1.Fillup Annual Acc Tentative Key- Mar 2017

1. Market **Sec-A 30x1=30**
2. Sundry creditors
3. Rs.30000
4. Financial Planning
5. Balance Sheet
6. Intangible
7. Rs. 364000
8. Annuity
9. Rs. 25000
10. Loss
11. Liabilities
12. Finance Budget
13. Liquid/Quick/ Acid test ratio
14. one month
15. Rs. 700000

2.Choose the Best

16.(A) A liability
17.(B) Capital Account
18.(B) Profit and Loss account
19.(B) Total Debtors account
20.(B) Rs. 2710
21.(C) 2:1
22.(C) Money and physical units
23.(A) in current account
24.(C) Three
25.(A) Gaining
26.(C) Sacrificing ratio
27.(B) 500
28.(C) Rs. 218000
29.(A) Wear and tear of the asset
30.(B) reduce

Sec-B Any Ten Only: 10x5=50

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

32. Cash Receipts(5) : Cash sales Cash receivable from customers Business receipts like interest, commission, dividend etc Sale of assets Proceeds from issue of shares/debentures Loans borrowed

33. Define Single Entry System. : According to **Kohler** "Single Entry System is a system of book-keeping in which as a rule, only records of cash and personal accounts are maintained. It is always incomplete double entry varying with circumstances".

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

35. Forfeiture of Shares Sometimes a shareholder may fail to pay any of the instalments i.e allotment or call money. In such a situation after giving due notice and following the procedures laid down in the Articles of Association, the Directors of the company can forfeit the shares that were already issued.

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

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

38. Adjusting Entry & Transfer Entry

Depreciation . a/c Dr .	25000	
To Machinery a/c		25000
(depreciation on Machinery)		
Profit & loss a/c Dr.	25000	
To Depreciation a/c		25000
(Depreciation transferred to Profit & Loss A/c)		

39. Statement of Profit or Loss: **Rs.**

	Rs.
Closing Capital	180000
Add: Drawings	36000
	216000
Less: Additional capital introduced	10000
Adjusted closing capital	206000
Less: Opening capital	160000
Net Profit	**46000**

40. Amount of depreciation= $\frac{\textbf{Total cost — Scrap value}}{\textbf{Estimated Life}}$

$= \frac{100000 - 10000}{10}$

Amount of depreciation = **Rs.9000**

Rate of depreciation = $\frac{\text{Amount of Depreciation}}{\text{Original Cost}} \times 100$

$= \frac{9000}{100000} \times 100 =$ **9%**

41.Fixed assets turnover ratio = $\frac{\textbf{Sales}}{\textbf{Fixed assets}}$

Fixed Assets = Fixed Assets – Depreciation

= 100000-25000 = Rs.75000

Fixed assets turnover ratio = $\frac{300000}{75000}$ = **4Times**

42. Calculation of average profit: Rs.

	Rs.
2001 year	12000
2002 year	18000
2003 year	16000
2004 year	14000
Total profits	60000

Average Profit = $\frac{\text{Total Profit}}{\text{No. of years}}$

$\frac{60000}{4}$ = Rs 15000

Goodwill = Average Profit x No of years' purchase

= 15000 x 3 = **Rs. 45000**

43. New Profit Sharing ratio

Let the total profit be = 1

Sofia's share = $\frac{1}{5}$

Remaining Share of Saradha and Sandhiya

$= 1 - \frac{1}{5} = \frac{5-1}{5} = \frac{4}{5}$

	Saradha		Sandhiya		Sofia
Old ratio =	4	:	3	:	-
Old share =	$\frac{4}{7}$	:	$\frac{3}{7}$	:	-
New Share=	$\frac{4}{7} \times \frac{4}{5}$	:	$\frac{3}{7} \times \frac{4}{5}$	:	$\frac{1}{5}$
	$=\frac{\mathbf{16}}{\mathbf{35}}$	:	$\frac{\mathbf{12}}{\mathbf{35}}$	:	$\frac{\mathbf{7}}{\mathbf{35}}$

New Ratio = 16 : 12 : 7

44. Journal Entry

(1000x120)	Bank A/c Dr	120000	
(1000x100)	To Share capital A/c		100000
(1000x20)	To Securities premium A/c		20000

