

CREATIVE LEARNING CLASSES

II PU ANNUAL EXAMINATION APRIL-MAY-2022 ACCOUNTANCY KEY ANSWERS

SECTION A (1 MARK ANSWERS)

1. SOCIETY
2. b) 2
3. 1. Time Factor 2. Nature of Business 3. Efficiency of Management
4. False
5. When a partner retires continuing partners can get some gain/benefit of the retired partner's share, the Ratio in which old partners got the benefit is called Gaining Ratio (Benefit Ratio)
6. Death of a Partner
7. The shares of a shareholder will be forfeited when there is a failure on the part of the shareholder to pay the allotment money or call money due on the shares.
8. Debenture Redemption Fund Investment (DRFI)
9. Statement of Profit and Loss and Balance sheet.
10. Horizontal Analysis
11. Sundry Creditors / Bills Payable / Out Standing Expenses
12. d) All the Above

Section B

13. A not-for-profit organization is an organization that focuses on a particular social cause, and all the money earned or donated is used in pursuing its objectives and meeting operational costs. Unlike for-profit corporations,
14. Fluctuating Capital System is the method where interest on capital, salary, commission, or any other types of remuneration payable to partners are directly credited to partner's capital account, drawings & interest on drawings are debited; here current accounts are not prepared, and the Capital amounts are not fixed,
15. Reasons for Admission of a partner
 - 1) To secure additional capital.
 - 2) To secure additional managerial skill.
 - 3) To Expand Business
 - 4) To increase the Goodwill of the firm
16. Realization A/CDR
 To Sundry Assets A/C
17. 1. Authorized Capital 2. Issued Capital
18. The following are the limitations of financial statements:
 1. Dependence on historical costs
 2. Financial Statements Are Not Adjusted for Inflation
19. Two techniques of Financial Statement Analysis.
 1. Comparative Statements.
 2. Common size Statement.
20. 1. The most important objective that is fulfilled by preparing Cash Flow Statement is to ascertain the gross inflows and outflows of cash and cash equivalents from various activities.
2. Secondly, Cash Flow Statement helps in analyzing various reasons responsible for change in the cash balances during an accounting year.

Section C

21. **DR** **P&L Appropriation A/c for the year ending 31-03-2021** **Cr**

To Interest on capital,		By P&L A/C	
X 10% x 2,00,000 = 20,000		(Profit before adjustment)	80,000
Y 10% x 1,50,000 = 15,000	35,000		
To Salary to Y	4,000	By Interest on drawings ,	
To Commission to X	2,000	X = 2,000	
		Y = 1,000	3,000
To Partners capital A/C,			
X (3/5) = 25,200			
Y (2/5) = 16,800	42,000		
	83,000		83,000

22.

Date	Amount	period	Product
01-04-20	6,000	12	72,000
30-06-20	8,000	09	72,000
01-12-20	9,000	04	36,000
31-03-21	2,000	00	<u>00,000</u>
			1,80,000

interest on drawings = total product X Rate X 1/12
 $180000 \times 10 / 100 \times 1 / 12$
 Rs. 1500

23.

Sacrifice Ratio	= Old Profit Sharing Ratio - New Profit sharing Ratio			
Raja	$\frac{5}{8}$	—	$\frac{1}{3}$	$= \frac{15 - 08}{24} = \frac{7}{24}$
Kiran	$\frac{3}{8}$	—	$\frac{1}{3}$	$= \frac{09 - 08}{24} = \frac{1}{16}$

Therefore Sacrifice ratio = 7 : 1

24. **DR** **Sonu's capital A/C** **CR**

		By Balance b/d	25,000
		By Reserve Fund (1/4 x 24,000)	6,000
To Sonu's Executors Loan A/C.	47,125	By Interest on Capital	
(balance transferred)		10% x 25,000 x 3/12	625
		By Mallik's A/c = 6,000	
		By Pallavi's A/c = 6,000	12,000
		By P & L Suspense A/c	3,500
	47,125		47,125

Sonu's share of Goodwill = 12,000 Gained by Mallik and Pallavi in 1 : 1 Ratio
 Mallik's share = $1/2 \times 12,000 = 6,000$
 Pallavi's share = $1/2 \times 12,000 = 6,000$

