

ANSWER KEY
SECOND YEAR HSE MARCH 2023
PART III
SUBJECT : ACCOUNTANCY WITH AFS
CODE No: SY549

80 Scores

2 ½Hrs

Qn No	Sub Qns	Value Points	Score	Total Score																		
PART 1 ACCOUNTANCY																						
Answer any 4 questions from 1 to 5 (4 x1 - 4)																						
1		a) Partnership Deed	1	1																		
2		a) Old Ratio – New Ratio	1	1																		
3		b) 19:11	1	1																		
4		d) Articles of Association	1	1																		
5		b) Partners Capital a/c Or c) Bank A/c	1	1																		
Answer all the question from 6 to 7 (2 x 2 -4)																						
6		Two or More Persons Agreement Business Mutual Agency Sharing of Profit Unlimited liability etc. (any 2)	2	2																		
7		The ratio in which the continuing partners have acquired the share from the retiring/deceased partner is called the gaining ratio.	2	2																		
Answer any 2 questions from 8 to 10 (2 x 3 - 6)																						
8		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Fixed capital method & Fluctuating capital method</th> </tr> <tr> <th style="width: 33%;">Basis</th> <th style="width: 33%;">Fixed capital</th> <th style="width: 33%;">Fluctuating capital</th> </tr> </thead> <tbody> <tr> <td>Number of accounts</td> <td>2 Accounts for each partner</td> <td>Each partner has one Account</td> </tr> <tr> <td>Adjustments</td> <td>made in the current accounts of partners</td> <td>made in the capital accounts of partners</td> </tr> <tr> <td>Fixed balance</td> <td>Capital account balance remain unchanged</td> <td>Balance of the capital account fluctuates from year to year</td> </tr> <tr> <td>Credit balance</td> <td>Capital accounts always show a credit balance</td> <td>Capital account may sometimes show a debit balance</td> </tr> </tbody> </table>	Fixed capital method & Fluctuating capital method			Basis	Fixed capital	Fluctuating capital	Number of accounts	2 Accounts for each partner	Each partner has one Account	Adjustments	made in the current accounts of partners	made in the capital accounts of partners	Fixed balance	Capital account balance remain unchanged	Balance of the capital account fluctuates from year to year	Credit balance	Capital accounts always show a credit balance	Capital account may sometimes show a debit balance	Any 3 difference with 1 score each	3
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9		Old ratio = 5:3 New share of Sreekumar – 1/8 New share of Maneesh – $7/8 \times 5/8 = 35/64$ New share of Vasanth - $7/8 \times 3/8 = 21/64$	1 1	3																		

		Sreekumar's share = 8/64 New ratio = 35:21:8		1																																																																																
10		<table border="1"> <tr> <th>Basis</th> <th>Dissolution of Partnership</th> <th>Dissolution of firm</th> </tr> <tr> <td>Termination of business</td> <td>Business is not terminated</td> <td>Business of the firm is closed</td> </tr> <tr> <td>Settlement of assets and liabilities</td> <td>Assets and liabilities revalued</td> <td>Assets are sold and liabilities are paid-off.</td> </tr> <tr> <td>Intervention by court</td> <td>No intervention by the court.</td> <td>Court has inherent power to intervene</td> </tr> <tr> <td>Closure of books</td> <td>Does not require</td> <td>The books of account are closed.</td> </tr> </table>	Basis	Dissolution of Partnership	Dissolution of firm	Termination of business	Business is not terminated	Business of the firm is closed	Settlement of assets and liabilities	Assets and liabilities revalued	Assets are sold and liabilities are paid-off.	Intervention by court	No intervention by the court.	Court has inherent power to intervene	Closure of books	Does not require	The books of account are closed.	any 3 3 x 1	3																																																																	
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11		Goodwill = Average profit x No. of years purchase Average Profit = 20,50000/ 4 = 5,12,500 Goodwill = 5,12,500 x 3 = 15,37,500		2 2	4																																																																															
12		<p style="text-align: center;">Prakash's Loan Account</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Particulars</th> <th>Amount</th> <th>Year</th> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Cash</td> <td>28,000</td> <td>1</td> <td>Prakash's capital</td> <td>80,000</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>60,000</td> <td></td> <td>Interest</td> <td>8,000</td> </tr> <tr> <td></td> <td></td> <td>88,000</td> <td></td> <td></td> <td>88,000</td> </tr> <tr> <td>2</td> <td>Cash</td> <td>26,000</td> <td>2</td> <td>Balance b/d</td> <td>60,000</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>40,000</td> <td></td> <td>Interest</td> <td>6,000</td> </tr> <tr> <td></td> <td></td> <td>66,000</td> <td></td> <td></td> <td>66,000</td> </tr> <tr> <td>3</td> <td>Cash</td> <td>24,000</td> <td>3</td> <td>Balance b/d</td> <td>40,000</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>20,000</td> <td></td> <td>Interest</td> <td>4,000</td> </tr> <tr> <td></td> <td></td> <td>44,000</td> <td></td> <td></td> <td>44,000</td> </tr> <tr> <td>4</td> <td>Cash</td> <td>22,000</td> <td>4</td> <td>Balance b/d</td> <td>20,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Interest</td> <td>2,000</td> </tr> <tr> <td></td> <td></td> <td>22,000</td> <td></td> <td></td> <td>22,000</td> </tr> </tbody> </table>		Year	Particulars	Amount	Year	Particulars	Amount	1	Cash	28,000	1	Prakash's capital	80,000		Balance c/d	60,000		Interest	8,000			88,000			88,000	2	Cash	26,000	2	Balance b/d	60,000		Balance c/d	40,000		Interest	6,000			66,000			66,000	3	Cash	24,000	3	Balance b/d	40,000		Balance c/d	20,000		Interest	4,000			44,000			44,000	4	Cash	22,000	4	Balance b/d	20,000					Interest	2,000			22,000			22,000	1 1 1 1	4	
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Bala c/d	115001	82499	25000	Balance b/d	100000	75000	25000									
				Bank												
				Premium(GW)	6667	3333										
				General Rese	6667	3333										
				Revaluation	1667	833										
	115001	82499	25000		115001	82499	25000									
(Sacrificing ratio = 2:1)																
Balance sheet																
Liabilities		Amount	Assets		Amount											
Creditors		80000	Cash at bank		38000		2½									
Bills payable		20000	Debtors		9500											
Outstanding exp:		5000	Stock		22500											
Capital :			Plant & Machinery		50000											
Ayush	115001		Building		200000											
Vidhya	82499		Investment		7500											
Smitha	25000	222500														
		327500			327500											

