

31	(i) Lack of proper maintenance of records: (ii) Difficulty in preparing trial balance: (iii) Difficulty in ascertaining true profitability of the business: (iv) Difficulty in ascertaining financial position: (v) Errors and frauds cannot be detected easily: (vi) Unacceptable to government and other authorities:	3X1=3																																								
32	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Basis</th> <th style="width: 35%;">Sacrificing ratio</th> <th style="width: 35%;">Gaining ratio</th> </tr> </thead> <tbody> <tr> <td>1. Meaning</td> <td>It is the proportion of the profit which is sacrificed by the old partners in favour of a new partner.</td> <td>It is the proportion of the profit which is gained by the continuing partners from the retiring partner.</td> </tr> <tr> <td>2. Purpose</td> <td>It is calculated to determine the amount to be adjusted towards goodwill for the sacrificing partners.</td> <td>It is calculated to determine the amount to be adjusted towards goodwill for the gaining partners.</td> </tr> <tr> <td>3. Time of calculation</td> <td>It is calculated at the time of admission of a new partner.</td> <td>It is calculated at the time of retirement of a partner.</td> </tr> <tr> <td>4. Method of calculation</td> <td>It is the difference between the old ratio and the new ratio Sacrificing ratio = Old profit sharing ratio - New profit sharing ratio</td> <td>It is the difference between the new ratio and the old ratio. Gaining ratio = New profit sharing ratio - Old profit sharing ratio</td> </tr> </tbody> </table> <p style="text-align: right;">(Any 3)</p>	Basis	Sacrificing ratio	Gaining ratio	1. Meaning	It is the proportion of the profit which is sacrificed by the old partners in favour of a new partner.	It is the proportion of the profit which is gained by the continuing partners from the retiring partner.	2. Purpose	It is calculated to determine the amount to be adjusted towards goodwill for the sacrificing partners.	It is calculated to determine the amount to be adjusted towards goodwill for the gaining partners.	3. Time of calculation	It is calculated at the time of admission of a new partner.	It is calculated at the time of retirement of a partner.	4. Method of calculation	It is the difference between the old ratio and the new ratio Sacrificing ratio = Old profit sharing ratio - New profit sharing ratio	It is the difference between the new ratio and the old ratio. Gaining ratio = New profit sharing ratio - Old profit sharing ratio	3X1=3																									
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33	(i) Profitability of the firm (ii) Favourable location of the business enterprise (iii) Good quality of goods or services offered (iv) Tenure of the business enterprise (v) Efficiency of management	3X1=3																																								
34	<p style="text-align: center;">Balance Sheet as on 01.04.2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 10%;">₹</th> <th style="width: 10%;">₹</th> <th style="width: 30%;">Assets</th> <th style="width: 10%;">₹</th> </tr> </thead> <tbody> <tr> <td>Subscription Received in Advance 2019-20</td> <td></td> <td style="text-align: right;">8,000</td> <td>Sports Equipment</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Prize Fund</td> <td></td> <td style="text-align: right;">10,000</td> <td>Computer</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>Capital Fund</td> <td></td> <td style="text-align: right;">80,000</td> <td>O/s Subscription (18-19)</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Prize Fund Investment</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Cash in Hand</td> <td style="text-align: right;">7,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Cash at Bank</td> <td style="text-align: right;">21,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">98,000</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">98,000</td> </tr> </tbody> </table>	Liabilities	₹	₹	Assets	₹	Subscription Received in Advance 2019-20		8,000	Sports Equipment	30,000	Prize Fund		10,000	Computer	25,000	Capital Fund		80,000	O/s Subscription (18-19)	5,000				Prize Fund Investment	10,000				Cash in Hand	7,000				Cash at Bank	21,000			98,000		98,000	3
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35	Interest on drawings = Amount of drawings x Rate of interest x Period of interest	1
	Withdrawal on March 1 = ₹ 6,000 × $\frac{12}{100} \times \frac{10}{12}$ = ₹ 600	
	Withdrawal on June 1 = ₹ 4,000 × $\frac{12}{100} \times \frac{7}{12}$ = ₹ 280	
	Withdrawal on September 1 = ₹ 5,000 × $\frac{12}{100} \times \frac{4}{12}$ = ₹ 200	
	Withdrawal on December 1 = ₹ 2,000 × $\frac{12}{100} \times \frac{1}{12}$ = ₹ 20	
	Total interest on drawings = ₹ 1,100	2