Journal entries in the books of Shreshta company limited

Date	Particulars	DR	CR
1)	Bank A/C DR To Debentures Application A/C. (Being Application money received on 20,000 debentures of Rs 15 each)	3,00,000	3,00,000
2)	Debentures Application A/C DR To 5% Debentures A/c. (Being Application money transferred to 5% Debentures A/C)	3,00,000	3,00,000
3)	Debentures Allotment A/C DR To 5% Debentures Capital A/c. (Being Allotment money transferred to 5% Debentures A/C)	8,00,000	8,00,000
4)	Bank A/C DR To Debentures Allotment A/C. (Being Allotment money received on 20,000 debentures of Rs 40 each)	8,00,000	8,00,000
5)	Debentures I st & Final Call A/C. To 5% Debentures Capital A/c. (Being I st & Final Call money transferred to 5% Debentures)	9,00,000	9,00,000
6)	Bank A/C DR To Debentures I st & Final Call A/C. (Being Allotment money received on 20,000 debentures of Rs 45 each)	9,00,000	9,00,000

26) Balance sheet of Lakshmi. Co. ltd as at 31st March 2021 as per Schedule III of the Companies Act 2013

		Note No	Rs
	<u>SOURCES OF FUNDS (EQUITY/LIABILITIES)</u>		
I	<u>SHARE HOLDERS FUND</u>		
	a) Share capital		1,70,000
	b) Reserves and Surplus	1	1,20,000
II	<u>NON CURRENT LIABILITIES</u>		
	a) Long term Borrowings		1,20,000
III	<u>CURRENT LIABILITIES</u>		
	a) Trade Payables		70,000
	TOTAL		4,80,000
	<u>APPLICATION OF FUNDS (ASSETS)</u>		
I	<u>NON CURRENT ASSETS</u>		
	a) Fixed Tangible Assets		2,50,000
II	<u>CURRENT ASSETS</u>		
	a) Inventories		80,000
	b) Cash or cash equivalents		1,50,000
	TOTAL		4,80,000

Note 1: Reserves and Surplus

Statement of Profit or Loss	50,000
General Reserve	70,000
	1,20,000

27)

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{1,44,000}{1,04,000} = 1.38 (1.38 : 1)$

Quick Ratio = $\frac{\text{Quick Assets}}{\text{current Liabilities}} = \frac{90,000}{1,04,000} = 0.87 (0.87 : 1)$

28. Cash Flows from Operating Activities (In-direct Method)

Particulars	Amount
Net Profit Before Tax and Extra Ordinary Items	5,00,000
Deductions already made in Profit and Loss on account	
(+) Depreciation	2,00,000
(-) Profit on Fixed Assets	- 50,000
Operating Profit before Change in Working Capital	6,50,000
(-) Increase in Current Assets (Trade Receivable)	- 40,000
(+) Increase in Current Liabilities	+ 60,000
Net Cash From Operating Activities	6,70,000

Section D (12 Marks)

26) DR Income and Expenditure A/C for the year ending 31/03/2021 CR

Expenditure	Rs.	Income	Rs.
To Salary 22,000		By Subscription 26,000	
Add O/s Current year + 3,400		Less: O/s Last year - 2,400	
Less O/s Last year - 6,000	19,400	Add O/s Current year 4,000	
To Postage 1,000		Less Adv Current year - 2,000	25,600
To General Expenses 400		By Sale of Old newspapers 400	
To Lighting Charges 2,000		By Sports Fees 2,400	
Add O/s Current year + 500	2,500	By Rent Received 12,000	
To Depreciation on Assets 13,000			
To Surplus 4,100			
	40,400		40,400

Balance-Sheet as on 31/03/2021

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital fund 64,000			Furniture 18,000		
+ Entrance Fees 6,000			Add Purchases 20,000		
+ Surplus 4,100		74,100	Less Depreciation - 1,000		37,000
Building Donation		40,000	Sports Material 35,000		
O/S Salary		3,400	Add Purchases 14,000		
O/S Lighting		500	Less Depreciation - 12,000		37,000
Advance Subscription		2,000	Investments 30,000		
			Cash 12,000		
			O/S Subscription 4,000		
		1,20,000			1,20,000

Dr		Revaluation A/C		Cr	
To Depreciation on Machinery	1,500	By Old P.D.D	3,000		
To Depreciation on Furniture	1,000	By Appreciation on Building	9,000		
To New P.D.D	6,000				
To Old partners capital A/C					
Akhila's capital	2,100				
Bhagya's capital	1,400				
	3,500				
	12,000				12,000

