

## STD-XII Accountancy

### Blue print

Unit No	CHAPTER	1 MARK	5 MARKS	12 MARKS	20 MARKS	TOTAL MARKS
1	FINAL ACCOUNTS	5	2	1	1	47
2	SINGLE ENTRY	4	2	1	1	46
3	DEPRECIATION	4	2	2	---	38
4	RATIO ANALYSIS	4	2	1	1	46
5	CASH BUDGET	2	2	1	1	44
6,7, 8	PARTNERSHIP ACCOUNTS	6	2	2	1	60
9	COMPANY ACCOUNTS	5	2	1	1	47
QUESTIONS TO BE ANSWERED		30	10	5	3	324
QUESTIONS TO BE ASKED		30	14	9	6	
TOTAL MARKS		30	50	60	60	200

## STAGE-I

**You have to study these chapters to get minimum 100 Marks**

<b>Unit no</b>	<b>CHAPTER</b>	<b>1 MARK</b>	<b>5 MARKS</b>	<b>12 MARKS</b>	<b>20 MARKS</b>	<b>TOTAL MARKS</b>
<b>1</b>	<b>FINAL ACCOUNTS</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>47</b>
<b>2</b>	<b>SINGLE ENTRY</b>	<b>4</b>	<b>2</b>		---	<b>14</b>
<b>3</b>	<b>DEPRECIATION</b>	<b>4</b>	<b>1</b>	<b>1(T)</b>	---	<b>21</b>
<b>5</b>	<b>CASH BUDGET</b>	<b>2</b>	<b>2</b>	<b>1(T)</b>	<b>1</b>	<b>44</b>
<b>QUESTIONS TO BE ANSWERED</b>		<b>15</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>--</b>
<b>TOTAL</b>		<b>15</b>	<b>35</b>	<b>36</b>	<b>40</b>	<b>126</b>

**In Accountancy ,according to the above mentioned blue print,out of 9 lessons ,if coaching is given to the students on these 4 lessons completely,they can get 100 marks.**

### **Final Accounts:**

**1.In 5 marks question ,one question is from adjusting entry and transfer entry,and another question is from theory.**

**2.In 12 marks question,question no:45 is compulsory .This is from bad debts,provision for bad and doubtful debts adjusting and transafer entries and entries in final accounts.**

**3.In 20 Marks,question,5 adjustments will take place.**

### **Single Entry System**

**1. In 5 Marks question ,one is from calculation of profit and missing information,and the other question is from theory.**

**2. In 12 marks question,question no:45 is compulsory.Here,opening and closing statement of affairs,will be pepared and calculation of the profit(or) loss.**

3. In 20 marks question, according to the blue print, a problem will ask from conversion method.

**Depreciation Accounting**

1. In 5 marks question, one question is from calculation of rate of depreciation and the other question is from theory.
2. In 12 marks question, one question is from preparation of fixed asset account and depreciation account and the other question is from theory.
3. According to the blue print, no 20 marks question will be asked.

**Cash Budget**

1. In 5 marks question, one question is from preparation of cash budget for one month and the other question is from theory.
2. In 12 marks question it is related to theory question.
3. In 20 marks question, according to the blue print, a problem will ask from preparation of cash budget for the three months.

**STAGE-II :**

You have to include these chapters along with stage –I chapters to get 170 marks

Unit.NO	CHAPTER	1MARK	5MARK	12 MARK	20 MARK	TOTAL
9	COMPANY ACCOUNTS	5	2	1	1	47
6,7,8	PARTNERSHIP ACCOUNTS	6	2	2	1	60
QUESTIONS TO BE ANSWERED		11	4	3	2	---
TOTAL MARKS		11	20	36	40	107

**STAGE –III**

You have to include these chapters along with stage I and stage II with Ratio Analysis chapter to get 200 marks

## **Accountancy**

### **Final accounts**

#### **Part B**

##### **1. What is adjusting entry?**

All such items which need to be brought into books of account at the time of preparing final accounts are called “**adjustment**”.

##### **2. What is outstanding expenses?**

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

##### **3. What is prepaid expenses?**

Expenses which have been in advance are called as **prepaid(unexpired) expenses**.

##### **4. What is accrued income?**

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

##### **5. What is bad debt?**

Debts which cannot be recovered are called **bad debts**. It is a loss for the business.

##### **6. Write notes on provision for bad and Doubtful debts.**

Every business suffers a percentage of bad debts over and above the debts definitely known as irrecovered and written off as Bad(Bad debts written off).

##### **7. Who is good debtors?**

To motivate the debtors to make prompt payments, cash discount may be allowed to them. After providing provision for bad and doubtful debts, the remaining debtors are called as **good debtors**.



