



CREATIVE EDUCATION FOUNDATION, KARKALA
SECOND PU ANNUAL EXAMINATION MARCH – 2023
ACCOUNTANCY DETAILED SOLUTION

PART - A

I. choose the correct answer

10x1 = 10

1. Not-for profit organizations are formed for
b) Service
2. Sanjaya, Gopi and Nikhil are partners sharing profits and losses in the ratio of 3:2:1. If Gopi retires, the new profit sharing ratio of Sanjaya and Nikhil will be
a) 3:1
3. Issued capital is the part of
c) Authorised capital
4. Financial statements generally include
c) Statements of profit and loss and Balance sheet
5. Comparative statements are also known as
b. Horizontal analysis

II. Fill in the blanks.

6. The liability of partner for the acts of the firm is **unlimited**.
7. Goodwill is an **intangible** asset.
8. 1000, 10% debentures at par, here 10% means **interest rate**.
9. Analysis and interpretation are **complimentary** to each other.
10. **Investing** activities relate to purchase and sale of fixed asset.

III. Match the following:

- | | |
|-------------------------------|--|
| 11. A | Answer |
| a) current account | iii) fixed capital system |
| b) Sacrifice ratio | iv) admission of a partner |
| c) Dissolution of partnership | v) closing down the business of the firm |
| d) Companies Act | ii) 2013 |
| e) Securities Premium | i) reserves and surplus. |

IV. Answer the following questions in one word or one sentence each.

12. State any one feature of receipts and payment account?
Ans: It is the summary of cash book.
13. When do you prepare Executor's Account?
Ans: It is prepared at the time of death of a partner.
14. Expand D. R. R.
Ans: Debenture Redemption Reserve.
15. A ratio reflects quantitative and qualitative of the results.
Ans: False.
16. What are operating activities?
Ans: Operating activities are the activities that constitute primary or main activities of the enterprise.

PART- B

V. Answer any five questions. Each question carrier two marks.

17. Give any two example of Not-for -profit organization.
Ans: Schools, clubs, hospital, libraries are the example for Not-for profit organization.

18. State any two contents of partnership deed.

- Ans:** 1. Name and address of the firm
2. Name and address of all the partners

19. What is fluctuating capital system?

Ans: Fluctuating capital method is a method under which the capitals of the partners fluctuates from year to year. Under this method only one account that is capital account is maintained for each partner.

20. Give the journal entry for transferring the assets to realization account.

Ans:

Date	Particulars	L.F	Dr. ₹	Cr. ₹
	Realisation A/c Dr To Concerned asset A/c (Being assets transferred to realization account)			

21. What is forfeiture of shares?

Ans: Forfeiture of share means cancellation of rights of shareholder on the shares held by him for the nonpayment of allotment money or call money or both.

22. Write any two objective of financial statements.

- Ans:** 1. To provide information about cash flow.
2. To provide information about resources and obligations (assets and liabilities) of business.

23. Name any two uses of financial statement analysis.

- Ans:** 1. Owners 2. Management

24. State any two uses of cash flow statement.

- Ans:** 1. It is useful in assessing the ability of the enterprise to generate cash and cash equivalent
2. It helps in balancing its cash inflow and cash outflow keeping in response to changing conditions.

CREATIVE
PART - C
EDUCATION FOUNDATION, MOODBIDRI (R)

25. .

Calculation of interest on Drawings of Latha Under Product Method

Date	Amount ₹	Period (in months)	Product ₹
1-06-2021	4000	10	40000
30-09-2021	6000	6	36000
30-11-2021	2000	4	8000
01-01-2022	3000	3	9000
Total product			93000

Interest = Total product X Rate X 1/12

$$= 93000 \times \frac{8}{100} \times \frac{1}{12}$$

Interest = ₹ 620.