Dr				Partners Capital A/C				Cr			
Particulars	Akhila	Bhagya	Chan	Particulars	Akhila	Bhagya	Chan	Particulars	Akhila	Bhagya	Chan
To P & L A/c	9,000	6,000		By balance .b/d	80,000	40,000	--				
To Cash A/c	18,000	12,000		By Gen Reserve	18,000	12,000	--				
				By Cash A/c	18,000	12,000	40,000				
To balance c/d	91,100	47,400	40,000	By Revaluation	2,100	1,400	--				
	1,18,100	65,400	40,000		1,18,100	65,400	40,000				

New Balance - sheet as at 01-04-2021

Liabilities	Rs	Rs	Assets	Rs	Rs
Capitals			Land & Building	60,000	
Akhila's Capital	91,100		<u>Add Appreciation</u>	<u>9,000</u>	69,000
Bhagya's Capital	47,400		Furniture	20,000	
Chandana's Capital	<u>40,000</u>	1,78,500	Less: Depreciation	- 1,000	19,000
Creditors		48,000	Machinery	30,000	
Bills Payable		20,000	Less: Depreciation	- 1,500	28,500
			Debtors	60,000	
			Less: New P.D.D	- 6,000	54,000
			Stock		20,000
			Cash at Bank	16,000	
			Add: Akhila's Cap	+ 18,000	
			Add: Bhagya's Cap	+12,000	
			Add: Chandana's Cap	+ 40,000	
			Less: Akhila's Cap	- 18,000	
			Less: Bhagya's Cap	- 12,000	56,000
		2,46,500			2,46,500

Dr		Revaluation A/C		Cr	
To Depreciation on Machinery	1,000	By Appreciation on Stock	6,000		
To Depreciation on Furniture	750	By Appreciation on Building	10,000		
To New P.D.D	4,200	By Old P.D.D	2,000		
By Partners capital A/C					
Abhay's capital	4,820				
Bhuvan's capital	4,820				
Chetan's capital	2,410				
	12,050				
	18,000				18,000

Dr				All Partners Capital A/C				Cr			
Particulars	Abhay	Bhuvan	Cheta	Particulars	Abhay	Bhuvan	Cheta	Particulars	Abhay	Bhuvan	Cheta
To Chetan's A/c	2,000	2,000	--	By Balance .b/d	60,000	50,000	40,000				
			--	By Reserve Fund	12,000	12,000	6,000				
To Cheta's Loan	--	--	53,410	By P & L A/c	2,000	2,000	1,000				
To Balance c/d	76,820	66,820	--	By Abhay's A/c	--	--	2,000				
				By Bhuvan's A/c	--	--	2,000				
				By Revaluation	4,820	4,820	2,410				
	78,820	68,820	53,410		78,820	68,820	53,410				

New Balance - sheet as at 31-03-2021

Liabilities		Rs	Assets		Rs
Capitals			Land & Building	80,000	
Abhay's Capital	76,820		Add: Appreciation	<u>10,000</u>	90,000
Bhuvan's Capital	<u>66,820</u>	1,43,640	Machinery	20,000	
			Less: Depreciation	<u>-1,000</u>	19,000
Chetan's Loan		53,410	Furniture	15,000	
			Less: Depreciation	<u>-750</u>	14,250
Creditors		30,000	Stock	30,000	
Bills Payable		10,000	Add: Appreciation	<u>6,000</u>	36,000
			Debtors	42,000	
			Less: P.D.D	<u>-4,200</u>	37,800
			Cash		40,000
		2,37,050			2,37,050

32. **DR** **Realization A/c** **CR**

To Sundry Assets			By Sundry Liabilities		
Stock	10,000		Loan	3,000	
Furniture	4,000		Creditors	3,000	6,000
Debtors	20,000				
Plant & Machinery	<u>22,000</u>	56,000	By Cash/Bank A/c		
			Stock	9,000	
To Cash/ Bank A/C			Furniture	3,500	12,500
Loan	3,000				
Creditors	3,000		By Mohan's A/c		
Realization Expenses	500	6,500	Machinery Taken Over		25,000
			By Punith's A/c		
			Debtors Taken Over		18,000
			By Partners capital A/C		
			Mohan's capital	750	
			Punith's capital	250	1,000
		62,500			62,500

Dr **Partners Capital A/C** **Cr**

Particulars	Mohan	Punith	Particulars	Mohan	Punith
To P & L A/c	9,000	3,000	By balanceb/d	40,000	20,000
To Realisation A/c (Asset Taken over)	25,000	18,000	By Reserve Fund	6,000	2,000
To Realisation A/c (Loss)	750	250			
To Cash /Bank A/C	11,250	750			
	46,000	22,000		46,000	22,000

Dr **Cash /Bank A/C** **Cr**

To Balance b/d	6,000	By Realization A/c	6,500
To Realization A/c	12,500	By Mohan's capital	11,250
		By Punith's capital	750
	18,500		18,500

33.

