

**12th
STD**



ACCOUNTANCY



**SCHOOL EDUCATION DEPARTMENT
KRISHNAGIRI DISTRICT
HIGHER SECONDARY-SECOND YEAR
ACCOUNTANCY
SPECIAL GUIDE [2025-26]
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12-ஆம் வகுப்பு

ஒரு மதிப்பெண் வினாக்கள்(ACCOUNTANCY)

12-ஆம் வகுப்பு ACCOUNTANCY

பாடப்புத்தகத்தில் உள்ள ஒரு மதிப்பெண் வினாக்கள், GeoGebra மென்பொருளின் உதவியோடு, ஒரு வினாவிற்கு சரியான விடையை தேர்வு செய்ய ,அதிகபட்சம் மூன்று வாய்ப்புகள் வழங்கி, மாணவர்களின் கற்றல் ,கற்பித்தல் திறன் அதிகரிக்கும் வகையில் வடிவமைக்கப்பட்டுள்ளது என்பதை தெரிவித்துக்கொள்கிறோம் .

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ACCOUNTANCY	TAMIL MEDIUM	ENGLISH MEDIUM
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LINK	https://www.geogebra.org/m/ahwhgvka	https://www.geogebra.org/m/km3z4fuy

ONE MARK QUESTIONS

UNIT 1- ACCOUNTS FROM INCOMPLETE RECORDS

Choose the correct answer

1. Incomplete records are generally maintained by

- a) A company
b) Government
c) Small sized sole trader business
d) Multinational enterprises

2. Statement of affairs is a

- a) Statement of income and expenditure
b) Statement of assets and liabilities
c) Summary of cash transactions
d) Summary of credit transactions

3. Opening statement of affairs is usually prepared to find out the

- a) Capital in the beginning of the year
b) Capital at the end of the year
c) Profit made during the year
d) Loss occurred during the year

4. The excess of assets over liabilities is

- a) Loss
b) Cash
c) Capital
d) Profit

5. Which of the following items relating to bills payable is transferred to total creditors account?

- a) Opening balance of bills payable
b) Closing balance of bills payable
c) Bills payable accepted during the year
d) Cash paid for bills payable

6. The amount of credit sales can be computed from

- a) Total debtors account
b) Total creditors account
c) Bills receivable account
d) Bills payable account

7. Which one of the following statements is not true in relation to incomplete records?

- a) It is an unscientific method of recording transactions
b) Records are maintained only for cash and personal accounts
c) It is suitable for all types of organisations
d) Tax authorities do not accept

8. What is the amount of capital of the proprietor, if his assets are ₹ 85,000 and liabilities are ₹ 21,000?

- a) ₹ 85,000
b) ₹ 1,06,000
c) ₹ 21,000
d) ₹ 64,000

9. When capital in the beginning is ₹ 10,000, drawings during the year is ₹ 6,000, profit made during the year is ₹ 2,000 and the additional capital introduced is ₹ 3,000, find out the amount of capital at the end.

- a) ₹ 9,000
b) ₹ 11,000
c) ₹ 21,000
d) ₹ 3,000

10. Opening balance of debtors: ₹ 30,000, cash received: ₹ 1,00,000, credit sales: ₹ 90,000; closing balance of debtors is

- a) ₹ 30,000
b) ₹ 1,30,000
c) ₹ 40,000
d) ₹ 20,000

UNIT 2 -ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION

11. Receipts and payments account is a

- a) Nominal A/c
b) Real A/c
c) Personal A/c
d) Representative personal account

12. Receipts and payments account records receipts and payments of

- a) Revenue nature only
b) Capital nature only
c) Both revenue and capital nature
d) None of the above

13. Balance of receipts and payments account indicates the

- a) Loss incurred during the period
b) Excess of income over expenditure of the period
c) Total cash payments during the period
d) Cash and bank balance as on the date

- 14. Income and expenditure account is a**
 a) Nominal A/c b) Real A/c c) Personal A/c d) Representative personal account
- 15. Income and Expenditure Account is prepared to find out**
 a) Profit or loss b) Cash and bank balance c) Surplus or deficit d) Financial position
- 16. Which of the following should not be recorded in the income and expenditure account?**
 a) Sale of old newspapers b) Loss on sale of asset
 c) Honorarium paid to the secretary d) Sale proceeds of furniture
- 17. Subscription due but not received for the current year is**
 a) An asset b) A liability c) An expense d) An item to be ignored
- 18. Legacy is a**
 a) Revenue expenditure b) Capital expenditure c) Revenue receipt d) Capital receipt
- 19. Donations received for a specific purpose is**
 a) Revenue receipt b) Capital receipt c) Revenue expenditure d) Capital expenditure
- 20. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.**
 a) ₹ 50,000 b) ₹ 50,200 c) ₹ 49,900 d) ₹ 49,800

UNIT 3- ACCOUNTS OF PARTNERSHIP FIRMS – FUNDAMENTALS

- 21. In the absence of a partnership deed, profits of the firm will be shared by the partners in**
 a) Equal ratio b) Capital ratio c) Both (a) and (b) d) None of these
- 22. In the absence of an agreement among the partners, interest on capital is**
 a) Not allowed b) Allowed at bank rate
 c) Allowed @ 5% per annum d) Allowed @ 6% per annum
- 23. As per the Indian Partnership Act, 1932, the rate of interest allowed on loans advanced by partners is**
 a) 8% per annum b) 12% per annum c) 5% per annum d) 6% per annum
- 24. Which of the following is shown in Profit and loss appropriation account?**
 a) Office expenses b) Salary of staff c) Partners' salary d) Interest on bank loan
- 25. When fixed capital method is adopted by a partnership firm, which of the following items will appear in capital account?**
 a) Additional capital introduced b) Interest on capital
 c) Interest on drawings d) Share of profit
- 26. When a partner withdraws regularly a fixed sum of money at the middle of every month, period for which interest is to be calculated on the drawings on an average is**
 a) 5.5 months b) 6 months c) 12 months d) 6.5 months
- 27. Which of the following is the incorrect pair?**
 a) Interest on drawings – Debited to capital account
 b) Interest on capital – Credited to capital account
 c) Interest on loan – Debited to capital account
 d) Share of profit – Credited to capital account

- 28. In the absence of an agreement, partners are entitled to**
 a) Salary b) Commission c) Interest on loan d) Interest on capital
- 29. Pick the odd one out**
 a) Partners share profits and losses equally
 b) Interest on partners' capital is allowed at 7% per annum
 c) No salary or remuneration is allowed to partners
 d) Interest on loan from partners is allowed at 6% per annum.
- 30. Profit after interest on drawings, interest on capital and remuneration is ₹ 10,500. Geetha, a partner, is entitled to receive commission @ 5% on profits after charging such commission. Find out commission.**
 a) ₹ 50 b) ₹ 150 c) ₹ 550 d) ₹ 500

UNIT 4- GOODWILL IN PARTNERSHIP ACCOUNTS

- 31. Which of the following statements is true?**
 a) Goodwill is an intangible asset b) Goodwill is a current asset
 c) Goodwill is a fictitious asset d) Goodwill cannot be acquired
- 32. Super profit is the difference between**
 a) Capital employed and average profit b) Assets and liabilities
 c) Average profit and normal profit d) Current year's profit and average profit
- 33. The average rate of return of similar concerns is considered as**
 a) Average profit b) Normal rate of return
 c) Expected rate of return d) None of these
- 34. Which of the following is true?**
 a) Super profit = Total profit / number of years
 b) Super profit = Weighted profit / number of years
 c) Super profit = Average profit – Normal profit
 d) Super profit = Average profit × Years of purchase
- 35. Identify the incorrect pair**
 a) Goodwill under Average profit method - Average profit × Number of years of purchase
 b) Goodwill under Super profit method - Super profit × Number of years of purchase
 c) Goodwill under Annuity method - Average profit × Present value annuity factor
 d) Goodwill under Weighted average - Weighted average profit × Number of years of profit method purchase
- 36. When the average profit is ₹ 25,000 and the normal profit is ₹ 15,000, super profit is**
 a) ₹ 25,000 b) ₹ 5,000 c) ₹ 10,000 d) ₹ 15,000
- 37. Book profit of 2017 is ₹ 35,000; non-recurring income included in the profit is ₹ 1,000 and abnormal loss charged in the year 2017 was ₹ 2,000, then the adjusted profit is**
 a) ₹ 36,000 b) ₹ 35,000 c) ₹ 38,000 d) ₹ 34,000
- 38. The total capitalised value of a business is ₹ 1,00,000; assets are ₹ 1,50,000 and liabilities are ₹ 80,000. The value of goodwill as per the capitalisation method will be**
 a) ₹ 40,000 b) ₹ 70,000 c) ₹ 1,00,000 d) ₹ 30,000

