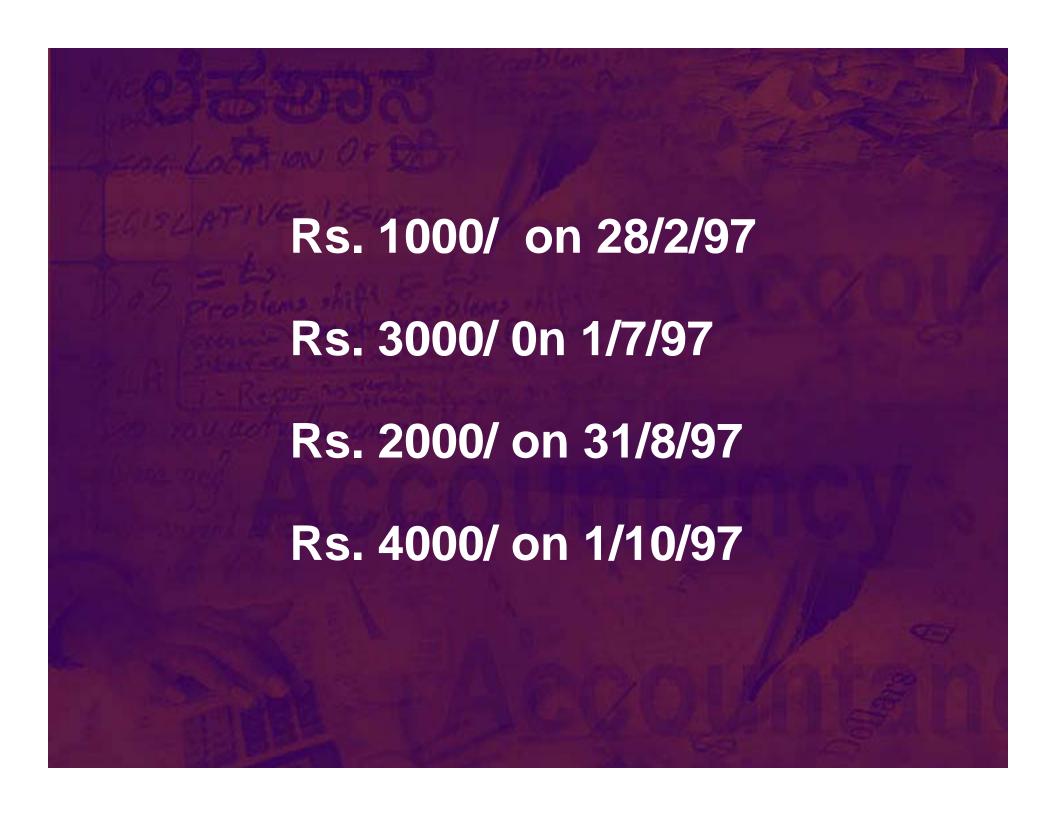
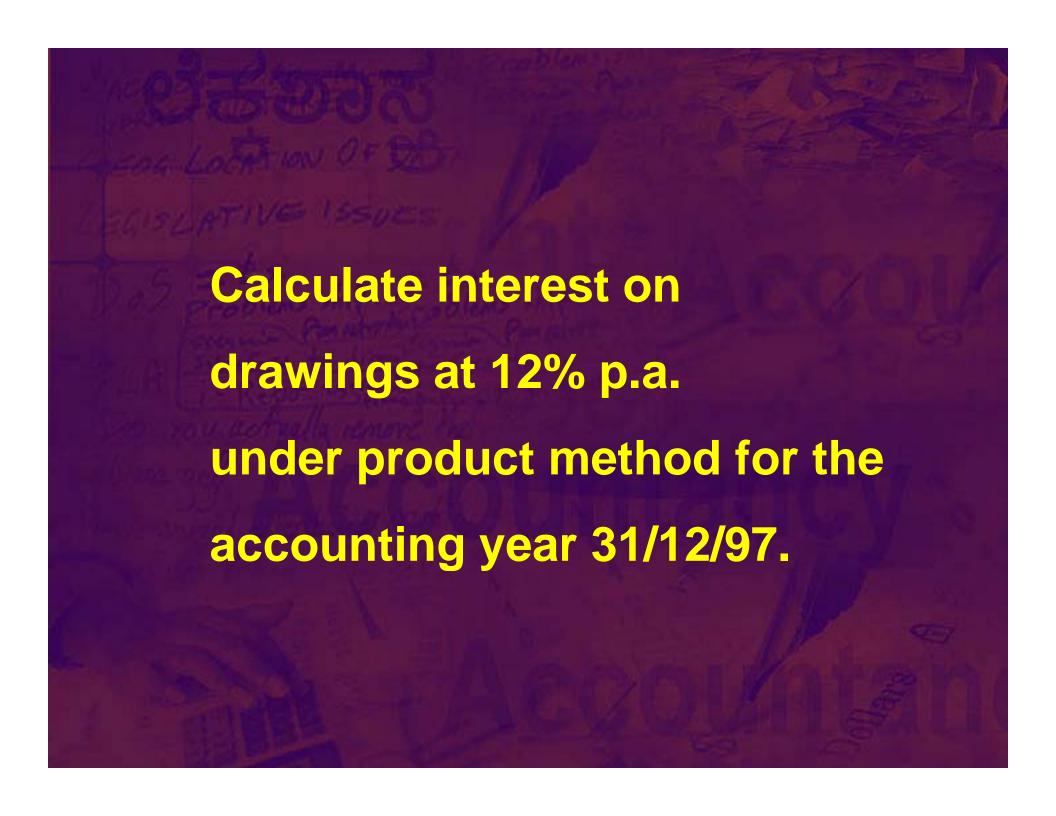
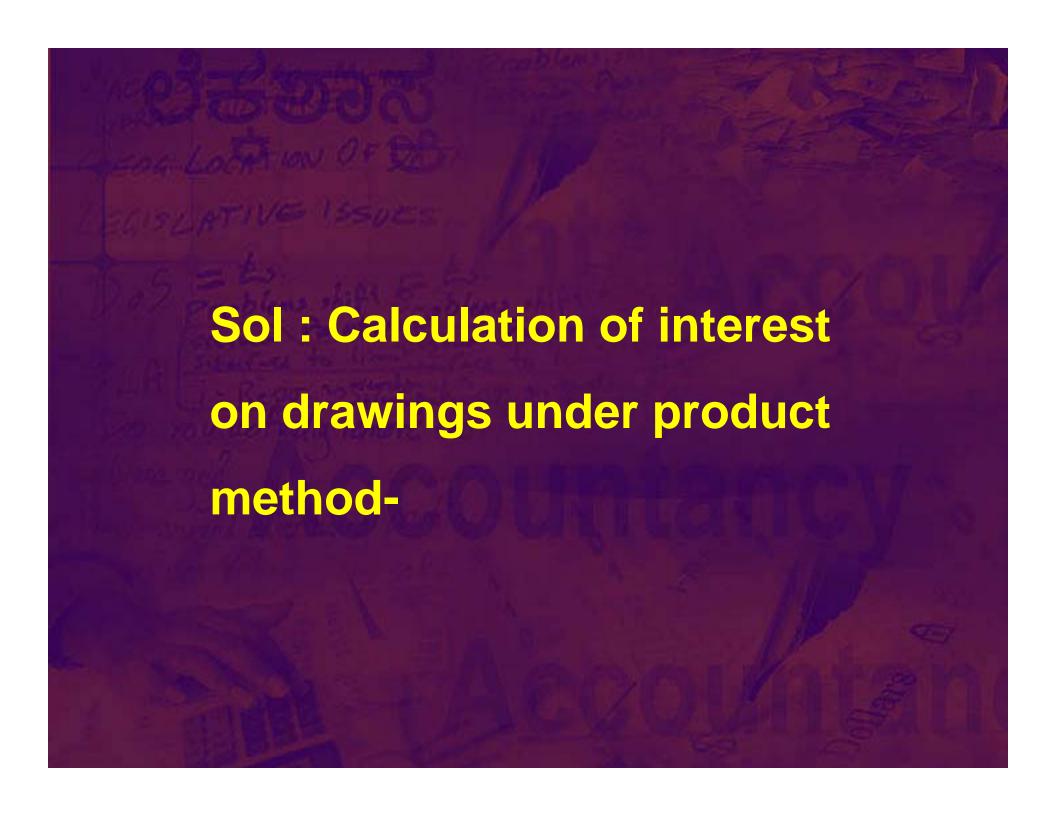


