**Model II Rev Dec 2017 Acc Key**

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

1. Capital.
2. Assets
3. Rs.1,500
4. Total creditors A/c
5. Rs. 15000
6. Premium
7. Current Assets
8. Rs. 1,30,000
9. Financial Planning
10. opening
11. intangible
12. Profit
13. 3:1
14. Board of Directors
15. Capital

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

16. (a) a liability
17. (c) Trading account
18. (b) Capital A/c
19. (b) an Incomplete Double Entry System
20. (b) Rs.9,000
21. (c) Natural resources
22. (b) Rs.21,000
23. (c) Rs. 2,05,000
24. (c) Money & Physical units
25. (c) agreed
26. (a) Old profit sharing ratio
27. (b) all partners including retiring partner
28. (a) 3 days
29. (c) Three
30. (b) 25%

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

**31.** Income which has been earned but not received during the accounting period is called as **accurred income** (i) on the credit side of profit and loss account by way of addition to particular income and (ii) on the assets side of the balance sheet

**32.** If it is desired to calculate profit or loss by preparing trading and profit and loss account under single entry system, then it is called **conversion method**.

**33. Depreciation Fund Method or Sinking Fund Method :** Under this method, funds are made available for the replacement of asset at the end of its useful life. The depreciation remains the same year after year and is charged to Profit and Loss account every year through the creation of depreciation fund. The amount of annual depreciation is invested in good securities bearing interest at a specified rate. The aggregate amount of interest and annual provision is invested every year. When the asset is completely written off or is to be replaced, the securities are sold and the amount so realized by selling securities is used to replace the old asset.

**34.** 1. Judging the earning the capacity or profitability of a business concern, 2. Analysing the short term and long term solvency of the business concern 3. Helps in making comparative studies between various firms, and 4. Assists in preparing budgets **Analyzing of financial statements** helps to ascertain the strength and weakness of the business concern.

**35. Examples of cash payments:** (i) Cash purchases (ii) Payable of suppliers (iii) Business expenses like wages, o-ices expenses, selling expenses, etc. (iv) Payment of interest, income tax, dividend etc (v) Purchase of assets (vi) Redemption of/debentures and shares (vii) Repayment of loans

**36. Goodwill** is the value of reputation of the firm which the business builds up due to its effective service to its customers and quality of its products. It is a value of all favorable attributes relating to a business enterprise. It is not merely the past reputation but its continued existence in future that makes goodwill a valuable asset. It cannot be seen or touched. Goodwill is an intangible asset but not a fictitious asset.

**37.** When there is over-subscription (i.e. applications received are more than that has been issued to the public), the allotment must follow SEBI guidelines to ensure **proportional allotment (or) prorata allotment.** Proportional allotment will be made to the applicants. The applicants may be allotted less number of shares than they applied for.

**38. Adjusting Entry & Transfer Entry**

Accrued commission A/c Dr 150
To Commission A/c 150
(Commission earned but not received)

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

| | Rs. |
|---|---|
| Closing Capital | 540000 |
| Add: Drawings | 150000 |
| | 690000 |
| Less: Additional capital introduced | 90000 |
| Adjusted closing capital | 600000 |
| Less: Opening capital | 480000 |
| **Profit** | **120000** |

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

$= \frac{110000 - 5000}{5}$

Amount of depreciation = **Rs.21000**

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

$= \frac{21000}{110000} \times 100 =$ **19.09%**

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

Fixed Assets = Fixed Assets – Depreciation

= 300000-100000 = Rs.200000

Sales = Total Sales – Sales Returns

= 850000-50000 = Rs.800000

Fixed assets turnover ratio = $\frac{800000}{200000}$ = **4 Times**

**42. Calculation of average profit:** Rs.

| | Rs. |
|---|---|
| 1 year (loss) | 10000 |
| 2 year | 26000 |
| 3 year | 34000 |
| 4 year | 50000 |
| | 100000 |