(1000 shares issued @ Rs.100 per share with premium of Rs.20)

45.(a) Adjusting Entries **Sec-C 5x12=60**

Date	Particulars	L.F.	Debit Rs.	Credit Rs
	Bad debts A/c Dr.		5000	
	To Sundry debtors A/c			5000
	(bad debts written off)			

Profit and Loss A/c Dr 5000
To Bad debts A/c 5000
(Bad debts transferred to Profit & Loss A/c)
Profit & Loss A/c Dr 3000
To Provision for bad & doubtful debts A/c 3000
(provision for bad and doubtful debts)
Profit and Loss Account Dr. 1140
To Provision for discount on Debtors 1140
(provision for discount on Debtors)

P & L A/C as on 31-3-2012

Dr.		Cr.
Bad debts 5000		
Doubtful 3000	8000	
Discount on drs	1140	

Balance sheet as on 31-3-2012

Liabilities	Assets	Rs.
	Sundry Drs	65000
	(-)Baddebts	5000
		60000
	(-)Doubtful debts	3000
		57000
	(-)Discount on drs	1140
		55860

45b) Closing Capital

Statement of affairs of Mr.Simon as on 01.01.05

Liabilities	Rs.	Assets	Rs.
Sun.Crs	100000	Cash	20000
		Drs	160000
		Investments	40000
Opening Capital	**200000**	Furniture	10000
		Stock	70000
	300000		300000

Liabilities	Rs.	Assets	Rs.
Sun.Crs	120000	Cash	30000
		Drs	190000
		Investments	40000
Closing Capital	**280000**	Furniture	10000
		Stock	130000
	400000		400000

Statement of Profit or Loss:	**Rs.**
Closing Capital	280000
Add: Drawings	80000
	360000
Less: Additional capital	40000
	320000
Less: Opening capital	200000
Profit	**120000**

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

47. Cash Budget: Advantages :
1. It helps in maintaining an adequate cash balance. 2. It provides the following useful information to the management a. to determine the future cash needs of a business concern b. to plan for financing those needs and c. to have control over cash balance of the business concern. **Characteristics:** 1. It is prepared in advance and relates to a future period. 2. It is expressed in terms of money and/or physical units. 3. It is a mean to achieve the planned objective

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

49.Books of Mohan Manfacturing co.

Dr. Machinery a/c Cr.

Date	particulars	Rs.	Date	particulars	Rs.
1-4-10	Bank a/c	200000	31-3-11	depreciation a/c	20000
				Balance c/d	**180000**
		200000			200000
1-4-11	Balance b/d	180000	31-3-12	depreciation a/c	20000
				Balance c/d	**160000**
		180000			180000
1-4-12	Balance b/d	160000	31-3-13	depreciation a/c	20000
				Bank a/c	**120000**
				P&L (loss) a/c	**20000**
		160000			160000

Depreciation a/c

31-3-10	Machinery a/c	20000	31-3-10	P&L a/c	20000
		20000			20000
31-3-11	Machinery a/c	20000	31-3-11	P&L a/c	20000
		20000			20000
31-3-12	Machinery a/c	20000	31-3-12	P&L a/c	20000
		20000			20000

50 1.Gross Profit Ratio $= \frac{\text{Gross profit}}{\text{Sales}} \times 100$

$= \frac{50000}{200000} \times 100 = \mathbf{25\%}$

2) **Net Profit Ratio** $= \frac{\text{Net Profit}}{\text{Sales}} \times 100$

$= \frac{32000}{200000} \times 100 = \mathbf{16\%}$

3)Operating Profit Ratio $= \frac{\text{Operating Profit}}{\text{Sales}} \times 100$

$= \frac{\text{Net Profit + Loss on Sale of Machinery - Int}}{\text{Sales}} \times 100$

Operating Profit = 32000+1600-800

$= \frac{32800}{200000} \times 100 = \mathbf{16.4\%}$

(Or)

$OPR = \frac{\text{GP-Operating Exp}}{\text{Sales}} X100$

= 50000- Office Exp – Selling Exp x 100
200000
= 50000-1000-2000 x100 = 46000x 100 = **23%**
200000 200000

