Model Revision I Key Dec - 2017

Part A **Fill Up** **15 x 1 = 15**

1.Profit & Loss A/c.
2.Sundry debtors
3.Rs.26,000
4.Balance Sheet
5.Rs. 1,50,000
6.Written down value
7.Revaluation
8.Financial
9.Rs. 1,30,000
10.Three
11. agreed
12.old ratio
13.all
14.Memorandum of Association
15.over subscription /Excess

Part B **Choose the Best** **15 x 1 = 15**

16.(b) Two places
17.(b) Rs.10,000
18.(b) Total debtors account
19.(a) Rs.70,000
20.(a) decreases every year
21.(a) profit Rs.500
22.(a) Proportion
23.(a) 5 times
24.(c) Estimated cash receipts & Estimated cash payments
25.(a) current
26.(b) Goodwill account
27.(a) Gaining
28.(b) 5%
29.(b) Liability
30.(a) 2,00,000

Part B **Answer Any Ten Only** **10 x 5 = 50**

31. which have been paid in advance are called as **prepaid expenses** or unexpired expenses

32. 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"..

33. When assets are exposed to forces of nature, like weather, wind, rain, etc., the value of such assets may decrease even if they are not put into any use. This is termed as **'Effluxion of time'.**

34. Solvency refers to the firm's ability to meet its long-term indebtedness. Solvency ratio studies the firms ability to meet its long-term obligations. 1. Debt-Equity ratio 2. Proprietory ratio

35. (i) Longman's Dictionary of business English defines a **budget** as " an account of the probable future income and expenditure" {or}

(ii) According to the Institute of Cost and Management Accountants, London, Budget is a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective.

36. At the time of retirement of a partner, the remaining partners acquire some portion of the retiring partner's share of profit. This necessaties the calculation of **new profit sharing ratio of the remaining partners.**

37. Sometimes a shareholder fail to pay off 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.

Forfeiture of shares means to cancel the allotment to the defaulting shareholder. Once the shares are forfeited, these shares will not form part of the share capital and the shareholders will not be the members of the company.

38. Adjusting Entry & Transfer Entry

Int. on Capital. a/c Dr .	15000	
To Capital a/c		15000
(depreciation on Machinery)		
Profit & loss a/c Dr.	15000	
To Int. on Capital a/c		15000
(Depreciation transferred to Profit & Loss A/c)		

39. Statement of Profit or Loss:

	Rs.
Closing Capital	**16000**
Add: Drawings	2400
	18400
Less: Additional capital introduced	4000
Adjusted closing capital	14400
Less: Opening capital	9600
Net Profit	4800

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

$$= \frac{250000 - 50000}{10}$$

Amount of depreciation = **Rs.20000**

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

$$= \frac{20000}{250000} \times 100 = \mathbf{8\%}$$

41. $$\textbf{Stock turnover Ratio} = \frac{\textbf{Cost of goods sold}}{\textbf{Average stock}}$$

$$\text{Average stock} = \frac{\text{Opening stock + closing stock}}{2}$$

= 40000+60000 / 2 = Rs.50000

$$\text{Stock turnover Ratio} = \frac{500000}{50000} = \mathbf{10\ Times}$$

42. Cash Budget for the month January

	January2002 Rs.
Opening Cash Balance	150000
Add: Estimated receipts	50000
	200000
Less: Estimated cash payments	30000
Closing cash balance	**170000**

43. Interest on captial

Ravi $= 90000 \times \frac{10}{100} \times \frac{3}{12} + 100000 \times \frac{10}{100} \times \frac{9}{12}$

= Rs.2250 + Rs. 7500

= **Rs.9750**

Raghu $= 70000 \times \frac{10}{100}$ = **Rs.7000**

44. Journal Entry

(50000x13) Bank A/c Dr 650000
(50000x10) To Share capital A/c 500000
(50000x 3) To Securities premium A/c 150000
(50000 shares issued @ Rs.10 per share with premium of Rs.3)

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		6000	
	To Provision for bad & doubtful debts A/c			6000
	(provision for bad and doubtful debts)			
	Profit and Loss Account Dr.		2280	
	To Provision for discount on Debtors			2280
	(provision for discount on Debtors)			

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

Dr.			Cr.
Bad debts	5000		
Doubtful	6000	11000	
Discount on drs		2280	

Balance sheet as on 31-3-2012

Liabilities	Assets		Rs.
	Sundry Drs	125000	
	(-)Baddebts	5000	
		120000	
	(-)Doubtful debts	6000	
		114000	
	(-)Discount on drs	2280	
			111720

