Credit Sales + Cash Sales

= ₹5,40,000 + ₹4,60,000 = **₹10,00,000**

2. The following balances were obtained from the books of Thomas as on 31 March 2018. Prepare the Statement of Affairs and ascertain the Capital.

Particulars	Amount (₹)	Particulars	Amount (₹)
Sundry Creditors	6,00,000	Bills Payable	1,20,000
Furniture	80,000	Cash in Hand	20,000
Land and Building	3,00,000	Bills Receivable	60,000
Sundry Debtors	3,20,000	Stock	2,20,000

Solution: Statement of Affairs of Thomas

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	6,00,000	Cash in Hand	20,000
Bills Payable	1,20,000	Stock	2,20,000
Capital (Balancing Figure)	2,80,000	Bills Receivable	60,000
		Sundry Debtors	3,20,000
		Furniture	80,000
		Land and Building	3,00,000
Total	**10,00,000**	**Total**	**10,00,000**

Capital = ₹2,80,000

3. Calculate Total Purchases from the following information.

Particulars	Amount (₹)	Particulars	Amount (₹)
Sundry Creditors on 1 January 2018	30,000	Purchase Returns	15,000
Bills Payable on 1 January 2018	25,000	Cash Purchases	2,25,000
Cash paid to Creditors	1,20,000	Creditors on 31 December 2018	25,000
Bills Payable paid	30,000	Bills Payable on 31 December 2018	20,000

Solution:

Bills Payable Account

Debit	Amount (₹)	Credit	Amount (₹)
Cash A/c	30,000	Balance b/d	25,000
Balance c/d	20,000	Sundry Creditors A/c	25,000
Total	**50,000**	**Total**	**50,000**

Sundry Creditors Account

Debit	Amount (₹)	Credit	Amount (₹)
Cash A/c	1,20,000	Balance b/d	30,000
Purchase Returns A/c	15,000	Purchases A/c (Credit Purchases)	1,55,000
Bills Payable A/c	25,000	Balance c/d	25,000
Total	**1,60,000**	**Total**	**1,85,000**

Total Purchases = Cash Purchases + Credit Purchases

= ₹2,25,000 + ₹1,55,000 = **₹3,80,000**

4. Calculate the amount of stationery consumed and the stationery expense to be shown in the Income and Expenditure Account for the year ended 31 March 2018. Also state how it will appear in the Balance Sheet as on 31 March 2018. [March 2024]

- Amount paid for stationery during 2017–18 = ₹1,500

- Stationery stock on 1 April 2017 = ₹300
- Stationery stock on 31 March 2018 = ₹200

Solution:

Income and Expenditure Account

For the year ended 31 March 2018

Expenditure	**Amount (₹)**
Stationery:	
Opening Stock	300
Add: Purchases	1,500
Less: Closing Stock	(200)
Stationery consumed	**1,600**

Balance Sheet as on 31 March 2018

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
		Stationery Stock	**200**

5. Show how the following information will appear in the final accounts of a club for the year ended 31 March 2019. [March 2021, March 2026]

The subscription information is:

Particulars	**Amount (₹)**
Subscription received for 2017–18	10,000
Subscription received for 2018–19	50,000
Subscription received for 2019–20	5,000

There are 200 members in the club and each member pays an annual subscription of ₹400. Subscription of ₹2,000 for 2017–18 is still outstanding.

Solution:

Income and Expenditure Account

For the year ended 31 March 2018

Expenditure	**Amount (₹)**	**Income**	**Amount (₹)**
		Subscription	50,000
		Add: Subscription Receivable	30,000
		Subscription Income	**80,000**

Balance Sheet as on 31 March 2018

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Subscription received in advance (2019–20)	5,000	Subscription Receivable – 2017–18	2,000
		Subscription Receivable – 2018–19	30,000

6. Show how the following items will appear in the final accounts of Karaikudi Sports Club for the year ended 31 March 2019. [March 2025]

Particulars	Amount (₹)
Sports Tournament Fund on 1 April 2018	90,000
Investment in Sports Tournament Fund on 1 April 2018	90,000
Interest received on Sports Tournament Fund Investment	9,000
Donation for Sports Tournament Fund	10,000
Sports Tournament Expenses	60,000

Solution:

Balance Sheet as on 31 March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sports Tournament Fund	90,000	Sports Tournament Fund Investment	90,000
Add: Interest received on Investment	9,000		
Add: Donation for Sports Tournament Fund	10,000		
Less: Sports Tournament Expenses	(60,000)		
Balance of Sports Tournament Fund	**49,000**	**Sports Tournament Fund Investment**	**90,000**

7. Anthony and Akbar are partners sharing profits and losses in the ratio of 3:2. Their Capital Account balances on 1 January 2018 were ₹60,000 and ₹40,000 respectively. On 1 April 2018, Anthony introduced additional capital of ₹10,000. During the year, Akbar introduced additional capital of ₹5,000. Calculate interest on capital at 6% per annum for the year ended 31 December 2018.

Solution:

Interest on Capital = Amount of Capital × Rate of Interest × Period

Anthony's Interest on Capital:

Opening Capital for one year:

= ₹60,000 × 6/100 = **₹3,600**

Additional Capital for 9 months:

= ₹10,000 × 6/100 × 9/12 = **₹450**

Interest on Anthony's Capital = ₹4,050

Akbar's Interest on Capital:

Opening Capital for one year:

= ₹40,000 × 6/100 = **₹2,400**

Additional Capital for 6 months:

= ₹5,000 × 6/100 × 6/12 = **₹150**

Interest on Akbar's Capital = ₹2,550

8. Mannan and Ramesh are partners sharing profits and losses in the ratio of 3:2. On 1 April 2018, their capitals were ₹1,50,000 and ₹1,00,000 respectively. Their Current Accounts showed credit balances of ₹25,000 and ₹20,000 respectively. Calculate interest on capital at 6% per annum for the year ended 31 March 2019 and give the Journal Entries. [Mar 23]

Solution:

Mannan's Interest on Capital = ₹1,50,000 × 6/100 = **₹9,000**

Ramesh's Interest on Capital = ₹1,00,000 × 6/100 = **₹6,000**

Journal Entries

Particulars	Debit (₹)	Credit (₹)
Interest on Capital A/c Dr.	15,000	
To Mannan's Current A/c		9,000
To Ramesh's Current A/c		6,000
(Interest on capital credited to partners' Current Accounts.)		
Profit and Loss Appropriation A/c Dr.	15,000	
To Interest on Capital A/c		15,000
(Interest on capital transferred to Profit and Loss Appropriation Account.)		

