SEPTEMBER 2016

ACCOUNTANCY [XII] *(With Answers)*

[Time Allowed : 3 Hours] [Maximum Marks : 200]

PART - A

Note : Answer **all** the questions. **(30 × 1 = 30)**

I. Fill in the blanks :

1. Net profit is transferred from Profit and Loss A/c to ________ account.
2. Interest on Capital is debited in ________ account.
3. Statement of affairs method is also called as _____________ method.
4. The total assets of a proprietor are ₹ 5,00,000. His liabilities is ₹ 3,50,000. Then his capital in the business is _______.
5. The estimated sale value of the asset at the end of its economic life is called as ________ value.
6. _______ method of depreciation is used in the case of Lease.
7. Ratio helps in ________ forecasting.
8. When total sales is ₹ 2,00,000, cash sales is ₹ 65,000, then credit sales will be ₹ ________.
9. Cash budget is a useful tool for _______ .
10. Prepaid Expenses are shown in the ________ of the balance sheet.
11. The capital accounts of partners may be _________ or fluctuating.
12. When the value of an asset increases it results in ___________ .
13. At the time of retirement the revaluation profits of business will be shared by ________ partners.
14. There should be a time gap of ________ between two calls.
15. Nominal Capital of a company is mentioned in the ________ of the company.

II. Choose and write the correct answer :

16. Closing stock is shown in :
    (a) Profit and Loss Account
    (b) Trading Account and Balance Sheet
    (c) None of the above
17. Interest on drawings is deducted from:
    (a) Income A/c (b) Capital account (c) Expenses A/c

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18. The capital of a business is ascertained by preparing :
    (a) Trading account (b) Statement of Profit or Loss (c) Statement of Affairs
19. Opening Sundry Debtors ₹ 2,00,000 as on 01.04.2010, credit sales ₹ 7,00,000. Cash received from Sundry Debtors ₹ 3,00,000, Closing debtors __________ .
    (a) ₹ 8,00,000 (b) ₹ 6,00,000 (c) ₹ 2,00,000
20. Under straight line method the rate of depreciation is calculated on:
    (a) Original Cost (b) Written down value (c) Cost less scrap value
21. Total amount of depreciation provided on the written down value method at the rate of 10% p.a. on ₹ 20,000 for first three years will be:
    (a) ₹ 5,240 (b) ₹ 5,420 (c) ₹ 5,204
22. All solvency ratios are expressed in terms of :
    (a) Proportion (b) Times (c) Percentage
23. Operating ratio is equal to :
    (a) Operating profit ratio
    (b) 100 + Operating profit ratio (c) 100 – Operating profit ratio
24. Budget is an estimate relating to _________ period.
    (a) Past (b) Current (c) Future
25. Under Fixed Capital System, the profits and losses of partners will be transferred to their ____ account.
    (a) Current (b) Drawings (c) Capital
26. In order to maintain fair dealings, at the time of admission, it is necessary to revalue the assets and liabilities of a firm to their __________ .
    (a) Cost Price
    (b) Cost Price less Depreciation
    (c) True value
27. When the amount due to an outgoing partner is not paid immediately then it is transferred to :
    (a) Capital A/c (b) Cash A/c (c) Loan A/c
28. Normally companies can issue shares at ___________ % of discount.
    (a) 5 (b) 10 (c) 20
29. When shares are forfeited the share capital of the company will __________ .
    (a) remain same (b) reduce (c) increase
30. Capital Reserve is shown on the _________ side of Balance Sheet.
    (a) asset (b) liability (c) both

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PART - B

Note : (i) Answer **any ten** questions. **(10 × 5 = 50)**
(ii) Answer to theory questions should not exceed **fifty** words each.

31. What are outstanding expenses ?
32. What is statement of affairs?
33. What is residual value ?
34. Give five examples for Current Assets.
35. Write notes on Cash Budget.
36. What is sacrifice ratio?
37. What is meant by Calls-in-advance?
38. As per Trial Balance on (31.03.2010) Capital is ₹ 6,00,000. Provide Interest on Capital 6%. Pass adjusting and transfer entries.
39. Find out Profit or Loss from the following informations:

Opening capital	₹ 4,00,000
Closing capital	₹ 5,00,000
Drawings	₹ 90,000
Additional capital	₹ 30,000

40. Find out the rate of depreciation under straight line method.

Cost of the plant	₹ 2,30,000	Installation Charges	₹ 20,000
Expected life in years	10 years	Scrap Value	₹ 50,000

41. Calculate Fixed Assets Turnover Ratio.

Fixed Assets	₹1,00,000
Depreciation	₹25,000
Sales	₹3,00,000

42. The opening balance of cash in July is ₹ 90,000. The estimated cash receipts are ₹ 1,60,000 and the estimated cash payments are ₹ 2,00,000. What is the opening balance of cash in August ?
43. Ramesh and Harish were sharing profits in the ratio of 3:2. Vishal was admitted with $\frac{1}{5}^{th}$ share which he acquires equally from Ramesh and Harish. Calculate New Profit Ratio.
44. Shijay Company Ltd issued 40,000 shares of ₹ 10 each at premium of ₹ 3 for each. Give Journal Entry assuming that all shares are subscribed.