26. Share gained – New share – old share

$$\begin{aligned} \text{Yogish share} &= \frac{5}{8} - \frac{3}{9} \\ &= \frac{45 - 24}{72} \\ &= \frac{21}{72} \end{aligned}$$

$$\begin{aligned} \text{Harish share} &= \frac{3}{8} - \frac{2}{9} \\ &= \frac{27 - 16}{72} \\ &= \frac{7}{72} \end{aligned}$$

$$\text{Share gained} = \frac{21}{72} : \frac{11}{72}$$

Share gained = 21 : 11

27. Dr

Akash's Capital Account

Cr

Particulars	Amount ₹	Particulars	Amount ₹
To Akash's Executors A/c	1,23,250	By Balance B/d	70,000
		By Interest on capital $\left(70000 \times \frac{10}{100} \times \frac{9}{12}\right)$	5250
		By salary (3000 X 9)	27000
		By Profit and loss suspense A/c $\left(24000 \times \frac{9}{12} \times \frac{3}{6}\right)$	9000
		By Anil's capital A/c	8000
		By Ajay's capital A/c	4000
Total	1,23,250	Total	1,23,250

Calculation of Goodwill:

$$\text{Akash's share of goodwill borne by Anil} = 12000 \times \frac{2}{3} = 8000$$

$$\text{Akash's share of goodwill borne by Ajay} = 12000 \times \frac{1}{3} = 4000$$

28. Journal entries in the books of Kumuda Company Ltd.

Date	Particulars	L.F	Dr. ₹	Cr. ₹
1	Bank A/c Dr To 10% Debenture application A/c (20000 X 20) (Being debenture application money received)		4,00,000	4,00,000
2	10% Debenture application A/c Dr To 10% debenture A/c (Being debenture applications money transferred)		4,00,000	4,00,000
3	10% debenture allotment A/c Dr To 10% debenture A/c (20000 X 40) (Being allotment money due)		8,00,000	8,00,000
4	Bank A/c Dr To 10% debenture allotment A/c (Being debenture allotment money received)		8,00,000	8,00,000
5	10% debenture first and final call A/c Dr To 10% debenture A/c (20000 X 40) (Being debenture first and final call money due)		8,00,000	8,00,000
6	Bank A/c Dr To 10% Debenture first and final call A/c (Being debenture first and final call money received)		8,00,000	8,00,000

29. Statement of Profit and loss for the year ending 31-03-2022

Particulars	Note No	Amount ₹
I. Revenue from operations		16,00,000
II. Other Incomes		-
III. Total Revenue		16,00,000
IV. Expenses		
Cost of material consumed		4,00,000
Employee benefit expenses	1	2,00,000
Finance cost	2	75,000
Depreciation and amortization		1,00,000
Total expenses		7,75,000
V. Profit before tax (16,00,000- 7,75,000)		8,25,000
VI. Tax		2,47,500
VII. Profit for the year		5,77,500

Working Note:**Note 1: Employee benefit expense**

Particulars	Amount ₹
Salaries to employees	1,50,000
Leave encashment	50,000
Total	2,00,000

Note 2: Finance cost

Particulars	Amount ₹
Interest on debenture	50,000
Interest on borrowing	25,000
Total	75,000

30. 1. Current ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

$$= \frac{240000}{60000}$$

$$= 4:1$$

2. Quick ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$

$$= \frac{120000}{60000}$$

$$= 2:1$$

31. Cash flow from financing activities for the year ending

Particulars	Amount ₹
1. Issue of debenture	+ 6,00,000
2. Issue of preference share (10,00,000-6,00,000)	+4,00,000
3. Redemption of debentures	(2,00,000)
Cash inflow from financing activities	+8,00,000

Working Note:

Calculation of debenture issued:

Closing balance of debenture	20,00,000
Add: Debenture redeemed	<u>2,00,000</u>
	22,00,000
Less: Opening balance of debenture	<u>16,00,000</u>
Debenture issued	<u>6,00,000</u>

PART -D

VII. Answer any three question each carries twelve marks.

32. **Dr** **Income & Expenditure Account** **Cr**
from the year ended 31-03-2022

Expenditure	Amount	Income	Amount
	₹		₹
To Salary 20000		By subscription 65000	
Less: P. Y O/S 5000	17000	Less: P. Y O/S 3000	
Add: C. Y O/S <u>2000</u>	1000	Add: C. Y O/S <u>5000</u>	67000
To Postage	2500	By Entrance fees 10000	
To electricity charges		Less: 1/2 X 10000 <u>5000</u>	5000
To Depreciation on sports material	5000	By sale of old sports material	3000
To Excess of income over expenditure (surplus)		By rent	
	<u>62000</u>		<u>12500</u>
	<u>87500</u>		<u>87500</u>