9. Anbu is a partner in a partnership firm. According to the Partnership Deed, interest on drawings is charged at 12% per annum. His drawings during the year ended 31 December 2018 are as follows. [March 2025]

Date	Drawings (₹)
1 March	6,000
1 June	4,000
1 September	5,000
1 December	2,000

Calculate interest on drawings using the **Product Method**.

Solution:

Date of Drawing	Amount (₹)	Period up to 31 December	Product (₹)
1 March	6,000	10 months	60,000
1 June	4,000	7 months	28,000
1 September	5,000	4 months	20,000
1 December	2,000	1 month	2,000
Total Product			**1,10,000**

Interest on Drawings = Total Product × Rate of Interest × 1/12

= ₹1,10,000 × 12/100 × 1/12 = **₹1,000**

10. Aakash, Bala, Chandru and Daniel are partners of a firm. How will you deal with the following matters in the absence of a Partnership Deed? [May 2022]

I. Aakash has contributed more capital and claims interest on capital at 10% per annum.

II. Bala withdraws ₹3,000 every month. The other partners ask Bala to pay interest on drawings at 8% per annum, but the partners have not agreed to this.

III. Aakash wants the profits to be shared in the ratio of capital contributions, but the other partners do not agree.

IV. Daniel spends his time working in the business and claims a salary of ₹10,000 per month.

V. Chandru has given a loan of ₹50,000 to the firm and claims interest at 12% per annum.

Solution:

I. Aakash is **not entitled to interest on capital**.

II. Bala is **not liable to pay interest on drawings**.

III. Profits must be **shared equally** among the partners.

IV. Daniel is **not entitled to salary**.

V. Chandru is entitled to **interest on loan at 6% per annum**.

11. Sumathi is a partner in a partnership firm. She regularly withdraws ₹5,000 every month. Interest on drawings is calculated at 4% per annum. Calculate interest on drawings using the Average Period Method under the following situations. [March 2026]

i. If the drawings are made at the beginning of every month

ii. If the drawings are made in the middle of every month

Solution:

Total Drawings = ₹5,000 × 12 = **₹60,000**

i. Drawings at the Beginning of Every Month

Interest on Drawings = ₹60,000 × 4/100 × 6.5/12 = **₹1,300**

ii. Drawings in the Middle of Every Month

Interest on Drawings = ₹60,000 × 4/100 × 6/12 = **₹1,200**

12. The profits and losses of a firm for the last four years are as follows: 2015: ₹15,000; 2016: ₹17,000; 2017: ₹6,000 Loss; 2018: ₹14,000. Calculate the value of Goodwill on the basis of 5 years' purchase of the average profit of four years.

Solution:

Goodwill = Average Profit × Number of Years' Purchase

Average Profit = Total Profit / Number of Years

$$\text{Average Profit} = \frac{15{,}000+17{,}000-6{,}000+14{,}000}{4} = \frac{40000}{4} = ₹\ 10{,}000$$

Goodwill = 10,000 x 5 = ₹ **50,000**

13. For the purpose of admitting a new partner, a firm has decided to value its goodwill at 3 years purchase of the average profit of the last 4 years using weighted average method. Profits of the past 4 years and the respective weights are as follows:

Particulars	2015	2016	2017	2018
Profit (₹)	20,000	22,000	24,000	28,000
Weight	1	2	3	4

Compute the value of goodwill.

Solution

Calculation of weighted average profit

Year	Profits (a) ₹	Weights (b)	Weighted profits (a × b) ₹
2015	20,000	1	20,000
2016	22,000	2	44,000
2017	24,000	3	72,000
2018	28,000	4	1,12,000
Total		10	2,48,000

$$\text{Weighted average profit} = \frac{\text{Total of weighted profits}}{\text{Total of weights}}$$

$$= \frac{2{,}48{,}000}{10} = ₹\ 24{,}800$$

Goodwill = Weighted average profit × Number of years of purchase

= 24,800 × 3 = ₹ 74,400

14. From the following information, calculate the value of goodwill under annuity method:

(i) Average profit	₹ 14,000
(ii) Normal Profit	₹ 4,000
(iii) Normal rate of return	15%
(iv) Years of purchase of goodwill	5

Present value of ₹ 1 for 5 years at 15% per annum as per the annuity table is 3.352

Solution:

Super Profit = Average profit – Normal profit

= 14,000 – 4,000 = **10,000**

Goodwill = Super profit x Value of Annuity

= 10,000 x 3.352 = **33,520**

15. From the following information, calculate the value of goodwill on the basis of 3 years purchase of average profits of last four years.

Year	Result	Amount ₹
2015	Profit	5,000
2016	Profit	8,000
2017	Loss	3,000
2018	Profit	6,000

Solution:

Goodwill = Average profit × Number of years' purchase

Average profit = Total profit / Number of years

$$= \frac{5{,}000+6{,}000-4{,}000+6{,}000}{4} = \frac{16000}{4}$$

= **₹4,000**

Goodwill = 4,000 × 3 = **₹12,000**

16. From the following details, find the value of goodwill under the capitalisation method.

a) Average profit = ₹20,000 *(March-2024)*

b) Normal rate of profit = 10%

c) Capital employed = ₹1,50,000

Solution:

Total capitalised value of the business = (Average profit / Normal rate of profit) × 100

= (20,000 / 10) × 100 = **₹2,00,000**

Goodwill = Total capitalised value of the business − Capital employed

= 2,00,000 − 1,50,000 **= ₹50,000**

17. **Vivin, Hari and Joy are partners sharing profits and losses in the ratio 3 : 2 : 1. On 31st March 2017, Hari retired. On the date of retirement, the books of the firm's showed a General Reserve of ₹60,000. Pass the journal entry for transferring the General Reserve.**