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

$\frac{100000}{4}$ = **Rs 25000**

**Goodwill** = Average Profit x No of years' purchase

= 25000 x 2 = **Rs. 50000**

**43.** A : B : C

Old ratio = 6 : 4

Sacrifice = Old ratio x Surrender share

$= \frac{6}{10} \times \frac{1}{5} : \frac{4}{10} \times \frac{2}{5}$

$= \frac{6}{50} : \frac{8}{50}$

New ratio = Old ratio – Sacrifice

A : B : C

$= \frac{6}{10} - \frac{6}{50} : \frac{4}{10} - \frac{8}{50}$

$= \frac{30-6}{50} : \frac{20-8}{50}$

$= \frac{24}{50} : \frac{12}{50} : \frac{6}{50} + \frac{8}{50}$

= **24 : 12 : 14 = 12:6:7**

**44. Journal Entry**

(30000x=90) Bank a/c Dr.2700000

(30000x=10) Dist. on Shares a/c Dr. 300000

(10000x=100) To Share Capital a/c 3000000

(Reissue of shares at Discount)

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

| Date | Particulars | L.F. | Debit Rs. | Credit Rs |
|---|---|---|---|---|
| | Profit & Loss A/c Dr | | 3000 | |
| | To Provision for bad & doubtful debts A/c | | | 3000 |
| | (provision for bad and doubtful debts ) | | | |

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

Dr. Cr.

| | | |
|---|---|---|
| By old provision | 10000 | |
| (-) new Doubtful | 3000 | 7000 |
| Less Bad Debts | 5000 | 2000 |

**Balance sheet as on 31-3-2012**

| Liabilities | Assets | | Rs. |
|---|---|---|---|
| | Sundry Drs | 60000 | |
| | (-)Doubtful | 3000 | |
| | | **57000** | |

**45b) Closing Capital**

Statement of affairs of Mrs.Vanitha as on 31.03.04

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Sun.Crs | 3500 | Furniture2000-200 | 1800 |
| | | Stock | 6000 |
| | | Drs 4000 - 200 | 3800 |
| | | Cash | 20000 |
| | | B/R | 500 |
| | | Loan | 1000 |
| **Closing Capital** | **33600** | Invesment | 4000 |
| | 37100 | | 37100 |

**Opening Capital**

Statement of affairs of Mrs.Vanitha as on 31.03.03

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Sun.Crs | 2000 | Furniture | 2000 |
| | | Stock | 5000 |
| | | Drs | 6000 |
| | | Cash | 10000 |
| **Opening Capital** | **22000** | B/R | 1000 |
| | 24000 | | 24000 |

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

| | Rs. |
|---|---|
| Closing Capital | 33600 |
| Add: Drawings | 2000 |
| | 35600 |
| Less: Additional capital | ------- |
| | 35600 |
| Less: Opening capital | 22000 |
| **Profit** | **13600** |

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

(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.

**b)** (i) It is prepared in advance and relates to a future period. (ii) It is expressed in terms of money and/or physical units. (iii) It is a meant to achieve the planned objective.

**C)** (i) Cash budget helps in maintaining an adequate cash balance. (ii) Cash budget 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

| **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, Capital 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.** **Dr. Machinery a/c Cr.**

| Date | particulars | Rs. | Date | particulars | Rs. |
|---|---|---|---|---|---|
| 1-4-01 | Bank a/c | 200000 | 31-3-02 | depreciation a/c | 20000 |
| | | | | Balance c/d | **180000** |
| | | 200000 | | | 200000 |
| 1-4-02 | Balance b/d | 180000 | 31-3-03 | depreciation a/c | 18000 |
| | | | | Balance c/d | **162000** |
| | | 180000 | | | 180000 |
| 1-4-03 , | Balance b/d | 162000 | 31-3-04 | depreciation a/c | 16200 |
| | **P&L (Profit) a/c** | **14200** | | Bank a/c | **160000** |
| | | 176200 | | | 176200 |