Balance sheet as on 31 -03-2022

Labilities	Amount	Assets	Amount
	₹		₹
Capital fund 60000		Cash at Bank	19000
Add: Surplus 62000		O/S Subscription	5000
Add: 1/2 entrance fees <u>5000</u>	1,27,000	Sports material 30000	
O/S salary 2000	2000	Add: Purchases 15000	
		Less: Depreciation <u>5000</u>	40000
		Furniture	20000
		Investment	25000
		Fixed deposit	20000
	<u>1,29,000</u>		<u>1,29,000</u>

33. **Dr** **Revaluation A/c** **Cr**

Particulars	Amount	Particulars	Amount
	₹		₹
To Furniture	1000	By Building	10000
$\left(10000 \times \frac{10}{100}\right)$			
To P. D. D	2250		
$\left(45000 \times \frac{5}{100}\right)$			
To O/S salary	2000		
To Partners Capital A/c			
Uma 4750 X 3/5 2850			
Geetha 4750 x 2/5 <u>1900</u>	4750		
	<u>10000</u>		<u>10000</u>

Dr

Partner's Capital A/C

Cr

Particulars	Uma ₹	Geetha ₹	Kamala ₹	Particulars	Uma ₹	Geetha ₹	Kamala ₹
To Uma	-	-	15000	By Bal b/d	60000	40000	-
To Geetha			10000	By General reserve	15000	10000	-
(Goodwill)				By Revaluation a/c	2850	1900	-
To Bal c/d	92850	61900	50000	By Cash	-	-	75000
				By Kamala	15000	10000	-
	<u>92500</u>	<u>61900</u>	<u>75000</u>		<u>92800</u>	<u>61900</u>	<u>75000</u>

New Balance sheet as on 01-04-2022

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	50000	Cash (15000 +75000)	90000
Bills payable	15000	Stock	30000
O/S salary	2000	Debtors	45000
Capital :		Less: PDD	<u>2250</u>
Uma	92850	Investment	40000
Geetha	61900	Furniture	10000
Kamala	50000	Less: Depreciation	<u>1000</u>
		Building	50000
		Add: Appreciation	<u>10000</u>
	<u>271750</u>		<u>60000</u>
			<u>271750</u>

34. Dr

Realisation A/c

Cr

Particulars	Amount ₹	Particulars	Amount ₹
To Bills receivable	8000	By Creditors	30000
To Debtors	30000	By Bills payable	10000
To Stock	17000	By Bank	
To Furniture	10000	Bills receivable	6500
To Machinery	25000	Debtors	25000
To Building	60000	Stock	15000
To Bank		Machinery	22000
Creditors	30000	Building	<u>65000</u>
Bills payable	<u>10000</u>	By Manju's capital	9000
	40000	By Partner's capital A/c	
To Bank		Mohan	5700
Dissolution expenses	2000	Manju	<u>3800</u>
			9500
	<u>192000</u>		<u>192000</u>

DR

Partners Capital A/c

Cr

Particulars	Mohan ₹	Manju ₹	Particulars	Mohan ₹	Manju ₹
To Realisation A/c (Furniture taken over)	-	9000	By Bal c/d	60000	40000
To Realisation (loss)	5700	3800	By Reserve Fund	9000	6000
To Bank A/c	63300	33200			
	69000	46000		69000	46000

Dr

Bank A/ c

Cr

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	10000	By Mohan's Loan a/c	5000
To Realisation a/c (asset realized)	133500	By realization a/c (liabilities paid)	40000
		By Realisation a/c (Dissolution expense paid)	2000
		By Mohan's Capital a/c	63300
		My Manju's capital a/c	33200
	143500		143500