Solution: Journal Entry

Date	Particulars	L.F. No.	Debit (₹)	Credit (₹)
2017 Mar 31	General Reserve A/c ..... Dr		60,000	
	To Vivin's capital A/c			30,000
	To Hari's capital A/c			20,000

	To Joy's capital A/c (General reserve transferred to all partners capital A/c in the old profit sharing ratio)			10,000

18. **From the following pariculars of Kumar Ltd, prepare a Common-Size Income Statement for the year ended 31 March 2018.** *(March-2023)*

Particulars	2017-2018 (₹)
Revenue from operations	5,00,000
Other income	20,000
Expenses	3,00,000

Solution:

Kumar Company – Common Size Income Statement

Particulars	Amount (₹)	% of Revenue from operations
Revenue from operations	5,00,000	100
Add: Other income	20,000	4
Total revenue	5,20,000	104
Less: Expenses	3,00,000	60
Profit before tax	2,20,000	44

19. From the following particulars, prepare a Comparative Income Statement of Bharani Ltd.

(March-2025)

Particulars	2016-17 (₹)	2017-18 (₹)
Revenue from operations	30,000	45,000
Other income	4,000	6,000
Expenses	10,000	15,000
Income tax rate %	30	30

Solution: Bharani Company – Comparative Income Statement

Particulars	2016-17 (₹)	2017-18 (₹)	Increase (+) / Decrease (−) in amount (₹)	Increase (+) / Decrease (−) in percentage
Revenue from operations	30,000	45,000	+15,000	+50
Add: Other income	4,000	6,000	+2,000	+50
Total income	**34,000**	**51,000**	**+17,000**	**+50**
Less: Expenses	10,000	15,000	+5,000	+50
Profit before tax	24,000	36,000	+12,000	+50
Less: Income tax at 30%	7,200	10,800	+3,600	+50
Profit after tax	**16,800**	**25,200**	**+8,400**	**+50**

20. Calculate current ratio from the following information:

Particulars	₹	Particulars	₹
Current investments	80,000	Trade creditors	1,60,000
Inventories	1,60,000	Bills payable	1,00,000
Trade receivables	4,00,000	Expenses payable	1,40,000
Cash and cash equivalents	1,20,000		
Prepaid expenses	40,000		

Solution

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{8,00,000}{4,00,000} = 2:1$$

Current assets = Current investments + Inventories + Trade receivables + Cash and cash equivalents + Prepaid expenses
= 80,000 + 1,60,000 + 4,00,000 + 1,20,000 + 40,000 = ₹ 8,00,000

Current liabilities = Trade creditors + Bills payable + Expenses payable
= 1,60,000 + 1,00,000 + 1,40,000 = ₹ 4,00,000

21. From the following information, calculate debt equity ratio:

Balance sheet (Extract) as on 31.03.2018

Particulars	₹
I EQUITY AND LIABILITIES	
1. Shareholders' funds	
(a) Share capital	
Equity share capital	1,00,000
(b) Reserves and surplus	60,000
2. Non-current liabilities	
Long-term borrowings (Debentures)	80,000
3. Current liabilities	
(a) Trade payables	50,000
(b) Other current liabilities	
Outstanding expenses	30,000
Total	**3,20,000**

Solution

$$\text{Debt equity ratio} = \frac{\text{Long term debt}}{\text{Shareholders' funds}} = \frac{80,000}{1,60,000} = 0.5:1$$

Long term debt = Debentures = ₹ 80,000

Shareholders' funds = Equity share capital + Reserves and surplus
= 1,00,000 + 60,000 = ₹ 1,60,000

22. **From the following informations, calculate the Capital Gearing Ratio:** *(March-2026)*

Balance sheet (Extract) as on 31.03.2018

Particulars	₹
I. Equity and liabilities	
1. Shareholders' funds	
(a) Share capital	
Equity share capital	4,00,000
5% Preference share capital	1,00,000
(b) Reserves and surplus	
General reserve	2,50,000
Surplus	1,50,000
2. Non-Current liabilities	
Long-term borrowings (6% debentures)	3,00,000

3. Current liabilities	
(a) Trade payables	1,20,000
Provision for tax	30,000
Total	**13,50,000**

Solution:

$$\text{Capital gearing ratio} = \frac{\text{Funds bearing fixed interest and fixed dividend}}{\text{Equity shareholders' funds}}$$

Funds bearing fixed interest and fixed dividend = 1,00,000 + 3,00,000 = 4,00,000

Equity shareholders' funds = 4,00,000 + 2,50,000 + 1,50,000 = 8,00,000

$$\textbf{Capital gearing ratio} = \frac{4,00,000}{8,00,000} = \textbf{0.5 : 1}$$

5 Marks problems:

1 David does not keep proper books of accounts. Following details are given from his records.

Particulars	1.4.2018 ₹	31.3.2019 ₹
Cash	43,000	29,000
Stock of goods	1,20,000	1,30,000
Sundry debtors	84,000	1,10,000
Sundry creditors	1,05,000	1,02,000
Loan	25,000	20,000
Business premises	2,50,000	2,50,000
Furniture	33,000	45,000

During the year he introduced further capital of ₹ 45,000 and withdrew ₹ 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

Solution

In the books of David

Calculation of opening capital

Statement of affairs as on 1st April, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,05,000	Cash	43,000
Loan	25,000	Stock of goods	1,20,000
Capital (balancing figure)	**4,00,000**	Sundry debtors	84,000
		Business premises	2,50,000
		Furniture	33,000
	5,30,000		5,30,000

Calculation of closing capital

Statement of affairs as on 31st March, 2019

Liabilities	₹	Assets	₹
Sundry creditors	1,02,000	Cash	29,000
Loan	20,000	Stock of goods	1,30,000
		Sundry debtors	1,10,000
Capital (balancing figure)	**4,42,000**	Business premises	2,50,000
		Furniture	45,000
	5,64,000		5,64,000