UNIT 5- ADMISSION OF A PARTNER

39. Revaluation A/c is a
 a) Real A/c b) Nominal A/c c) Personal A/c d) Impersonal A/c
40. On revaluation, the increase in the value of assets leads to
 a) Gain b) Loss c) Expense d) None of these
41. The profit or loss on revaluation of assets and liabilities is transferred to the capital account of
 a) The old partners b) The new partner c) All the partners d) The Sacrificing partners
42. If the old profit sharing ratio is more than the new profit sharing ratio of a partner, the difference is called
 a) Capital ratio b) Sacrificing ratio c) Gaining ratio d) None of these
43. At the time of admission, the goodwill brought by the new partner may be credited to the capital accounts of
 a) all the partners b) the old partners c) the new partner d) the sacrificing partners
44. Which of the following statements is not true in relation to admission of a partner
 a) Generally mutual rights of the partners change
 b) The profits and losses of the previous years are distributed to the old partners
 c) The firm is reconstituted under a new agreement
 d) The existing agreement does not come to an end
45. Match List I with List II and select the correct answer using the codes given below:

List I

- i) Sacrificing ratio
 ii) Old profit sharing ratio
 iii) Revaluation Account
 iv) Capital Account liability

List II

1. Investment fluctuation fund
 2. Accumulated profit
 3. Goodwill
 4. Unrecorded

Codes:	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	3	2	4	1
(c)	4	3	2	1
(d)	3	1	2	4

46. Select the odd one out
 a) Revaluation profit b) Accumulated loss
 c) Goodwill brought by new partner d) Investment fluctuation fund
47. James and Kamal are sharing profits and losses in the ratio of 5:3. They admit Sunil as a partner giving him 1/5 share of profits. Find out the sacrificing ratio.
 a) 1:3 b) 3:1 c) 5:3 d) 3:5
48. Balaji and Kamalesh are partners sharing profits and losses in the ratio of 2:1. They admit Yogesh into partnership. The new profit sharing ratio between Balaji, Kamalesh and Yogesh is agreed to 3:1:1. Find the sacrificing ratio between Balaji and Kamalesh.
 a) 1:3 b) 3:1 c) 2:1 d) 1:2

UNIT 6- RETIREMENT AND DEATH OF A PARTNER

- 49. A partner retires from the partnership firm on 30th June. He is liable for all the acts of the firm up to the**
- a) End of the current accounting period b) End of the previous accounting period
c) Date of his retirement d) Date of his final settlement
- 50. On retirement of a partner from a partnership firm, accumulated profits and losses are distributed to the partners in the**
- a) New profit sharing ratio b) Old profit sharing ratio c) Gaining ratio d) Sacrificing ratio
- 51. On retirement of a partner, general reserve is transferred to the**
- a) Capital account of all the partners b) Revaluation account
c) Capital account of the continuing partners d) Memorandum revaluation
- 52. On revaluation, the increase in liabilities leads to**
- a) Gain b) Loss c) Profit d) None of these
- 53. At the time of retirement of a partner, determination of gaining ratio is required**
- a) To transfer revaluation profit or loss b) To distribute accumulated profits and losses
c) To adjust goodwill d) None of these
- 54. If the final amount due to a retiring partner is not paid immediately, it is transferred to**
- a) Bank A/c b) Retiring partner's capital A/c
c) Retiring partner's loan A/c d) Other partners' capital A/c
- 55. 'A' was a partner in a partnership firm. He died on 31st March 2019. The final amount due to him is ₹ 25,000 which is not paid immediately. It will be transferred to**
- a) A's capital account b) A's current account
c) A's Executor account d) A's Executor loan account
- 56. A, B and C are partners sharing profits in the ratio of 2:2:1. On retirement of B, goodwill of the firm was valued as ₹ 30,000. Find the contribution of A and C to compensate B:**
- a) ₹ 20,000 and ₹ 10,000 b) ₹ 8,000 and ₹ 4,000
c) ₹ 10,000 and ₹ 20,000 d) ₹ 15,000 and ₹ 15,000
- 57. A, B and C are partners sharing profits in the ratio of 4:2:3. C retires. The new profit sharing ratio between A and B will be**
- a) 4:3 b) 3:4 c) 2:1 d) 1:2
- 58. X, Y and Z were partners sharing profits and losses equally. X died on 1st April 2019. Find out the share of X in the profit of 2019 based on the profit of 2018 which showed ₹ 36,000.**
- a) ₹ 1,000 b) ₹ 3,000 c) ₹ 12,000 d) ₹ 36,000

UNIT 7 - COMPANY ACCOUNTS

59. A preference share is one

- i) which carries preferential right with respect to payment of dividend at fixed rate
- ii) which carries preferential right with respect to repayment of capital on winding up
- a) Only (i) is correct
- b) Only (ii) is correct
- c) Both (i) and (ii) are correct
- d) Both (i) and (ii) are incorrect

60. That part of share capital which can be called up only on the winding up of a company is called:

- a) Authorised capital
- b) Called up capital
- c) Capital reserve
- d) Reserve capital

61. At the time of forfeiture, share capital account is debited with

- a) Face value
- b) Nominal value
- c) Paid up amount
- d) Called up amount

62. After the forfeited shares are reissued, the balance in the forfeited shares account should be transferred to

- a) General reserve a/c
- b) Capital reserve a/c
- c) Securities premium a/c
- d) Surplus a/c

63. The amount received over and above the par value is credited to

- a) Securities premium a/c
- b) Calls in advance a/c
- c) Share capital a/c
- d) Forfeited shares a/c

64. Which of the following statement is false?

- a) Issued capital can never be more than the authorised capital
- b) In case of under subscription, issued capital will be less than the subscribed capital
- c) Reserve capital can be called at the time of winding up
- d) Paid up capital is part of called up capital

65. When shares are issued for purchase of assets, the amount should be credited to

- a) Vendor's A/c
- b) Sundry assets A/c
- c) Share capital A/c
- d) Bank A/c

66. Match the pair and identify the correct option

- | | | | |
|-----------------------|-------|-----------|---------------------------------------|
| 1) Under subscription | - | (i) | Amount prepaid for calls |
| 2) Over subscription | - | (ii) | Subscription above the offered shares |
| 3) Calls in arrear | - | (iii) | Subscription below the offered shares |
| 4) Calls in advance | - | (iv) | Amount unpaid on |
| | | calls (1) | (2) (3) (4) |
| a) | (i) | (ii) | (iii) (iv) |
| b) | (iv) | (iii) | (ii) (i) |
| c) | (iii) | (ii) | (iv) (i) |
| d) | (iii) | (iv) | (i) (ii) |

67. If a share of ₹ 10 on which ₹ 8 has been paid up is forfeited. Minimum reissue price is

- a) ₹ 10 per share
- b) ₹ 8 per share
- c) ₹ 5 per share
- d) ₹ 2 per share

68. Supreme Ltd. forfeited 100 shares of ₹ 10 each for non-payment of final call of ₹ 2 per share. All these shares were re-issued at ₹ 9 per share. What amount will be transferred to capital reserve account?

- a) ₹ 700
- b) ₹ 800
- c) ₹ 900
- d) ₹ 1,000

UNIT 8- FINANCIAL STATEMENT ANALYSIS

69. Which of the following statements is not true?

- a) Notes and schedules also form part of financial statements.
- b) The tools of financial statement analysis include common-size statement
- c) Trend analysis refers to the study of movement of figures for one year
- d) The common-size statements show the relationship of various items with some common base, expressed as percentage of the common base

70. Balance sheet provides information about the financial position of a business concern

- a) Over a period of time
- b) As on a particular date
- c) For a period of time
- d) For the accounting period

71. Which of the following tools of financial statement analysis is suitable when data relating to several years are to be analysed?

- a) Cash flow statement
- b) Common size statement
- c) Comparative statement
- d) Trend analysis

72. The financial statements do not exhibit

- a) Non-monetary data
- b) Past data
- c) Short term data
- d) Long term data

73. Which of the following is not a tool of financial statement analysis?

- a) Trend analysis
- b) Common size statement
- c) Comparative statement
- d) Standard costing

74. The term 'fund' refers to

- a) Current liabilities
- b) Working capital
- c) Fixed assets
- d) Non-current assets

75. Which of the following statements is not true?

- a) All the limitations of financial statements are applicable to financial statement analysis also.
- b) Financial statement analysis is only the means and not an end.
- c) Expert knowledge is not required in analysing the financial statements.
- d) Interpretation of the analysed data involves personal judgement.

76. A limited company's sales has increased from ₹ 1,25,000 to ₹ 1,50,000. How does this appear in comparative income statement?

- a) + 20 %
- b) + 120 %
- c) – 120 %
- d) – 20 %

77. In a common-size balance sheet, if the percentage of non-current assets is 75, what would be the percentage of current assets?

- a) 175
- b) 125
- c) 25
- d) 100

78. Expenses for a business for the first year were ₹ 80,000. In the second year, it was increased to ₹ 88,000. What is the trend percentage in the second year?