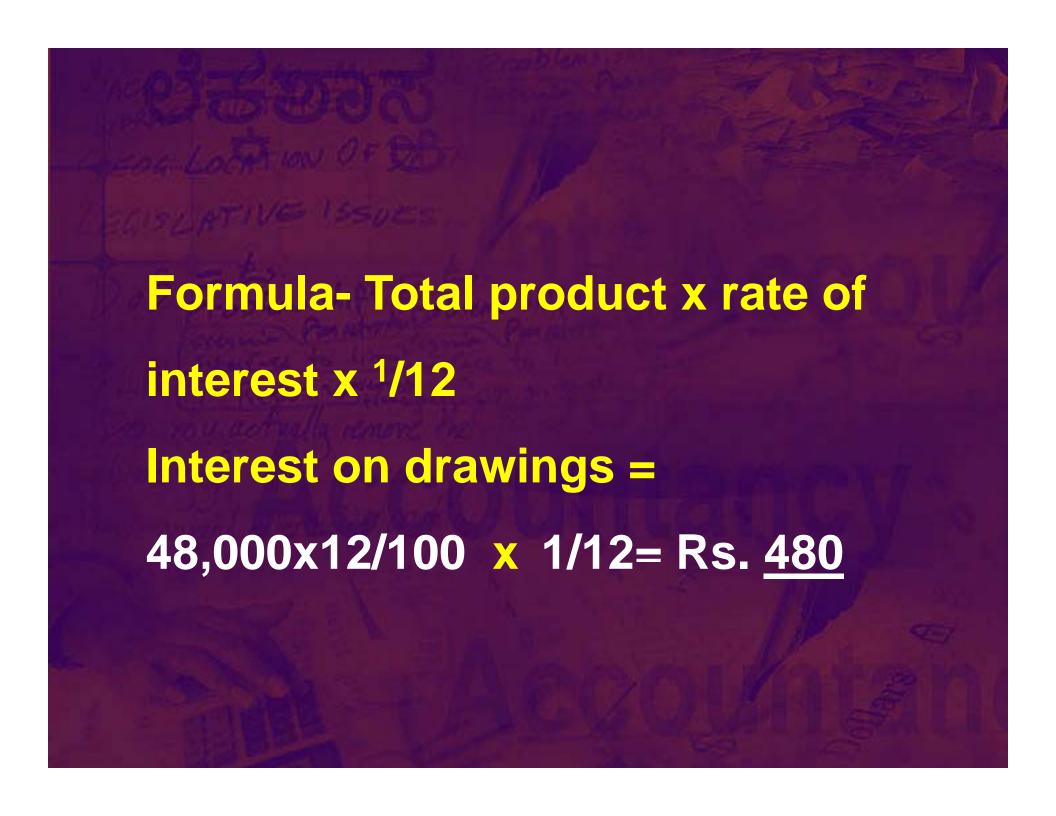
Eg: Anil and sunil are partners with capitals of Rs. 50,000/- and Rs.40,000/- respectively as on 1/1/97. During the year Anil with drew as shown below-