Statement of profit or loss for the year ending 31st March, 2019

Particulars	₹
Closing capital as on 31.3.2019	4,42,000
Add: Drawings during the year (2,500 x 12)	30,000
	4,72,000
Less: Additional capital introduced during the year	45,000
Adjusted closing capital	4,27,000
Less: Opening capital as on 1.4.2018	4,00,000
Profit made during the year ending 31.3.2019	**27,000**

2 Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Cash at Bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry Debtors	1,00,000	90,000
Plant and Machinery	80,000	80,000
Land and Buildings	1,40,000	1,40,000
Sundry Creditors	1,70,000	1,30,000

Ananth had withdrawn ₹ 60,000 for his personal use. He had introduced ₹ 17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

Solution:

In the books of Ananth

Calculation of Opening Capital

Statement of affairs as on 31 March 2018

Liabilities	₹	₹	Assets	₹	₹
Sundry Creditors		1,70,000	Cash at bank		5,000
Capital (balancing Figure)		1,93,000	Cash in Hand		3,000
			Stock of Goods		35,000
			Sundry Debtors		1,00,000
			Plant and Machinary		80,000
			Land and Buildings		1,40,000
		3,63,000			3,63,000

Calculations of closing capitals

Statement of affairs as on 31 March 2019

Liabilities	₹	₹	Assets	₹	₹
Bank overdraft		60,000	Cash at Hand		4,500
Sundry Creditors		1,30,000	Stock of Goods		45,000
Capital (balancing Figure)		1,57,000	Sundry Debtors	90,000	
			Less: Provision 5%	4,500	85,500
			Plant and Machinary	80,000	
			Less: Depriciation 10%	8,000	72,000
			Land and Buildings		1,40,000
		3,47,000			3,47,000

Statement of Profits or Loss for the year ending 31 March 2019

Particulars	₹
Closing Capital as on 31-03-2019	1,57,000
ADD: Drawings	60,000
	2,17,000
LESS: Additional Capital	17,000
	2,00,000
LESS: Opening Capital	1,93,000
Profit	**7,000**

3 On 1st April 2018 Subha started her business with a capital of ₹ 1,20,000. She did not maintain proper book of accounts. Following particulars are available from her books as on 31.3.2019.

Particulars	₹	**Particulars**	₹
Bank overdraft	50,000	Stock-in-trade	1,60,000
Debtors	1,80,000	Creditors	90,000
Bills receivable	70,000	Bills payable	2,40,000
Computer	30,000	Cash in hand	60,000
Machinery	3,00,000		

During the year she withdrew ₹ 30,000 for her personal use. She introduced further capital of ₹ 40,000 during the year. Calculate her profit or loss.

Solution:

In the books of Subha

Calculation of Closing Capital

Statement of affairs as on 31 March 2019

Liabilities	₹	₹	Assets	₹	₹
Bank Overdraft		50,000	Debtors		1,80,000
Bills Payable		2,40,000	Bills Receivable		70,000
Creditors		90,000	Computer		30,000
Capital (balancing Figure)		4,20,000	Machinery		3,00,000
			Stock in-trade		1,60,000
			Cash in Hand		60,000
		8,00,000			8,00,000

Statement of Profits or Loss for the year ending 31 March 2019

Particulars	₹
Closing Capital as on 31-03-2019	4,20,000
ADD: Drawings	30,000
	4,50,000
LESS: Additional Capital	40,000
	4,10,000
LESS: Opening Capital	1,20,000
Profit	**2,90,000**

4 From the following particulars, calculate total sales.

Particulars	₹	Particulars	₹
Debtors on 1st April 2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1st April 2018	60,000	Returns inward	50,000
Cash received from debtors	7,25,000	Bills receivable on 31st March, 2019	90,000
Cash received for bills receivable	1,60,000	Sundry debtors on 31st March, 2019	2,40,000
Bad debts	30,000	Cash sales	3,15,000

Solution:

Dr. Bills receivable a/c Cr.

Particulars	₹		₹
To Balance b/d	60,000	By Cash A/c	1,60,000
To Debtors A/c	**2,05,000**	By Debtors A/c	15,000
(Bills Received during the year balancing figure)		(Bills receivable dishonoured)	
		By balance c/d	90,000
	2,65,000		**2,65,000**

Dr. Total Debtors A/c Cr.

Particulars	₹		₹
To Balance b/d	2,50,000	By Cash A/c	7,25,000
Bills Receivable A/c (dishonoured)	15,000	By Sales inward	50,000
		Bad Debts	30,000
Sales A/c (Credit)	**9,85,000**	Bills receivable A/c	2,05,000
(balancing figure)		By balance c/d	2,40,000
	12,50,000		**12,50,000**

Total Sales = Cash Sales + Credit Sales

Total Sales = 3,15,000 + 9,85,000 = **₹ 13,00,000**

5. From the following particulars calculate total purchases.

Particulars	₹
Sundry creditors on 1st April, 2017	75,000
Bills payable on 1st April, 2017	60,000
Paid cash to creditors	3,70,000
Paid for bills payable	1,00,000
Purchases returns	15,000
Cash purchases	3,20,000
Creditors on 31st March, 2018	50,000
Bills payable on 31st March, 2018	80,000

Solution

Dr. Bills payable account Cr.