- a) 10 %
- b) 110 %
- c) 90 %
- d) 11%

UNIT 10- COMPUTERISED ACCOUNTING SYSTEM-TALLY

89. Accounting report prepared according to the requirements of the user is

- a) Routine accounting report b) Special purpose report c) Trial balance d) Balance sheet

90. Function key F11 is used for

- a) Company Features b) Accounting vouchers c) Company Configuration d) None of these

91. Which submenu displays groups, ledgers and voucher types in Tally?

- a) Inventory vouchers b) Accounting vouchers c) Company Info d) Account Info

92. What are the predefined Ledger(s) in Tally?

- i) Cash ii) Profit & Loss A/c iii) Capital A/c
 a) Only (i) b) Only (ii) c) Both (i) and (ii) d) Both (ii) and (iii)

93. Contra voucher is used for

- a) Master entry b) Withdrawal of cash from bank for office use
 c) Reports d) Credit purchase of assets

94. Which is not the default group in Tally?

- a) Suspense account b) Outstanding expense c) Sales account d) Investments

95. Salary account comes under which of the following head?

- a) Direct Incomes b) Direct Expenses c) Indirect Incomes d) Indirect Expenses

96. ₹ 25,000 withdrawn from bank for office use. In which voucher type, this transaction will be recorded

- a) Contra Voucher b) Receipt Voucher c) Payment Voucher d) Sales Voucher

97. In which voucher type credit purchase of furniture is recorded in Tally

- a) Receipt voucher b) Journal voucher c) Purchase voucher d) Payment voucher

98. Which of the following options is used to view Trial Balance from Gateway of Tally?

- a) Gateway of Tally -> Reports -> Trial Balance b) Gateway of Tally -> Trial Balance
 c) Gateway of Tally -> Reports -> Display -> Trial Balance d) None of these

Answers :

1	C	16	D	31	A	46	C	61	D	76	A	91	D
2	B	17	A	32	C	47	C	62	B	77	C	92	C
3	A	18	D	33	B	48	D	63	A	78	B	93	B
4	C	19	B	34	C	49	C	64	B	79	B	94	B
5	C	20	A	35	C	50	B	65	C	80	A	95	D
6	A	21	A	36	C	51	A	66	C	81	D	96	A
7	C	22	A	37	A	52	B	67	D	82	B	97	B
8	D	23	D	38	D	53	C	68	A	83	A	98	C
9	A	24	C	39	B	54	C	69	C	84	B		
10	D	25	A	40	A	55	D	70	B	85	A		
11	B	26	B	41	A	56	B	71	D	86	C		
12	C	27	C	42	B	57	C	72	A	87	C		
13	D	28	C	43	D	58	B	73	D	88	C		
14	A	29	B	44	D	59	C	74	B	89	B		
15	C	30	D	45	B	60	D	75	C	90	A		

UNIT 1. ACCOUNTS FROM INCOMPLETE

RECORDS TWO MARKS THEORY QUESTION AND ANSWERS:

1. What is meant by incomplete records?

- Both debit and credit transaction are not recorded
- Only Cash Account and Personal Accounts are maintained
- Trial balance cannot be prepared

2. State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

1. Cash Account 2. Personal Accounts

3. What is a statement of affairs?

- It is prepared to find out **capital**
- It looks like a balance sheet.
- It is prepared under incomplete double entry system.

THREE MARKS THEORY QUESTION AND ANSWERS:

1. What are the features of incomplete records?

1. Nature :- It is unscientific and unsystematic way of recording transactions.
2. Types of accounts maintained :- cash accounts and personal account are maintained
3. Suitability :- Suitable only for small sized business concerns

2. What are the limitations of incomplete records?

1. Difficulty in preparing trial balance: Trial balance cannot be prepared
2. Difficulty in ascertain true profitability:- Difficulty to prepare trading and profit and loss account
3. Difficulty in ascertain financial position:- Difficulty to prepare balance sheet to know financial position.

3. State the differences between double entry system and incomplete records.

S.N	Basic	Double Entry system	Incomplete Records
1	Accounts	All accounts are maintained	Only personal and cash accounts are maintained
2	Suitable	It is suitable for all types of business concerns	It is only suitable for sole trading and partnership Firm
3	Trial balance	It can be prepared easily.	It is difficult to prepare trial balance
4	Reliability	It is reliable system	It is not reliable system

4. Differentiate between statement of affairs and balance sheet.

	Basic	Statement of Affairs	Balance sheet
1	Reliable	It is not reliable system	It is reliable system
2	Accounting System	It is prepared from single entry system	It is prepared under double entry system
3	Missing Items	It is very difficult to find missing items	It is easy to find missing items
4	Basis	It is not based on ledger	It is based on ledger.

5. How is the amount of credit sales ascertained from incomplete records?

The amount of credit sales can be prepared by total debtors account.

Total debtors account

Particulars	₹	Particulars	₹
To Balance b/d (opening balance)	Xxx	By Cash A/c (received)	xxx
To Sales A/c (credit sales)	XXX	By Discount allowed A/c	xxx
		By Sales returns A/c	xxx
		By Bad debts	xxx
		A/c By Balance	xxx
		c/d (closing balance)	
	Xxx		Xxx

6. State the procedure for calculating profit or loss through statement of affairs

Closing capital + drawings - additional capital - opening capital = profit/ loss

(Or)

Statement of profit or loss for the year ended on -----

Particulars	₹
Closing capital (as on 31.3.2019)	Xxxx
Add: Drawings during the year	Xxxx
	Xxxx
Less: Additional capital introduced during the year	Xxxx
Adjusted closing capital	Xxxx
Less: Opening capital (as on 1.4.2018)	Xxxx
Profit made during the year	Xxxx

UNIT 2. ACCOUNTS FOR NOT FOR PROFIT ORGANISATION

TWO MARKS THEORY QUESTION AND ANSWERS:

1. State the meaning of not-for-profit organisations.

- Profit is not the motive of Not- for profit organisations
- Service is the main motive of Not- for profit organisations
- Example:- art, culture, education, sports, etc.

2.What is receipts and payments account?

- Receipts and Payments account is a summary of cash and bank transactions
- It is a real account

3. What is Legacy?

- A gift made by a will to a Not-for profit organisation is called legacy
- It is a capital receipt.

4. Write a short note on life membership fees

- Amount received towards Life membership fee from members is a capital receipt.
- It is non-recurring nature

5. Give four examples for Capital receipts of not-for-profit organisation.

1. Life membership fees 2.Legacies 3. Specific donations 4.Special funds 5. prize fund

6. Give four examples for revenue receipts of not-for-profit organisation?

1. Subscription 2. Interest on investment 3. Interest on fixed deposit
4. Sale of old sports materials 5.Sale of old newspapers

THREE MARKS THEORY QUESTION AND ANSWERS:

1. What are the difference between receipts and payments and account income and expenditure account

Basic	Receipt and Payment Account	Income and Expenditure Account
1.Nature of account	It in real account	It is nominal account
2. Basis	It is based on cash system	It is based on accrual system
3. Opening and Closing balance	It commences with opening and closing cash and bank balances	There is no opening and closing cash bank balances
4. Nature of items	Is shows all receipt and payment	It shows only revenue expenses and revenue incomes

UNIT 3. ACCOUNTS OF PARTNERSHIP FIRM- FUNDMENTALS

TWO MARKS THEORY QUESTION AND ANSWERS:

1. Define partnership?

According to Section 4 of the Indian Partnership Act, 1932, partnership is defined as, “the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”.

2. What is partnership deed?

- Partnership deed is a document in writing.
- It contains the terms of the agreement among the partners.

3. What is fixed capital account?

- The amount of capital do not changes from year after year
- Two accounts are maintained i) capital account ii) current account

4. What is the journal entry to be passed for providing interest on capital?

(a) For providing interest on capital

Date	Particulars	LF	Debit	Credit
	Interest on capital A/c To Partner's capital/ current A/c	Dr	Xxxx	xxxx

(b) For closing interest on capital

Date	Particulars	LF	Debit	Credit
	Profit and loss appropriation A/c To Interest on capital A/c	Dr	Xxxx	Xxxx

THREE MARKS THEORY QUESTION AND ANSWERS:

1. State any six contents of partnership deed?

1. Name, nature and place of business
2. Date of commencement
3. Names and addresses of all partners
4. Capital contributed by each partner
5. Profit sharing ratio
6. Amount of drawings

2. What are the difference between fixed capital method and fluctuating capital method

Sl	Basic	Fixed Capital Method	Fluctuating Method
1	Number of Accounts	Two accounts are maintained i) capital account ii) current account	Only one account is maintained.
2	Change in Capital	The amount of capital do not changes from year after year	The amount of capital changes from year after year
3	Closing Balance	It always shows credit Balance	It may shows the debit or credit balance
4	Adjustments	All adjustments are taken into current account	All adjustments taken into capital account

3. Write a brief note on the applications of the provisions of the Indian partnership act, 1932 in the absence of partnership deed.

- i. Remuneration to partner :- No salary or remuneration is payable
- ii. Profit sharing ratio :- equal share
- iii. Interest on capital :- No interest on capital
- iv. Interest on loan :- 6% Interest on loan is allowed
- v. Interest on drawings :- No interest on drawings

UNIT 4. GOODWILL IN PARTNERSHIP

ACCOUNTS TWO MARKS THEORY QUESTION AND ANSWERS

1. What is goodwill?

- Good will is the good name of the business
- It is an intangible asset.