**Profit and Loss Account for the  
year ended 31<sup>st</sup> dec 2000**

Dr					
Particulars	Rs.	Particulars	Rs.		
To Bad debts A/c	1,000				
To Provision for Bad and Doubtful debts A/c	1,000				
To Provision for discount On debtors	380				

**Balance sheet as on  
31<sup>st</sup> dec 2000**

Liabilities			Assets		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
			Sundry Debtors	21,000	
			Less: Bad debts	1,000	
				-----	
				20,000	
			Less: Provision for Bad and doubtful debts	1,000	
				-----	
				19,000	
			Less: Provision for Discount on debtors	380	
				-----	
					18,620
					=====

## Single entry system

### Part-B 5 Mark

**1. What is single entry system?**

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.

**2. What is statement of affairs?**

Statement of affairs is prepared when accounts are maintained under single entry system of accounting.

**3. What is conversion method?**

If it is desired to calculate profit by preparing Trading and Profit and Loss account under single entry then it is called conversion method.

**4. Find out profit or loss from the following information.**

	Rs.
<b>Opening Capital</b>	<b>4,00,000</b>
<b>Drawings</b>	<b>90,000</b>
<b>Closing Capital</b>	<b>5,00,000</b>
<b>Additional Capital during the year</b>	<b>30,000</b>

**Ans.**

### Statement of Profit or loss

	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
	-----

**Calculate the missing information.**

	Rs.
Closing Capital	32,000
Drawings	4,800
Additional Capital	8,000
Profit made during the year	9,600

**Ans.**

**Calculate the missing information**

	Rs.
Closing capital	32,000
Add: Drawings	4,800
	-----
	36,800
Less: Additional Capital	8,000
	-----
Adjusted closing capital	28,800
Less: Opening capital	<b>19,200</b>
	-----
Profit for the year	9,600
	-----

**Part C**

**1.Mr.Murali keeps his books under single entry system. Assets and liabilities on 31.3.2002 and 31.3.2003 stood as follows:**

	31.3.2002	31.3.2003
	Rs.	Rs.
Sundry Creditors	15,000	30,000
Furniture	15,000	15,000
Sundry Debtors	75,000	1,00,000
Stock	35,000	50,000
Cash Balance	5,000	60,000

**He introduced an additional capital of Rs.15,000 during the year. He withdrew Rs.35,000 for domestic purpose. Find out the profit or loss for 2002-03.**

**Solution:**

i) Calculation of opening capital:

**Statement of affairs of Mr.Murali as on 31.3.2002**

Liabilities	Rs.	Assets	Rs.
Sundry creditors	15,000	Furniture	15,000
		Sundry Debtors	75,000
		Stock	35,000
		Cash	5,000
Opening Capital (Balancing figure)	1,15,000		
	-----		-----
	1,30,000		1,30,000
	-----		-----

ii) Calculation of Closing Capital:

**Statement of affairs of Mr.Murali as on 31.3.2003**

Liabilities	Rs.	Assets	Rs.
Sundry creditors	30,000	Furniture	15,000
		Sundry Debtors	1,00,000
		Stock	50,000
		Cash	60,000
Closing Capital (Balancing figure)	1,95,000		
	-----		-----
	2,25,000		2,25,000
	-----		-----

**Statement of Profit or loss for the year ended 31-03-2003**

	Rs.
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 for the year	1,00,000
	-----

2. A trader has not kept proper books of accounts. He Started the business with a capital of Rs 6,30,000 His position on 31.3.2004 as follows:

31.3.2004

	Rs.
Cash at Bank	50,000
Cash in hand	10,000
Stock	3,25,000
Sundry Debtors	4,00,000
Furniture	50,000
Machinery	4,00,000
Sundry Creditors	7,00,000

During the year he introduced Rs.1,00,000 as additional capital and withdrew Rs.10,000 per month for domestic purpose. Depreciate furniture and machinery by 10% per year. Ascertain profit or loss for the year ended 31.3.2004.

ii) Calculation of Closing Capital:

**Statement of affairs of a trader as on 31.3.2004**

Liabilities	Rs.	Assets	Rs.
Sundry creditors	7,00,000	Cash at bank	50,000
		Cash in hand	10,000
		Stock	3,25,000
		Sundry Debtors	4,00,000
		Furniture	50,000
		Less Depreciation	5,000
			45,000
		Machinery	4,00,000
		Less Depreciation	40,000
			3,60,000
Closing Capital	4,90,000		
(Balancing figure)	-----		-----
	11,90,000		11,90,000
	-----		-----

**Statement of Profit or loss for the year ended 31-03-2004**

	Rs.
Closing capital	4,90,000
Add: Drawings	1,20,000
	-----
	6,10,000

Less: Additional Capital	1,00,000
	-----
Adjusted closing capital	5,10,000
Less: Opening capital	6,30,000
	-----
Loss for the year	1,20,000
	-----

### Depreciation accounting

Part B      5 Mark

1. Define Depreciation.

Carder defines depreciation as “the gradual and permanent decrease in the value of an asset from any cause”.