PART - C

Note : (i) Answer **any five** questions including Question No. **45** which is **compulsory**.
(ii) Answer to theory questions should not exceed **150** words each. **(5 × 12 = 60)**

45. (a) The trial balance as on 31.3.2011 shows Sundry debtors ₹ 61,000.
Adjustments :
(i) Bad debts to be written off ₹ 1,000.
(ii) Provide at 5% provision for bad and doubtful debts.
(iii) 2% Provision for Discount on Debtors.
Pass adjustment entries and show how these items will appear in the final accounts.

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(OR)

(b) Mr. Kousik keeps his books under Single Entry System.

Assets and Liabilities on 31.3.2012 and 31.3.2013 stood as follows:

Particulars	**31.3.2012 ₹**	**31.3.2013 ₹**
Stock	35,000	50,000
Cash Balance	5,000	60,000
Sundry Creditors	15,000	30,000
Sundry Debtors	75,000	1,00,000
Furniture	15,000	15,000

He introduced an additional capital of ₹ 15,000 during the year and withdrew ₹ 35,000 for domestic purposes. Find out the Profit or Loss for 2012-2013.

46. What are the reasons for the needs of providing depreciation ?
47. Define Budget and give four examples of cash receipts and four examples of cash payments.
48. What are the differences between Fixed Capital Account and Fluctuating Capital Account?
49. Joshna garments purchased a Machinery on 1.4.2010 for ₹ 2,00,000. They spent ₹ 40,000 on the repairs and installed the plant. After three years the plant was sold for ₹ 1,50,000. The firm charges depreciation at the rate of 10% per annum, on straight line method. Accounts are closed on 31st March every year.

    Prepare Machinery Account and Depreciation Account for the first three years.
50. From the following Balance Sheet as on 31.3.2011,

    Calculate:

    (i) Current Ratio (ii) Liquid Ratio (iii) Debt Equity Ratio

Kayal Company Ltd.
Balance Sheet as on 31.3.2011

Liabilities	Amount ₹	Assets	Amount ₹
Share Capital	1,40,000	Machinery	2,00,000
Reserves	10,000	Furnitures	76,000
Debentures	1,50,000	Stock	22,000
Creditors	24,000	Debtors	19,000
		Cash	5,000
		Prepaid Expenses	2,000
	3,24,000		3,24,000

51. Abi and Sibi are partners sharing profits in the ratio of 3:2. Their capitals on 1.4.2010 were ₹ 2,00,000 and ₹ 1,50,000 respectively. The net profit of the firm for the year ended 31.3.2011 before making adjustments for the items below was ₹ 75,000. The drawings of the partners were Abi ₹ 20,000 and Sibi ₹ 15,000.

    Their Partnership Deed provided for the following:

    (a) Interest on Capital is at 6% per annum.

    (b) They are entitled to get salary of ₹ 10,000 each per annum.

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(c) Abi to get a commission of ₹ 1,050 per annum.

(d) Interest on drawings being Abi ₹ 600; Sibi ₹ 450.

Prepare Profit and Loss Appropriation A/c and the Capital Accounts as on 31.3.2011, when they are fluctuating.

52. Sharon Ltd. forfeited 1,000 equity shares of ₹ 10 each fully called up for the non-payment of Final Call of ₹ 2 per share but of these, 700 shares were reissued at ₹ 8 per share as fully paid up.
Give necessary Journal entries and prepare Ledger accounts for forfeited shares A/c and Capital Reserve A/c.

PART - D

Note : Answer **any three** questions including Question No. **53** which is **compulsory**.

(3 × 20 = 60)

53. (a) Mr. Ravi maintained his account books on single entry system. From the following details prepare Trading and Profit and Loss A/c for the period ended 31.3.2009 and Balance Sheet as on that date.