Particulars	₹	Particulars	₹
To Cash A/c (bills paid)	1,00,000	By Balance b/d	60,000
To Balance c/d	80,000	By Sundry creditors A/c	
		(Bills accepted - balancing figure)	**1,20,000**
	1,80,000		1,80,000

Dr. **Total creditors account** **Cr.**

Particulars	₹	Particulars	₹
To Cash A/c (paid)	3,70,000	By Balance b/d	75,000
To Purchases return A/c	15,000	By Purchases A/c (credit)	**4,80,000**
To Bills payable A/c	1,20,000	(balancing figure)	
(bills accepted)			
To Balance c/d	50,000		
	5,55,000		5,55,000

Total purchases = Cash purchases + Credit purchases

= ₹ 3,20,000 + ₹ 4,80,000 = ₹ 8,00,000

6. From the following particulars of Trichy Educational Society, prepare Receipts and Payments account for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Opening cash balance as on 1.1.2018	20,000	Locker rent received	12,000
Investments made	80,000	Sale of furniture	5,000
Honorarium paid	3,000	General expenses	7,000
Donation received	80,000	Postage	1,000
Audit fees paid	2,000	Subscription received	10,000

Solution

In the books of Trichy Educational Society

Dr. **Receipts and Payments Account for the year ended 31st December, 2018** **Cr.**

Receipts	₹	Payments	₹
To Balance b/d		By Investments made	80,000
Cash in hand	20,000	By Honorarium paid	3,000
To Donation received	80,000	By Audit fees	2,000
To Locker rent received	12,000	By General expenses	7,000
To Sale of furniture	5,000	By Postage	1,000
To Subscription	10,000	By Balance c/d	
		Cash in hand	**34,000**
	1,27,000		1,27,000

7. From the following particulars of Poompuhar Literary Association, prepare Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash in hand as on 1.4.2018	5,000	Subscriptions received	20,000
Bank overdraft as on 1.4.2018	4,000	Repairs and renewals	2,500
Printing and stationery	1,500	Conveyance paid	2,750
Interest paid	3,250	Books purchased	10,000
Sale of investments	1,000	Insurance premium paid	4,000
Purchase of refreshments	1,500	Sundry receipts	750
Outstanding salary	2,000	Government grants received	6,000
Endowment fund receipts	2,000	Sale of refreshments	1,500
Lighting charges	1,300	Depreciation on buildings	2,000
		Cash at bank on 31.03.2019	2,000

Solution

In the books of Poompuhar Literary Association

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

Receipts	₹	Payments	₹
To Balance b/d		By Balance b/d	
Cash in hand	5,000	Bank overdraft	4,000
To Sale of investments	1,000	By Printing and stationery	1,500
To Endowment fund receipts	2,000	By Interest paid	3,250
To Subscriptions received	20,000	By Purchase of refreshments	1,500
To Sundry receipts	750	By Lighting charges	1,300
To Government grants received	6,000	By Repairs and renewals	2,500
To Sale of refreshments	1,500	By Conveyance paid	2,750
		By Books purchased	10,000
		By Insurance premium paid	4,000
		By Balance c/d	
		Cash at bank	2,000
		Cash in hand	**3,450**
	36,250		36,250

8. From the following Receipts and Payment Account of Trichy Recreation Club, prepare Income and Expenditure Account for the year ended 31.03.2018.

Receipts	₹	Payments	₹
To Opening balance		By Furniture purchased	10,000
Cash in hand	11,000	By Rent	2,800
To Dividend received	27,600	By Secretary's honorarium	15,000
To Sale of old newspaper	3,000	By Postage	1,700
To Members' subscription	31,000	By General expenses	4,350
To Locker rent	8,000	By Printing and Stationery	45,000
To Interest on investments	1,250	By Audit fees	5,000
To Sale of furniture	5,000	By Closing balance	
(Book value ₹ 4,400)		Cash in hand	3,000
	86,850		86,850

Solution

In the books of Trichy Recreation Club

Dr. Income and Expenditure Account for the year ended 31st March, 2018 Cr.

Expenditure	₹	Income	₹
To Rent	2,800	By Dividend received	27,600
To Secretary's honorarium	15,000	By Sale of old newspaper	3,000
To Postage	1,700	By Members' subscription	31,000
To General expenses	4,350	By Locker rent	8,000
To Printing and stationery	45,000	By Interest on Investments	1,250
To Audit fees	5,000	By Profit on sale of furniture (5,000 - 4,400)	600
		By Deficit (Excess of expenditure over income)	**2,400**
	73,850		73,850

9. From the following information, prepare capital accounts of partners Rooban and Deri, when their capitals are fixed.

Particulars	Rooban ₹	Deri ₹
Capital on 1st April, 2018	70,000	50,000
Current account on 1st April, 2018 (Cr.)	25,000	15,000
Additional capital introduced	18,000	16,000
Drawings during 2018 – 2019	10,000	6,000
Interest on drawings	500	300
Share of profit for 2018 – 2019	35,000	25,800
Interest on capital	3,500	2,500
Salary	Nil	18,000
Commission	12,000	Nil

Dr. Partners Capital A/c Cr.

Date	Particulars	Rooban ₹	Deri ₹	Date	Particulars	Rooban ₹	Deri ₹
					By Balance b/d	70,000	50,000
	By Balance c/d	88,000	66,000		By Bank A/c	18,000	16,000
		88,000	66,000			88,000	66,000
					By Balance b/d	88,000	66,000

Dr. Partners Current A/c Cr.

Date	Particulars	Rooban ₹	Deri ₹	Date	Particulars	Rooban ₹	Deri ₹
	By Drawings	10,000	6,000		By Balance b/d	25,000	15,000
	By interest on Drawing	500	300		By share of Profit	35,000	25,800
					By interest on Capital	3,500	2,500
					By salary	--	18,000
	By Balance c/d	65,000	55,000		By Commission	12,000	--
		75,500	61,300			75,500	61,300
					By Balance b/d	65,000	55,000

10 Bragathish and Naresh are partners who maintain their capital accounts under fixed capital method. From the following particulars, prepare capital accounts of partners.

Particulars	Bragathish ₹	Naresh ₹
Capital on 1st April 2018	4,00,000	6,00,000
Current account on 1st April 2018	20,000(Cr.)	15,000(Dr.)
Additional capital introduced during the year	50,000	Nil
Drawings made during the year	45,000	60,000
Interest on drawings	2,000	3,000
Share of profit for the year	80,000	1,20,000
Interest on capital	20,000	30,000
Commission	17,000	Nil
Salary	Nil	38,000

Solution

Dr. Partners' Capital Account Cr.

Date	Particulars	Bragathish ₹	Naresh ₹	Date	Particulars	Bragathish ₹	Naresh ₹
	To Balance c/d	**4,50,000**	**6,00,000**		By Balance b/d	4,00,000	6,00,000
					By Bank A/c (Additional capital)	50,000	-
		4,50,000	6,00,000			4,50,000	6,00,000
					By Balance b/d	4,50,000	6,00,000

Dr. Partners' Current Account Cr.