2. What is residual value?

It 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**

3. What is obsolescence?

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

4. What is 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.

5. From the following particulars, findout the rate of depreciation, under Straight Line Method.

Cost of Fixed Asset	Rs. 50,000
Residual Value	Rs. 5,000
Estimated Life	10 years

**Ans.**

$$\text{Amount of depreciation} = \frac{\text{Total cost} - \text{Scrap value}}{\text{Estimated life}}$$

$$\begin{aligned} & \text{Rs. } 50,000 - 5,000 \\ & = \text{-----} \\ & \quad 10 \\ & \quad 45,000 \\ & = \frac{\text{-----}}{10} = 4,500 \end{aligned}$$

$$\begin{aligned} \text{Rate of depreciation} &= \frac{\text{Amount of depreciation}}{\text{Original cost}} \times 100 \\ &= \frac{4,500}{50,000} \times 100 = 9\% \end{aligned}$$

### **Part-c 12 Marks**

#### **1. What are the needs 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**

If the amount of depreciation is not provided on fixed assets in the books of account, the value of fixed assets will be shown at a higher value than its real value in the balance sheet. As such it will not reflect the true and fair financial position of the business. Hence, 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.

### 2. What are the **Causes of Depreciation?**

Causes of Depreciation

Internal

1. Wear and Tear
2. Disuse
3. Maintenance
4. Depletion

External

1. Obsolescence
2. Effluxion of time
3. Time factor

### I. 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.

### II. 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.

## CASH BUDGET

Part-B

5 Mark

### 1. Define Budget:

**Longman's Dictionary of Business English** defines a budget as "an account of the probable future income and expenditure".

### 2. What are the Characteristics of a budget :

Budget has the following important 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.

#### **4. Write notes on Cash Budget:**

**Cash budget** shows the estimate of cash receipts and cash payments from all sources over a specific period. This is also called as 'Finance Budget'.

#### **4.What are the Advantages of Cash Budget :**

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.

Thus, in short cash budget is an useful tool for financial planning.

#### **5.List out the methods of Preparation of cash budget :**

There are three methods by which a cash budget is prepared.

They are

1. Receipts and Payments Method
2. Adjusted Profit and Loss Account Method or Cash Flow Method
3. Balance Sheet Method
6. Give few Examples for **Cash Receipts**

**Cash Receipts** include:

- . Cash sales
- . Cash receivable from customers
- . Business receipts like interest, commission, dividend etc
- . Sale of assets
- . Proceeds from issue of shares/debentures
- . Loans borrowed

7. Give few Examples for **Cash payments**

**Cash Payments** include:

- . Cash purchases
- . Cash payable to suppliers
- . Business expenses like wages, office expenses, selling expenses, etc. . Payment of interest, income tax, dividend etc.
- . Purchase of assets
- . Redemption of shares/debentures
- . Repayment of loans

8. Enumerate the steps **in the preparation of cash budget**

### Steps in the preparation of cash budget

**Step 1** Take 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

9. From the following information, prepare cash budget for June 2014.

Cash in hand 1.6.2014	10,000
Cash purchases for June, 2014	70,000
Cash sales for June, 2014	1,00,000
Interest payable in June, 2014	1,000
Purchase of Office furniture in June, 2014	2,500

### Solution:

#### Cash Budget for the month June, 2014

Particulars	Rs
Opening cash balance	10,000
Add: Estimated receipts:	
Cash Sales	1,00,000
Total cash available during the month	1,10,000
Less: Estimated cash payments:	
Cash purchases	70,000
Interest paid	1,000
Purchase of furniture	2,500
Total cash payments	73,500
Closing cash balance	<b>36,500</b>

Part-c                      12 Mark

1. Define Budget, What are the characteristics of a budget, What are the advantages of Cash budget.

Ans: refer Part -B Qno 1,2,4

2. Give few examples for cash receipts and cash payments?

Ans: refer Part -B Qno 6,7

## PARTNERSHIP ACCOUNTS

### Part-B

5 Mark

1. Explain the methods of valuation of Goodwill.

There are three methods of valuation of goodwill.

They are:

- 1) Average Profit method
- 2) Super Profit method
- 3) Capitalisation method

2. What is super profit?

The excess of average profit over normal profit is called **super profit**.

3. What is revaluation account?

**Revaluation** is the valuation of assets and liabilities at the time of reconstitution of the partnership firm. The assets and liabilities are revalued so that the profit and loss arising on account of such revaluation may be adjusted in the old partners' capital accounts in their old profit sharing ratio.

of assets and liabilities. For the purpose a **revaluation account** is opened.