Particulars	31.3.2008 ₹	31.3.2009 ₹
Furnitures	5,000	5,000
Sundry debtors	1,25,000	1,75,000
Cash	12,500	20,000
Sundry creditors	75,000	87,500
Stock	50,000	25,000

Other details:

Cash Sales	₹ 2,500	Cash paid to Creditors	₹ 2,25,000
Drawings	₹ 20,000	Cash received from Debtors	₹ 2,67,500
Discount received	₹ 7,500	Sales Return	₹ 7,500
Discount allowed	₹ 5,000	Purchase Return	₹ 2,500
Sundry expenses	₹ 17,500		

(OR)

(b) The following is the Balance Sheet of Saranya and Mala sharing profits in the ratio 3:2.

Balance sheet as on 31-3-2009

Liabilities	**Amount** ₹	**Assets**	**Amount** ₹
Sundry Creditors	80,000	Bank	10,000
Bills Payable	20,000	Sundry Debtors	1,30,000
Profit and Loss A/c	1,00,000	Stock	20,000
Capital A/c		Machinery	40,000
Saranya 40,000		Land and Buildings	70,000
Mala 30,000	70,000		
	2,70,000		2,70,000

They decided to admit Jaya into the partnership on the following terms:

(i) Jaya shall bring in a capital of ₹ 30,000.

(ii) Goodwill of the firm being valued at ₹ 20,000.

(iii) Land and Buildings be appreciated by 10%.

(iv) Stock be depreciated by ₹ 3,000 and

(v) Provision for outstanding liability be created at ₹ 2,000.

Prepare the Revaluation A/c, Capital A/c and Balance Sheet of the reconstituted firm.

54. Following are the balances extracted from the books of Mr. Natesan on 31.3.2012.

Debit Balances	Amount ₹	Credit Balances	Amount ₹
Drawings	40,000	Capital	2,00,000
Cash in hand	17,000	Sales	1,60,000
Cash at Bank	65,000	Creditors	45,000
Wages	10,000		
Purchases	20,000		
Stock (1.4.'11)	60,000		
Buildings	1,00,000		
Sundry debtors	44,000		
Bills receivable	29,000		
Rent	4,500		
Commission	2,500		
General Expenses	8,000		
Furniture	5,000		
	4,05,000		4,05,000

Adjustments:

(i) Closing stock ₹ 40,000.

(ii) Depreciate Furniture by 5%.

(iii) Interest on Drawings at 5% to be provided.

(iv) Wages yet to be paid ₹ 1,000.

(v) Rent prepaid ₹ 900.

Prepare Trading A/c, Profit and Loss A/c for the year ending 31.3.2012 and also the Balance Sheet as on that date.

55. Asha Limited provides the following information for the year ending 31.3.2013. Calculate:

(i) Gross Profit Ratio (ii) Net Profit Ratio

(iii) Operating Profit Ratio (iv) Operating Ratio

Sales	₹ 2,00,000	Loss on Sale of Plant	₹ 400
Office Expenses	₹ 6,000	Gross Profit	₹ 80,000
Finance Expenses	₹ 3,000	Selling Expenses	₹ 4,000
Interest received	₹ 500	Net Profit	₹ 67,100

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56. Prepare a cash Budget of Jemimah Ltd. for the months of January to March, 2012 from the following information.

Month	Credit Purchases ₹	Credit Sales ₹	Expenses ₹
2011, November	2,00,000	2,50,000	50,000
2011, December	3,50,000	3,00,000	60,000
2012, January	3,00,000	4,50,000	70,000
2012, February	4,00,000	2,00,000	80,000
2012, March	5,00,000	3,50,000	70,000

Additional informations:

(i) Expected Cash Balance on 1.1.2012 ₹ 75,000.

(ii) Suppliers allowed credit of two months.

(iii) Customers allowed credit of two months.

(iv) Expenses are paid in the same month.

(v) Sale of fixed Asset in the month of February ₹ 95,000.

57. Charles Company Ltd. issued 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as under:

On application ₹ 2

On allotment ₹ 5 (including ₹ 2 premium)

On first call ₹ 3

On final call ₹ 2

The Company received 30,000 applications for shares. Applications for 10,000 shares were rejected and refunded the application money. All money due was received.

Pass Journal Entries, prepare Ledger accounts for Bank A/c, Share Capital A/c, Securities Premium A/c and also the Balance Sheet.

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ANSWERS

PART - A

I.

1. Capital
2. Profit and Loss
3. Net worth
4. ₹ 1,50,000
5. Residual / Scrap
6. Annuity
7. Financial
8. ₹ 1,35,000
9. Financial planning
10. Assets
11. fixed
12. profit
13. all
14. one month
15. Memorandum of Association

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II.