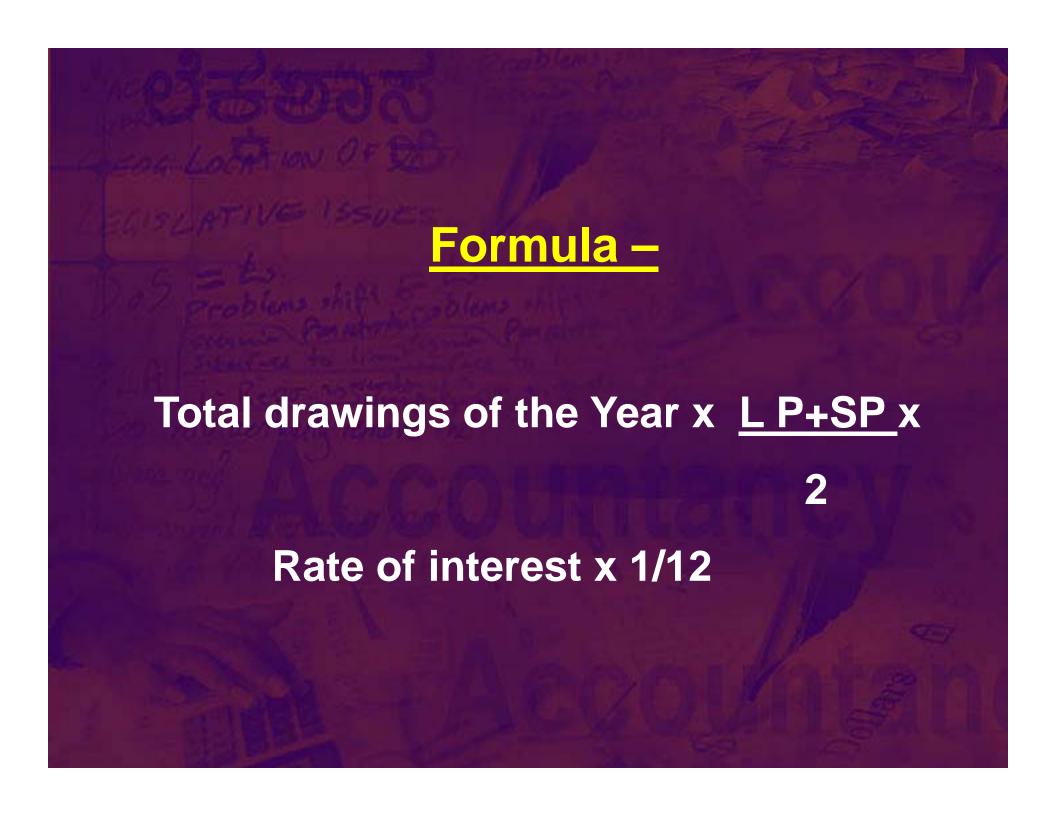


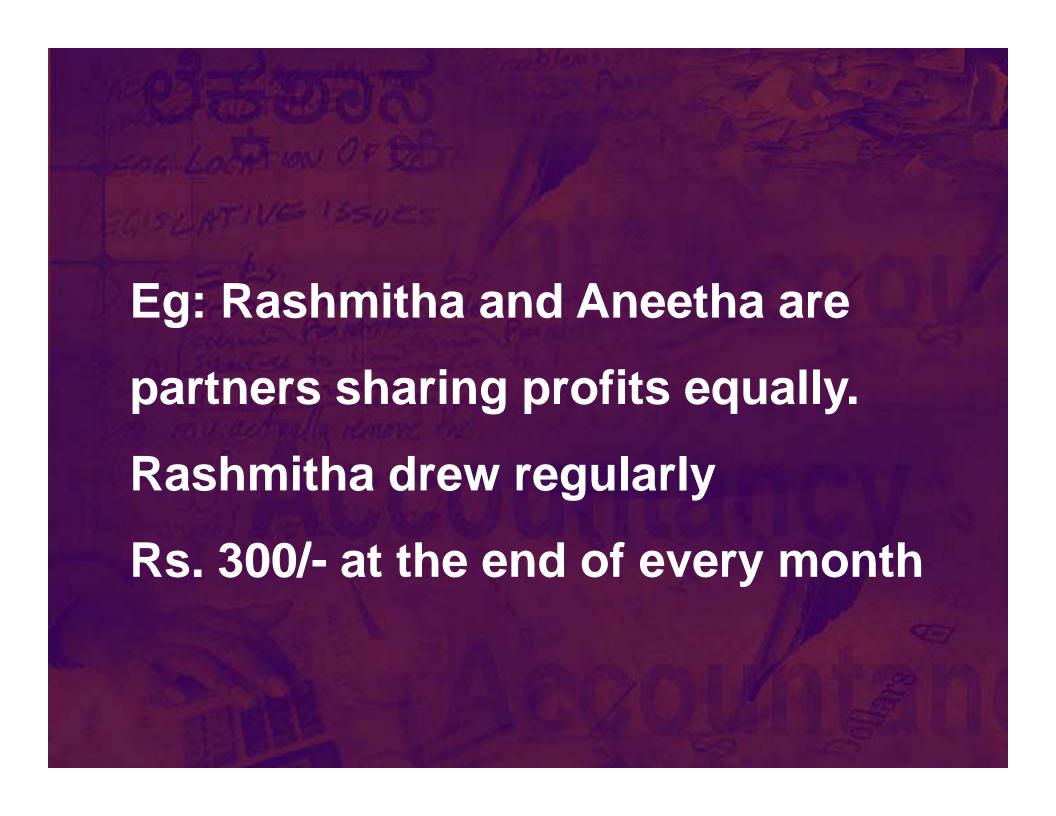


Date of drawings	Amt of drawings	o/s period	Total Product
28/2/97	1,000	10	1000x10= 10,000
1/7/97	3,000	6	3000x6 =18,000
31/8/97	2,000	4	2000x4 = 8,000
1/10/97	4,000	3	4,000x3 = 12,000
		<b>Total Product</b>	48,000



# C) Average period/Short-cut **Method** Here interest is charged at the specified rate on the total of monthly drawings of uniform intervals and uniform amount.





and Aneetha withdrew Rs. 250/at the middle (15th) of every month from January to December 2011, Calculate interest on drawings at 10% p.a.