### Part—C

12 mark

1. What are the factors of affecting goodwill?

The factors are:

- 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 trademarks, 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.

2. Distinguish between sacrificing ratio and gaining ratio?

<b>Basis of Distinction</b>	<b>Sacrificing Ratio</b>	<b>Gaining Ratio</b>
1. Meaning	It is the ratio in which the old partners have agreed to sacrifice their shares in profit in favour of new partner.	It is the ratio in which the continuing partners acquire the outgoing partner's share
2. Purpose	It is calculated to determine the amount of compensation to be paid by the incoming partner to the sacrificing partners.	It is calculated to determine the amount of compensation to be paid by each of the continuing partners to the outgoing partner
3. Calculation	It is calculated by taking out the difference between old ratio and new ratio.	It is calculated by taking out the difference between new ratio and old ratio
4. Time	It is calculated at the time of admission of a new partner.	It is calculated at the time of retirement of a partner

3. What are the differences between fixed capital account and fluctuating capital account?

<b>Basis of Distinction</b>	<b>Fixed capital account</b>	<b>Fluctuating capital</b>
1. Change in capital	The capital normally remains unchanged except under special	The capital is changing from period to period

	circumstances.	
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 show debit or credit balance.	Capital Account shows always a credit balance.
4. Adjustments	All adjustments relating to partners are recorded in the Current Accounts.	All adjustments relating to partners are recorded directly in the Capital Accounts itself

### Final Accounts

#### Part—D

**20 Mark**

1. From the following Trial Balance of Mr. Ravi, prepare Trading and Profit and Loss Account for the year ended 31st March, 2002 and a Balance Sheet as on that date.

#### Trial Balance

PARTICULARS	Debit Rs.	Credit Rs.
Capital		40,000
Sales		25,000
Purchases	15,000	
Salaries	2,000	
Rent	1,500	
Insurance	300	
Drawings	5,000	
Machinery	28,000	
Bank Balance	4,500	
Cash	2,000	
Stock (1.4.2001)	5,200	
Debtors	2,500	
Creditors		2,000
Commission Received		1,000
	68,000	68,000

Adjustments required:

- a) Stock on 31.3.02 Rs. 4,900
- b) Insurance prepaid Rs. 90
- c) Depreciate Machinery by 10%
- d) Commission received in advance Rs. 200
- e) Salaries unpaid Rs. 300

Ans:

Trading profit and Loss account of Mr.Ravi for the year ending 31-03-2002				Credit	
Debit					
Particulars	amount	amount	Particulars	amount	amount
To Opening		5,200	By Sales		25,000
To Purchases		15,000	By Closing stock		4,900
To Gross Profit c/d (Transferred to Profit and Loss A/c)		9,700			
		29,900			29,900
To Salaries	2,000		By Gross profit b/d (Transferred from Trading A/c)		9700
Add: Outstanding	300		By Commission	1000	
	-----	2300	Less received in advance	200	800
To Rent		1,500			
To insurance	300				
Less paid in advance	90				
	-----	210			
Depreciation on machinery 10%		2800			
To Net Profit (Transferred to Capital A/c)		3,690			
		10,500			10,500

**Balance Sheet as on 31st March, 2002**

<b>Liabilities</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>	<b>Rs.</b>
Sundry Creditors		2,000	Cash in hand		2,000
			Cash at bank		4,500
Capital	40,000		Sundry debtors		4,500
			Machinery	28,000	
			Less depreciation	2,800	25,200
			Closing stock		4,900
			Prepaid insurance		90
Add: Net Profit	3,690				
	43,690				
Less Drawings	5,000	38,690			
Salary unpaid		300			
Commission received in advance		200			
		41,190			41,190

2. The following are the balances extracted from the books of Mr. Ganesh as on 31.03.1999.

	<b>Debit Balances</b>		<b>Credit Balances</b>
	<b>Rs.</b>		<b>Rs.</b>
Drawings	4,000	Capital	20,000
Cash in Hand	1,700	Sales	16,000
Cash at Bank	6,500	Sundry Creditors	4,500
Wages	1,000		
Purchases	2,000		
Stock (1.4.2001)	6,000		
Buildings	10,000		
Sundry Debtors	4,400		
Bills Receivable	2,900		
Rent	450		
Commission	250		
General Expenses	800		
Furniture	500		
	40,500		40,500

**Adjustments:**

1. Closing stock Rs.4,000
2. Interest on Capital at 6% to be provided.
3. Interest on Drawings at 5% to be provided.
4. Wages yet to be paid Rs.100

5. Rent Prepaid Rs.50

Prepare Trading and Profit and Loss Account and Balance sheet as on 31-03-1999

Ans:

Trading profit and Loss account of Mr.Ganesh for the year ending 31-03-1999

Debit			Credit		
PARTICULARS	Rs	Rs	PARTICULARS	Rs	Rs
To opening stock		6000	By Sales		16000
To Purchases		2000	By Closing Stock		4000
To Wages	1000				
Add outstanding	100	1100			
To Gross Profit c/d (Transferred to Profit and Loss A/c)		10,900			
		20,000			20,000
			By Gross profit b/d (Transferred from Trading A/c)		10900
Rent	450		Interest on drawings		200
less prepaid	50	400			
Commission		250			
General expenses		800			
Interest on capital		1200			
To Net Profit (Transferred to Capital A/c)		8450			
		11100			11100

**Balance Sheet OF Mr GANESH as on 31st March, 1999**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Sundry creditors		4500	Cash in hand		6500
Capital	20000		Cash at bank		1700
Add Net profit	8450		Bills receivable		2900
	28450		Sundry Debtors		4400
Add Interest on capital	1200		Buildings		10000
	29650		Furniture		500

<b>Less Drawings</b>	<b>4000</b>		<b>Closing stock</b>	<b>400</b>
	<b>25650</b>		<b>Rent prepaid</b>	<b>50</b>
<b>Less interest on drawing</b>	<b>200</b>	<b>25450</b>	<b>Wages unpaid</b>	<b>100</b>
<hr/>				
		<b>30050</b>		<b>30050</b>
<hr/>				

### Cash Budget

#### Part—D

20 Mark

1. Prepare a cash budget for the month of March, April and May 2014 from the following information

#### **Administration & Month expenses**

	<b>Credit purchases</b>	<b>Credit sales</b>	<b>Selling</b>
	Rs.	Rs	. Rs.
January	75,000	1,50,000	1,20,000
February	1,00,000	1,35,000	1,35,000
March	85,000	1,75,000	65,000
April	1,25,000	1,20,000	70,000
May	90,000	1,40,000	80,000

1. Expected Cash balance on 1.3.2014 is Rs.80,000
2. Suppliers allowed a credit period of two months
3. A credit period of one month is allowed to customers
4. Expenses are paid in the same month.
5. Sale of fixed asset Rs. 25,000 in April.
6. Purchase of fixed asset in May Rs.25,000.

## Cash Budget for the period March, April & May 2014

Particulars	March Rs.	April Rs.	May Rs.
Opening cash balance	80,000	75,000	1,05,000
Add: Estimated cash receipts :			
Cash receivable from customers	1,35,000	1,75,000	1,20,000
Sales of Fixed Assets	---	25,000	---
<b>Total cash available during the month(A)</b>	<b>2,15,000</b>	<b>2,75,000</b>	<b>2,25,000</b>
Less: Estimated cash payments :			
Payments to suppliers	75,000	1,00,000	85,000
Administration and Selling Expenses	65,000	70,000	80,000
Purchase of Fixed Assets	---	--	25,000
<b>Total cash payments during the month(B)</b>	<b>1,40,000</b>	<b>1,70,000</b>	<b>1,90,000</b>
<b>Closing cash balance(A-B)</b>	<b>75,000</b>	<b>1,05,000</b>	<b>35,000</b>

### QUESTIONS Final Accounts

#### Objective type:

#### I. Fill in the blanks:

1. Closing stock is valued at Cost Price or \_\_\_\_\_ price whichever is lower.
  2. Outstanding expenses are shown on the \_\_\_\_\_ side of the balance sheet.
  3. Prepaid expenses are shown on the \_\_\_\_\_ side of the balance sheet.
  4. Income received in advance will be shown on the \_\_\_\_\_ side of the Balance sheet
  5. Interest on capital is debited in \_\_\_\_\_ account
  6. Interest on drawings is credited in \_\_\_\_\_ account.
  7. Debts which are not recoverable from Sundry debtors are termed as \_\_\_\_\_.
- (Answers, 1. Market, 2. Liabilities, 3. Assets, 4. Liabilities,  
5. Profit & Loss A/c.6.Capital, 7. Bad debts).

#### II. Choose the correct answer:

1. The Profit and Loss account shows
  - a) Financial position of the concern
  - b) Net profit or Net loss**
  - c) Gross profit or Gross Loss
2. Closing stock is shown in
  - a) Profit and loss account
  - b) Trading account and Balance sheet**
  - c) None of the above.

3. Gross Profit is transferred to
  - a) Capital account **b) Profit and loss account** c) None of the above
4. All the items given in the adjustment will appear at \_\_\_\_\_ in the Final accounts.
  - a) Three places **b) Two places** c) One Place

### Single entry method

#### Objective Type:

#### I. Fill in the blanks:

1. Incomplete records are those records which are not kept under \_\_\_\_\_ system.
2. Statement of affairs method is also called as \_\_\_\_\_ method.
3. A statement of affairs resembles a \_\_\_\_\_.
4. In \_\_\_\_\_ system, only personal and cash accounts are opened.
5. The excess of assets over liabilities is \_\_\_\_\_.