16. b) Trading Account and Balance Sheet
17. b) Capital account
18. c) Statement of Affairs
19. b) ₹ 6,00,000
20. a) Original cost
21. b) ₹ 5,420
22. a) Proportion
23. c) 100 – Operating profit ratio
24. c) Future
25. a) Current
26. c) True value
27. c) Loan A/c
28. b) 10 %
29. b) reduce
30. b) liability

PART - B

31. Expenses which have been incurred but not yet paid during the accounting period for which the final accounts are being prepared are called as outstanding expenses.

32. (i) When accounts are maintained under single entry system of accounting, the statement prepared to find out the capital of business is called "statement of affairs".

    (ii) A statement of affairs is like a balance sheet.

    (iii) The difference between assets and liabilities side represents capital.

33. Residual value implies the value expected to be realized on its sale on the expiry of its useful life. This is otherwise known as scrap value or turn-in-value.

34. Cash in hand, cash at bank, sundry debtros, bills receivable, stock and prepaid expenses.

35. (i) Cash budget is one of the most important budgets prepared by a business concern as every transaction directly or indirectly deals with cash.

    (ii) Cash budget shows the estimate of cash receipts and cash payments from all sources over a specific period.

    (iii)This is also called as 'Finance Budget'.

36. The ratio in which the old partners have agreed to sacrifice their shares in profit in favour of a new partner is called the sacrificing Ratio.

    Sacrificing ratio = old profit sharing ratio – New profit sharing ratio

    sacrifice = old share – New share

37. (i) When an applicant sends more money than what is called by the company, the excess money is called calls-in-advance.

    (ii) If a company has adopted Table - A, normally an interest at 6% is to be paid in on such calls in advance

38. **Adjusting Entry**

Date	Particulars	L.F	Debit Rs	Credit Rs
31-3-2010	Interest on capital a/c Dr To Capital A/c (Being adjustments entry made for Interest on capital 6%)		36,000	36,000

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Transfer Entry

Date	Particulars	L.F	Debit Rs.	Credit Rs.
31-3-2010	Profit and Loss a/c Dr To Interest on Capital A/c (Being transfer entry made for Interest on capital)		36,000	36,000

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

Particulars		Rs.
	Closing Capital	5,00,000
Add:	Drawings	90,000
		5,90,000
Less:	Additional Capital	30,000
	Adjusted closing capital	5,60,000
Less:	Opening capital	4,00,000
	Profit for the year	1,60,000

40. Amount of Depreciation $= \dfrac{\text{Total Cost} - \text{Scrap Value}}{\text{Estimated life}}$

Total cost = Cost of the Plant + Installation Charges

= Rs. 2,30,000 + Rs. 20,000 = Rs. 2,50,000

$$= \frac{\text{Rs. } 2{,}50{,}000 - 50{,}000}{10}$$

$$= \frac{\text{Rs. } 2{,}00{,}000}{10} = \text{Rs. } 20{,}000$$

Rate of Depreciation $= \dfrac{\text{Amount of Depreciation}}{\text{Total Cost}} \times 100$

$$= \frac{\text{Rs. } 20{,}000}{2{,}50{,}000} \times 100 = 8\%$$

41. Fixed Assets Turnover Ratio $= \dfrac{\text{Sales}}{\text{Fixed Assets}}$

Fixed Assets = Fixed Assets – Depreciation

= ₹ 1,00,000 – 25,000

= ₹ 75,000

$\therefore$ Fixed Assets Turnover Ratio $= \dfrac{3{,}00{,}000}{75{,}000}$

= 4 times

42.

Particulars	₹
Estimated opening cash balance	90,000
Add: Estimated cash receipts	1,60,000
	2,50,000
Less: Estimated cash payments	2,00,000
closing cash balance	50,000

43. **New profit sharing ratio:**

	Ramesh	:	Harish	:	Vishal
Old ratio	= 3	:	2		
Old share	$= \frac{3}{5}$	:	$\frac{2}{5}$		
sacrifice	$= \frac{1}{5} \times \frac{1}{2}$	:	$\frac{1}{5} \times \frac{1}{2}$		
	$= \frac{1}{10}$	:	$\frac{1}{10}$		
New Share (Old share − Sacrifice)	$= \frac{3}{5} - \frac{1}{10}$	:	$\frac{2}{5} - \frac{1}{10}$	:	$\frac{1}{5}$
	$= \frac{6-1}{10}$	:	$\frac{4-1}{10}$	:	$\frac{1}{5} = \frac{2}{10}$
	$= \frac{5}{10}$	:	$\frac{3}{10}$	:	$\frac{2}{10}$
New profit sharing ratio	= 5	:	3	:	2

