1. Fillup Annual Acc Tentative Key- Mar 2017
Sec-A 30x1=30
1. Market
2. Sundry creditors
3. Rs.3000
4. Financial Planning
5. Balance Sheet
6. Intangible
7. Rs. 364000
8. Annuity
9. Rs. 25000
10. Loss
11. Liabilities
12. Finance Budget
13. Liquid/Quick/ Acid test ratio
14. one month
15. Rs. 700000

2. Choose the Best
16. (A) A liability
17. (B) Capital Account
18. (B) Profit and Loss account
19. (B) Total Debtors account
20. (B) Rs. 2710
21. (C) 2:1
22. (C) Money and physical units
23. (A) in current account
24. (C) Three
25. (A) Gaining
26. (C) Sacrificing ratio
27. (B) 500
28. (C) Rs. 218000
29. (A) Wear and tear of the asset
30. (B) reduce

Sec-B Any Ten Only: 10x5=50
31. Accured Income: Income which has been earned but not received during the accounting period is called as accrued income.
32. Cash Receipts(5) :Cash sales Cash receivable from customers Business receipts like interest, commission, dividend etc Sale of assets Proceeds from issue of shares/debentures Loans borrowed
33. Define Single Entry System: According to Kohler “Single Entry System is a system of book-keeping in which as a rule, only records of cash and personal accounts are maintained. It is always incomplete double entry varying with circumstances”.
34. Revaluation Method: Under this method, the assets like loose tools are revalued at the end of the accounting period and the same is compared with the value of the asset at the beginning of the year. The difference is considered as depreciation.
35. Forfeiture of Shares Sometimes a shareholder may fail to pay any of the instalments i.e. allotment or call money. In such a situation after giving due notice and following the procedures laid down in the Articles of Association, the Directors of the company can forfeit the shares that were already issued.
36. Super Profit: The excess of average profit over normal profit is called super profit.
37. Ratio Definition: In the words of Kennedy and Mc Millan “the relationship of an item to another expressed in simple mathematical form is known as a ratio”
38. Adjusting Entry & Transfer Entry
   Depreciation: a/c Dr. 25000
   To Machinery a/c 25000

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(depreciation on Machinery)
Profit & loss a/c Dr. 25000
To Depreciation a/c 25000
(Deprciation transferred to Profit & Loss A/c)

39. Statement of Profit or Loss: Rs.
   Closing Capital 180000
   Add: Drawings 36000
   Less: Additional capital introduced 10000
   Adjusted closing capital 206000
   Less: Opening capital 160000
   Net Profit 46000

40. Amount of depreciation= Total cost — Scrap value
   Estimated Life
   = 100000– 10000
   Amount of depreciation = Rs.9000
   Rate of depreciation = Amount of Depreciation x100
   Original Cost
   = 9000 x 100 = 9%
   10000

41. Fixed assets turnover ratio = Sales
   Fixed assets
   Fixed Assets = Fixed Assets – Depreciation
   = 100000-25000 = Rs.75000
   Fixed assets turnover ratio = 300000 = 4Times
   75000

42. Calculation of average profit: Rs.
   2001 year 12000
   2002 year 18000
   2003 year 16000
   2004 year 14000
   60000
   Total profits Average Profit =Total Profit
   No. of years
   60000 = Rs 15000
   4
   Goodwill = Average Profit x No of years’ purchase
   = 15000 x 3 = Rs.45000

43. New Profit Sharing ratio
   Let the total profit be = 1
   Sofia’s share = 1
   5
   Remaining Share of Saradha and Sandhiya
   = 1 - 1 = 5 – 1 = 4
   5 5 5
   Saradha Sandhiya Sofia
   Old ratio = 4 : 3 : -
   Old share = 4 : 3
   7 7
   New Share= 4 x 4 : 3 x 4 : 1
   7 5 7 5 5
   = 16 : 12 : 7
   35 35 35
   New Ratio = 16 : 12 : 7

44. Journal Entry
   (1000x120) Bank A/c Dr 120000
   (1000x100) To Share capital A/c 100000
   (1000x20) To Securities premium A/c 20000
   (1000 shares issued @ Rs.100 per share with premium of Rs.20)

45. (a) Adjusting Entries
   Sec-C 5x12=60
   Date Particulars L.F. Debit Rs. Credit Rs.
   Bad debts a/c Dr. 5000
   To Sundry debtors A/c 5000
   (bad debts written off)
46. **Carter** defines depreciation as “the gradual and permanent decrease in the value of an asset from any cause”.

**Need for Providing Depreciation:**

1. **To ascertain correct profit / loss**: For proper matching of cost with revenues, it is necessary to charge depreciation against revenue in each accounting year, to calculate the correct net profit or net loss.

2. **To present a true and fair view of the financial position**: To present a true and fair view of the financial position of the business, it is necessary that depreciation must be deducted from the book value of the assets in the balance sheet.

3. **To ascertain the real cost of production**: For ascertaining the real cost of production, it is necessary to provide depreciation.

4. **To comply with legal requirements**: As per Section 205(1) of the Companies Act 1956, it is compulsory for companies to provide depreciation on fixed assets before it declares dividend.

5. **To replace assets**: Depreciation is provided to replace the assets when it becomes useless.