Date	Particulars	Bragathish ₹	Naresh ₹	Date	Particulars	Bragathish ₹	Naresh ₹
	To Balance b/d	-	15,000		By Balance b/d	20,000	-
	To Drawings A/c	45,000	60,000		By Profit and loss appropriation A/c (share of profit)	80,000	1,20,000
	To Interest on drawings A/c	2,000	3,000				
	To Balance c/d	**90,000**	**1,10,000**		By Interest on capital A/c	20,000	30,000
					By Commission A/c	17,000	-
					By Salary A/c	-	38,000
		1,37,000	1,88,000			1,37,000	1,88,000
					By Balance b/d	90,000	1,10,000

11 Durai and Velan entered into a partnership agreement on 1st April 2018, Durai contributing ₹ 25,000 and Velan ₹ 30,000 as capital. The agreement provided that:

(a) Profits and losses to be shared in the ratio 2:3 as between Durai and Velan.
(b) Partners to be entitled to interest on capital @ 5% p.a.
(c) Interest on drawings to be charged Durai: ₹ 300 Velan: ₹ 450
(d) Durai to receive a salary of ₹ 5,000 for the year, and
(e) Velan to receive a commission of ₹ 2,000

During the year, the firm made a profit of ₹ 20,000 before adjustment of interest, salary and commission. Prepare the Profit and loss appropriation account.

Solution

Dr. Profit and loss appropriation account for the year ended 31st March 2019 Cr.

Particulars	₹	₹	Particulars	₹
To Interest on capital A/c:			By Profit and loss A/c	20,000
Durai (25,000 x 5%)		1,250	By Interest on drawings A/c	
Velan (30,000 x 5%)		1,500	Durai	300
To Salary to Durai A/c		5,000	Velan	450
To Commission to Velan A/c		2,000		
To Partners' capital A/c				
(profit transferred)				
Durai (11,000 x 2/5)	4,400			
Velan (11,000 x 3/5)	6,600	**11,000**		
		20,750		20,750

12 From the following information relating to Arul enterprises, calculate the value of goodwill on the basis of 2 years purchase of the average profits of 3 years.

(a) Profits for the years ending 31st December 2016, 2017 and 2018 were ₹ 46,000, ₹ 44,000 and ₹ 50,000 respectively.
(b) A non-recurring income of ₹ 5,000 is included in the profits of the year 2016.
(c) The closing stock of the year 2017 was overvalued by ₹ 10,000.

Solution

Calculation of adjusted profit

Particulars	2016 ₹	2017 ₹	2018 ₹
Profit	46,000	44,000	50,000
Less: Non- recurring income	5,000	-	-
	41,000	44,000	50,000
Less: Over valuation of closing stock	-	10,000	-
	41,000	34,000	50,000
Add: Over valuation of opening stock	-	-	10,000
Profit after adjustments	41,000	34,000	60,000

Tutorial note: Over valuation of closing stock in 2017 will result in over valuation of opening stock in 2018

$$\text{Average profit} = \frac{\text{Total profit}}{\text{Number of years}}$$

$$= \frac{41,000 + 34,000 + 60,000}{3}$$

$$= \frac{1,35,000}{3} = ₹\ 45,000$$

Goodwill = Average profit × Number of years of purchase
= 45,000 × 2 = ₹ 90,000

13 From the following information, calculate the value of goodwill based on 3 years purchase of super profit

(i) Capital employed: ₹ 2,00,000

(ii) Normal rate of return: 15%

(ii) Average profit of the business: ₹ 42,000

Solution

Normal profit = Capital employed × Normal rate of return
= 2,00,000 × 15% = ₹ 30,000

Super profit = Average profit – Normal profit
= 42,000 – 30,000
= ₹ 12,000

Goodwill = Super profit × Number of years of purchase
= 12,000 × 3
= ₹ **36,000**

14 Rajesh and Ramesh are partners sharing profits in the ratio 3:2. Raman is admitted as a new partner and the new profit sharing ratio is decided as 5:3:2. The following revaluations are made. Pass journal entries and prepare revaluation account.

(a) The value of building is increased by ₹ 15,000.

(b) The value of the machinery is decreased by ₹ 4,000.

(c) Provision for doubtful debt is made for ₹ 1,000.

Solution

Journal entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Buildings A/c	Dr.		15,000	
	To Revaluation A/c				15,000
	(Appreciation in value of buildings recorded)				
	Revaluation A/c	Dr.		5, 000	
	To Machinery A/c				4,000
	To Provision for doubtful debts A/c				1,000
	(Decrease in assets recorded and provision made)				
	Revaluation A/c	Dr.		10,000	
	To Rajesh's capital A/c				6,000
	To Ramesh's capital A/c				4,000
	(Profit on revaluation transferred)				

Dr. **Revaluation Account** **Cr.**

Particulars	₹	₹	Particulars	₹
To Machinery A/c		4,000	By Buildings A/c	15,000
To Provision for doubtful debts A/c		1,000		
To Profit on revaluation transferred to				
Rajesh's capital A/c (3/5)	6,000			
Ramesh's capital A/c (2/5)	4,000	**10,000**		
		15,000		15,000

15 Thai Ltd. issued 1,00,000 equity shares of ₹ 10 each, payable ₹ 5 on application, ₹ 2 on allotment, ₹ 2 on first call and ₹ 1 on final call. All the shares are subscribed and amount was duly received. Pass journal entries.

Solution

In the books of Thai Ltd.