45b) Closing Capital

Statement of affairs of Mrs.Vanitha as on 31.03.04

Liabilities	Rs.	Assets	Rs.
Sun.Crs	18000	Bank	4500
		Cash	300
		Stock	4000
Closing Capital	**23520**	Drs7600	7220
		Plant 20000-2000	18000
		Furniture10000-1500	7500
	41520		41520

Opening Capital

Statement of affairs of Mrs.Vanitha as on 31.03.03

Liabilities	Rs.	Assets	Rs.
Sun.Crs	15000	Cash	200
Bank	3500	Stock	3000
Opening Capital	**23200**	Drs	8500
		Plant	20000
		Furniture	10000
	41700		41700

Statement of Profit or Loss:	**Rs.**
Closing Capital	23520
Add: Drawings	10000
	33520
Less: Additional capital	4000
	29520
Less: Opening capital	23200
Profit	**6320**

46. Causes of Depreciation:

Internal Causes 1. Wear and tear: Wear and tear is an important cause of depreciation in case of tangible fixed asset. It is due to use of the asset.

2. Disuse: When a machine is kept continuously idle, it becomes potentially less useful.

3. Maintenance: The value of machine deteriorates rapidly because of lack of proper maintenance.

4. Depletion: It refers to the physical deterioration by the exhaustion of natural resources eg., mines, quarries, oil wells etc. **External Causes**

1. Obsolescence: The old asset will become obsolete (useless) due to new inventions, improved techniques and technological advancement.

2. Effluxion of time: When assets are exposed to forces of nature, like weather, wind, rain, etc., the value of such assets may decrease even if they are not put into any use. **3. Time Factor:** Lease, copy-right, patents are acquired for a fixed period of time. On the expiry of the fixed period of time, the assets cease to exist.

47. Step 1: Ascertain opening cash balance

Step 2: Add the estimated total cash receipts for the month

Step 3: Calculate the total cash available for the month

Step 4: Less the estimated total cash payments during the month

Step 5: Calculate the closing cash balance

48. Factors affecting the value of goodwill: 1.**Quality:** If the firm enjoys good reputation for the quality of its products, there will be a ready sale and the value of goodwill, therefore, will be high. **2. Location:** If the business is located in a prominent place, its value will be more.**3. Efficient management:** If the management is capable, the firm will earn more profits and that will raise the firm's value. **4. Competition:** When there is no competition or competition is negligible , the value of those businesses will be high **5. Advantage of patents:** Possession of trade marks, patents or copyrights will increase the firm's value. **6. Time:** A business establishes reputation in course of time which is running for long period on profitable line. **7. Customers' attitude:** The type of customers which a firm has is important. If the firm has more customers, the value will be high. **8. Nature of business:** A business having a stable demand is able to earn more profit and therefore has more goodwill.

49.

Dr. Machinery a/c Cr.

Date	particulars	Rs.	Date	particulars	Rs.
1-4-00	Bank a/c	240000	31-3-01	depreciation a/c	24000
				Balance c/d	**216000**
		240000			240000
1-4-01	Balance b/d	216000	31-3-02	depreciation a/c	24000
				Balance c/d	**192000**
		216000			216000
1-4-02	Balance b/d	192000	31-3-03	depreciation a/c	24000
				Bank a/c	**150000**
				P&L (Loss) a/c	**18000**
		192000			192000

Depreciation a/c

31-3-01	Machinery a/c	24000	31-3-01	P&L a/c	24000
		24000			24000
31-3-02	Machinery a/c	24000	31-3-02	P&L a/c	24000
		24000			24000
31-3-03	Machinery a/c	24000	31-3-03	P&L a/c	24000
		24000			24000

50 Current Ratio $= \dfrac{\text{Current Asset}}{\text{Current Liabilities}}$

$= \dfrac{\text{Drs+ Cash+Bank+ Short term Invest +Pre.Exp+B/R+Stock+}}{\text{Crs+B/P+ Out standing Exp.}}$

$= \dfrac{5000+4000+6000+2000+1000+3000+8000}{4000+3000+250}$

$= \dfrac{29000}{7250} =$ **4:1**

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

$= \dfrac{\text{Current Assets-(stock + prepaid expenses)}}{\text{Current Liabilities}}$