51. Profit and Loss Appropriation Account

Date Particulars Rs. Date Particulars Rs
To Int. on Che3600 By Net profit b/d 12000
Capital Pal 1200 4800 By Int.on Che 100
To Salary Pallavan 3000 Drawings Pal 50 150
To Profit transferred to
Capital A/C Che**2175**
Pal **2175** 4350
12150 12150

Capital Accounts

	Cheran	Pallavan		Cheran	Pallavan
To Drawings	2000	1000	By Bal b/d	60000	20000
Int.on Drawings	100	50	Int.on Capita	3600	1200
Bal C/d	**63675**	**25325**	Salary	----	3000
			P&L a/c	2175	2175
	65775	26375		65775	26375

52. Journal Entries of Selvam Ltd:
(1000X10) S.Capital A/C Dr. 10000
(1000 X7) To Forfeited Shares A/c 7000
(1000 X3) To Final Call A/c 3000
(shares forfeited on which finalcall money was not received)
Bank A/C Dr. 6400
Forfeited Shares A/c Dr. 1600
To S.Capital A/C 8000
(Reissue of Shares)
Forfeited Shares A/c Dr. **4000**
To Capital Reserve A/C **4000**
(Profit on forfeited transferred to capital reserve A/c)

Shares Forfeited Account
To Share Capital A/c 1600 By Share Capital A/c 7000
To Capital Reserve A/c **4000**
To Bal C/d **1400**
7000 7000

Capital Reserve Account
To Balance c/d 4000By Share Forfeited A/c4000
----------- -------------
4000 4000

Part-D 3x20=60

53.a) Statement of affairs as on 31.03.2006

Liabilities	Rs.	Assets	Rs.
Sundry Crs.	37500	Furniture	2500
Opening Capital	**58750**	Cash	6250
		Sundry Drs.	62500
		Stock	25000
	96250		96250

Total Debtors Account
To Balance b/d 62500 By Cash received 135000
By Discount allowed 2500
To Credit Sales **166250** By Returns Inwards 3750
(Balancing figure) By Balance c/d 87500
228750 228750

Total Creditors Account
To Cash paid 112500 By Balance b/d 37500
To Discount received 3750
To Return outwards 1250
To Balance c/d 43750 **To Balance c/d** **123750**
161250 (Balancing figure) 161250

Trading and Profit and Loss Account
To Opening Stock 25000 By Sales 166250
ToPurchases123750 (-)Sales Return 3750 162500
(-) returns 1250 122500 By Closing Stock 12500
To Gross Profit c/d 27500
175000 175000
To Sun Expenses 8750 By Gross Profit b/d 27500
To Discount allowed 2500 By Discount received 11250
To Dep on furniture 125
To Net Profit **19875**
31250 31250

Balance Sheet as on 31.3.2013

Liabilities Assets
Capital 58750 Cash 10000
(+)Net Profit 19875 Sundry Drs. 87500
(-)Drawings 10000 68625 Furniture - Dep 2375
Sundry Crs. 43750 Closing Stock 12500
112375 **112375**

53.**b) Revaluation Account**
To Bulidings A/c 20000 By Creditors A/c 30000
To Gain transferred to
A **6000**
B **4000** **10000**
30000 30000

Capital Accounts

	A	B	C		A	B	C
				By Bal b/d	300000	225000	150000
				By Revaluation	6000	4000	----
				By Goodwill	12000	8000	----
				By Gen Reserve	27000	18000	---
To Bal C/d	**345000**	**255000**	**150000**				
	345000	255000	150000		345000	255000	150000

Balance Sheet as on 31.03.2012

Liabilities	**Rs.**	**Assets**	**Rs.**
Sundry Crs.120000		Cash15000+150000	165000
(-)written off30000	90000	Stock	30000
B/P	75000	Debtors	150000
Loans	135000		
Capital A/C		Goodwill 80000+20000	100000
A 345000		Buildings450000-20000	430000
B 255000		Machinery	75000
C 150000	755000	Investment	100000
	1050000		**1050000**