Issue of shares entries in the books of Hema Company

Date	Particulars	DR	CR
1)	Bank A/C DR To Equity share Application A/C. (Being Application money received)	4,00,000	4,00,000
2)	Equity share Application A/C DR To Equity share Capital A/C. (Being Application money transferred to capital A/C)	4,00,000	4,00,000
3)	Equity share Allotment A/C DR To Equity share Capital A/C. To Security Premium A/c. (Being Allotment money is due)	10,00,000	9,00,000 1,00,000
4)	Bank A/C DR To Equity share Allotment A/C. (Being Allotment money received)	10,00,000	10,00,000
5)	Equity share I st & Final Call A/C DR To Equity share Capital/C. (Being Calls money due)	8,00,000	8,00,000
6)	Bank A/C 19,400 x 40 DR To Equity share I st & Final Call A/C (Being I & Final Call money received)	7,76,000	7,76,000
7)	Equity share Capital A/C (600 x 100) DR To I st and Final call A/C. (Calls in Arrears) To Forfeited shares A/C (Being forfeiture of 600 shares of Rs 100 each Due to nonpayment of I st & Final Call money.)	60,000	24,000 36,000
8)	Bank A/C (600 X 80) DR Forfeited shares A/C DR To Equity share Capital A/C. (Being re-issue of forfeited shares at Rs 80 each)	48,000 12,000	60,000
9)	Forfeited shares A/C DR To Capital reserve A/C. (Being The balance of forfeited shares A/C is transferred to capital reserve A/C.)	24,000	24,000

Journal Entries

Date	Particulars	Amount	Amount
a)	Bank A/c Dr. To Debenture Application & Allotment A/c (Debentures Application & Allotment money received)	2,00,000	2,00,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To Premium on Redemption of Debentures A/c To 10% Debentures A/c (Debentures Application & Allotment money transferred to Debentures account and Premium on Redemption transferred to Loss on Issue of Debentures A/c)	2,00,000 10,000	10,000 2,00,000
b)	Bank A/c Dr. To Debenture Application & Allotment A/c (Debentures Application & Allotment money received)	1,90,000	1,90,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c (Debentures Application & Allotment money transferred to Debentures account and Discount on issue of Debentures transferred to Loss on Issue of Debentures)	1,90,000 10,000	2,00,000
c)	Bank A/c Dr. To Debenture Application & Allotment A/c (Debentures Application & Allotment money received)	2,10,000	2,10,000
	Debenture Application & Allotment A/c Dr. To 10% Debentures A/c To Security Premium A/c (Debentures Application & Allotment money transferred to Debentures account and Premium on issue transferred Security Premium A/c,)	2,10,000	2,00,000 10,000
d)	Bank A/c Dr. To Debenture Application & Allotment A/c (Debentures Application & Allotment money received)	2,10,000	2,10,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr To 10 % Debentures A/c To Security Premium A/c To Premium on Redemption of Debentures A/c (Debentures Application & Allotment money transferred to Debentures account and Premium on Redemption transferred to Loss on Issue of Debentures A/c)	2,10,000 10,000	2,00,000 10,000 10,000

35. **Common size Balance Sheet of Surya . Co**

	Particulars	31/03/2020 Rs	%	31/03/2021 Rs	%
	<u>EQUITY AND LIABILITIES:</u>				
I	1) Shareholders' Fund				
	Share capital	8,00,000	50.00%	9,00,000	50.00%
	Reserves & Surplus	1,00,000	06.25%	60,000	03.33%
II	2) Non-Current Liabilities:				
	Long term borrowings	5,00,000	31.25%	6,00,000	33.33%
III	3) Current Liabilities:				
	Short term borrowings	1,50,000	09.38%	1,80,000	10.00%
	Trade Payables	50,000	03.12%	60,000	03.33%
	Total Equity and Liabilities	16,00,000	100%	18,00,000	100%
	<u>ASSETS:</u>				
I	1) Non-Current Assets:				
	Tangible Assets	7,00,000	43.75%	8,00,000	44.44%
	Intangible Assets	5,00,000	31.25%	6,00,000	33.34%
II	2) Current Assets:				
	Inventories	1,00,000	06.25%	1,50,000	08.34%
	Cash and Cash Equivalents	1,50,000	09.38%	1,70,000	09.44%
	Other Current Assets	1,50,000	09.38%	80,000	04.44%
	Total Assets	16,00,000	100%	18,00,000	100%