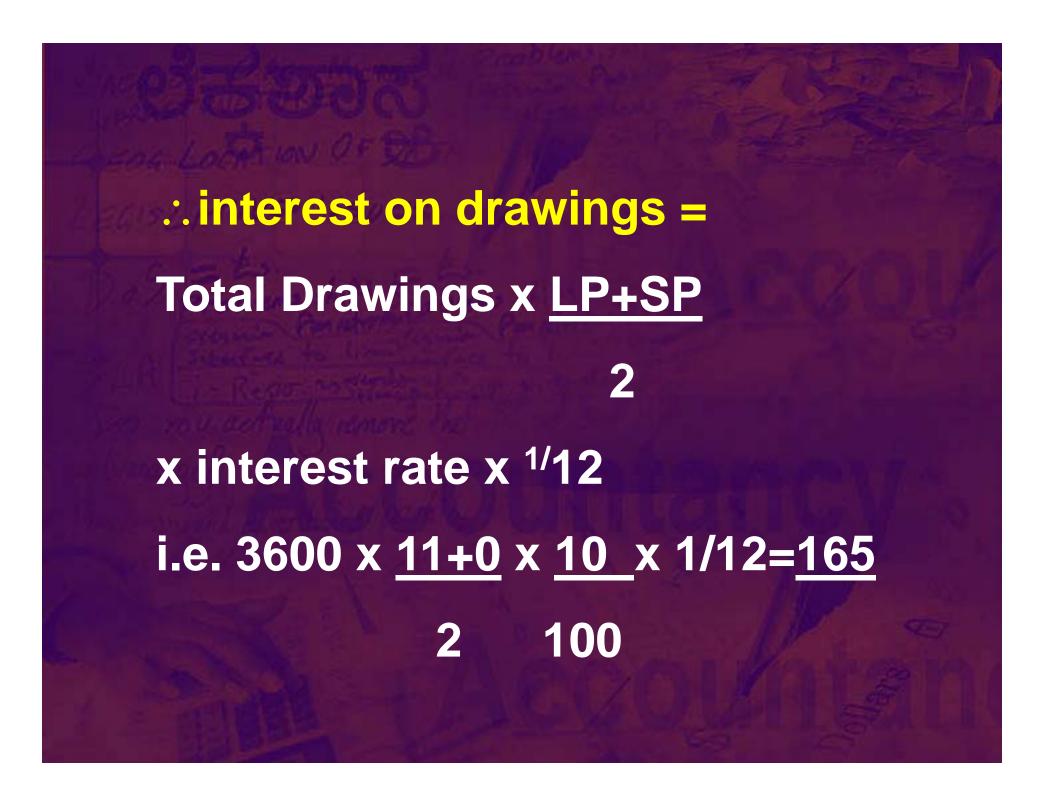
Rashmitha's intereston drawings -

Total Drawing - 300x12= 3,600/-

Longest period - 11,

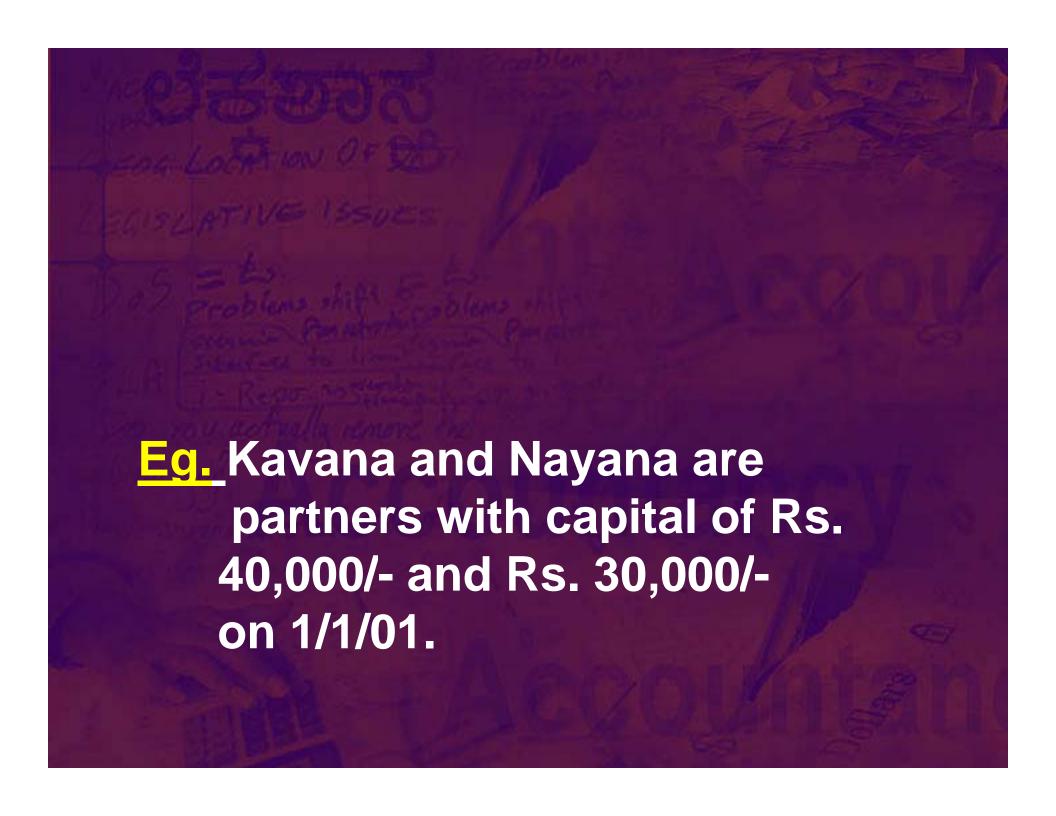
Shortest period – 0,

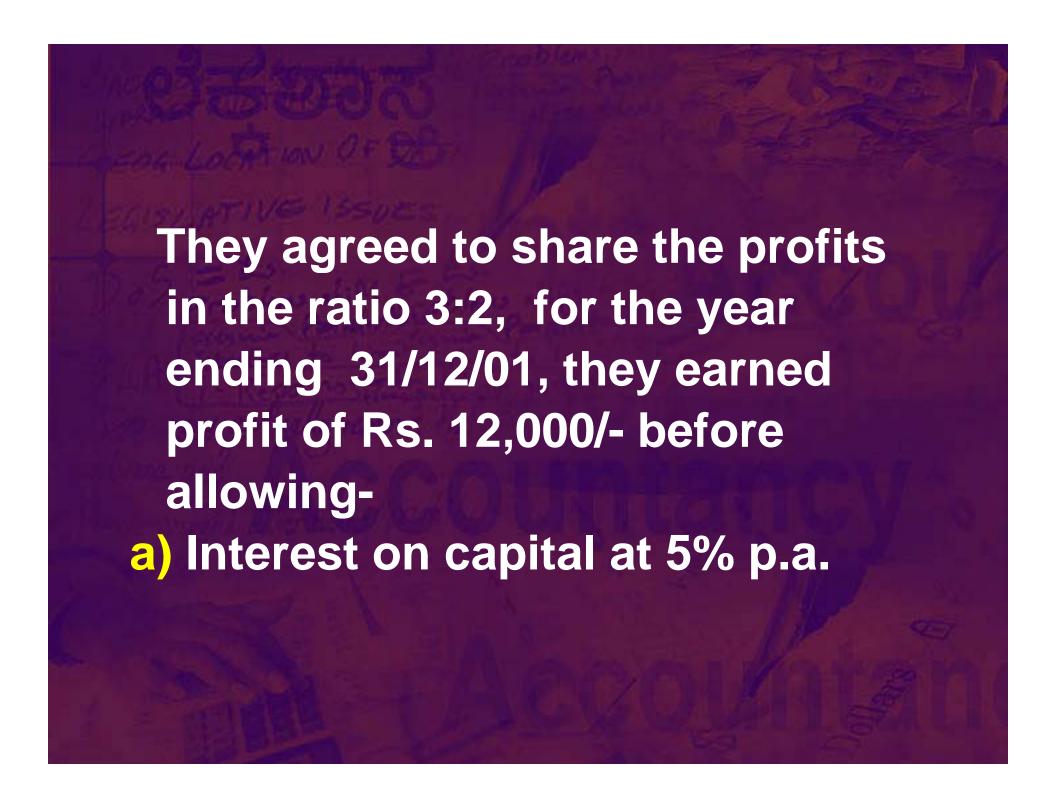
Interest rate-10%,



#### Aneetha's interest on drawings-

Total Drawings-250x12 = 3000 Longest period-11.5 months (11 $^{1/2}$ ) Shorter period –  $^{1/2}$  month ∴ Total interest on drawings= 3000 x  $\frac{11}{^{1/2}+^{1/2}}$  x  $\frac{^{10}}{100}$  x  $\frac{^{1}}{12}$  =  $\frac{150}{2}$ 