2. What is acquired goodwill?

- Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.
- Goodwill can be recorded in the books of accounts

3. What is super profit?

- Super profit is the excess of average profit over the normal profit of a business.
- Super profit = Average profit – Normal profit

THREE MARKS THEORY QUESTION AND ANSWERS

1. State any six factors to determining goodwill.

1. Profitability
2. Favorable location
3. Good quality
4. Tenure of the business
5. Efficiency of management
6. Degree of competition

2. How the goodwill calculated under the super profit method?

- Excess of average profit over normal profit is called super profit.
- Super profit = Average profit- Normal profit
- Goodwill = Super profit x Number of years purchase

UNIT 5. ADMISSION OF A PARTNER

TWO MARKS THEORY QUESTION AND ANSWERS

1. What is sacrificing ratio?

- The share sacrificed by the old partners in favour of the new partner.
- Share sacrificed = Old share - New share

THREE MARKS THEORY QUESTION AND ANSWERS

1. What are the adjustments required at the time of admission of a partner?

1. Distribution of accumulated profits, reserves and losses
2. Revaluation of assets and liabilities
3. Determination of new profit sharing ratio and sacrificing ratio
4. Adjustment for goodwill
5. Adjustment of capital on the basis of new profit sharing

UNIT 6. RETIREMENT AND DEATH OF A PARTNER TWO MARKS THEORY QUESTION AND ANSWERS

1. What is retirement of a partner?

- When a partner leaves from a partnership firm is known as retirement.
- On retirement existing agreement comes to an end.

2. Gaining Ratio?

- Gaining ratio is the profit which is gained by the continuing partners.
- Share gained = New share – Old share

3. What is the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner?

Date	Particulars	LF	Debit	Credit
	Deceased partner capital A/c Dr		xxxx	
	To Deceased partner's executor A/c			Xxxx

THREE MARKS THEORY QUESTION AND ANSWERS

1. List out the adjustments made at the time of retirement of a partner in a partnership firm

1. Distribution of accumulated profits, reserves and losses
2. Revaluation of assets and liabilities
3. Determination of new profit sharing ratio and gaining ratio
4. Adjustment for goodwill
5. Adjustment of current year's profit or loss up to the date of retirement
6. Settlement of the amount due to the retiring partner

2. Distinguish between sacrificing ratio and gaining ratio.

SN	Basic	Sacrificing ratio	Gaining ratio
1	Meaning	Share of profit sacrificed by the old partner to new partner.	A share of profit gained by existing partner from retiring partner.
2	Time	Admission of a partner	Retirement of a partner
3	Formula	Sacrificing Ratio= old ratio — news ratio	Gaining Ratio=New ratio — Old ratio

UNIT 7. COMPANY

ACCOUNTS TWO MARKS THEORY QUESTION AND ANSWERS

1. What a share?

- The capital of the company is divided into small units of fixed amount is called share.
- Shareholder is the owner (member) of the company

2. What is oversubscription?

- When the company received more number of share applications than issued to the public is called over subscription.

3. What is meant by calls in arrear?

- The amount remaining unpaid on calls is known as calls in arrears
- The amount called up but not paid is Calls in arrears
- Interest may be paid on calls in arrears not exceeding 10%

4. Write a short note on securities premium account?

- When a company issues shares at a price more than the face value is called share premium.
- Share Premium amount is transferred to securities premium account.

5. Why are the shares forfeited?

- When a shareholder fails to make payment on allotment or call money the shares are forfeited.
- The share capital is reduced

THREE MARKS THEORY QUESTION AND ANSWERS

1. Write a brief note on calls in advance?

- The excess amount paid over the called up value is called calls in advance.
- Calls in advance is not a part of the share capital
- Interest may be paid on calls in advance not exceeding 12%

UNIT 8. FINANCIAL STATEMENT

ANALYSIS TWO MARKS THEORY QUESTION AND ANSWERS

1. List out the tools of financial statement analysis

- (i) Comparative statement (ii) Common size statement (iii) Trend analysis
(iv) Fund flow analysis (v) Cash flow analysis

9. UNIT- RATIO

ANALYSIS TWO MARKS THEORY QUESTION AND ANSWERS

1. What is meant by accounting ratios?

- Ratio is the numerical or quantitative relationship between two items.
- Ratios are calculated on the basis of accounting information is called accounting ratios.

2. What is quick ratio?

- Quick ratio gives the proportion of quick assets to current liabilities.
- Quick ratio = quick assets / current liabilities
- Quick assets = Current assets – Inventories – Prepaid expenses

3. What is meant by debt equity ratio?

- Debt equity ratio is calculated to assess the long term solvency position
- Debt equity ratio = Long term debts/ Shareholders funds

UNIT 10. COMPUTARISED

ACCOUNTING TWO MARKS THEORY QUESTION AND ANSWERS

1. State any five accounting reports?

- (i) Day book or Journal (ii) Ledger (iii) Trial balance (iv) Income statement
(v) Balance sheet (vi) Cash flow statement

2. What is a group in Tally ERP 9?

- In 2009, Tally solution introduced the software Tally ERP.
- It maintained all books of accounts

THREE MARKS THEORY QUESTION AND ANSWERS

1. What are the pre defined ledgers available in tally.ERP 9

Cash account and profit and loss account

2. Mention the commonly used voucher types in Tally ERP 9

- (i) Receipt Voucher (ii) Payment Voucher (iii) Contra Voucher
(iv) Purchase Voucher (v) Sales Voucher (vi) Journal Voucher

3. Explain how to view profit and loss statement Tally.ERP 9

F10: A/c Reports > Profit & Loss A/c > Alt F1

Or

Gateway of Tally > Reports > Profit & Loss A/c > Alt F1 (Detailed)

4. Explain any five applications of computerised accounting system

- (iii) Maintaining accounting records :- CAS helps to maintain accounting records easily and efficiently
- (iv) Inventory management :- CAS helps to maintain various inventory records
- (v) Pay roll preparation :- CAS helps to prepare attendance of employees and salary details
- (vi) Report generation :- CAS helps to generate routine accounting and special purpose reports
- (vii) Date import or export :- CAS helps to import and export data to the users
- (viii) Taxation :- CAS helps to calculate various taxes

UNIT 1. ACCOUNTS FROM INCOMPLETE RECORDS

EXERCISES AND SOLUTION

1. From the following particulars ascertain profit or loss:

Particulars	₹
Capital at the beginning of the year (1 st April, 2018)	5,00,000
Capital at the end of the year (31 st March, 2019)	8,50,000
Additional capital introduced during the year	1,20,000
Drawings during the year	70,000

Solution :

Statement of profit or loss for the year ended 31st March, 2019

Particulars	₹
Closing capital (as on 31.3.2019)	8,50,000
Add: Drawings during the year	70,000
	9,20,000
Less: Additional capital introduced during the year	1,20,000
Adjusted closing capital	8,00,000
Less: Opening capital (as on 1.4.2018)	5,00,000
Profit made during the year	3,00,000

2. From the following particulars ascertain profit or loss

Particulars	₹
Capital as on 1 st January 2018	2,20,000
Capital as on 31 st December 2018	1,80,000
Additional capital introduced during the year	40,000
Drawings made during the year	50,000

Solution :

Statement of profit or loss for the year ended 31st December, 2018

Particulars	₹
Closing capital (as on 31.12.2018)	1,80,000
Add: Drawings during the year	50,000
	2,30,000
Less: Additional capital introduced during the year	40,000
Adjusted closing capital	1,90,000
Less: Opening capital (as on 1.1.2018)	2,20,000
Loss made during the year	30,000

3. From the following details, calculate the missing figure.

Particulars	₹
Closing capital as on 31.3.2018	80,000
Additional capital introduced during the year	30,000
Drawings during the year	15,000
Opening capital on 01.4.2017	?
Loss for the year ending 31.3.2018	25,000

Solution :

Statement of profit or loss for the year ended 31st March, 2018

Particulars	₹
Closing capital (as on 31.3.2018)	80,000
Add: Drawings during the year	15,000
	95,000
Less: Additional capital introduced during the year	30,000
Adjusted closing capital	65,000
Less: Opening capital (as on 1.4.2017)	90,000
Loss made during the year	25,000

4. From the following details, calculate the capital as on 31st December 2018

Particulars	₹
Capital as on 1st January, 2018	1,00,000
Goods withdrawn for personal use by the owner	30,000
Additional capital introduced during the year	15,000
Profit for the year	60,000

Solution :

Statement of profit or loss for the year ended 31st December, 2018

Particulars	₹
Closing capital (as on 31.12.2018)	1,45,000
Add: Drawings during the year	30,000
	1,75,000
Less: Additional capital introduced during the year	15,000
Adjusted closing capital	1,60,000
Less: Opening capital (as on 1.1.2018)	1,00,000
Profit made during the year	60,000

5. From the following details, calculate the missing figure:

Particulars	₹
Capital as on 1 st April, 2018	40,000
Capital as on 31 st March, 2019	50,000
Additional capital introduced during the year	7,000
Profit for the year	8,000
Drawings during the year	?