44. **Journal of Shijay company Limited**

Particulars	L.F	Debit ₹	Credit ₹
Bank A/C Dr		5,20,000	
To share capital A/c (40,000 × 100)			4,00,000
To securities premium A/c (40,000 × 3)			1,20,000
(Issued 40,000 shares of Rs. 10 each at a premium of Rs. 3)			

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PART - C

45.a)

Adjusting Entries

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
31.3.2011	Bad debts A/c Dr.		1,000	
	To sundry debtors A/c			1,000
	(Being bad debts written off)			
31.03.11	Profit and Loss A/c Dr.		3,000	
	To provision for bad and doubtful debts A/c			3,000
	(Being provision for bad and doubtful debts @ 5%)			
31.03.11	Profit and Loss A/c Dr.		1,140	
	To Provision for discount on debtors A/c			1,140
	(Being provision for bad and doubtful debts @ 2%)			

Profit and Loss account for the year ended 31.3.2011

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Bad debts A/c		1,000			
To provision for Bad and doubtful debts A/c		3,000			
To provision for discount on debtors A/c		1140			

Balance sheet as on 31.3.2011

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
			Sundry debtors	61,000	
			Less: Bad debts	1,000	
				60,000	
			Less: Provision for bad and doubtful debts	3,000	
				57,000	
			Less: Provision for discount on debtors	1,140	55,860

(OR)

b)

Statement of affairs as on 1st April 2012

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Sundry creditors		15,000	Furniture		15,000
Opening capital (B/F)		1,15,000	Sundry Debtors		75,000
			Stock		35,000
			Cash Balance		5,000
		1,30,000			1,30,000

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Statement of affairs as on 31st march 2013

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Sundry creditors		30,000	Furniture		15,000
Opening capital (B/F)		1,95,000	Sundry Debtors		1,00,000
			Stock		50,000
			Cash Balance		60,000
		2,25,000			2,25,000

Statement of profit or loss

Closing capital	1,95,000
Add: Drawings	35,000
	2,30,000
Less: Additional capital	15,000
Adjusted closing capital	2,15,000
Less: Opening capital	1,15,000
Profit	1,00,000

46. **Needs for providing depreciation :**

The reason for providing depreciation in accounting records arises due to any one or more of the following reasons.

(i) **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.

(ii) **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.

(iii) **To ascertain the real cost of production :** For ascertaining the real cost of production, it is necessary to provide depreciation.

(iv) **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.

(v) **To replace assets :** Depreciation is provided to replace the assets when it becomes useless.

47. **Cash Budget**: Cash budget is one of the most important budgets prepared by a business concern as every transaction directly or indirectly deals with cash. It shows the estimate of cash receipts and cash payments from all sources over a specific period. This is also called as "Finance Budget".

Examples of cash receipts are:

(i) Cash sales

(ii) Cash receivable from customers
(iii) Business receipts like interest, commission, dividend etc.
(iv) Sale of assets
(v) Proceeds from issue of shares/debentures
(vi) Loans borrowed etc.

Examples of cash payments are:

(i) Cash purchases
(ii) Payable to suppliers
(iii) Business expenses like wages, office expenses, Selling expenses, etc.
(iv) Payments of interest, income tax, dividend, etc.
(v) Purchase of assets
(vi) Redemption of shares/debentures
(vii) Repayment of loans, etc.

48. Differences between fixed capital method and fluctuating capital method:

Basis of distinction	Fixed Capital Method	Fluctuating Capital Method
1. Change in capital	The capital normally remains unchanged except under special circumstances.	The capital is changing from period to period
2. Number of accounts	Each partner has two accounts, namely, Capital Account and Current Account.	Each partner has only one account (i.e.,) Capital Account
3. Balance	Capital Account shows always a credit balance. Current account may sometimes shows debit or credit balance.	Capital Accounts shows always a credit balance.
4. Adjustments	All adjustments are relating to partners are recorded in the current Accounts.	All adjustments relating to partners are recorded directly in the capital Accounts itself.