**Depreciation a/c**

| | | | | | |
|---|---|---|---|---|---|
| 31-3-02 | Machinery a/c | 20000 | 31-3-02 | P&L a/c | 20000 |
| | | 20000 | | | 20000 |
| 31-3-03 | Machinery a/c | 18000 | 31-3-03 | P&L a/c | 18000 |
| | | 18000 | | | 18000 |
| 31-3-04 | Machinery a/c | 16200 | 31-3-04 | P&L a/c | 16200 |
| | | 16200 | | | 16200 |

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

Gross Profit = Sales – Cost of Goods sold

= 150000 – 100000 = Rs. 50000

= $\frac{50000}{150000} \times 100$ = **33.33%**

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

= $\frac{15000}{150000} \times 100$ = **10%**

**3) Current Ratio** = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$

= $\frac{30000}{15000}$ = **2:1**

**51. Fluctuating Capital Accounts**

| | Anbu | Balu | | Anbu | Balu |
|---|---|---|---|---|---|
| To Drawings | 12000 | 9000 | By Bal b/d | 90000 | 70000 |
| Int.on Drawings | 360 | 270 | Int.on Capital | 5400 | 4200 |
| **Bal C/d** | **101040** | **74930** | Profit | 6000 | 4000 |
| | | | Commission | ------- | 6000 |
| | | | Salary | 12000 | ---- |
| | 113400 | 84200 | | 113400 | 84200 |

**Current Accounts**

| | Anbu | Balu | | Anbu | Balu |
|---|---|---|---|---|---|
| To Bal c/d | 90000 | 70000 | By Bal b/d | 90000 | 70000 |

**Capital Account**

| | | | | | |
|---|---|---|---|---|---|
| To Drawings | 12000 | 9000 | | | |
| Int.on Drawings | 360 | 270 | Int.on Capital | 5400 | 4200 |
| **Bal C/d** | **11040** | **8630** | Profit | 6000 | 4000 |
| | | | Salary | 12000 | ---- |
| | | | Commission | ------- | 6000 |
| | 23400 | 17900 | | 23400 | 17900 |

**52. Journal Entries of Cheran Ltd:**

| | | | |
|---|---|---|---|
| (300x10) | S.Capital A/C Dr. | 3000 | |
| (300 X3) | To Forfeited Shares A/c | | 900 |
| (300 X4) | To First Call A/c | | 1200 |
| (300x3) | To Final Call A/c | | 900 |
| | (shares forfeited on which finalcall money was not received) | | |
| (250x8) | Bank A/C Dr. | 2000 | |
| | Forfeited Shares A/c Dr. | 500 | |
| | To S.Capital A/C | | 2500 |
| | ( Reissue of Shares ) | | |
| | Forfeited Shares A/c Dr. | **250** | |
| | To Capital Reserve A/C | | **250** |
| | (Profit on forfeited transferred to capital reserve A/c) | | |

### Shares Forfeited Account

| | | | |
|---|---|---|---|
| To Share Capital A/c | 500 | By Share Capital A/c | 900 |
| To Capital Reserve A/c | **250** | | ----------- |
| To Bal C/d | 150 | | |
| | 900 | | 900 |

### Capital Reserve Account

| | | | |
|---|---|---|---|
| To Balance c/d | 250 | By Share Forfeited A/c | 250 |
| | ----------- | | ------------- |
| | 250 | | 250 |

**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. | 75000 | Furniture | 5000 |
| **Opening Capital** | **117500** | Cash | 12500 |
| | | Sundry Drs. | 125000 |
| | | Stock | 50000 |
| | 192500 | | 192500 |

### Total Debtors Account

| | | | |
|---|---|---|---|
| To Balance b/d | 125000 | By Cash received | 267500 |
| | | By Discount allowed | 5000 |
| To Credit Sales | **330000** | By Returns Inwards | 7500 |
| (Balancing figure) | | By Balance c/d | 175000 |
| | 455000 | | 455000 |