36. **1. Inventory Turn Over Ratio** = $\frac{\text{Cost of Revenue from Operation}}{\text{Average Inventory}}$

= $\frac{7,00,000}{1,00,000}$

= 7 Times

2. Trade Receivable Turn Over Ratio = $\frac{\text{Net Credit Revenue from Operation}}{\text{Average Trade Receivables}}$

= $\frac{7,50,000}{1,50,000}$

= 5 Times

3. Trade Payable Turn Over Ratio = $\frac{\text{Net Credit Purchase}}{\text{Average (Creditors + B/P)}}$

= $\frac{5,00,000}{2,00,000}$

= 2.5 Times

4. Gross Profit Ratio = $\frac{\text{Gross Profit} \times 100}{\text{Net Sales}}$

= $\frac{3,00,000 \times 100}{10,00,000}$

= 30%

$$\begin{aligned}
 \text{5. Operating Profit Ratio} &= \frac{\text{Operating Profit} \times 100}{\text{Net Sales}} \\
 &= \frac{2,00,000 \times 100}{10,00,000} \\
 &= 20\%
 \end{aligned}$$

$$\begin{aligned}
 \text{6. Net Profit ratio} &= \frac{\text{Net Profit} \times 100}{\text{Net Sales}} \\
 &= \frac{1,00,000 \times 100}{10,00,000} \\
 &= 10\%
 \end{aligned}$$

Working Notes

$$\begin{aligned}
 \text{Revenue from Operation} &= \text{Net Sales} \\
 \text{2. Operating Profit} &= \text{Gross Profit} - \text{Operating Expenses} \\
 &= 3,00,000 - 1,00,000 \\
 &= 2,00,000
 \end{aligned}$$

Section E

37. In absence of partnership deed, the following provision of Indian Partnership Act, 1932 are to be applied

- (a) - Profit and losses are to be shared equally
- (b) - No interest is to be allowed on capital
- (c) - No interest is to be charges on Drawings
- (d) - Interest on Advance from Partners @ 6% p.a simple interest
- (e) - No remuneration is to be allowed to any of the partners

38. DR P&L Appropriation A/c for the year ending 31-03-2021 Cr

To Interest on capital, X 10% x 2,00,000 = 20,000 Y 10% x 1,50,000 = 15,000	35,000	By P&L A/C (Profit before adjustment)	80,000
To Salary to Y	4,000	By Interest on drawings ,	
To Commission to X	2,000	X = 2,000 Y = 1,000	3,000
To Partners capital A/C, (Profit After adjustment)			
X (3/5) = 25,200 Y (2/5) = 16,800	42,000		
	83,000		83,000

39. **Statement of profit and loss of a Company. For the year ending**

Particulars	Amount
<u>I. Income</u>	
1. Revenue from operations (Sales)	10,00,000
Total Income	10,00,000
<u>II. Expenses</u>	
2. Purchases	4,00,000
3. Changes in inventories	2,00,000
4. Employee benefit expenses	1,00,000
5. Other expenses	2,00,000
Total Expenses	9,00,000
Profit Before Tax	1,00,000
9. Tax	30,000
Profit After Tax	70,000

40. **Comparative Income statement**

Particulars	31/03/2020	31/03/2021	Increase/ Decrease	%
Net Revenue from Operations	5,00,000	8,00,000	3,00,000	60%
Add Other Incomes	50,000	60,000	10,000	20%
Total Revenue (A)	5,50,000	8,60,000	3,10,000	56.36
Cost of material consumed	1,00,000	1,50,000	50,000	50%
Purchase of stock in trade	2,00,000	3,00,000	1,00,000	50%
Changes in Inventory				
Employees benefit Expenses	40,000	60,000	20,000	50%
Depreciation & Amortizations	10,000	15,000	5,000	50%
Financial cost				
Other Expenses				
Total Expenses (B)	3,50,000	5,25,000	1,75,000	50%
Profit Before Tax (C) = (A - B)	2,00,000	3,35,000	1,35,000	67.5%
Less Tax Expenses @ 30%(D)	60,000	1,00,500	40,500	67.5%
Profit After Tax (E) = (C - D)	1,40,000	2,34,500	94,500	67.5%

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