49. **Calculation of profit or loss on sale of machinery**

Particulars	Rs.
Cost price (2,00,000 + 40,000)	2,40,000
Less: Depreciation for 2010 – 2011 @ 10%	24,000
	2,16,000
Less: Depreciation for 2011 – 2012 @ 10 %	24,000
	1,92,000
Less: Depreciation for 2012 – 2013 @ 10%	24,000
Book value as on the date of sale	1,68,000

As book value is less than selling price the difference is profit.
= Rs. 1,50,000 – 1,68,000
∴ Loss = Rs. 18,000

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Dr **Ledger Account** Cr

Date	Particulars	J.F	Rs.	Date	Particulars	J.F	Rs.
1-4-2010	To Bank A/c		2,40,000	31.3.2011	By depreciation A/c		24,000
					By Balance c/d		2,16,000
			2,40,000				2,40,000
1-4-2011	To balance b/d		2,16,000	31.3.2012	By depreciation A/c		24,000
					By balance c/d		1,92,000
			2,16,000				2,16,000
1-4-2012	To balance b/d		1,92,000	31.3.2013	By depreciation A/c		24,000
					By Bank A/c		1,50,000
					By Profit & Loss A/c (Loss on sale)		18,000
			1,92,000				1,92,000

Depreciation Account

Dr Cr

Date	Particulars	Rs.	Date	Particulars	Rs.
31.3.11	To Machinery a/c	24,000	31.3.11	By profit and loss A/c	24,000
		24,000			24,000
31.3.12	To Machinery a/c	24,000	31.3.12	By profit and loss A/c	24,000
		24,000			24,000
31.3.13	To Machinery A/c	24,000	31.3.13	By profit and loss A/c	24,000
		24,000			24,000

50. (i) Current Ratio $= \dfrac{\text{current assets}}{\text{current liabilities}}$

Current assets = Stock + Debtors + Cash + Prepaid expenses

= 22,000 + 19,000 + 5,000 + 2000

= Rs. 48,000

current liabilities = sundry creditors

= Rs 24,000

current ratio $= \dfrac{48,000}{24,000} = 2 : 1$

(b) Liquid Ratio = $\dfrac{\text{Liquid assets}}{\text{current liabilities}}$

Liquid assets = current assets – (Stock + prepaid expenses)

= 48,000 – (22,000 + 2000)

= Rs 24,000

Liquid ratio = $\dfrac{24,000}{24,000} = 1 : 1$

(c) Debt Equity Ratio = $\dfrac{\text{Total long term debt}}{\text{share holders funds}}$

Total long term debt = Debentures

= Rs. 1,50,000

share holders funds = share capital + reserves

= 1,40,000 + 10,000

= Rs. 1,50,000

Debt – Equity ratio = $\dfrac{1,50,000}{1,50,000}$

= 1 : 1

51. **Profit and Loss Appropriation A/c**

Particulars	Rs.	Particulars	Rs.
To Interest on capital Abi 2,00,000 × $\frac{6}{100}$ = 12,000 Sibi 1,50,000 × $\frac{6}{100}$ = 9000	21,000	By Net profit	75,000
To salary	20,000	By Interest on drawings Abi 600 sibi 450	1,050
To commission	1,050		
To N/P Abi 20,400 sibi 13,600	34,000		
	76,050		76,050

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Fluctuating capital A/c

Particulars	Abi	Sibi	Particulars	Abi	Sibi
To Drawings	20,000	15,000	By Balance b/d	2,00,000	1,50,000
To Interest on drawings	600	450	By Interest on capital	12,000	9,000
To Balance c/d	2,22,850	1,67,150	By Salary	10,000	10,000
			By share of profit	20,400	13,600
			By commission	1050	-
	2,43,450	1,82,600		2,43,450	1,82,600
			By Balance b/d	2,22,850	1,67,150

52. **Journal Entries of Sharon Ltd**

Date	Particulars	L.F	Debit ₹	Credit ₹
	Share Capital A/c Dr.		10,000	
	To Forfeited shares A/c			8,000
	To Share Final Call A/c			2,000
	(Being 1000 shares forfeited)			
	Bank A/c Dr.		4,600	
	Forfeited shares A/c Dr.		2,400	
	To Share Capital A/c			7,000
	(Being 700 shares reissued)			
	Forfeited shares A/c Dr.		6000	
	To Capital Reserve A/c			6000
	(Being profit or reissued shares transferred)			

Forfeited share Account

Dr Cr

Particulars	Rs.	Particulars	Rs.
To Share Capital A/c	2,400	By share capital A/c	8,000
To Capital Reserve A/c	6,000	By Balance c/d	400
	8,400		8,400

Capital Reserve Account

Dr Cr

Particulars	₹	Particulars	₹
To Balance c/d	6000	By Forfeited share A/c	6000
	6000		6000
		By Balance b/d	6000

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PART - D

53.a) **i) Calculation of opening capital:**

Statement of affairs as on 31.3.2008

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	75,000	Stock	50,000
		Sundry Debtors	1,25,000
		Cash	12,500
Opening capital (Balancing figure)	1,17,500	Furniture	5,000
	1,92,500		1,92,500

ii) Calculation of Credit Sales:

Dr **Total Debtors Account** Cr

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,25,000	By Discount allowed	5,000
To Credit sales (Balancing figure)	3,30,000	By Cash received	2,67,500
		By Sales returns	7,500
		By Balance c/d	1,75,000
	4,55,000		4,55,000

iii) Calculation of Credit Purchases:

Dr **Total Creditors Account** Cr

Liabilities	Rs.	Assets	Rs.
To Discount received	7,500	By Balance b/d	75,000
To Cash paid	2,25,000	By Credit purchases (Balancing figure)	2,47,500
To Purchases return	2,500		
To Balance c/d	87,500		
	3,22,500		3,22,500

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Trading and Profit and Loss Account for the year ended 31.3.2009

Dr					Cr
Particulars	**Rs.**	**Rs.**	**Particulars**	**Rs.**	**Rs.**
To Opening stock		50,000	By Sales:		
To Purchases	2,47,500		Cash 2,500		
Less: Purchase			Credit 3,30,000		
Returns	2,500			3,32,500	
		2,45,000	**Less:** Sales		
To Gross Profit c/d		55,000	Returns	7,500	
					3,25,000
			By Closing Stock		25,000
		3,50,000			3,50,000
To Discount allowed		5,000	By Gross Profit b/d		55,000
To Sundry Expenses		17,500	By Discount received		7,500
To Net Profit (Transferred to Capital A/c)		40,000			
		62,500			62,500

Balance Sheet as on 31.3.2009

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital	1,17,500		Furniture		5,000
Add: Net Profit	40,000		Sundry Debtors		1,75,000
	1,57,500		Closing Stock		25,000
Less: Drawings	20,000		Cash		20,000
		1,37,500			
Sundry Creditors		87,500			
		2,25,000			2,25,000

(OR)

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53. **(b)** **Revaluation Account**

Dr. Cr.

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Stock		3000	By Land and buildings		7000
To provision for outstanding liability		2000			
To profit on revaluation A/c					
Saranya's capital A/c	1,200				
Mala's capital A/c	800	2,000			
		7,000			7,000

Capital Account

Dr Cr

Particulars	Saranya	Mala	Jaya	Particulars	Saranya	Mala	Jaya
To Balance c/d	1,13,200	78,800	30,000	By Balance b/d	40,000	30,000	-
				By Revaluation A/c	1,200	800	-
				By Good will A/c	12,000	8,000	
				By Bank A/c	-	-	30,000
				By Profit and loss A/c	60,000	40,000	-
	1,13,200	78,800	30,000		1,13,200	78,800	30,000
				By Balance b/d	1,13,200	78,800	30,000

Balance sheet of Saranya, Mala and Jaya.

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Sundry creditors		80,000	Bank	10,000	
Bills payable		20,000	**Add:** Jaya	30,000	40,000
			sundry debtors		1,30,000
Capital A/c's			stock	20,000	
Saranya	1,13,200		**Less:** depreciation	3000	17,000
Mala	78,800		Land and building	70,000	
Jaya	30,000	2,22,000	**Add:** Appreciation	7000	77,000
Outstanding liability		2000	Good will		20,000
			machinery		40,000
		3,24,000			3,24,000

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54. **Trading and Profit and Loss account of Mr. Nateson for the year ending 31st March 2012.**

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening stock		60,000	By Sales		1,60,000
To purchases		20,000	By Closing stock		40,000
To wages	10,000				
Add : Outstanding	1000	11,000			
To Gross profit c/d (Transferred to profit and loss A/c)		1,09,000			
		2,00,000			2,00,000
To Rent	4,500		By Gross Profit b/d (Transferred from Trading a/c)		1,09,000
Less: Prepaid	900	3,600			
To commission		2,500	By Interest on drawings		2,000
To General expenses		8,000			
To depreciation on furniture 5%		250			
To Net profit (Transferred to capital A/c)		96,650			
	1,11,000				1,11,000

Balance sheet of Mr.Natesan as on 31st March 2012

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors		45,000	Cash in hand		17,000
outstanding wages		1000	Cash at bank		65,000
			Buildings		1,00,000
Capital	2,00,000		Sundry debtors		44,000
Add: Net profit	96,650		Funiture	5000	
	2,96,650		Less: depreciation	250	4,750
Less: drawings	40,000		Rent prepaid		900
	2,56,650		Closing stock		40,000
Less: Interest on drawings.	2,000	2,54,650	Bills receivable		29,000
		3,00,650			3,00,650

55 (i) Gross Profit Ratio $= \dfrac{\text{Gross profit}}{\text{sales}} \times 100$

$= \dfrac{80,000}{2,00,000} \times 100$

$=$ 40%

(ii) Net profit Ratio $= \dfrac{\text{Net profit}}{\text{Sales}} \times 100$

$= \dfrac{67,100}{2,00,000} \times 100$

$= 33.55\ \%$

(iii) Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{Sales}} \times 100$

Operating Profit = Net profit + Non-operating expenses – Non - operating income

= Net Profit + Loss on sale of plant + Financial expenses – Interest received

= 67,100 + 400 + 3,000 – 500

= Rs. 70,000.