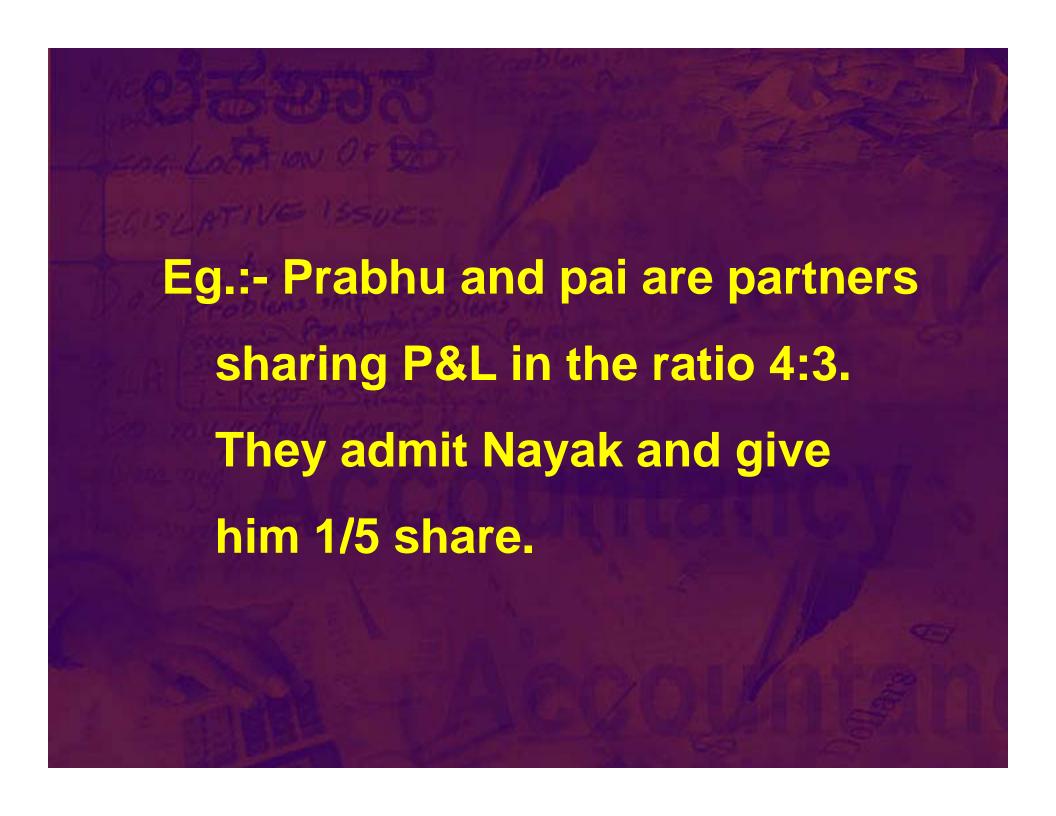


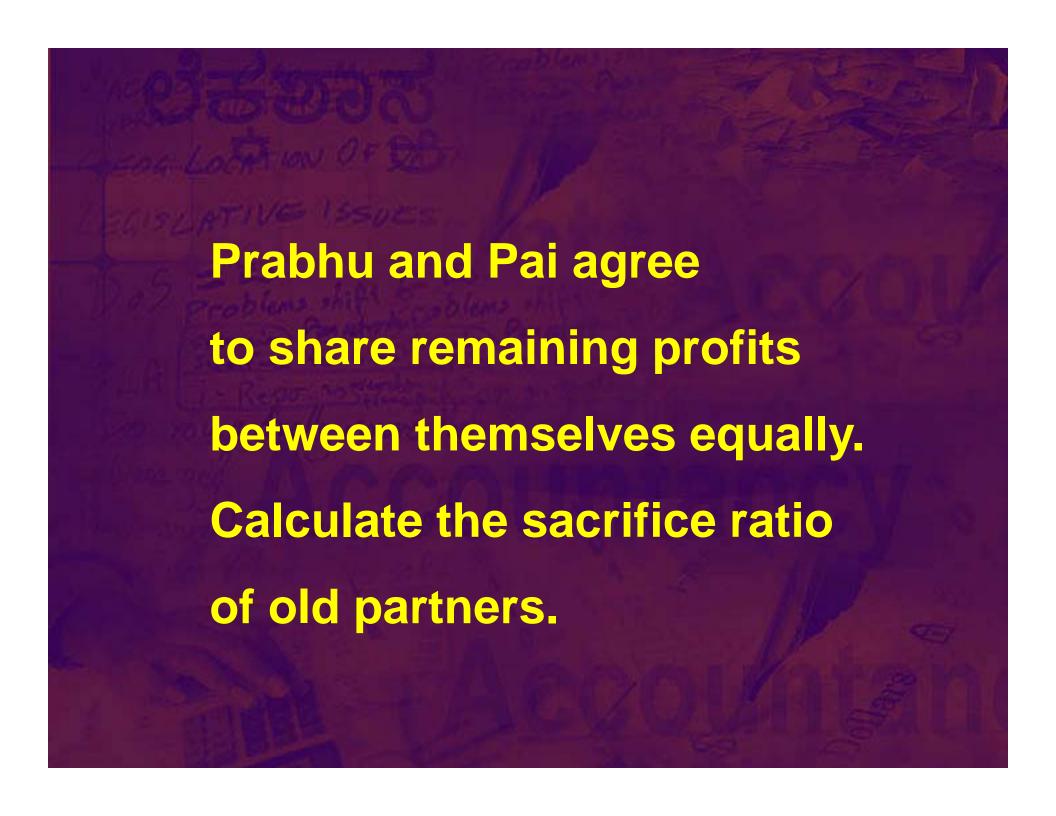


- b) Interest on drawings Kavana-Rs.150/-, Nayana Rs. 100/-
- c) Annual salary to Kavana Rs. 3,000/-
- d) Drawings Kavana Rs. 7,000/, Nayana Rs. 5000/ Prepare P & L appropriation a/c of the firm.

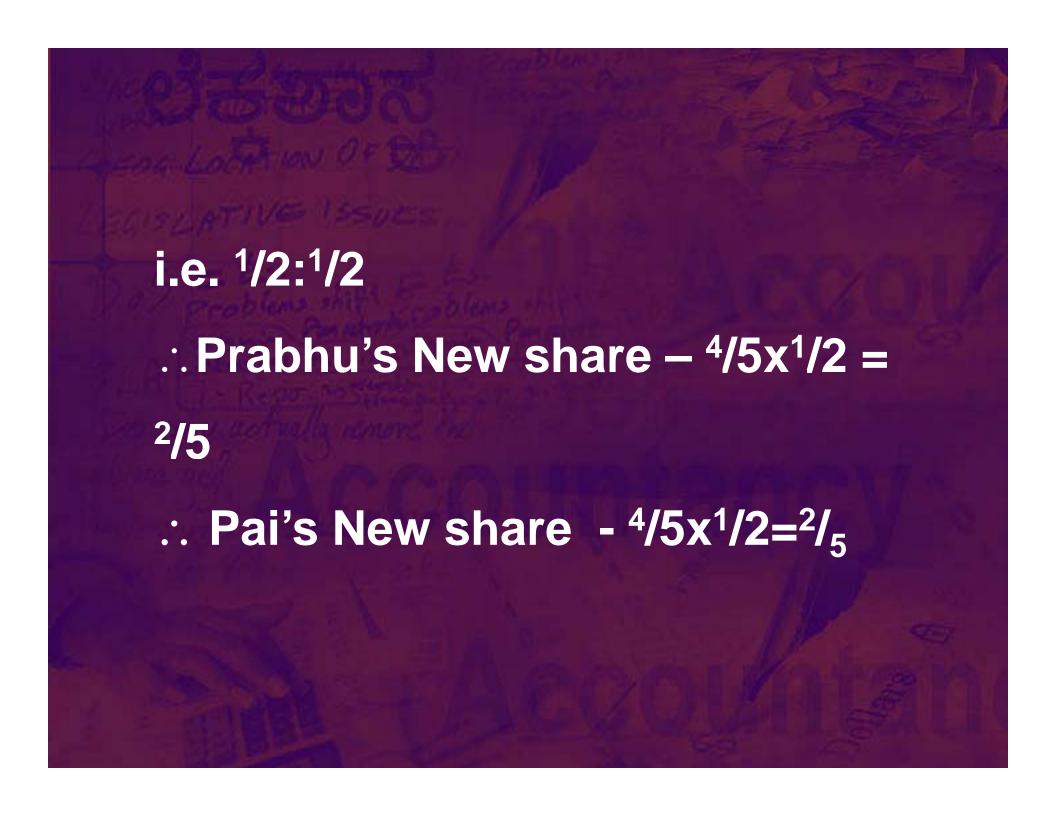
### SOL: P&L appropriation a/c for the year ended 31/12/01