Solution :

Statement of profit or loss for the year ended 31st March, 2019

Particulars	₹
Closing capital (as on 31.3.2019)	50,000
Add: Drawings during the year	5,000
	55,000
Less: Additional capital introduced during the year	7,000
Adjusted closing capital	48,000
Less: Opening capital (as on 1.1.2018)	40,000
Profit made during the year	8,000

6. Following are the balances in the books of Thomas as on 31st March 2019.

Particulars	₹	Particulars	₹
Sundry creditors	6,00,000	Bills payable	1,20,000
Furniture	80,000	Cash in hand	20,000
Land and building	3,00,000	Bills receivable	60,000
Sundry Debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31st March 2019 and calculate capital as at that date.

Solution :

Statement of affairs of Thomas as on 31st March, 2019

Liabilities	₹	Assets	₹
Creditors	6,00,000	Stock	2,20,000
Bills payable	1,20,000	Debtors	3,20,000
Capital (balancing figure)	2,80,000	Cash in hand	20,000
		Bills receivable	60,000
		Land and buildings	3,00,000
		Furniture	80,000
	10,00,000		10,00,000

7. Raju does not keep proper books of accounts. Following details are taken from his records.

Particular	1.1.2018	31.12.2018
Cash at bank	80,000	90,000
Stock of goods	1,80,000	1,40,000
Debtors	90,000	2,00,000
Sundry creditors	1,30,000	1,95,000
Bank Loan	60,000	60,000
Bills payable	80,000	45,000
Plant and machinery	1,70,000	1,70,000

During the year he introduced further capital of ₹ 50,000 and withdrew ₹ 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

Solution

Statement of affairs as on 1st January, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,30,000	Cash at bank	80,000
Bank Loan	60,000	Stock of goods	1,80,000
Bills payable	80,000	Debtors	90,000
Opening capital	2,50,000	Plant and machinery	1,70,000
	5,20,000		5,20,000

Calculation of closing capital

Statement of affairs as on 31st December, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,95,000	Cash at bank	90,000
Bank Loan	60,000	Stock of goods	1,40,000
Bills payable	45,000	Debtors	2,00,000
Closing Capital	3,00,000	Plant and machinery	1,70,000
	6,00,000		6,00,000

Statement of profit or loss for the year ending 31st December, 2018

Particulars	₹
Closing capital as on 31.12.2018	3,00,000
Add: Drawings during the year (2,500 x 12)	30,000
	3,30,000
Less: Additional capital introduced during the year	50,000
Adjusted closing capital	2,80,000
Less: Opening capital	2,50,000
Profit made during the year ending 31.12.2018	30,000

8. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018	31.3.2019
Cash at Bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry Debtors	1,00,000	90,000
Plant and Machinery	80,000	80,000
Land and Buildings	1,40,000	1,40,000
Sundry Creditors	1,70,000	1,30,000

Ananth had withdrawn ₹ 60,000 for his personal use. He had introduced ₹ 17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

Solution :

Calculation of opening capital

Statement of affairs as on 1st March, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,70,000	Cash at bank	5,000
Opening Capital	1,93,000	Cash in hand	3,000
		Stock of goods	35,000
		Debtors	1,00,000
		Plant and machinery	80,000
		Land and Building	1,40,000
	3,63,000		3,63,000

Calculation of closing capital

Statement of affairs as on 31st March, 2019

Liabilities	₹	Assets	₹
Bank overdraft	60,000	Cash in hand	4,500
Sundry creditors	1,30,000	Stock of goods	45,000
Closing Capital	1,57,000	Sundry Debtors	90,000
		Less : Provision	4,500
		Plant and Machinery	80,000
		Less: Depreciation	8,000
		Land and Building	1,40,000
	3,47,000		3,47,000

Statement of profit or loss for the year ending 31st March, 2019

Particulars	₹
Closing capital as on 31.12.2018	1,57,000
Add: Drawings during the year	60,000
	2,17,000
Less: Additional capital introduced during the year	17,000
Adjusted closing capital	2,00,000
Less: Opening capital	1,93,000
Profit made during the year ending 31 st March, 2019	7,000

9. From the following details find out total sales made during the year.

Particulars	₹
Debtors on 1 st January 2018	1,30,000
Cash received from debtors during the year	4,20,000
Sales returns	35,000
Bad debts	15,000
Debtors on 31 st December 2018	2,00,000
Cash Sales	4,60,000

Solution :

Total debtors account

Particulars	₹	Particulars	₹
To Balance b/d	1,30,000	By Cash A/c	4,20,000
To Sales a/c (Credit)	5,40,000	By Sales returns A/c	35,000
		By Bad debts A/c	15,000
		By Balance b/d	2,00,000
	6,70,000		6,70,000

Total Sales = Cash Sales + Credit Sales = 4,60,000 + 5,40,000 = 10,00,000

10. From the following details, calculate credit purchases.

Opening creditors	1,70,000	Purchase returns	20,000
Cash paid to creditors	4,50,000	Closing creditors	1,90,000

Solution :

Total Creditors Account

Particulars	₹	Particulars	₹
To Cash paid to creditors	4,50,000	By Balance b/d	1,70,000
To Purchase returns	20,000	By Credit Purchases	4,90,000
To Balance c/d	1,90,000		
	6,60,000		6,60,000

ACCOUNTANCY

UNIT 2. ACCOUNTS FROM NOT FOR PROFIT ORGANISATIONS

1. Mayiladuthurai Recreation Club gives you the following details. Prepare

Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance	15,000	Salary of watchman	12,000
Opening bank balance	25,000	Club annual day expenses	15,000
Donations received	48,000	Lighting charges	16,500
Sale of old equipment	26,000	Entertainment expenses	13,500
Refreshment charges	13,000	Billiards table purchased	5,000
Club annual day collections	18,000	Expenses of charity show	3,000
Construction of tennis court	7,000	Sale of investments	12,000
Receipts from charity show	4,000	Closing cash balance	12,000
Rent paid	1,000		

Solution :

In the books of Mayiladuthurai Recreation Club
Receipts and Payments Account for the year ended on 31st March, 2019

Receipts	₹	₹	Payments	₹	₹
To Balance			By Refreshment charges		13,000
cash	15000		By Construction of tennis court		
Bank	25000		By Rent paid		7,000
		40000	By Salary of watchman		1,000
To Donations received		48,000	By Club annual day expenses		12,000
To Sale of old equipment		26,000	By Lighting charges		15,000
To Club annual day collections		18,000	By Entertainment expenses		16,500
To Receipts from charity show		4,000	By Billiards table purchased		13,500
To Sale of Investment		12,000	By Expenses of charity show		5,000
			By Closing balance		3,000
			Cash	12,000	
			Bank	50,000	62,000
		1,48,000			
					1,48,000

2. From the following information, prepare Receipts and Payments account of Cuddalore Kabaddi Association for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance (1.4.2018)	11,000	Interest and bank charges	250
Bank overdraft balance (1.4.2018)	20,000	Miscellaneous income	350
Stationery purchased	5,200	Upkeep of ground	550
Travelling expenses	1,800	Grant from Government	12,000
Dividend received	3,000	Telephone charges paid	2,800
General expenses	500	Endowment fund receipts	10,000
Admission fees	4,000	Insurance premium paid	2,000
Courier charges	2,000	Electricity charges paid	5,000
Municipal taxes paid	3,000	Closing cash balance(31.03.2019)	1,750

Solution :

In the books of Cuddalore Kabaddi Association

Receipts and Payments Account for the year ended on 31st March, 2019

Receipts	₹	₹	Payments	₹	₹
To Opening Cash balance b/d		11,000	By Bank overdraft b/d		20,000
To Dividend received		3,000	By Stationery purchased		5,200
To Admission fees		4,000	By Travelling expenses		1,800
To Miscellaneous income		350	By General expenses		500
To Grants from Government		12,000	By Courier charges		2,000
To Endowment fund receipt		10,000	By Municipal taxes paid		3,000
To Bank overdraft c/d		4,500	By Interest and bank charges		250
			By Upkeep of ground		550
			By Telephone charges paid		2,800
			By Insurance premium paid		2,000
			By Electricity charges paid		5,000
			By Closing cash balance		1,750
		44,850			44,850

3. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31st March, 2019.

Receipts	₹	Payments	₹
To Balance b/d		By Salaries By Rent	20,000
Cash in hand	14,000	By Travelling expenses	24,000
To Interest received	5,000	By Printing and stationery	2,000
To Subscription	55,000	By Investments made	6,000
To Legacies	48,000	By Sports equipment purchased	50,000
To Entrance fees	7,000	By Balance c/d	
		cash	33,000
To Sale of furniture (Book value: ₹ 17,000)	16,000	bank	10,000
	1,45,000		1,45,000

Solution :

**In the books of Tenkasi Thiruvalluvar Manram,
Income and expenditure account for the year ended 31st March, 2019.**

Expenditure		Income	
To Salaries	20,000	By Interest received	5,000
To Rent	24,000	By Subscription	55,000
To Travelling expenses	2,000	By Entrance fees	7,000
To Printing and stationery	6,000		
To Loss on sale of furniture	1,000		
To Surplus (Excess of income over expenditure)	14,000		
	67,000		67,000

4. From the following receipts and payment account, prepare income and expenditure account of Kumbakonam Basket Ball Association for the year ended 31st March, 2018.