### Total Creditors Account

| | | | |
|---|---|---|---|
| To Cash paid | 225000 | By Balance b/d | 75000 |
| To Discount received | 7500 | | |
| To Return outwards | 2500 | | |
| To Balance c/d | 87500 | **To Balance c/d** | **247500** |
| | 322500 | (Balancing figure) | 322500 |

### Trading and Profit and Loss Account

| | | | | |
|---|---|---|---|---|
| To Opening Stock | | 50000 | By Sales 330000 | |
| ToPurchases 247500 | | | (-)SalesReturn 7500 | 322500 |
| (-) returns | 2500 | 245000 | By ClosingStock | 25000 |
| **To Gross Profit c/d** | | **52500** | | |
| | | 347500 | | 347500 |
| To Sun Expenses | | 15000 | By Gross Profit b/d | 52500 |
| To Dis. allowed | | 5000 | By Dis. Received | 7500 |
| To Dep | | 250 | | |
| **To Net Profit** | | **39750** | | |
| | | 60000 | | 60000 |

### Balance Sheet as on 31.3.04

| Liabilities | | | Assets | |
|---|---|---|---|---|
| Capital | 117500 | | Cash | 20000 |
| (+)Net Profit | 39750 | | Sundry Drs. | 175000 |
| (-)Drawings | 20000 | 137250 | Furniture - Dep | 4750 |
| Sundry Crs. | | 87500 | Closing Stock | 25000 |
| | | **224750** | | **224750** |

### 53.b) Revaluation Account

| | | | |
|---|---|---|---|
| To doubtful debts A/c | 1400 | By Bulidings A/c | 16000 |
| To Gain transferred to | | | |
| V **7300** | | | |
| M **4380** | | | |
| **J 2920** | **14600** | | |
| | 16000 | | 16000 |

### Capital Accounts

| | V | M | J | | V | M | J |
|---|---|---|---|---|---|---|---|
| Tocash | --- | --- | **78920** | By Bal b/d | 160000 | 120000 | 60000 |
| | | | | By Revaluation | 7300 | 4380 | 2920 |
| | | | | By Goodwill | 20000 | 12000 | 8000 |
| | | | | By Reservefund | 20000 | 12000 | 8000 |
| **To Bal C/d** | **207300** | **148380** | **-** | | | | |
| | 207300 | 148380 | - | | 207300 | 148380 | 78920 |

### Cash A/C

| | | | |
|---|---|---|---|
| Bal B/d | 81000 | By Jupitar | 78920 |
| | | Bal C/d | 2080 |
| | 81000 | | 81000 |

### Balance Sheet as on 1.04.2005

| Liabilities | | Rs. | Assets | | Rs. |
|---|---|---|---|---|---|
| Sundry Crs. | | 62000 | Sundry Drs | 62000 | |
| | | | (-) doubtful debts | 2400 | 59600 |
| | | | Plant & Machinery | | 100000 |
| Capital A/C | | | Goodwill | | 40000 |
| V | 207300 | | Buildings 160000+16000 | | 176000 |
| M | 148380 | 355680 | Stock | | 40000 |
| | | | Cash | | 2080 |
| | | **417680** | | | **417680** |

### 54. Trading and Profit and Loss Account of Mr.Ravi for the year ending 31-03 2002

| | | | | |
|---|---|---|---|---|
| To Opening Stock | | 5200 | By Sales | 25000 |
| To Purchase | | 15000 | By Closing Stock | 4900 |
| **To Gross profit** | | **9700** | | |
| | | 29900 | | 29900 |
| To Salary | 2000 | | By Gross Profit | 9700 |
| (+) O/s | 300 | 2300 | | |
| To Rent&Tax | 1500 | | | |
| (+) O/s | 200 | 1300 | | |
| To Insu | 300 | | | |
| (-) PrePaid | 90 | 210 | | |
| **To Net Profit** | | **5890** | | |
| | | 9700 | | 9700 |