To Interest on capital		By P&L a/c	12,000
(40,000x <sup>5</sup> /100) Kavana 2000 (30,000x <sup>5</sup> /100) Nayana 1500	3,500	By interest on drawings- Kavana-100 Nayana-150	250
To Kavanas Salary	3,000		
To Capital a/c			
Kavana (3/5) 3450			
Nayana (2/5)2300	5750		
	12,250		12,250





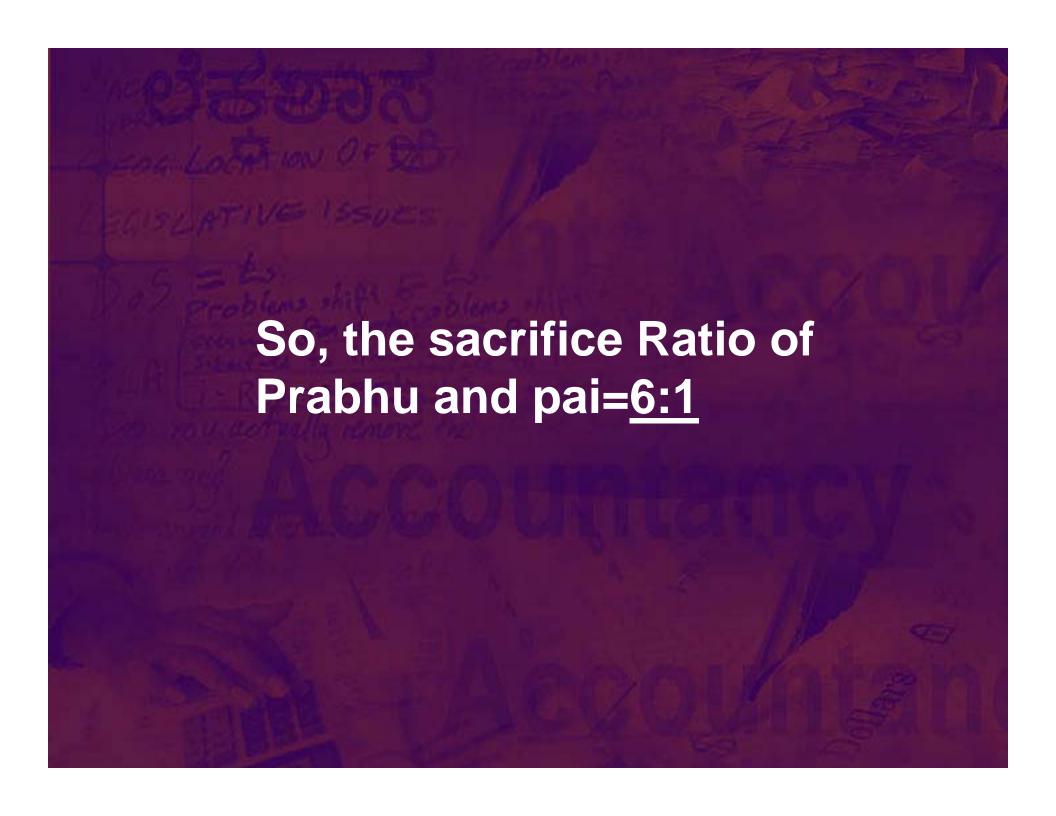
Sol: Let the share of the firm be-1 Share given to Nayak – 1/5, Remaining share 4/5, Should be divided between Prabhu and Pai, in equal ratio,