Receipts			Payments		
To Balance b/d			By Rent of ground paid		12,000
Cash in hand	23,000		By Printing charges		5,000
Cash at bank	12,000	35,000	By Bank charges		1,000
To Rent of hall received		6,000	By Insurance for building		2,000
To Subscription received		9,000	By Tournament expenses		16,000
To Life membership fees		7,000	By Audit fees		3,000
To Locker rent received		2,000	By Sports materials purchased		4,000
			By Balance c/d		
			Cash in hand	2,000	
			Cash at bank	14,000	16,000
		59,000			59,000

Solution :

In the books of Kumbakonam Basket Ball Association Income and Expenditure Account as on 31st March, 2018

Expenditure	₹	Income	₹
To Rent of ground paid	12,000	By Rent of hall received	6,000
To Printing charges	5,000	By Subscription received	9,000
To Bank charges	1,000	By Locker rent received	2,000
To Insurance for building	2,000	By Deficit (Excess of expenditure over income)	26,000
To Tournament expenses	16,000		
To Audit fees	3,000		
To Sports materials purchased	4,000		
	43,000		43,000

5. Compute income from subscription for the year 2018 from the following particulars relating to a club.

Particulars	1.1.2018 ₹	31.12.2018 ₹
Outstanding subscription	3,000	5,000
Subscription received in advance	4,000	7,000

Subscription received during the year 2018: ₹ 45,000.

Solution :

Income and Expenditure Account for the year ended 31st December, 2018

Expenditure	₹	Income	₹
		By Subscription	45,000
		Less: Outstanding subscription for 2017	3,000
			42,000
		Add : Outstanding subscription for	5,000
			47,000
		2018	4,000
			51,000
		Add: Subscription paid in advance in 2017 for 2018	7,000
			44,000
		Less: Subscription paid in advance in 2018 for 2019	

**UNIT 3. ACCOUNTS FROM PARTNERSHIP ACCOUNTS –
FUNDAMENTALS**

1. Akash, Bala, Chandru and Daniel are partners in a firm. There is no partnership deed. How will you deal with the following?

- (i) Akash has contributed maximum capital. He demands interest on capital at 10% per annum.
- (ii) Bala has withdrawn ₹ 3,000 per month. Other partners ask Bala to pay interest on drawings @ 8% per annum to the firm. But, Bala did not agree to it.
- (iii) Akash demands the profit to be shared in the capital ratio. But, others do not agree.
- (iv) Daniel demands salary at the rate of ₹10,000 per month as he spends fulltime for the business.
- (v) Loan advanced by Chandru to the firm is ₹ 50,000. He demands interest on loan @ 12% p a

Solution :

- (i) No interest on capital
- (ii) No interest on drawings
- (iii) Profit should be shared equally
- (iv) No remuneration is payable
- (v) Interest on loan is payable ₹3,000 @ 6% only

2. Arun and Selvam are partners who maintain their capital accounts under fixed capital method. From the following particulars, prepare capital accounts of partners.

Particulars	Arun ₹	Selvam ₹
Capital on 1 st January, 2018	2,20,000	1,50,000
Current account on 1 st January, 2018	4,250(Dr.)	10,000(Cr.)
Additional capital introduced during the year	Nil	70,000
Withdrew for personal use	10,000	20,000
Interest on drawings	750	600
Share of profit for 2018	22,000	15,000
Interest on capital	1,100	750
Commission	6,900	Nil
Salary	Nil	6,850

Solution :

Partner's Capital accounts

Particulars	Arun	Selvam	Particulars	Arun	Selvam
To Balance c/d	2,20,000	2,20,000	By balance b/d	2,20,000	1,50,000
			By Additional capital	-	70,000
	2,20,000	2,20,000		2,20,000	2,20,000
			By Balance b/d	2,20,000	2,20,000

Partner's Current accounts

Particulars	Arun	Selvam	Particulars	Arun	Selvam
To Balance b/d	4,250	-	By balance b/d		10,000
To Drawings	10,000	20,000	By Interest on capital	1,100	750
To Interest on drawings	750	600	By Share of profit	22,000	15,000
To Balance c/d	15,000	12,000	By Commission	6,900	-
			By Salary	-	6850
	30,000	32,600		30,000	32,600
			By Balance b/d	15,000	12,000

3. Mannan and Ramesh share profits and losses in the ratio of 3:2 and their capital on 1st April, 2018 was Mannan ₹ 1,50,000 and Ramesh ₹ 1,00,000 respectively and their current accounts show a credit balance of ₹25,000 and ₹ 20,000 respectively. Calculate interest on capital at 6% p.a. for the year ending 31st March, 2019 and show the journal entries.

Solution :

Interest on capital = Amount capital x Rate of interest x period of interest

Interest on Mannan's capital = 1,50,000 x 6/100 = 9,000

Interest on Ramesh's capital = 1,00,000 x 6/100 = 6,000

Date	Particulars	L.F.	Debit ₹	Credit ₹
2018	Interest on capital A/c Dr.		15,000	
March 31	To Mannan's current A/c To Ramesh's current A/c (Interest on capital provided)			9,000 6,000
„	Profit and loss appropriation A/c Dr. To Interest on capital A/c (Interest on capital closed)		15,000	15,000

4. Santhosh is a partner in a partnership firm. As per the partnership deed, interest on drawings is charged at 6% per annum. During the year ended 31st December, 2018 he withdrew as follows:

Date	₹
February 1	2,000
May 1	10,000
July 1	4,000
October 1	6,000

Calculate the amount of interest on drawings by using product method.

Solution :

Calculate of interest on drawings under product method.

Date	₹	Period	Product ₹
February 1	2,000	11	22,000
May 1	10,000	8	80,000
July 1	4,000	6	24,000
October 1	6,000	3	18,000
			1,44,000

$$\begin{aligned} \text{Interest on drawings} &= \text{Sum of product} \times \text{rate of interest} \times 1/12 \\ &= 1,44,000 \times 6/100 \times 1/12 = 720 \end{aligned}$$

5. Kavitha is a partner in a firm. She withdraws ₹ 2,500 p.m. regularly. Interest on drawings is charged @ 4%

p.a. Calculate the interest on drawings using average period, if she draws

- (i) at the beginning of every month
- (ii) in the middle of every month
- (iii) at the end of every month

Solution :

$$\text{Total amount withdrawn} = 2,500 \times 12 = 30,000$$

- (i) If drawings are made at the beginning of every month: Average period = 6.5

$$\begin{aligned} \text{Interest on drawings} &= \text{Total drawings} \times \text{Rate of interest} \times \text{Average period}/12 \\ &= 30,000 \times 4/100 \times 6.5/12 = 650 \end{aligned}$$

- (ii) If drawings are made at the Middle of every month: Average period = 6

$$\begin{aligned} \text{Interest on drawings} &= \text{Total drawings} \times \text{Rate of interest} \times \text{Average period}/12 \\ &= 30,000 \times 4/100 \times 6/12 = 600 \end{aligned}$$

- (iii) If drawings are made at the End of every month: Average period = 5.5

$$\begin{aligned} \text{Interest on drawings} &= \text{Total drawings} \times \text{Rate of interest} \times \text{Average period}/12 \\ &= 30,000 \times 4/100 \times 5.5/12 = 550 \end{aligned}$$

UNIT 4. GOODWILL IN A PARTNERSHIP ACCOUNTS

1. The following are the profits of a firm in the last five years:

2014: ₹10,000; 2015: ₹11,000; 2016: ₹12,000; 2017: ₹13,000 and 2018: ₹14,000

Calculate the value of goodwill at 2 years purchase of average profit of five years.

Solution

$$\text{Goodwill} = \text{Average profit} \times \text{Number of years of purchase}$$

$$\begin{aligned} \text{Average profit} &= \frac{\text{Total profit}}{\text{Number of years}} \\ &= \frac{10,000+11,000+12,000+13,000+14,000}{5} \\ &= 60,000/5 \end{aligned}$$

$$\text{Average profit} = 12,000$$

$$\text{Goodwill} = 12,000 \times 2 = 24,000$$

2. From the following information, calculate the value of goodwill on the basis of 3 years purchase of average profits of last four years.

Year	Result	Amount
2015	Profit	5,000
2016	Profit	8,000
2017	Loss	3,000
2018	Profit	6,000

Solution :

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{Number of years of} \\ \text{purchase} &= \frac{\text{Total profit}}{\text{Number of years}} \\ &= \frac{5,000+8,000+6,000-3,000}{4} \\ &= \frac{19,000-3,000}{4} = 16,000/4 \end{aligned}$$

$$\text{Average profit} = 4,000$$

$$\begin{aligned} \text{Goodwill} &= \\ 4,000 \times 3 &= 12,000 \end{aligned}$$

3. From the following details, calculate the value of goodwill for the last 2 years purchase of super profit:

- Total assets of a firm are ₹ 5,00,000
- The liabilities of the firm are ₹ 2,00,000
- Normal rate of return in this class of business is 12.5 %.
- Average profit of the firm is ₹ 60,000.