### Balance Sheet of Mr.Ravi as on 31-03-02

| Liabilities | | Rs. | Assets | Rs. |
|---|---|---|---|---|
| Sundry Crs. | | 1000 | Prepaid rent & Insu | 290 |
| Capital | 40000 | | Machinery | 28000 |
| (+)Net Profit | 5890 | | Closing Stock | 4900 |
| (-) Drawings | 5000 | **40890** | Bank | 4500 |
| Out Standing Salary | | 300 | Debtors | 2500 |
| | | | Cash | 2000 |
| | | **42190** | | **42190** |

**55. Gross Profit Ratio** = $\frac{\text{Gross profit}}{\text{Sales}} \times 100$

Gross Profit = $\frac{50000}{100000} \times 100$ = **50%**

**Current Ratio** = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$

= $\frac{\text{Stock + Drs + B/R + Cash}}{\text{Current Liabilities}}$

= $\frac{15000+15000+12500+175000}{40000}$

= $\frac{60000}{40000}$ = **1.5:1**

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

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

= $\frac{60000 - 15000}{40000}$ = $\frac{45000}{40000}$ = **1.25 : 1**

**Stock turnover Ratio** = $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$

= $\frac{\text{Sales - Gross Profit}}{\text{Opening Stock + Closing Stock / 2}}$

= $\frac{100000 - 50000}{25000 / 2}$ = $\frac{50000}{12500}$ = **4 Times**

**Fixed Asset turnover Ratio =** $\frac{\text{Sales}}{\text{Fixed Asset}}$

= $\frac{\text{Sales}}{\text{Land + Plant + Furniture}}$

= $\frac{100000}{50000+30000+20000}$ = **1Time**

**56. Cash Budget for the period Jan to Mar 2005**

| **Particulars** | **January Rs.** | **February Rs.** | **March Rs.** |
|---|---|---|---|
| Opening cash balance | 75000 | 65000 | 55000 |
| Add: Estimated cash receipts : | | | |
| Cash receivable from customers | 250000 | 350000 | 450000 |
| Total cash available | 325000 | 415000 | 505000 |
| Less: Estimated cash payments : | | | |
| Payments to suppliers | 200000 | 300000 | 300000 |
| Office expenses | 60000 | 60000 | 80000 |
| Total cash payments | 260000 | 360000 | 380000 |
| Closing cash balance | **65000** | **55000** | **125000** |

**57) In the Books of Preethi Ltd. Journal Entries**

| **Date** | **Particulars** | **L.F.** | **Debit Rs.** | **Credit**.Rs. |
|---|---|---|---|---|
| | Bank A/C Dr. | | 15000 | |
| | To Share application A/C | | | 15000 |
| | (Application money received) | | | |
| | Share Application A/C Dr. | | 15000 | |
| | To Share Capital A/C | | | 15000 |
| | (Transfer of share application money to share Capital A/c) | | | |
| | Share Allotment A/C | | 10000 | |
| | To Share Capital A/C | | | 10000 |
| | (Allotment money due on shares ) | | | |
| | Bank A/C Dr. | | 10000 | |
| | To Share Allotment A/C | | | 10000 |
| | (Allotment money received) | | | |
| | Share First Call A/c Dr. | | 10000 | |
| | To Share Capital A/c | | | 10000 |
| | (First call money due) | | | |
| | Bank A/C Dr. | | 10000 | |
| | To Share Fist Call A/C | | | 10000 |
| | (First call money received) | | | |
| | Share Final Call A/c Dr. | | 15000 | |
| | To Share Capital A/c | | | 15000 |
| | (Second call money due) | | | |
| | Bank A/C Dr. | | 15000 | |
| | To Share Final Call A/c | | | 15000 |
| | (Second call money received) | | | |