36	Calculation of weighted average profit	1																						
	<table border="1"> <thead> <tr> <th>Year</th> <th>Profit (₹)</th> <th>Weight</th> <th>Amount (₹)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>10,000</td> <td>1</td> <td>10,000</td> </tr> <tr> <td>2016</td> <td>12,000</td> <td>2</td> <td>24,000</td> </tr> <tr> <td>2017</td> <td>16,000</td> <td>3</td> <td>48,000</td> </tr> <tr> <td>2018</td> <td>18,000</td> <td>4</td> <td>72,000</td> </tr> <tr> <td>Total</td> <td></td> <td>10</td> <td>1,54,000</td> </tr> </tbody> </table>		Year	Profit (₹)	Weight	Amount (₹)	2015	10,000	1	10,000	2016	12,000	2	24,000	2017	16,000	3	48,000	2018	18,000	4	72,000	Total	
Year	Profit (₹)	Weight	Amount (₹)																					
2015	10,000	1	10,000																					
2016	12,000	2	24,000																					
2017	16,000	3	48,000																					
2018	18,000	4	72,000																					
Total		10	1,54,000																					
	<p>Weighted average profit = $\frac{\text{Total of weighted profits}}{\text{Total of weights}} = \frac{1,54,000}{10} = ₹ 15,400$</p> <p>Goodwill = Weighted average profit × No. of years purchase</p> <p>= ₹ 15,400 × 3 = ₹ 46,200</p>	2																						

37	Journal Entries					3X1=3
	Date	Particulars	L.F.	Debit ₹	Credit ₹	
		Revaluation A/c Dr.		10,000		
		To Stock A/c			5,000	
	To Furniture A/c			2,000		
	To Machinery A/c			2,500		
	To Outstanding liability			500		
	(Loss items entered is debited)					
	Premises A/c Dr.		60,000			
	To Revaluation A/c			60,000		
	(Profit items entered is credited)					
	Revaluation A/c Dr.		50,000			
	To Hari's Capital A/c			25,000		
	To Madhavan's Capital A/c			15,000		
	To Kesavan's Capital A/c			10,000		
	(Profit on revaluation A/c transferred to old partners old ratio)					

38	Comparative Income Statement Analysis of Arul Ltd. for the year ended 31.3.2016 to 31.3.2017				3
	Particular	2015-16 ₹	2016-17 ₹	Absolutement of Increase (+) (or) decrease (-) ₹	
	Revenue from operation	50,000	60,000	+10,000	+20
	Add: Other income	10,000	30,000	-20,000	-200
	Total Revenue	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%

39	$\text{Debt equity ratio} = \frac{\text{Long term debt}}{\text{Shareholders' funds}} = \frac{80,000}{1,60,000} = 0.5:1$		3
	<p>Long term debt = Debentures = ₹ 80,000</p> <p>Shareholders' funds = Equity share capital + Reserves and surplus = 1,00,000 + 60,000 = ₹ 1,60,000</p>		

40	Shares issued at Par:		1
	Bank A/c Dr	5,00,000	
	To Share Application A/c	5,00,000	
	Share Application A/c Dr	5,00,000	
	To Share Capital A/c	5,00,000	
	Shares issued at Premium:		
	Bank A/c Dr	6,00,000	
	To Share Application A/c	6,00,000	
	Share Application A/c Dr	6,00,000	
	To Share Capital A/c	5,00,000	
	To Share Premium A/c	1,00,000	
		2	

PART - IV

IV. Answer all questions.

7 x 5 = 35

41 a)	Mayiladuthurai Recreation Club Receipts and Payments Account for the year ending 31.3.19				5
	Dr.		Cr.		
	Receipts	₹	Payments	₹	
	To Balance b/d Cash	15,000	By Rent	1,000	
	Bank	25,000	By Refreshment Charges	13,000	
	To Donation Recevd	48,000	By Construction of Tennis Court	7,000	
	To Sale of Old Equipment	26,000	By Salary of Watchman	12,000	
	To Annual Day Collection	18,000	By Club Annual Day Exp	15,000	
	To Receipt of Charity Show	4,000	By Lighting Charge	16,500	
	To Sale of Investment	12,000	By Entertainment Exp	13,500	
			By Billiards Table Purchase	5,000	
			By Exp of Charity show	3,000	
			By Balance Cash	12,000	
			Bank Balance	50,000	
		1,48,000		1,48,000	

or

b)