**PART II
(ANALYSIS OF FINANCIAL STATEMENTS)**

		Answer any 4 questions from 17 to 21 (4 x 1 - 4)		
17		Any option	1	1
18		c) Bearer debenture	1	1
19		d) Long term borrowings	1	1
20		c) Solvency ratio	1	1
21		c) Purchase of Plant	1	1
Answer all the question from 22 to 23 (2 x 2 - 4)				
22		Debenture Suspense A/c Dr. 15,000,00 To 8% Debentures A/c 15,000,00	1 x 2	2
23		Limitations of Accounting Data Ignores Price-level Changes Ignore Qualitative or Non-monetary Aspects Variations in Accounting Practices Forecasting (any 2)	1 x 2	2
Answer any 2 questions from 24 to 26 (2 x 3 - 6)				
24		Distinction between Shares and Debentures		
	Basis	Share	Debenture	
	Ownership	Part of owned capital	part of borrowed capital	
	Return	Dividend	Interest	
			Any 3	

4/7

		Repayment	Not repayable	Repayable after the expiry	3 x 1	3																					
		Voting Rights	Enjoy voting rights	Do not enjoy voting right																							
		Convertibility	Cannot be converted into debentures	Can be converted to shares																							
		Security	Not secured by any charge	Generally secured																							
25		a) Bank A/c Dr. 500000 To 8 % Debenture A/c 500000			1																						
		b) Bank A/c Dr 550000 To 8 % Debenture A/c 500000 To Securities Premium Reserve A/c 50000			2	3																					
26		Operating activities - (c) Pay operating expenses, (d) Receipts for Royalties Investing activities - (a) Sale of property, (e) Purchase of furniture Financing activities –(b) Redemption of debentures, f) Procurement of loan			½ x 6	3																					
		Answer all the question from 27 to 28 (2 x 4 - 8)																									
27		To issue fully paid bonus shares to the extent not exceeding unissued share capital of the company. To write-off preliminary expenses of the company. To write-off the expenses of, or commission paid, or discount allowed on any securities of the company. To pay premium on the redemption of preference shares or debentures of the company. Purchase of its own shares (any 4)			1 x 4	4																					
28		<u>Objectives of Financial statements</u> To provide information about economic resources and obligations of a business To provide information about the earning capacity of the business To provide information about cash flows To judge effectiveness of management Information about activities of business affecting the society Disclosing accounting policies (any 4)			1 x 4	4																					
		Answer all the question from 29 to 30 (2 x 5 - 10)																									
29		Comparative statement of profit and loss for the year ended March 31, 2021 and 2022																									
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Particulars</th> <th style="width: 10%;">2020-21</th> <th style="width: 10%;">2021-22</th> <th style="width: 10%;">Absolute increase/decrease</th> <th style="width: 10%;">% of increase/decrease</th> </tr> </thead> <tbody> <tr> <td>Revenue from operations</td> <td>2000000</td> <td>2500000</td> <td>500000</td> <td>25</td> </tr> <tr> <td>Less : Expenses</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>a) Empl benefit exp:</td> <td>400000</td> <td>600000</td> <td>200000</td> <td>50</td> </tr> </tbody> </table>				Particulars	2020-21	2021-22	Absolute increase/decrease	% of increase/decrease	Revenue from operations	2000000	2500000	500000	25	Less : Expenses					a) Empl benefit exp:	400000	600000	200000	50		
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					1																						
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					1	5																					