54. Trading and Profit and Loss Account of Mrs.Kanmani for the year ending 31-03 2004
To Opening Stock 120000 By Sales 750000
To Purchase 500000 By Closing Stock 140000
To Wages 5000
Fuel gas 37000
To Gross profit **228000**
890000 890000
To Salary110000 By Gross Profit 228000
(-)PrePaid 10000 100000 By Dividend 28000
To Rent tax 21000 By commission recd6000
To Bad debts 2000 (-) Ad recd 1000 5000
To Advertisement 16000
To Dep build. 40000
To Int.on Capital 75000
To Net Profit **7000**
261000 261000

Balance Sheet of Mrs. Kanmani as on 31-03-04

Liabilities Rs. Assets Rs.
Sundry Crs. 120000 Cash 40000
Capital 750000 Buildings 400000
+ Int. On Capital75000 Dep 40000 360000
825000 Machinery 120000

(-)Drawings 40000		Debtors	250000
785000		B/R	53000
(+)Net Profit 7000	**792000**	Stock	140000
Loan	60000	Prepaid Salary	10000
Commission recd ad	1000		
	973000		**973000**

55. Current Ratio = Current Asset / Current Liabilities

= Stock+Drs +B/R +Cash / Crs.+Bank Overdraft

= 15000+30000+10000+5000 / 25000+5000

= 60000 / 30000 = **2:1**

Liquid Ratio = Liquid Assets / Current Liabilities

= Current Assets-(stock) / Current Liabilities

= 60000 – 15000 / 30000 = 45000 / 30000 = **1.5 : 1**

Debt - Equity Ratio = Total Long Term Debt / Shareholders funds

Total long term debt = Debentures + Loans from Bank

Shareholders funds = Equity Share Capital + Reserves

= 70000 + 5000 = Rs. 75000

Debt-Equity Ratio = 37500 / 75000 = **0.5:1**

Proprietory Ratio = Shareholders funds / Total tangible assets

Total tangible assets= Fixed asset+Stock+Sun.Drs+B/R+Cash

= 65000+15000+30000+10000+5000

= Rs. 125000

= 75000 / 125000 = **0.6:1**

56. Cash Budget for the period Mar to May 2005

Particulars	**March Rs.**	**Ap Rs.**	**May Rs.**
Opening cash balance	8000	38000	69500
Add: Estimated cash receipts :			
Cash receivable from customers	82000	84000	78000
Total cash available	90000	122000	147500
Less: Estimated cash payments :			
Payments to suppliers	36000	38000	33000
Wages	10000	8500	9500
Misc.Exp	4500	3500	4000
Office expenses	1500	2500	2000
Total cash payments	52000	52500	48500
Closing cash balance	**38000**	**69500**	**99000**

57) In the Books of Susan Grace Ltd. Journal Entries

Bank A/C Dr.	500000	
To Share application A/C		500000
(Application money received)		
Share Application A/C Dr.	500000	
To Share Capital A/C		500000
(Transfer of share application money to share Capital A/c)		
Share Allotment A/C	900000	
To Share Capital A/C		500000
To Securities Premium A/c		400000
(Allotment money due on shares including premium)		
Bank A/C Dr.	900000	
To Share Allotment A/C		900000
(Allotment money received)		
Share First Call A/c Dr.	500000	
To Share Capital A/c		500000
(First call money due)		
Bank A/C Dr.	500000	
To Share Fist Call A/C		500000
(First call money received)		
Share Second Call A/c Dr.	500000	
To Share Capital A/c		500000
(Second call money due)		
Bank A/C Dr.	500000	
To Share Second Call A/c		500000
(Second call money received)		

Bank Account

To Share Application A/C	500000	By **Bal C/d**	**2400000**
To Share Allotment A/c	900000		
To Share First Call A/C	500000		
To Share Final Call A/C	500000		
	2400000		2400000

Share Capital Account

To Bal C/d	**2000000**	By ShareApplication A/C	500000
		Share Allotment A/c	500000
		Share First Call A/c	500000
		Share Final Call A/c	500000
	2000000		2000000

Securities Premium A/c

To Bal C/d	400000	By ShareAllotment A/C	400000
	400000		400000

Balance Sheet

Liabilities		**Assets**	
Paid Up Capital	2000000	Bank A/C	2400000
Securities Premium	400000		
	2400000		**2400000**

Note: For any further clarifications or doubts Teachers are kindly requested to refer the Key given in the Valuation Camp www.maduraicommerce.com