$= \dfrac{29000 - 9000}{7250} = \dfrac{20000}{7250} =$ **2.76 : 1**

Absolute Liquid Ratio =

$\dfrac{\text{Absolute Liquid Asset}}{\text{Liquid Liabilites}}$

$= \dfrac{\text{Cash + Short term investments}}{\text{Current liabilities — Bank overdraft}}$

$= \dfrac{4000+2000+6000}{7250} = \dfrac{12000}{7250} =$ **1.65 : 1**

51. Profit and Loss Appropriation Account

Date	Particulars		Rs.	Date	Particulars		Rs
	To Int. on Capital E	9000			By Net profit b/d		60000
	A	6000	15000		By Int.on Drawings A	500	
					L	250	750
	To Salary E	-----					
	A	15000	15000				
	To Profit transferred to Capital A/C A	**15375**					
	L	**15375**	30750				
			60750				60750

Capital Accounts

Particulars	Elava	Amutha	Particulars	Elava	Amutha
To Drawings	15000	10000	By Bal b/d	150000	100000
Int.on Drawings	500	250	Int.on Capital	9000	6000
Bal C/d	**158875**	**126125**	Salary		15000
			P&L a/c	15375	15375
	174375	136375		174375	136375

52. Journal Entries of Cheran Ltd:

(500X10)	S.Capital A/C Dr.	5000	
(500 X5)	To Forfeited Shares A/c		2500
(500 X2)	To First Call A/c		1000
(500x3)	To Final Call A/c		1500
	(shares forfeited on which finalcall money was not received)		
(300x6)	Bank A/C Dr.	1800	
	Forfeited Shares A/c Dr.	1200	
	To S.Capital A/C		3000
	(Reissue of Shares)		
	Forfeited Shares A/c Dr.	**300**	
	To Capital Reserve A/C		**300**
	(Profit on forfeited transferred to capital reserve A/c)		

Shares Forfeited Account

To Share Capital A/c	1200	By Share Capital A/c	2500
To Capital Reserve A/c	**300**		-----------
To Bal C/d	1000		
	2500		2500

Capital Reserve Account

To Balance c/d	300	By Share Forfeited A/c	300
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	300		300

Part D Answer Any Three and Question No 53 Is Compulsory 3 x 20 = 60

53.a) Statement of affairs as on 1.04.1997

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 (Balancing figure)	**166250**	By Returns Inwards	3750
		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** (Balancing figure)	**123750**
	161250		161250

Trading and Profit and Loss Account

To Opening Stock	25000	By Sales 166250	
To Purchases 123750		(-) 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 Dis. allowed	2500	By Dis. Received	11250
To Dep on furniture	125		
To Net Profit	**19875**		
	31250		31250

Balance Sheet as on 31.3.98

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 Stock A/c	4000	By Bulidings A/c	10000
To doubtful debts A/c	200	By Investment A/c	10000
To Gain transferred to		By Creditors A/c	1000
Prasanna **9800**			
Nirmala **7000**	**16800**		
	20000		21000

Capital Accounts

	Pra	Nirm	Pari		Pra	Nirm	Pari
				By Bal b/d	60000	50000	-----
				By Revaluation	9800	7000	----
				By Goodwill	42000	30000	----
				By Reservefund	11669	8331	----
				By Cash	----	----	40000
To Bal C/d	**123469**	**95331**	**40000**				
	123469	95331	40000		123469	95331	40000

Cash A/C

Bal B/d	4000	Bal C/d	44000
Solomon's Capital	40000		
	44000		44000

Balance Sheet as on 31.12.1994

Liabilities	Rs.	Assets	Rs.
Sundry Crs. 32000		Sundry Drs 10000	
(-) 1000	31000	(-) doubtful debts 600	9400
B/P	13600	Plant & Machinery	20000
Capital A/C		Goodwill	72000
Prasana 123469		Buildings	90000
Nirmala 95331		Stock 22000- 4000	18000
Parimala 40000	258800	Investment	50000
		Cash	44000
	303400		**303400**

54. Trading and Profit and Loss Account of Mr.Saleem for the year ending 31-12 2001

To Opening Stock	40000	By Sales	200000
To Purchase	120000	By Closing Stock	50000
To Wages 16000			
+ Outstanding 3000	19000		
To Gross profit	**71000**		
	250000		250000
ToBad Debts 2000		By Gross Profit	71000
(-) Old Provision 1500	500	By Interest	1000
To Dep			
Plant 2500			
Furniture 2000	4500		
To Rent&Tax 10000			
(+) O/s 2000	12000		
To Salary 20000			
(+) O/s 4000	24000		
To Bank Loan Int	800		
To Net Profit	**30200**		
	72000		72000