Operating profit ratio $= \dfrac{70,000}{2,00,000} \times 100$

$= 35\%$

(iv) Operating Ratio $= \dfrac{\text{Cost of goods sold} + \text{Operating expenses}}{\text{sales}}$

Cost of goods sold = Sales – Gross profit

= 2,00,000 – 80,000

= Rs. 1,20,000

Operating expenses = Office expenses + Selling expenses

= 6,000 + 4,000 = Rs. 10,000

$= \dfrac{1,20,000 + 10,000}{2,00,000} \times 100$

$= \dfrac{1,30,000}{2,00,000} \times 100$

$= 65\%$

56. **Cash Budget for the period of January, February and March 2012**

Particulars	January ₹	February ₹	March ₹
Opening cash balance	75,000	55,000	20,000
Add: Estimated cash receipt :			
cash receivable from customers	2,50,000	3,00,000	4,50,000
Sale of fixed asset	-	95,000	-
(A) Total cash available during the month	3,25,000	4,50,000	4,70,000
Less : Estimated cash payments:			
Cash payable to suppliers	2,00,000	3,50,000	3,00,000
Expenses	70,000	80,000	70,000
(B) Total cash payments during the month	2,70,000	4,30,000	3,70,000
(A – B) = Closing cash balance	55,000	20,000	1,00,000

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57. **Journal Entries in the Books of Charles Company Ltd.**

Date	Particulars	L.F	Debit ₹	Credit ₹
	Bank A/c Dr. To share Application A/c (Being application money received for 30,000 shares)		60,000	 60,000
	Share Application A/c Dr. To share capital A/c (Being application money on 20,000 shares transferred)		40,000	 40,000
	Share Application A/c Dr. To Bank A/c (Being excess application money on 10,000 shares refunded)		20,000	 20,000
	Share Allotment A/c Dr. To Share capital A/c To securities premium A/c (Being allotment money due on 20,000 shares along with premium)		1,00,000	 60,000 40,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received)		1,00,000	 1,00,000
	Share First call A/c Dr. To Share Capital A/c (Being first call money due on 20,000 shares)		60,000	 60,000
	Bank A/c Dr. To Share first call A/c (Final call money received for 40,000 shares @ Rs. 10 per share)		60,000	 60,000
	Share Final call A/c Dr. To Share Capital A/c (Being final call money due on 20,000 shares)		40,000	 40,000
	Bank A/c Dr. To Share final call A/c (Being final call money received)		40,000	 40,000

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Dr **Bank Account** Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To share Application A/c		60,000	By share Application A/c		20,000
To share Allotment A/c		1,00,000			
To share First call A/c		60,000			
To share Final call A/c		40,000	By Balance c/d		2,40,000
		2,60,000			2,60,000
To Balance b/d		2,40,000			

Share Application Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Bank A/c		20,000	By Bank A/c		60,000
To share capital A/c		40,000			
		60,000			60,000

Share Allotment Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To share capital A/c		60,000	By Bank A/c		1,00,000
To securities premium A/c		40,000			
		1,00,000			1,00,000

Securities Premium Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Balance c/d		40,000	By share Allotment A/c		40,000
		40,000			40,000

Share First Call Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To share captial A/c		60,000	By Bank A/c		60,000
		60,000			60,000

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Share Final Call Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To share captial A/c		40,000	By Bank A/c		40,000
		40,000			40,000

Share Capital Account

Dr Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Balance c/d		2,00,000	By share Application A/c		40,000
			By share Allotment A/c		60,000
			By share First call A/c		60,000
			By share Final call A/c		40,000
		2,00,000			2,00,000
			By Balance b/d		2,00,000

Balance sheet of Charles Ltd.

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Share Capital :			Cash at Bank		2,40,000
Authorised capital		xxx			
Issued capital:					
20,000 shares of Rs. 10 each		2,00,000			
Subscribed capital: 20,000 shares of Rs. 10 each		2,00,000			
Called up capital :					
20,000 shares of Rs. 10 each		2,00,000			
Paid up capital					
20,000 shares Rs 10 each		2,00,000			
Reserves and surplus		40,000			
securities premium					
		2,40,000			2,40,000

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