(Answer: 1. Double Entry; 2. Net worth; 3. Balance Sheet; 4. Single entry; 5. Capital)

#### II. Choose the Correct Answer:

1. Incomplete records are generally used by
  - a) Small traders** b) Company c) Government
2. Credit sales is obtained from
  - a) Bills Receivable account **b) Total debtors account** c) Total creditors account
3. Single Entry System is
  - a) a Scientific method **b) an Incomplete Double Entry System**
  - c) None of the above.

### Depreciation Accounting

#### Objective Type:

#### I. Fill in the blanks:

1. The estimated sale value of the asset at the end of its economic life is called as \_\_\_\_\_ value.
2. Under \_\_\_\_\_ method, depreciation is calculated on the book value of the asset each year.
3. \_\_\_\_\_ method of depreciation is used in the case of Lease.
4. \_\_\_\_\_ method of depreciation is suitable for special type of asset like Loose tools.

(Answers: 1. Residual / Scrap; 2. Written down value; 3. Annuity; 4. Revaluation)

#### II. Choose the correct answer :

1. Depreciation arises due to
  - a) wear and tear of the asset** b) fall in the market value of asset c) fall in the value of money

2. If selling price is more than the book value of the asset on the date of sale, it is
  - a) a loss b) an income **c) a profit**
3. Profit made on sale of fixed asset is debited to
  - a) Profit and Loss account **b) Fixed Asset account** c) Depreciation account

## Ratio Analysis

### Objective Type:

#### I. Fill in the blanks:

1. \_\_\_\_\_ is a mathematical relationship between two items expressed in quantitative form.
2. Ratio helps in \_\_\_\_\_ forecasting.
3. \_\_\_\_\_ Ratio measures the firm ability to pay off its current dues.
4. \_\_\_\_\_ are those assets which are easily convertible into cash.
5. Bank overdraft is an example of \_\_\_\_\_ liability.
6. Liquid ratio is used to assess the firm's \_\_\_\_\_ liquidity.
7. Liquid assets means current assets less \_\_\_\_\_ and \_\_\_\_\_.
8. \_\_\_\_\_ ratio is modified form of liquid ratio.
9. Liquid liabilities means current liabilities less \_\_\_\_\_.
10. Proprietary ratio shows the relationship between \_\_\_\_\_ and total tangible assets.
11. Gross profit can be ascertained by deducting cost of goods sold from \_\_\_\_\_.
12. Stock turnover ratio is otherwise called as \_\_\_\_\_.
13. 100% – Operating profit ratio is equal to \_\_\_\_\_ ratio.
14. When total sales is Rs.2,00,000, cash sales is Rs.65,000, then credit sales will be Rs.\_\_\_\_\_.
15. Liquid ratio is otherwise known as \_\_\_\_\_.

(Answer: 1. Ratio 2. Financial 3. Liquid 4. Current Assets 5. Current 6. Short term  
 7. Stock, prepaid expenses 8. Absolute liquid 9. Bank overdraft  
 10. Shareholders fund / Proprietors fund 11. Sales 12. Inventory turnover ratio  
 13. Operating ratio 14. Rs.1,35,000 15. Quick ratio (Acid test ratio))

#### II. Choose the correct answer:

1. All solvency ratios are expressed in terms of
  - a) Proportion** b) Times c) Percentage
2. All activity ratios are expressed in terms of
  - a) Proportion **b) Times** c) Percentage
3. All profitability ratios are expressed in terms of
  - a) Proportion b) Times **c) Percentage**
4. Liquid liabilities means
  - a) Current liabilities **b) Current liabilities – Bank overdraft**
  - c) Current liabilities + Bank overdraft
5. Shareholders funds includes