Journal entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		5,00,000	
	To Equity share application A/c				5,00,000
	(Application money received)				
	Equity share application A/c	Dr.		5,00,000	
	To Equity share capital A/c				5,00,000
	(Transfer of share application money to share capital)				
	Equity share allotment A/c	Dr.		2,00,000	
	To Equity share capital A/c				2,00,000
	(Share allotment money due)				
	Bank A/c	Dr.		2,00,000	
	To Equity share allotment A/c				2,00,000
	(Allotment money received)				
	Equity share first call A/c	Dr.		2,00,000	
	To Equity share capital A/c				2,00,000
	(Share first call money due)				
	Bank A/c	Dr.		2,00,000	
	To Equity share first call A/c				2,00,000
	(Share first call money received)				
	Equity share second and final call A/c	Dr.		1,00,000	
	To Equity share capital A/c				1,00,000
	(Share second and final call money due)				
	Bank A/c	Dr.		1,00,000	
	To Equity share second and final call A/c				1,00,000
	(Share second and final call money received)				

16 Joy Company issued 10,000 equity shares at ₹ 10 per share payable ₹ 5 on application, ₹ 3 on allotment and ₹ 2 on first and final call. The public subscribed for 9,000 shares. The directors allotted all the 9,000 shares and duly received the money. Pass the necessary journal entries.

Solution

In the books of Joy Company
Journal entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c (9,000 × 5)	Dr.		45,000	
	To Equity share application A/c				45,000
	(Application money received)				
	Equity share application A/c	Dr.		45,000	
	To Equity share capital A/c				45,000
	(Transfer of application money to share capital A/c)				
	Equity share allotment A/c	Dr.		27,000	
	To Equity share capital A/c				27,000
	(Allotment money due)				
	Bank A/c	Dr.		27,000	
	To Equity share allotment A/c				27,000
	(Allotment money received)				
	Equity share first and final call A/c	Dr.		18,000	
	To Equity share capital A/c				18,000
	(Call money due)				
	Bank A/c	Dr.		18,000	
	To Equity share first and final call A/c				18,000
	(Call money received)				

17 Rajan Ltd. purchased machinery of ₹ 6,00,000 from Jagan Traders. It issued equity shares of ₹ 10 each fully paid in satisfaction of their claim. What entries will be made if such issue is made: (a) at par and (b) at a premium of 50%.

Solution

In the books of Rajan Ltd
Journal entries

(a) When shares are issued at par:

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Machinery A/c	Dr.		6,00,000	
	To Jagan Traders A/c				6,00,000
	(Purchase of machinery)				
	Jagan Traders A/c	Dr.		6,00,000	
	To Equity share capital A/c				6,00,000
	(Issue of 60,000 shares of ₹ 10 each fully paid)				

(b) When shares are issued at a premium of 50%

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Machinery A/c	Dr.		6,00,000	
	To Jagan Traders A/c				6,00,000
	(Purchase of machinery)				
	Jagan Traders A/c	Dr.		6,00,000	
	To Equity share capital A/c (40,000 × 10)				4,00,000
	To Securities premium A/c (40,000 × 5)				2,00,000
	(Issue of 40,000 shares of ₹ 10 each at a premium of 50%)				

18 From the following particulars, prepare comparative balance sheet of Malar Ltd as on 31st March 2016 and 31st March 2017.

Particulars	31st March 2016	31st March 2017
	₹	₹
I EQUITY AND LIABILITIES		
1. Shareholders' fund		
a) Share capital	2,00,000	2,50,000
b) Reserves and surplus	50,000	50,000
2. Non-current liabilities		
Long-term borrowings	30,000	60,000
3. Current liabilities		
Trade payables	20,000	60,000
Total	3,00,000	4,20,000
II ASSETS		
1. Non-current assets		
a) Fixed assets	1,00,000	1,50,000
b) Non - current investments	50,000	75,000
2. Current assets		
Inventories	75,000	1,50,000
Cash and cash equivalents	75,000	45,000
Total	3,00,000	4,20,000

Solution

Comparative balance sheet of Malar Ltd as on 31st March 2016, and 31st March 2017

Particulars	2015-16	2016-17	Absolute amount of increase (+) or decrease (–)	Percentage increase (+) or decrease (–)
	₹	₹	₹	
I EQUITY AND LIABILITIES				
1. Shareholders' Fund				
a) Share capital	2,00,000	2,50,000	+50,000	+25
b) Reserves and surplus	50,000	50,000	-	-
2. Non-current liabilities				
Long-term borrowings	30,000	60,000	+30,000	+100
3. Current liabilities				
Trade payables	20,000	60,000	+40,000	+200
Total	3,00,000	4,20,000	+1,20,000	+40
II ASSETS				
1. Non-current assets				
a) Fixed assets	1,00,000	1,50,000	+50,000	+50
b) Non-current investments	50,000	75,000	+25,000	+50
2. Current assets				
Inventories	75,000	1,50,000	+75,000	+100
Cash and cash equivalents	75,000	45,000	–30,000	–40
Total	3,00,000	4,20,000	+1,20,000	+40

19 Prepare common-size balance sheet of Sharmila Ltd. and Sangeetha Ltd. as on 31st March, 2019.

Particulars	Sharmila Ltd	Sangeetha Ltd
	₹	₹
I EQUITY AND LIABILITIES		
Shareholders' funds	5,00,000	11,00,000
Non-current liabilities	4,00,000	7,00,000
Current liabilities	1,00,000	2,00,000
Total	10,00,000	20,00,000
II ASSETS		
Non-current assets	6,50,000	18,00,000
Current assets	3,50,000	2,00,000
Total	10,00,000	20,00,000

Solution

Common-size balance sheet of Sharmila Ltd and Sangeetha Ltd as on 31st March, 2019

Particulars	Sharmila Ltd		Sangeetha Ltd	
	Absolute amount	Percentage of total assets	Absolute amount	Percentage of total assets
	₹		₹	
I EQUITY AND LIABILITIES				
Shareholders' funds	5,00,000	50	11,00,000	55
Non-current liabilities	4,00,000	40	7,00,000	35
Current liabilities	1,00,000	10	2,00,000	10
Total	10,00,000	100	20,00,000	100
II ASSETS				
Non-current assets	6,50,000	65	18,00,000	90
Current assets	3,50,000	35	2,00,000	10
Total	10,00,000	100	20,00,000	100

20 From the following information, calculate trend percentages for Mullai Ltd.

Particulars	₹ in lakhs		
	2015-16	2016-17	2017-18
Revenue from operations	100	120	160
Other income	20	24	20
Expenses	20	14	40
Income tax	30%	30%	30%