Solution

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{Normal rate of return} \\ &= 3,00,000 \times 12.5\% = 37,500 \end{aligned}$$

$$\begin{aligned} \text{Super profit} &= \text{Average profit} - \text{Normal profit} \\ &= 60,000 - 37,500 \end{aligned}$$

$$\text{Average profit} = 22,500$$

$$\begin{aligned} \text{Goodwill} &= \text{Super profit} \times \text{Number of years of purchase} \\ &= 22,500 \times 2 \end{aligned}$$

$$\text{Goodwill} = 45,000$$

UNIT 5. ADMISSION OF A PARTNER

1. Hari, Madhavan and Kesavan are partners, sharing profits and losses in the ratio of 5:3:2. As from 1st April 2017, Vanmathi is admitted into the partnership and the new profit sharing ratio is decided as 4:3:2:1. The following adjustments are to be made.

- Increase the value of premises by ₹ 60,000.
- Depreciate stock by ₹ 5,000, furniture by ₹ 2,000 and machinery by ₹ 2,500.
- Provide for an outstanding liability of ₹ 500. Pass journal entries and prepare revaluation account

Solution :

Journal Entries

Date	Particulars	If	Debit	Credit
1.4.2017	Premises A/c Dr		60,000	
	To Revaluation A/c			60000
	(Profit item on revaluation)			
	Revaluation A/c Dr.		10,000	
	To Stock			5,000
	To Furniture			2,000
	To Machinery			2,500
	To Outstanding liability			500
	(Loss items on revaluation)			
	Revaluation A/c Dr.		50,000	
To Hari capital A/c			25,000	
To Madhavan capital			15,000	
To Kesavan capital			10,000	
(Revaluation profit transferred to old partners capital A/c)				

Dr Revaluation Account Cr

Particulars	₹	₹	Particulars	₹	₹
To Stock		5,000	By Premises		60,000
To Furniture		2,000			
To Machinery		2,500			
To Outstanding liability		500			
To Profit					
Hari Capital	25,000				
Madhavan Capilal	15,000				
Kesavan Capital	10,000				
		50,000			
		60,000			60,000

UNIT. 6. RETIREMENT AND DEATH OF A PARTNER

1. Dheena, Surya and Janaki are partners sharing profits and losses in the ratio of 5:3:2. On 31.3.2018, Dheena retired. On the date of retirement, the books of the firm showed a reserve fund of 50,000. Pass journal entry to transfer the reserve fund

Solution :

Journal entry

Date	Particulars		Debit	Credit
31.3.18	Reserve Fund A/c	Dr	50,000	
	To Dheena capital A/c			25,000
	To Surya capital A/c			15,000
	To Janaki capital A/c			10,000
	(Reserve Fund transferred to all partners capital accounts)			

UNIT 7. COMPANY ACCOUNTS

1. Progress Ltd. issued 50,000 ordinary shares of ₹ 10 each, payable ₹ 2 on application, ₹ 4 on allotment, ₹ 2 on first call and ₹ 2 on final call. All the shares are subscribed and amount was duly received. Pass journal entries.

Solution :

Journal Entries in the books of Progress Ltd

Date	Particulars	If	Debit	Credit
1	Bank A/c (50000 X2)	Dr	1,00,000	
	To Equity Share Application A/c (Application money received)			1,00,000
2	Equity Share Application A/c	Dr.	1,00,000	
	To Equity Share Capital A/c (Equity Share Application transferred to Equity Share capital A/c)			1,00,000
3	Equity Share Allotment A/c (50000 X4)	Dr	2,00,000	
	To Equity Share Capital A/c (Equity Share Allotment money due)			2,00,000

	Bank A/c	Dr	2,00,000	
	To Equity Share Allotment A/c			2,00,000
	(Equity Share Allotment money received)			
5	Equity Share first call A/c (50000 X2)	Dr	1,00,000	
	To Equity Share Capital			1,00,000
	(Equity Share first call due)			
6	Bank A/c	Dr	1,00,000	
	To Equity Share first call A/c			1,00,000
	(Equity Share first call money received)			
7	Equity Share final call A/c (50000 X2)	Dr	1,00,000	
	To Equity Share Capital			1,00,000
	(Equity Share final call money due)			
8	Bank A/c	Dr	1,00,000	
	To Equity Share final call A/c			1,00,000
	(Equity Share final call money)			

2. Sampath company issued 25,000 equity shares at ₹ 10 per share payable ₹ 3 on application, ₹ 4 on allotment, ₹ 3 on first and final call. The public subscribed for 24,000 shares. The directors allotted all the 24,000 shares and received the money duly. Pass necessary journal entries.

Solution :

Journal Entries in the books of Sampath Company

Date	Particulars	lf	Debit	Credit
1	Bank A/c (24000 X3)	Dr	72,000	
	To Equity Share Application			72,000
	(Application money received)			
2	Equity Share Application A/c . (24000 x3)	Dr	72,000	
	To Equity Share Capital A/c			72,000
	(Equity Share Application transferred to Equity Share capital A/c)			

3	Equity Share Allotment A/c (24000 X4) To Equity Share Capital A/c (Equity Share Allotment money	Dr	96,000	96,000
4	Bank A/c To Equity Share Allotment A/c (Equity Share Allotment money received)	Dr	96,000	96,000
5	Equity first call and on final call A/c To Equity Share Capital A/c (Equity first call and on final call due)	Dr	72,000	72,000
6	Bank A/c To Equity first call and on final call A/c (Equity first call and on final call money received)	Dr	72,000	72,000

3. Saranya Ltd. issued 20,000 equity shares of ₹ 10 each to the public at par. The details of the amount payable on the shares are as follows:

On Application ₹ 3 per share

On Allotment ₹ 4 per share

On first and final call 3 per share

Application money was received on 30,000 shares. Excess application money was refunded immediately. Pass journal entries to record the above.

Solution :

Journal entries in the books of Saranya Ltd

Date	Particulars	If	Debit	Credit
1	Bank A/c (30,000 X3) To Equity Share Application A/c (Application money received)	Dr	90,000	90,000
2	Equity Share Application A/c Dr. (20000 x3) To Equity Share Capital A/c (Equity Share Application transferred to Equity Share capital A/c)	Dr	60,000	60,000
3	Equity Share Application A/c	Dr	30,000	

	To Bank A/c (Excess application money refunded)			30,000
4	Equity Share Allotment A/c (20000 X4)	Dr	80,000	
	To Equity Share Capital A/c (Equity Share Allotment money due)			80,000
5	Bank A/c	Dr	80,000	
	To Equity Share Allotment A/c (Equity Share Allotment money received)			98000
6	Equity first call and on final call A/c (20000 X3)	Dr	60,000	
	To Equity Share Capital A/c (Equity first call and on final call due)			60,000
7	Bank A/c	Dr	60,000	
	To Equity first call and on final call A/c (Equity first call and on final call money received)			60,000

4. Arjun was holding 1,000 equity shares of ₹ 10 each of Vanavil Electronics Ltd, issued at par. He paid ₹ 3 on application, ₹ 4 on allotment but could not pay the first and final call of ₹ 3. The directors forfeited the shares for non payment of call money. Give Journal entry for forfeiture of shares.

Solution :

Journal Entry for Forfeiture

Date	Particulars	If	Debit	Credit
1	Equity Share Capital A/c (1000 x10)		10,000	
	To Equity Share First and Final Call A/c (1000 x3) Dr			3,000
	To Equity Share Forfeiture A/c (1000 x7)			7,000
	(Shares were forfeited)			

- 5 Goutham Ltd. forfeited 500 equity shares of ₹10 each issued at par held by Ragav for nonpayment of the final call of ₹ 2 per share. The shares were forfeited and reissued to Madhan at ₹ 8 per share. Show the journal entries for forfeiture and reissue.