- a) **Equity share capital, Preference share capital, Reserves & Surplus**  
 b) Loans from banks and financial institutions  
 c) Equity share capital, Preference share capital, Reserves & Surplus and Loans from banks and financial institutions
6. Which of the following option is correct  
 a) **Tangible Assets = Land + Building + Furniture**  
 b) Tangible Assets = Land + Building + Goodwill  
 c) Tabgible Assets = Land + Furniture + Goodwill + Copy right
7. Gross profit ratio establishes the relationship between  
 a) **Gross profit & Total sales**  
 b) Gross profit & Credit sales  
 c) Gross profit & Cash sales
8. Opening stock is equal to Rs.10,000, Purchase Rs.2,00,000 and closing stock is Rs.5,000. Cost of goods sold is equal to  
 a) Rs. 2,15,000 b)Rs. 2,10,000 c) **Rs. 2,05,000**
9. Operating ratio is equal to  
 a) **100 – Operating profit ratio**  
 b) 100 + Operating profit ratio  
 c) Operating profit ratio
10. Total sales is Rs,3,40,000 and the gross profit made is Rs.1,40,000. The cost of goods sold will be \_\_\_\_\_  
 a) **Rs.2,00,000** b) Rs. 4,80,000 c) Rs. 3,40,000
11. Total sales of a business concern is Rs.8,75,000. If cash sales is Rs.3,75,000, then credit sales will be  
 a) Rs.12,50,000 b) **Rs.5,00,000** c) 12,00,000
12. Cost of goods sold is Rs.4,00,000 and average stock is Rs.80,000. Stock turnover ratio will be  
 a) **5 times** b) 4 times c) 7 times
13. Current assets of a business concern is Rs.60,000 and current liabilities are Rs.30,000.Current ratio will be  
 a) **1 : 2** b) 1 : 1 c) **2 : 1**
14. Equity share capital is Rs.2,00,000, Reserves & surplus is Rs.30,000. Debenture Rs.40,000 and the shareholders funds will be  
 a)Rs.2,00,000 b) **Rs. 2,30,000** c) Rs. 1,90,000

### Cash Budget

#### Objective Type:

#### I. Fill in the blanks:

1. The term 'cash' in cash budget stands for \_\_\_\_\_ and \_\_\_\_\_.
2. Cash budget is also called as \_\_\_\_\_.
3. There are \_\_\_\_\_ methods by which a cash budget is prepared.

4. The opening balance of cash in April is Rs.1500. Total receipts for the month are Rs.4500 and total payments amounted to Rs.4000. Opening balance of cash in May will be \_\_\_\_\_
5. Cash budget is a useful tool for \_\_\_\_\_.
6. The closing balance of one month will be the \_\_\_\_\_ balance of the next month.
7. Budget is a ----- of future course of action and activities.  
(Answers: 1. Cash balance, Bank balance; 2. Finance Budget;
3. Three; 4. Rs.2000; 5. Financial Planning; 6. Opening 7. Blue Print)

## II. Choose the correct answer:

1. Budget is an estimate relating to \_\_\_\_\_ period.  
a) **future** b) current c) past
  2. Budget is expressed in terms of  
a) Money b) Physical units  
c) **Money & Physical units**
  3. Cash budget deals with  
a) Estimated cash receipts b) Estimated cash payments  
c) **Estimated cash receipts & Estimated cash payments**
  4. Purchase of Furniture is an example for  
a) Cash receipts b) **Cash payments**  
c) None of the above
  5. The opening balance of cash in January is Rs.10,000. The estimated receipts are Rs.15,000 and the estimated payments are Rs.7,000. The opening balance of cash in February will be  
a) Rs. 32,000 b) Rs. 2,000 c) **Rs. 18,000**
- (Answers: 1. (a) 2. (c) 3. (c) 4. (b) 5. (c) )

## Partnership Accounts

### Objective Type

#### I. Fill in the blanks:

1. Indian Partnership Act was enacted in the year \_\_\_\_\_.
2. Mutual and \_\_\_\_\_ agency is the essence of a partnership.
3. The capital accounts of partners may be \_\_\_\_\_ or fluctuating.
4. Goodwill is an \_\_\_\_\_ asset.
5. The excess of average profit over normal profit is \_\_\_\_\_.
6. At the time of admission of a new partner, \_\_\_\_\_ profit ratio should be found out.
7. At the time of admission of a new partner, \_\_\_\_\_ of assets and liabilities should be taken up.
8. When the value of an asset increases, it results in \_\_\_\_\_.
9. When an unrecorded liabilities is brought into books, it results in \_\_\_\_\_.
10. The accumulated reserves will be transferred to the old partners  
Capital account in the \_\_\_\_\_ ratio at the time of his retirement

(Answers: 1. 1932 2. implied 3. fixed 4. intangible 5. Super profit  
6.new 7.revaluation 8.Profit 9.Loss 10.old)

**I.Choose the correct answer:**

- 1.The excess of average profit over normal profit is \_\_\_\_\_.
  - a)Goodwill
  - b) Average Profit
  - c) Super profit**
2. Goodwill is an \_\_\_\_\_ asset.
  - a)Tangible Asset
  - b) Intangible Asset**
  - c) Imaginary Asset
3. Interest on capital is calculated on the
  - a) Opening Capital**
  - b) Closing Capital
  - c) Average Capital
4. If the fixed amount is withdrawn at the end of every month interest on drawings is calculated at the period.
  - a)13/24 Months
  - b) 11/24 Months**
  - c) 12/24 Months
- 5.At the admission of a new partner, the decrease in the value of asset is -----  
to the partner.
  - a)Profit
  - b)Loss**
  - c)Income
6. \_\_\_\_\_ ratio is calculated by taking out the difference between  
new profit sharing ratio and old profit sharing ratio.
  - a) Gaining**
  - b) Capital
  - c) Sacrifice
7. If the value of liabilities decrease, it results in \_\_\_\_\_ item
  - a)Profit**
  - b)Loss
  - c)Expenses
- 8.At the time of admission new profit sharing ratio is calculated by -----
  - a)Old profit sharing ratio-Sacrifice**
  - b) Sacrifice- Old profit sharing ratio
  - c)New ratio-Sacrifice
- 9.Sacrificing ratio is calculated at -----
  - a)Dissolution of partnership
  - b)Retirement of partner
  - c)Admission of partner**
- 10.Gaining ratio is calculated at -----