Balance Sheet of Mrs.Malarvizhi as on 31-03-12

Liabilities	Rs.	Assets	Rs.
Sundry Crs.	25000		
Capital 80000		Cash	1500
(+)Net Profit 30200	**110200**	Closing Stock	50000
Out Standing		Debtors 60000	
Rent 2000		(-) Bad debts 2000	58000
wages 3000		Plant 50000(-) 2500	47500
Salary 4000	9000	Furniture20000(-)2000	18000
Bank Loan 20000		B/R	15000
(+) Interest 800	20800		
B/P	25000		
	190000		**190000**

55. Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$

$= \frac{\text{Stock+ B/R+Drs+ Short term Invest + Pre.Exp+ Cash}}{\text{B/P+BOD+ Crs+ Out standing Exp.}}$

$= \frac{47000+10000+23000+5000+1000+19000}{3000+3000+8000+6000}$

$= \frac{105000}{20000} =$ **5.25:1**

Liquid Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

$= \frac{\text{Current Assets-(stock + prepaid expenses)}}{\text{Current Liabilities}}$

$= \frac{105000 - 48000}{20000} = \frac{57000}{20000} =$ **2.85 : 1**

Absolute Liquid Ratio = $\frac{\text{Absolute Liquid Asset}}{\text{Liquid Liabilites}}$

$= \frac{\text{Cash + Short term investments}}{\text{Current liabilities — Bank overdraft}}$

$= \frac{19000+5000}{20000} = \frac{24000}{20000} =$ **1.2 : 1**

Debtors turnover Ratio = $\frac{\text{Credit Sales}}{\text{Average Accounts Receivable}}$

Average Accounts Receivable = Drs+ B/R
= 23000+10000

Debtors turnover Ratio = $\frac{165000}{33000}$ = **5 Times**

Creditors turnover Ratio = $\frac{\text{Credit Purchases}}{\text{Average Accounts payable}}$

Average Accounts Receivable = Crs + B/P

= 8000 + 3000 = 11000

Creditors turnover Ratio = $\frac{44000}{11000}$ **= 4 Times**

56. Cash Budget for the period Jan to Mar 2005

Particulars	**February Rs.**	**March Rs.**
Opening cash balance	30000	**175500**
Add: Estimated cash receipts :		
Cash Sales	152500	237500
Cash Recd from Customer	167500	162500
Dividend	18000	------------
Total cash available	368000	575500
Less: Estimated cash payments :		
Cash Purchase	100000	150000
Payments to suppliers	52500	132500
Commission		100000
Office expenses	40000	35000
Total cash payments	192500	417500
Closing cash balance	**175500**	**158000**

57) In the Books of Moon Ltd. Journal Entries

Date	**Particulars**	**L.F.**	**Debit Rs.**	**Credit.Rs.**
	Bank A/C Dr.		60000	
	To Share application A/C			60000
	(Application money received)			
	Share Application A/C Dr.		40000	
	To Share Capital A/C			40000
	(Transfer of share application money to share Capital A/c)			
	Share Application A/C Dr.		10000	
	To Bank A/C			10000
	(share application money were rejected)			
	Share Application A/C Dr.		10000	
	To Share Allotment A/C			10000
	(share application money were adjusted on allotment)			
	Share Allotment A/C		60000	
	To Share Capital A/C			60000
	(Allotment money due on shares)			
	Bank A/C Dr.		50000	
	To Share Allotment A/C			50000
	(Allotment money received)			
	Share First Call A/c Dr.		60000	
	To Share Capital A/c			60000
	(First call money due)			
	Bank A/C Dr.		60000	
	To Share Fist Call A/C			60000
	(First call money received)			
	Share Second Call A/c Dr.		40000	
	To Share Capital A/c			40000
	(Second call money due)			
	Bank A/C Dr.		40000	
	To Share Second Call A/c			40000
	(Second call money received)			

Bank Account

To Share Application A/C	60000	By **Bal C/d**	**200000**
To Share Allotment A/c	50000	By S.Appln	10000
To Share First Call A/C	60000		
To Share Final Call A/C	40000		
	210000		2100000

Share Capital Account

To Bal C/d	**200000**	By ShareApplication A/C	40000
		Share Allotment A/c	60000
		Share First Call A/c	60000
		Share Final Call A/c	40000
	200000		200000

Balance Sheet

Liabilities		**Assets**	
Paid Up Capital	200000	Bank A/C	200000
	200000		**200000**