**Comparative Balance Sheet of Muthu Ltd.
as on 31st March 2017 to 31st March 2018**

Particular	31.3.2017	31.3.2018	Absolute of Assets of Increase (+) (or) decrease (-) ₹	Percentage Increase (+) Decrease (-)
	₹	₹		
I Equity and Liabilities				
1. Shareholders' Fund				
(a) Share Capital	4,00,000	4,40,000	40,000	10
(b) Non-Current Liabilities	1,50,000	1,65,000	15,000	10
(c) Current Liabilities	75,000	82,500	7,500	10
	6,25,000	6,87,500	62,500	10
II Assets				
(a) Non-Current Assets	5,00,000	6,00,000	1,00,000	20
(b) Current Assets	1,25,000	87,500	-37,500	30
	6,25,000	6,87,500	62,500	10

5

42 a)

Dr.		Partners' Capital A/c				Cr.	
Particulars	Mannan ₹	Sevagan ₹	Particulars	Mannan ₹	Sevagan ₹		
To Drawings A/c	40,000	35,000	By Balance b/d	2,00,000	1,75,000		
To Interest on drawings A/c	1,000	500	By Profit and loss appropriation A/c	21,000	16,500		
To Balance c/d	2,10,000	1,69,000	By Interest on capital A/c	12,000	10,500		
			By Salary A/c	18,000	-		
			By Commission A/c	-	2,500		
	2,51,000	2,04,500		2,51,000	2,04,500		
			By Balance b/d	2,10,000	1,69,000		

5

or

b)

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

$$\text{Average profit} = \frac{30,000 + 32,000 + 35,000 + 37,000 + 40,000}{5}$$

$$\text{Average profit} = \frac{1,74,000}{5} = ₹ 34,800$$

Particulars	₹
Average profit before fair remuneration to the partners	34,800
Less: Fair remuneration to the partners	2,800
Average profit	32,000

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{Normal rate of return} \\ &= 1,20,000 \times 20\% \\ &= ₹ 24,000 \end{aligned}$$

$$\begin{aligned} \text{Super profit} &= \text{Average profit} - \text{Normal profit} \\ &= 32,000 - 24,000 \\ &= ₹ 8,000 \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= \text{Super profit} \times \text{Number of years of purchase} \\ &= 8,000 \times 5 \\ &= ₹ 40,000 \end{aligned}$$

5

43 a)

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	It is prepared to know the cash receipts and cash payments.	It is prepared to know whether there is an excess of income over expenditure (surplus) or an excess of expenditure over income (deficit) during the current period.
2. Nature of account	It is a real account. It is a summary of cash account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. It is similar to profit and loss account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
3. Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded.	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
4. Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.
5. Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
6. Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent	It contains only the items relating to the current period.

5X1=5

(Any 5)

or

- b)**
1. **Maintaining accounting records:** In CAS, accounting records can be maintained easily and efficiently for long time period. It does not require a large amount of physical space. It facilitates fast and accurate retrieval of data and information.
 2. **Inventory management:** CAS facilitates efficient management of inventory. Fast moving, slow moving and obsolete inventory can be identified. Updated information about availability of inventory, level of inventory, etc., can be obtained instantly.
 3. **Pay roll preparation:** Pay roll involves the calculation of amount due to an employee. Pay of an employee may be calculated based on hours/days worked or units produced. CAS records the attendance of employees, computes the amount of salary, makes deductions such as provident fund, income tax, etc.
 4. **Report generation:** CAS helps to generate various routine and special purpose reports.
 5. **Data import/export:** Accounting data and information can be imported from or exported to other users within the organisation as well as outside the organisation.
 6. **Taxation:** CAS helps to compute various taxes and to deduct these and deposit the same to the Government account.

5X1=5

(Any 5)

44 a)

Statement of Affairs

Liabilities	1.1.2018	31.12.2018	Assets	1.1.2018	31.1.2018
Creditors	1,30,000	1,95,000	Cash at bank	80,000	90,000
Loan	60,000	60,000	Stock	1,80,000	1,40,000
Bills payable	80,000	45,000	Debtors	90,000	2,00,000
Capital	2,50,000	3,00,000	Plant and Machinery	1,70,000	1,70,000
	5,20,000	6,00,000		5,20,000	6,00,000

4

Statement of Profit or Loss

Particulars	₹
Closing capital	3,00,000
(+) Drawings	30,000
	3,30,000
(-) Additional capital	50,000
Adjusted capital	2,80,000
(-) Opening capital	2,50,000
Profit	30,000

1

[Give marks for other methods also]

b)