	<table border="1"> <tr> <td>b) Other expenses</td> <td>100000</td> <td>50000</td> <td>(50000)</td> <td>(50)</td> </tr> <tr> <td>Profit before tax</td> <td>1500000</td> <td>1850000</td> <td>350000</td> <td>23.33</td> </tr> <tr> <td>Less: Income tax</td> <td>750000</td> <td>925000</td> <td>175000</td> <td>23.33</td> </tr> <tr> <td>Profit after tax</td> <td>750000</td> <td>925000</td> <td>175000</td> <td>23.33</td> </tr> </table>	b) Other expenses	100000	50000	(50000)	(50)	Profit before tax	1500000	1850000	350000	23.33	Less: Income tax	750000	925000	175000	23.33	Profit after tax	750000	925000	175000	23.33	1 1	
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30	<p align="center"><u>Cash Flows from Financing Activities</u></p> <p>Proceeds from long-term borrowings (loan taken) - 2,00,000</p> <p>Repayment of long-term borrowings - (1,50,000)</p> <p>Net cash inflow from Financing Activities - <u>50,000</u></p> <p>Working Notes:</p> <p align="center">Long Term Loan A/c</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Cash (repayment)</td> <td>150000</td> <td>Balance b/d</td> <td>300000</td> </tr> <tr> <td>Balance c/d</td> <td>350000</td> <td>Cash (Loan taken) (Bal fig)</td> <td>200000</td> </tr> <tr> <td></td> <td>500000</td> <td></td> <td>500000</td> </tr> </tbody> </table>	Particulars	Amount	Particulars	Amount	Cash (repayment)	150000	Balance b/d	300000	Balance c/d	350000	Cash (Loan taken) (Bal fig)	200000		500000		500000	3 1 1	5				
Particulars	Amount	Particulars	Amount																				
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	500000		500000																				
	Answer any one question from 31 to 32 (1 x 8 - 8)																						
31	<p>i) Bank A/c Dr 4,80,000</p> <p style="padding-left: 40px;">To Share application A/c 4,80,000</p> <p>ii) Share application a/c Dr 4,80,000</p> <p style="padding-left: 40px;">To Share Capital A/c 4,00,000</p> <p style="padding-left: 40px;">To Bank A/c 80,000</p> <p>iii) Share Allotment A/c Dr 3,00,000</p> <p style="padding-left: 40px;">To Share capital A/c 3,00,000</p> <p>iv) Bank A/c Dr 3,00,000</p> <p style="padding-left: 40px;">To Share allotment A/c 3,00,000</p> <p>v) Share First & Second Call A/c Dr 3,00,000</p> <p style="padding-left: 40px;">To Share capital A/c 3,00,000</p> <p>vi) Bank A/c Dr 2,85,000</p> <p style="padding-left: 40px;">To Share First & Second call 2,85,000</p> <p>vii) Share capital A/c Dr 50,000</p> <p style="padding-left: 40px;">To Share First & Second call 15,000</p> <p style="padding-left: 40px;">To Share forfeiture A/c 35,000</p> <p>viii) Bank A/c Dr 30,000</p> <p style="padding-left: 40px;">Share forfeiture A/c Dr 20,000</p> <p style="padding-left: 40px;">To Share capital A/c 50,000</p> <p>ix) Share forfeiture A/c Dr 15,000</p> <p style="padding-left: 40px;">To Capital reserve A/c 15,000</p>	1 score for any 8 entry	8																				
32	a) Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$	2																					

6/7

	$= \frac{3,15,000}{1,40,000}$ $= 2.25:1$		
	b) Quick ratio = $\frac{\text{Quick assets}}{\text{Current liabilities}}$ $= \frac{65,000}{1,40,000}$ $= 0.46:1$	2	
	c) Proprietary Ratio = $\frac{\text{Shareholders Funds}}{\text{Total assets}}$ $= \frac{2,00,000}{8,40,000}$ $= 0.24:1$	2	8
	d) Inventory to working capital $= \frac{2,50,000}{1,75,000}$ $= 1.43:1$	2	

Scheme Finalised by:

1) ANIL KUMAR G	GHSS AYYANKOICKAL KOLLAM	9446109708
2) REJI MATHAI	GHSS KUMMIL KOLLAM	8281256790
3) JAGAN H	GHSS KIDANGARA ALAPUZHA	9446016999
4) JAYARAM SANTHOSH	GHSS KADAVALLUR THRISSUR	9495503266
5) BINDU P K	KCP HSS KAVASSERY PALAKKAD	9400823508
6) JOY J	GHSS WEST KALLADA KOLLAM	9495115810