Solution

Trend analysis for Mullai Ltd

Particulars	₹ in lakhs			Trend percentages		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Revenue from operations	100	120	160	100	120	160
Add: Other income	20	24	20	100	120	100
Total revenue	120	144	180	100	120	150
Less: Expenses	20	14	40	100	70	200
Profit before tax	100	130	140	100	130	140
Less: Income tax (30%)	30	39	42	100	130	140
Profit after tax	70	91	98	100	130	140

21 Calculate trend percentages for the following particulars of Palai Ltd.

Particulars	₹ in lakhs		
	Year 1	Year 2	Year 3
I EQUITY AND LIABILITIES			
Shareholders' fund	250	275	300
Non-current liabilities	100	125	100
Current liabilities	50	40	80
Total	400	440	480
II ASSETS			
Non-current assets	300	360	390
Current assets	100	80	90
Total	400	440	480

Solution

Trend analysis for Palai Ltd

Particulars	₹ in lakhs			Trend percentages		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
I EQUITY AND LIABILITIES						
Shareholders' fund	250	275	300	100	110	120
Non-current liabilities	100	125	100	100	125	100
Current liabilities	50	40	80	100	80	160
Total	400	440	480	100	110	120
II ASSETS						
Non-current assets	300	360	390	100	120	130
Current assets	100	80	90	100	80	90
Total	400	440	480	100	110	120

22 Following is the balance sheet of Magesh Ltd. as on 31st March, 2019:

Particulars	₹
I EQUITY AND LIABILITIES	
1. Shareholders' funds	
Equity share capital	2,00,000
2. Non-current liabilities	
Long term borrowings	50,000
3. Current liabilities	
(a) Short-term borrowings	17,000
(b) Trade payables	25,000
(c) Other current liabilities	
Expenses payable	3,000
(d) Short-term provisions	5,000
Total	**3,00,000**

II ASSETS	₹
1. Non-current assets	
Fixed assets	
(a) Tangible assets	1,50,000
2. Current assets	
(a) Inventories	45,000
(b) Trade receivables	70,000
(c) Cash and cash equivalents	30,000
(d) Other current assets	
Prepaid expenses	5,000
Total	**3,00,000**

Calculate: (i) Current ratio (ii) Quick ratio

Solution

$$\text{(i) Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{1,50,000}{50,000} = 3:1$$

Current assets = Inventories + Trade receivables + Cash and cash equivalents + Prepaid expenses
= 45,000 + 70,000 + 30,000 + 5,000 = ₹ 1,50,000

Current liabilities = Short term borrowings + Trade payables + Expenses payable + Short term provisions
= 17,000 + 25,000 + 3,000 + 5,000 = ₹ 50,000

$$\text{(ii) Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}} = \frac{1,00,000}{50,000} = 2:1$$

Quick assets = Total current assets − Inventories − Prepaid expenses
= 1,50,000 − 45,000 − 5,000 = ₹ 1,00,000

23 From the following Balance Sheet of Arunan Ltd. as on 31.03.2019 calculate
(i) Debt-equity ratio (ii) Proprietary ratio and (iii) Capital gearing ratio.

Balance Sheet of Arunan Ltd. as on 31.03.2019

Particulars	₹
I EQUITY AND LIABILITIES	
1. Shareholders' funds	
(a) Share capital	
Equity share capital	1,50,000
8% Preference share capital	2,00,000
(b) Reserves and surplus	1,50,000
2. Non current liabilities	
Long term borrowings (9% Debentures)	4,00,000
3. Current liabilities	
Short-term borrowings from banks	25,000
Trade payables	75,000
Total	**10,00,000**
II ASSETS	
1. Non-current assets	
Fixed assets	7,50,000
2. Current assets	
(a) Inventories	1,20,000
(b) Trade receivables	1,00,000
(c) Cash and cash equivalents	27,500
(d) Other current assets	
Expenses paid in advance	2,500
Total	**10,00,000**

Solution

(i) Debt equity ratio $= \frac{\text{Long term debt}}{\text{Shareholders' funds}} = \frac{4,00,000}{5,00,000} = 0.8:1$

Long term debt = 9% Debentures = ₹ 4,00,000

Shareholders' funds = Equity share capital + Preference share capital + Reserves and surplus

= 1,50,000 + 2,00,000 + 1,50,000 = ₹ 5,00,000

(ii) Proprietary ratio $= \frac{\text{Shareholders' funds}}{\text{Total assets}} = \frac{5,00,000}{10,00,000} = 0.5:1$

(iii) Capital gearing ratio $= \frac{\text{Funds bearing fixed interest and dividend}}{\text{Equity Shareholders' funds}} = \frac{6,00,000}{3,00,000} = 2:1$

24 From the following statement of profit and loss of Mukesh Ltd. calculate
(i) Gross profit ratio (ii) Net profit ratio.

Statement of Profit and Loss

Particulars	Amount ₹
I. Revenue from operations	5,00,000
II. Other income:	
Income from investment	40,000
III. Total revenues (I+II)	**5,40,000**
IV. Expenses:	
Purchase of stock in trade	1,80,000
Changes in inventories	20,000
Employee benefits expense	30,000
Other expenses	1,10,000
Provision for tax	50,000
Total expenses	3,90,000
V. Profit for the year	**1,50,000**

Solution

$$\text{(i) Gross profit ratio} = \frac{\text{Gross profit}}{\text{Revenue from operations}} \times 100 = \frac{3,00,000}{5,00,000} \times 100 = 60\%$$

Gross profit = Revenue from operations – Cost of revenue from operations

= 5,00,000 – 2,00,000 = ₹ 3,00,000

Cost of revenue from operations = Purchase of stock in trade + Changes in inventories

= 1,80,000 + 20,000 = ₹ 2,00,000

$$\text{(ii) Net profit ratio} = \frac{\text{Net profit after tax}}{\text{Revenue from operations}} \times 100 = \frac{1,50,000}{5,00,000} \times 100 = 30\%$$