35. Journal entries in the books of Kalpatharu Company Ltd

Date	Particulars	L.F	Dr. ₹	Cr. ₹
1	Bank A/c Dr To Equity share application A/c (10000 X 20) (Being equity application money received)		2,00,000	2,00,000
2	Equity share application A/c Dr To Equity share capital A/c (Being equity share applications money transferred)		2,00,000	2,00,000
3	Equity share allotment A/c Dr (10000 X 50) To Equity share capital A/c (10000 X 40) To security premium reserve A/c (10000 X 10) (Being allotment money due on shares along with premium)		5,00,000	4,00,000 1,00,000
4	Bank A/c Dr To Equity share allotment A/c (Being Equity share allotment money received)		5,00,000	5,00,000

5	Equity share first and final call A/c Dr To Equity share capital A/c (10000 X 40) (Being Equity share first and final call money due)		4,00,000	4,00,000
6	Bank A/c (10000 – 1000 = 9000 X 40) Dr To Equity share first and final call A/c (Being debenture first and final call money received)		3,60,000	3,60,000
7	Equity share capital A/c Dr (1000 X 100) To Share forfeiture A/c (1000 X 60) To Equity share first and final call (1000 X 40) (Being equity share forfeited for non payment of first and final call)		1,00,000	60000 40000
8	Bank A/ c Dr (1000 X 80) Share forfeiture A/c Dr (1000 X 20) To equity shares A/c (1000 X 100) (Being forfeited share reissued)		80000 20000	1,00,000
9	Share forfeiture A/c Dr To capital reserve A/c (60000 – 20000) (being excess in shares forfeiture a/c transferred)		40000	40000

36. Journal entries

Date	Particulars	L.F	Dr. ₹	Cr. ₹
a	Bank A/c Dr (5000 X 110) To 10% Debenture application and allotment A/c (Being debenture application money received)		5,50,000	5,50,000
	Debenture application allotment A/c Dr To 12% debenture A/c To Security premium reserve A/c		5,50,000	5,00,000 50000

	(50000 X 10/100) (Being debenture applications money transferred)			
b	Bank A/c (5000 X 90) Dr To 12% debenture application & allotment A/c (500000 X 10/100) (Being debenture application money received)		4,50,000	4,50,000
	12% debenture application & allotment A/c Dr Loss on issue of debenture A/c Dr (50000 + 50000) To 12% debenture A/c To Premium on redemption of debenture A/c (Being debenture application money transferred)		4,50,000 1,00,000	5,00,000 50000
c	Bank A/c Dr (5000 X 110) To 12% debenture application & allotment A/c (500000 X 10/100) (Being debenture application money received)		5,50,000	5,50,000
	12% debenture application A/c Dr Loss on issue of debenture A/c Dr To 12% debenture A/c To Security premium reserve A/c (500000 X 10/100) To Premium on redemption of debenture (500000 X 10/100) (Being debenture application money transferred)		5,50,000 50000	5,00,000 50000 50000
d	Bank A/c Dr (5000 X 90) To 12% debenture application & allotment A/c (Being debenture application money received)		4,50,000	4,50,000
	12% debenture application & allotment A/c Dr Discount on issue of debenture A/c Dr (50000 X 10/100) To 12% debenture A/c (Being debenture application money transferred)		4,50,000 50000	5,00,000

37. In the books of Union Company Ltd

Common size Balance sheet as on 31 -03-2021 and 31 – 03- 2022

(Common base = Total assets = 100)

Particulars	Absolute Amount		Percentage (%)	
	31/3/2021 ₹	31/3/2022 ₹	31/3/2021	31/3/2023
I Equity and Liability				
1.Shareholders fund				
Share Capital	1000000	1600000	50	53.33
Reserves and surplus	300000	500000	15	16.67
2.Non-Current Liabilities				
Long term borrowing	400000	300000	20	10
3.Current Liabilities				
Trade Payables	200000	400000	10	13.33
Other Current Liabilities	100000	200000	5	6.67
Total Equity and Liabilities	<u>20,00,000</u>	<u>30,00,000</u>	100	100
II Assets				
1.Non-current Assets				
Fixed Assets	600000	1000000	30	33.33
Non- current investment	300000	400000	15	13.33
2.Current Assets				
Inventories	500000	700000	25	23.33
Trade Receivables	400000	500000	20	16.67
Cash and Cash equivalent	200000	400000	10	13.33
Total Assets	<u>20,00,000</u>	<u>30,00,000</u>	100	100

$$\% \text{ change} = \frac{\text{Item}}{\text{Common base}} \times 100$$

CREATIVE
EDUCATION FOUNDATION, MOODBIDRI (R)