### 48. Fixed Capital vs. Fluctuating Capital

<table>
<thead>
<tr>
<th><strong>Fixed Capital</strong></th>
<th><strong>Fluctuating Capital</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The capital normally remains unchanged except under special circumstances.</td>
<td>The capital is changing from period to period.</td>
</tr>
<tr>
<td>Each partner has only one account i.e., Capital Account.</td>
<td>Capital Account shows always a credit balance. Capital Account may sometimes show debits or credit balance.</td>
</tr>
<tr>
<td>All adjustments relating to current assets are recorded in the Current Accounts.</td>
<td>All adjustments relating to partners are recorded directly in the Capital Accounts itself.</td>
</tr>
</tbody>
</table>

### 49. Books of Mohan Manufacturing Co.

<table>
<thead>
<tr>
<th>Dr.</th>
<th>Machinery a/c</th>
<th>Cr.</th>
<th>Machinery a/c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date particulars</td>
<td>Date particulars</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>1-4-10 Bank a/c</td>
<td>200000</td>
<td>31-3-11 depreciation a/c</td>
<td>20000</td>
</tr>
<tr>
<td>Balance c/d</td>
<td>1800000</td>
<td>1800000</td>
<td>31-3-12 depreciation a/c</td>
</tr>
<tr>
<td>Balance c/d</td>
<td>1600000</td>
<td>1600000</td>
<td>31-3-13 depreciation a/c</td>
</tr>
<tr>
<td>Bank a/c</td>
<td>1200000</td>
<td>1200000</td>
<td>P&amp;L (loss) a/c</td>
</tr>
<tr>
<td>1600000</td>
<td>1600000</td>
<td>Depreciation a/c</td>
<td></td>
</tr>
<tr>
<td>31-3-10 Machinery a/c</td>
<td>20000</td>
<td>31-3-10 P&amp;L a/c</td>
<td>20000</td>
</tr>
<tr>
<td>31-3-11 Machinery a/c</td>
<td>20000</td>
<td>31-3-11 P&amp;L a/c</td>
<td>20000</td>
</tr>
<tr>
<td>31-3-12 Machinery a/c</td>
<td>20000</td>
<td>31-3-12 P&amp;L a/c</td>
<td>20000</td>
</tr>
</tbody>
</table>

#### 50. *Gross Profit Ratio* = \( \text{Gross Profit} \times 100 \)

\[
\text{Sales} = \frac{50000 \times 100}{20000} = 25\%
\]

#### 2) *Net Profit Ratio* = \( \text{Net Profit} \times 100 \)

\[
\text{Sales} = \frac{32000 \times 100}{20000} = 16\%
\]

#### 3) *Operating Profit Ratio* = \( \text{Operating Profit} \times 100 \)

\[
\text{Sales} = \frac{32000 \times 100}{20000} = 16.4\%
\]
51. Profit and Loss Appropriation Account

Date Particulars Rs. Date Particulars Rs.
To Int. on Chec600 By Net profit b/d 12000
Capital Pal 1200 4800 By Int.on Che 100
To Salary Pallavan 3000 Drawings Pal 50 150
To Profit transferred to Capital A/C Che2175

52. Journal Entries of Selvam Ltd:

53. a) Statement of affairs as on 31.03.2006

54. Trading and Profit and Loss Account of Mrs. Kanmani for the year ending 31-03-2004

M.MuthuSelvam PG Asst MLWA Hss Madurai-625001 Cell:984210486 Page 3
55. Current Ratio = \( \frac{\text{Current Assets}}{\text{Current Liabilities}} \)

Liquid Ratio = \( \frac{\text{Current Assets} \times \text{Stock}}{\text{Current Liabilities}} \)

Total Long Term Debt

Debt - Equity Ratio = \( \frac{\text{Debentures} + \text{Loans from Bank}}{\text{Equity Share Capital} + \text{Reserves}} \)

Shareholders funds

Proprietary Ratio = \( \frac{\text{Total Tangible Assets}}{\text{Shareholders funds}} \)

60. Cash Budget for the period Mar to May 2005

<table>
<thead>
<tr>
<th>Particulars</th>
<th>March</th>
<th>Apr</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening cash balance</td>
<td>8000</td>
<td>38000</td>
<td>69500</td>
</tr>
<tr>
<td>Add: Estimated cash receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receivable from customers</td>
<td>82000</td>
<td>84000</td>
<td>78000</td>
</tr>
<tr>
<td>Total cash available</td>
<td>90000</td>
<td>122000</td>
<td>147500</td>
</tr>
<tr>
<td>Less: Estimated cash payments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>36000</td>
<td>38000</td>
<td>33000</td>
</tr>
<tr>
<td>Wages</td>
<td>10000</td>
<td>8500</td>
<td>9500</td>
</tr>
<tr>
<td>Misc. Exp.</td>
<td>4500</td>
<td>3500</td>
<td>4000</td>
</tr>
<tr>
<td>Office expenses</td>
<td>1500</td>
<td>2500</td>
<td>2000</td>
</tr>
<tr>
<td>Total cash payments</td>
<td>52000</td>
<td>52500</td>
<td>48500</td>
</tr>
<tr>
<td>Closing cash balance</td>
<td>38000</td>
<td>69500</td>
<td>99000</td>
</tr>
</tbody>
</table>

57. In the Books of Susan Grace Ltd. Journal Entries

Bank A/C Dr. 500000

To Share application A/C 500000

(Application money received)

Share Application A/C Dr. 500000

To Share Capital A/C 500000

(Transfer of share application money to share Capital A/c)

Share Allotment A/C 900000

To Share Capital A/C 500000

To Securities Premium A/c 400000

(Allotment money due on shares including premium)