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

5

45 a)

journal entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Revaluation A/c To Machinery A/c To Furniture A/c (Loss items entered in debit side)	Dr.	26,000	14,000 12,000
	Building A/c Investment A/c Sundry Creditors A/c To Revaluation A/c (Profit items entered in credit side)	Dr. Dr. Dr.	40,000 10,000 16,000	66,000
	Revaluation A/c To Seenu's Capital A/c To Siva's Capital A/c (Profit of revaluation A/c transferred to old partners capital old ratio)	Dr.	40,000	25,000 15,000

3

Dr. Revaluation Account Cr

Particulars	₹	Particulars	₹
To Machinery A/c	14,000	By Building A/c	40,000
To Furniture A/c	12,000	By Investment A/c	10,000
To Seenu's Cap. 25,000	40,000	By Sundry Creditors A/c	16,000
Siva's Cap. 15,000			
	66,000		66,000

2

or

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

5

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application A/c (Share Application Money received)		72,000	72,000
	Share Application A/c Dr. To Share Capital A/c (Share application tr to share capital)		72,000	72,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Due)		96,000	96,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment money received)		96,000	96,000
	Share 1 st Call A/c Dr. To Share Capital A/c (Share 1 st call due)		72,000	72,000
	Bank A/c Final Dr. To Share 1 st call A/c (Share 1 st call money received)		72,000	72,000

5

or

<p>b)</p> <p>Operating ratio = $\frac{\text{Operating profit}}{\text{Revenue from operation}} \times 100$</p> <p>Case I:</p> <p>Operating ratio = $\frac{2,00,000}{8,00,000} \times 100 = 25\%$</p> <p>Case II:</p> <p>Operating profit = Revenue from operation – operating cost</p> <p>= 20,00,000 – 14,00,000 = 6,00,000</p> <p>Operating ratio = $\frac{6,00,000}{20,00,000} \times 100 = 30\%$</p> <p>Case III:</p> <p>Operating profit = Gross profit – operating expenses</p> <p>Gross profit = $10,00,000 \times \frac{25}{100} = 2,50,000$</p> <p>Operating profit = 2,50,000 – 1,00,000 = 1,50,000</p> <p>Operating ratio = $\frac{1,50,000}{10,00,000} \times 100 = 15\%$</p>	5
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47 a)

Basis of distinction	Double entry system	Incomplete records
1. Recording of transactions	Both debit and credit aspects of all the transactions are recorded.	Debit and credit aspects of all the transactions are not recorded completely. For some transactions both aspects are entered, some transactions are partially recorded and some transactions are omitted to be entered.
2. Type of accounts maintained	Personal, real and nominal accounts are maintained fully.	In general, only personal and cash accounts are maintained fully. Real and nominal accounts are not maintained fully.
3. Preparation of trial balance	Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts.	It is difficult to prepare the trial balance to check arithmetic accuracy of entries made in the books of accounts as the accounts are incomplete.
4. Determination of true profit or loss	Trading and profit and loss account can be prepared to find out the true profit or loss.	Trading and profit and loss account cannot be prepared with accuracy as complete information is not available and hence profit or loss found out may not be accurate.
5. Determination of financial position	Balance sheet can be prepared to know the true financial position.	Balance sheet cannot be prepared with accuracy and true financial position cannot be ascertained, as the assets and liabilities are just estimates and incomplete.
6. Suitability	It is suitable for all types of organisations.	It may be suitable for small sized sole traders and partnership firms.
7. Reliability	It is reliable since it is a scientific system of accounting and is based on certain accounting principles.	It is not reliable since it is unscientific.
8. Acceptability	Accounting records are acceptable to all users including tax authorities and financial institutions.	Accounting records may not be acceptable to all users.

(Any 5)

5 X1=5

or

b)

Journal entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017 April 1	Building A/c To Revaluation A/c (Increase in the value of building accounted)	Dr.	12,000	12,000
„	Revaluation A/c To Furniture A/c To Outstanding salary A/c (Reduction in the value of furniture and outstanding salary accounted)	Dr.	15,000	8,500 6,500
„	Prabu's capital A/c Ragu's capital A/c Siva's capital A/c To Revaluation A/c (Loss on revaluation transferred to capital accounts)	Dr. Dr. Dr.	1,500 1,000 500	3,000

3

Dr.		Revaluation Account		Cr.	
Particulars	₹	Particulars			₹
To Furniture A/c	8,500	By Building A/c			12,000
To Outstanding salary A/c	6,500	By Loss on revaluation transferred to			
		Prabu's capital A/c (3/6)	1,500		
		Ragu's capital A/c (2/6)	1,000		
		Siva's capital A/c (1/6)	500		3,000
	15,000				15,000

2