Ans: (a) Inventory turnover ratio $= \frac{\text{Cost of revenue from operations}}{\text{Average inventory}}$

Cost of revenue from operations $= \text{Revenue from operations} - \text{Gross profit}$
 $= \text{Rs. } 10,00,000 - \text{Rs. } 2,00,000$
 $= \text{Rs. } 8,00,000$

Inventory turnover ratio $= \frac{8,00,000}{1,00,000} = 8 \text{ times}$

(b) Trade receivable turnover ratio $= \frac{\text{Net credit revenue from operations}}{\text{Average trade receivable}}$
 $= \frac{\text{Rs. } 6,00,000}{\text{Rs. } 1,50,000} = 4 \text{ times}$

(c) Trade payable turnover ratio $= \frac{\text{Net credit purchases}}{\text{Average trade payable}}$
 $= \frac{\text{Rs. } 5,00,000}{\text{Rs. } 2,50,000} = 2 \text{ times}$

(d) Gross profit ratio $= \frac{\text{Gross profit}}{\text{Net revenue from operations}} \times 100$
 $= \frac{\text{Rs. } 2,00,000}{\text{Rs. } 10,00,000} \times 100 = 20\%$

(e) Operating ratio $= \frac{\text{Cost of revenue from operations} + \text{Operating expense}}{\text{Net revenue from operations}} \times 100$
 $= \frac{(\text{Rs. } 8,00,000 + 1,00,000)}{10,00,000} \times 100$
 $= \frac{9,00,000}{10,00,000} \times 100 = 90\%$

(f) Net profit ratio $= \frac{\text{Net profit}}{\text{Net revenue from operations}} \times 100$
 $= \frac{1,00,000}{10,00,000} \times 100 = 10\%$

PART – E
(Practical oriented questions)

VIII. Answer any two questions. Each question carries 5 marks.

39. Classify the following into Capital and Revenue

- | | | |
|---|---|--------------|
| a) Legacies | - | Capital Item |
| b) Subscriptions received | - | Revenue Item |
| c) Cost of computer purchased | - | Capital Item |
| d) Honorarium paid | - | Revenue Item |
| e) Donation received for constructing a swimming pool | - | Capital Item |

40. .

. Prepare Executors Loan Account with imaginary figures showing the repayment in two annual equal installment along with interest.

Dr.		A's Executor's Loan Account		Cr.	
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
31.3.2021	To Bank A/c [10,000+2,000]	12,000	01.4.2020	By A's Capital A/c	20,000
31.3.2021	To Balance c/d	10,000	31.3.2021	By Interest A/c [20,000x10/100]	2,000
		22,000			22,000
31.3.2022	By Bank A/c [10,000+1,000]	11,000	01.4.2021	By Balance b/d	10,000
			31.3.2022	By Interest A/c [10,000x10/100]	1,000
		11,000			11,000

41. .

Prepare Comparative Statement of Profit and Loss with 5 imaginary figures.

Comparative Statement of Profit and Loss for the years ended 31.03.2021 and 31.03.2022

Particulars		31.03.2021 (Rs)	31.03.2022 (Rs)	Absolute Increase OR Decrease	Percentage of Increase OR Decrease
I	Revenue from Operations	1,00,000	2,00,000	1,00,000	100.00
II	Other Income	10,000	20,000	10,000	100.00
III	Total Revenue from Operations(I + II)	1,10,000	2,20,000	1,10,000	100.00
IV	Less: Expenses	50,000	1,00,000	50,000	100.00
	Profit Before Tax	60,000	1,20,000	60,000	100.00
V	Less: Tax Expenses @ 50%	30,000	60,000	30,000	100.00
	Profit After Tax	30,000	60,000	30,000	100.00

DEPARTMENT OF COMMERCE

CREATIVE EDUCATION FOUNDATION KARKALA

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- Mrs. Akshata Jain
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