Solution :

Journal Entries for forfeiture and re-issue

Date	Particulars	If	Debit	Credit
1	Equity Share Capital A/c (500 x10) Dr To Equity Share Final Call A/c (500 x2) To Equity Share Forfeiture A/c (500 x8) (Shares were forfeited)		5,000	1,000 4,000
2	Bank A/c (500x 8) Dr Share forfeiture A/c(500x Dr To Share Capital A/c (500 x10) (forfeited shares were re-issued)		4,000 1,000	5,000
3	Share Forfeiture A/c To Capital Reserve A/c (forfeited profit transferred to capital reserve A/c)		3,000	3,000

ACCOUNTANCY

6. Complete the following journal entries by filling the missing information.

Date	Particulars	L.F.	Dr. ,	Cr. ,
1.	_____ Dr. To Share application A/c (Application money received @ 2 per share)		2,00,000	
2.	Share application A/c Dr. To Share capital A/c (Share application money for _____ shares transferred to _____)		_____	2,00,000

Solution:

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
1	Bank account _____ Dr. To Share application A/c (Application money received @ 2 per share)		2,00,000	2,00,000

2.	Share application A/c To Share capital A/c (Share application money for 1,00,000 shares transferred to capital a/c)	Dr.		2,00,000	2,00,000
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UNIT 8. FINANCIAL STATEMENT ANALYSIS

1. From the following particulars, prepare comparative income statement of Barani Ltd.

Particulars	2016-17 ₹	2017-18 ₹
Revenue from operations	30,000	45,000
Other income	4,000	6,000
Expenses	10,000	15,000
Income tax	30%	30%

Solution

Comparative income statement of Barani Ltd for the year ended 31st March, 2016 and 31st March, 2017

Particulars	2016-17	2017-18	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
	₹	₹	₹	
Revenue from operations	30,000	45,000	+15,000	+50
Add: Other income	4,000	6,000	+2,000	+50
Total revenue	34,000	51,000	+17,000	+50
Less: Expenses	10,000	15,000	+5,000	+50
Profit before tax	24,000	36,000	+12,000	+50
Less: Tax (30%)	7,200	10,800	+3,600	+50
Profit after tax	16,800	25,200	+8,400	+50

2. From the following particulars, prepare comparative statement of financial position of Muthu Ltd.

Particulars	31st March, 2017	31st March, 2018
	₹	₹
I EQUITY AND LIABILITIES		
Shareholders' Fund	4,00,000	4,40,000
Non-current liabilities	1,50,000	1,65,000
Current liabilities	75,000	82,500
Total	6,25,000	6,87,500
II ASSETS		
Non-current assets	5,00,000	6,00,000
Current assets	1,25,000	87,500
Total	6,25,000	6,87,500

Solution :Comparative Balance Sheet of Muthu Ltd, for the year ended 31st March, 2017 and 31st March, 2018

Particulars	2016-17	2017-18	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
	₹	₹		
I EQUITY AND LIABILITIES				
Shareholders' fund	4,00,000	4,40,000	+40,000	+10
Non-current liabilities	1,50,000	1,65,000	+15,000	+10
Current liabilities	75,000	82,500	+7,500	+10
Total	6,25,000	6,87,500	+62,500	+10
II ASSETS				
Non-current assets	5,00,000	6,00,000	+1,00,000	+20
Current assets	1,25,000	87,500	+37,500	+30
Total	6,25,000	6,87,500	+62,500	+10

3. Prepare common-size income statement for the following particulars of Sam Ltd.

Particulars	2015-16	2016-17
	₹	₹
Revenue from Operations	4,00,000	5,00,000
Other income	80,000	50,000
Expenses	2,40,000	2,50,000
Income tax	30%	30%

Solution :

Common-size income statement of Siva Ltd for the year ended 2016 and 2017

Particulars	Absolute amount 2015-16	Percentage of revenue from operations for 2015-16	Absolute amount 2016-17	Percentage of revenue from operations for 2016-17
	₹		₹	
Revenue from operations	4,00,000	100	5,00,000	100
Add: Other income	80,000	20	50,000	10
Total revenue	4,80,000	120	5,50,000	110
Less: Expenses	2,40,000	60	2,50,000	50
Profit before tax	2,40,000	60	3,00,000	60
Less: Income tax (30%)	72,000	18	90,000	18
Profit after tax	1,68,000	42	2,10,000	42

4. Prepare common-size statement of financial position for the following particulars of Rani Ltd.

Particulars	31st March, 2016	31st March, 2017
	₹	₹
I EQUITY AND LIABILITIES		
Shareholders' Fund	5,40,000	6,00,000
Non-current liabilities	2,70,000	2,50,000
Current liabilities	90,000	1,50,000
Total	9,00,000	10,00,000
II ASSETS		
Non-current assets	7,20,000	8,00,000
Current assets	1,80,000	2,00,000
Total	9,00,000	10,00,000

Solution :

common-size statement of Rani Ltd. for the year ended on **31st March, 2016 and 31st March, 2017**

Particulars	31st March, 2016		31st March, 2017	
	Absolute amount	percentage of total assets	Absolute Amount	Percentage of total Assets
	₹		₹	
I EQUITY AND LIABILITIES				
Shareholders' funds	5,40,000	60	6,00,000	60
Non-current liabilities	2,70,000	30	2,50,000	25
Current liabilities	90,000	10	1,50,000	15
Total	9,00,000	100	10,00,000	100
II ASSETS				
Non-current assets	7,20,000	80	8,00,000	80
Current assets	1,80,000	20	2,00,000	20
Total	9,00,000	100	10,00,000	100

5. From the following particulars, calculate the Trend percentages of Kavitha Ltd.

Particulars	₹ in thousands		
	2015-16	2016-17	2017-18
Revenue from operations	100	125	150
Other income	20	25	30
Expenses	100	120	80
Income tax	30%	30%	30%

Solution :**Trend percentages of Kavitha Ltd**

Particulars	₹ in lakhs			Trend percentages		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Revenue from operations	100	125	150	100	125	150
Add: Other income	20	25	30	100	125	150
Total revenue	120	150	180	100	125	150
Less: Expenses	100	120	80	100	120	80
Profit before tax	20	30	100	100	150	500
Less: Income tax	6		30	100	150	500
(30%) Profit after tax		9		100	150	500
	14	21	70			

6. From the following particulars, calculate the trend percentages of Anu Ltd.

Particulars	₹ in thousands		
	Year 1	Year 2	Year 3
I EQUITY AND LIABILITIES			
Shareholders' Fund	500	550	600
Non-current liabilities	200	250	240
Current liabilities	100	80	120
Total	800	880	960
II ASSETS			
Non-current assets	600	720	780
Current assets	200	160	180
Total	800	880	960

Solution :**Trend percentages of Anu Ltd**

Particulars	₹ in lakhs			Trend percentages		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
I EQUITY AND LIABILITIES						
Shareholders' fund	500	550	600	100	110	120
Non-current liabilities	200	250	240	100	125	120
Current liabilities	100	80	120	100	80	120
Total	800	880	960	100	110	120
II ASSETS						
Non-current assets	600	720	780	100	120	130
Current assets	200	160	180	100	80	90
Total	800	880	960	100	110	120

UNIT 9. RATIO ANALYSIS

1. Calculate the current ratio from the following information.

Particulars	₹	Particulars	₹
Current investments	40,000	Fixed assets	5,00,000
Inventories	2,00,000	Trade creditors	80,000
Trade debtors	1,20,000	Bills payable	50,000
Bills receivable	80,000	Expenses payable	20,000
Cash and cash equivalents	10,000	Non-current liability	3,00,000

Solution :

Current ratio = Current assets / current liabilities

Current assets = Current investments + Inventories + Bills receivables+ Trade debtors+Cash and cash equivalents

= 40,000 + 2,00,000 + 1,20,000 + 80,000 + 10,000

= 4,50,000

Current liabilities = Trade creditors +Bills payable + Expenses payable

= 80,000 + 50,000 + 20,000

= 1,50,000

Current ratio = 4,50,000/1,50,000

Current ratio = 3:1

2. Calculate quick ratio: Total current liabilities ₹ 2,40,000; Total current assets ₹4,50,000;Inventories ₹ 70,000; Prepaid expenses ₹ 20,000

Solution :

Quick ratio =Quick assets/ current liabilities

Quick assets = Current assets – Inventories - Prepaid

expenses Quick assets = 4,50,000 -70,000- 20,000

Quick assets = 4,50,000 – 90,000 = 3,60,000

= 3,60,000 /2,40,000

Quick ratio = 1.5:1

3. Calculate gross profit ratio from the following:

Revenue from operations ₹ 2,50,000, Cost of revenue from operations ₹ 2,10,000 and Purchases ₹ 1,80,000.

Solution :

Gross profit ratio = Gross profit/Revenue from operation x100

Gross profit = Revenue from operations - Cost of revenue from operations

= 2,50,000 – 2,10,000

= 40,000

= 40,000/2,50,000 x100

Gross profit = 16%

EXCERISE PRACTICE QUESTIONS

2,3 & 5 Mark Problems Lesson

CHAPTER	NAME OF THE LESSON	TWO MARS	THREE MARS	FIVE MARS
1	Accounts From Incomplete Records	1,2,3,4,5	10,11	8,9,13,15
2	Accounts of Not – For – Profit Organisation	14,15,16,	18,19	1,2,3,6,10,11,12
3	Partnership – Fundamentals	12,17	6,10,12	1,2,3,4,16,22
4	Partnership – Good Will	1,2	6,9	4,5,7,8
5	Admissions of a Partner	1,2,3,18,19,20	23	4,5,6
6	Retirement of a Partner	1,2,3	14,15	4,5,6
7	Company Accounts	6,19,20	10,11,12	1,2,3,15,16,18
8	Financial Statement	1,6,12	13,14	2,3,5,7,8,11
9	Ratio Analysis	1,2	17	7,15
10	Tally			1,2