- a)Dissolution of partnership
- b)Admission of partner
- c)Retirement of partner**

## Company Accounts

### Objective type:

#### I. Fill in the Blanks:

1. Reserve capital can be issued only at the time of \_\_\_\_\_.
2. A public issue can not be kept open for more \_\_\_\_\_ days.
3. Forfeited shares have to be reissued at a price \_\_\_\_\_ than the face value.
4. Securities premium is shown in the \_\_\_\_\_ side of the Balance Sheet.
5. During forfeiture the capital of the company will -----
6. Discount on issue of shares is shown on the \_\_\_\_\_ side of Balance Sheet.
7. Capital Reserve is shown on the \_\_\_\_\_ side of Balance Sheet.

(Answers: 1. Winding up 2. 10 days 3. Lesser than 4. Liability  
5. Decrease 6. Assets 7. Liabilities)

#### I. Choose the correct answer:

1. The maximum calls that a company can make is  
a) one b) two **c) three**
2. The Amount Credited in the share forfeiture account is Rs.500, loss on reissue of forfeited share is Rs.200, The amount transferred to capital reserve is -----  
a)Rs.200 **b)Rs.300** c)Rs.500

### Model Questions :

PART – D

20 Marks

From the following details, prepare Trading and Profit & Loss account for the period ended 31.3.2004 and a Balance sheet on that date.

	As on 1.4.2003	As on 31.3.2004
Stock	50,000	25,000
Sundry Debtors	1,25,000	1,75,000
Cash	12,500	20,000
Furniture	5,000	5,000
Sundry Creditors	75,000	87,500

#### Other Details:

Rs.

Discount received 7,500  
Discount allowed 5,000  
Sundry expenses 17,500

Cash paid to creditors 2,25,000  
 Cash received from debtors 2,67,500  
 Drawings 20,000  
 Sales return 7,500  
 Purchase return 2,500  
 Depreciate Furniture by 5%

**Solution:**

**i) Calculation of opening capital:**

**Statement of affairs as on 1.4.2003**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
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
<hr/>		<hr/>	
	1,92,500		1,92,500

**ii) Calculation of Credit Sales:**

**Total Debtors Account**

<b>Dr</b>	<b>Particulars</b>	<b>Rs.</b>	<b>Cr</b>	<b>Particulars</b>	<b>Rs.</b>
	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
<hr/>		<hr/>		<hr/>	
		4,55,000			4,55,000

**iii) Calculation of Credit Purchases:**

<b>Dr .</b>	<b>Particulars</b>	<b>Total Creditors Account</b>	<b>Cr.</b>	
		<b>Rs.</b>	<b>Rs.</b>	
	To Discount received	7,500	By Balance b/d	75,000
	To Cash paid	2,25,000	By Credit purchases	2,47,500
	To Purchases return	2,500	(Balancing figure)	
	To Balance c/d	87,500		
<hr/>		<hr/>		
		<b>3,22,500</b>	<b>3,22,500</b>	

## Trading and Profit and Loss Account for the year ended 31.3.2004

Dr.

Cr.

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening stock		50,000	By Sales:	3,30,000	
To Purchases	2,47,500		Less Sales Returns	7,500	3,22,500
Less: Purchase Returns	2,500	2,45,000	By Closing Stock		25,000
To Gross Profit c/d		52,500			
		<b>3,47,500</b>			<b>3,47,500</b>

To Discount allowed		5,000	By Gross Profit b/d		52,500
To Sundry Expenses		15,000	By Discount received		7,500
To depreciation of Machinery		250			
To Net Profit (Transferred to Capital A/c)		39,750			
		<b>60,000</b>			<b>60,000</b>

### Balance Sheet as on 31.3.2004

Liabilities	Rs	. Rs.	Assets	Rs.	Rs.
Capital	1,17,500		Furniture	5,000	
Add: Net Profit	39,750		Less Depreciation	250	4,750
	1,57,250		Sundry Debtors		1,75,000
Less: Drawings	20,000		Closing Stock		25,000
		1,37,250	Cash		20,000
Sundry Creditors		87,500			
		<b>2,24,750</b>			<b>2,24,750</b>