#### Sacrifice ratio=Old Ratio-New Ratio

=6/35

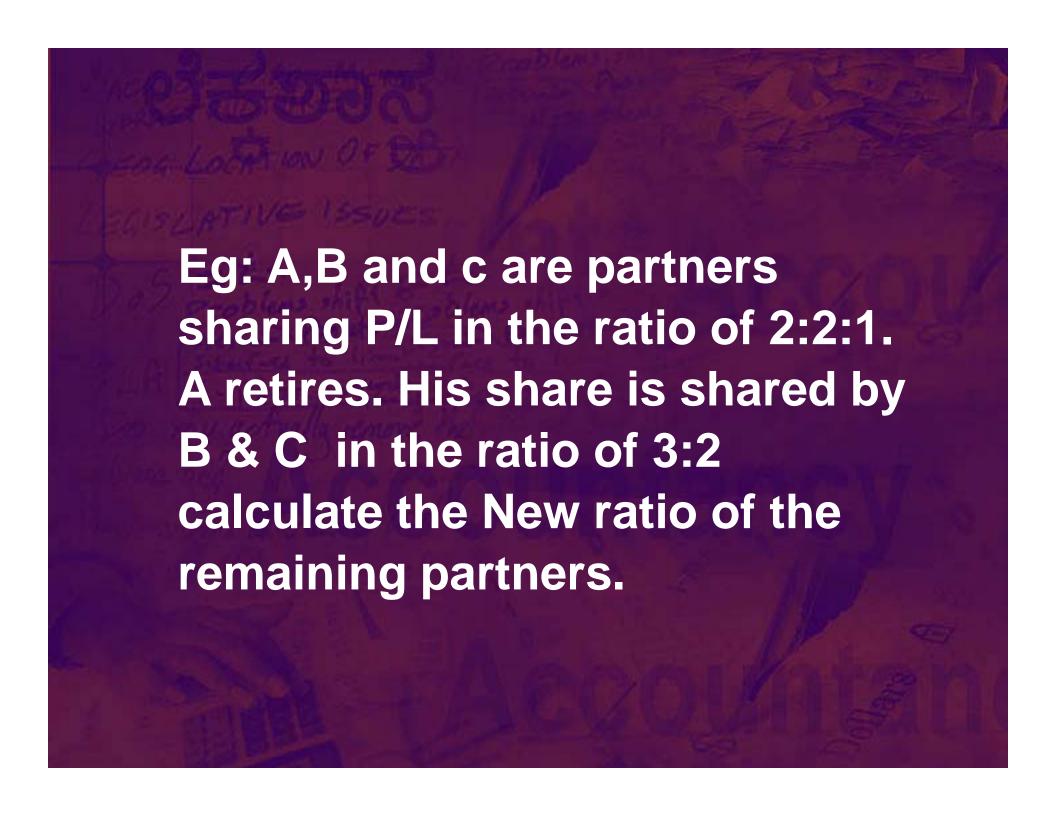
Pai's new ratio=3/7-2/5=15-14 =1/35 35

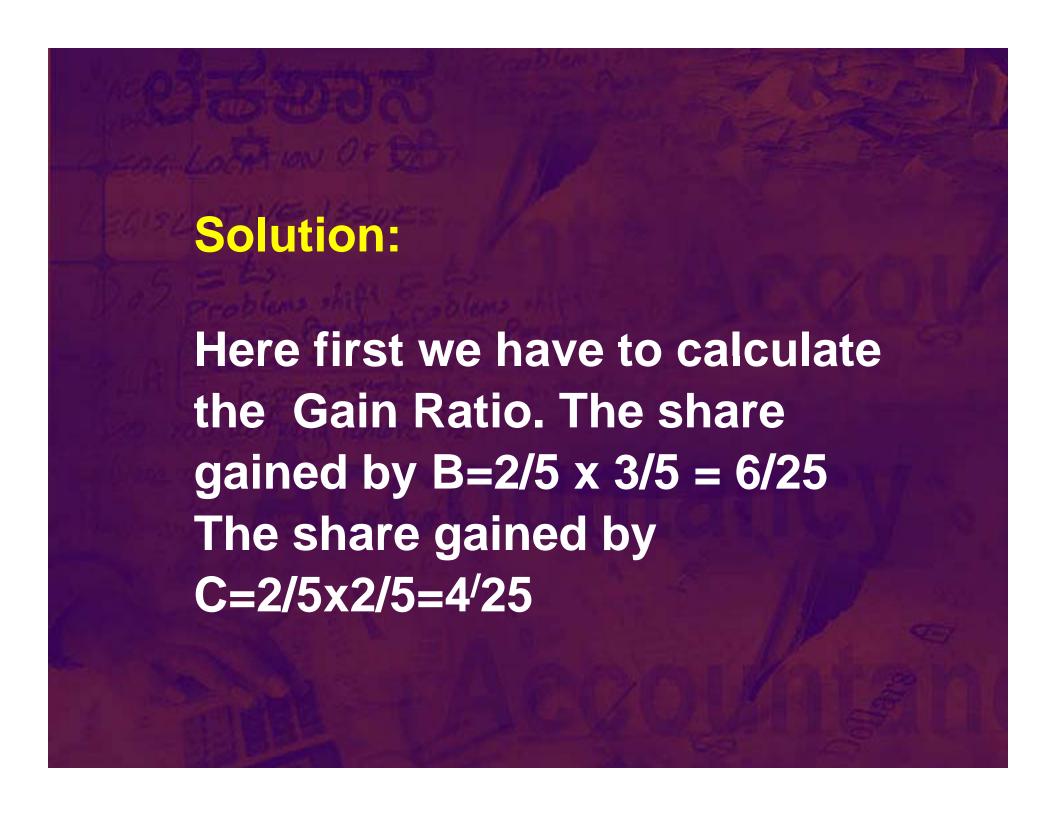


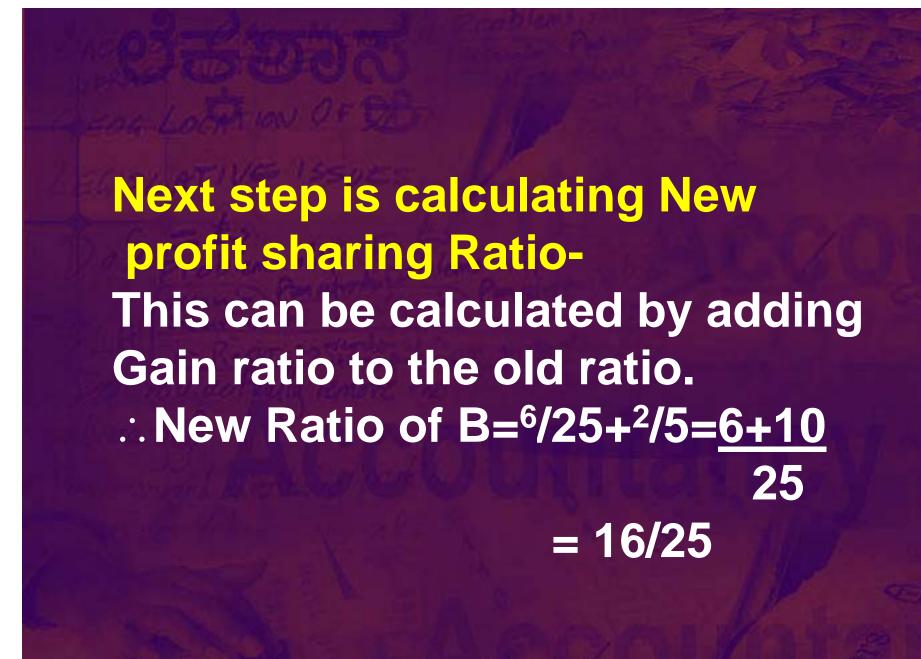
Eg: Ram, Sham and shan are partners sharing P&L in the proportion of  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$ respectively. Ram retires. Sham and shan decided to continue as equal partners. Calculate the gain ratio of sham and shan.

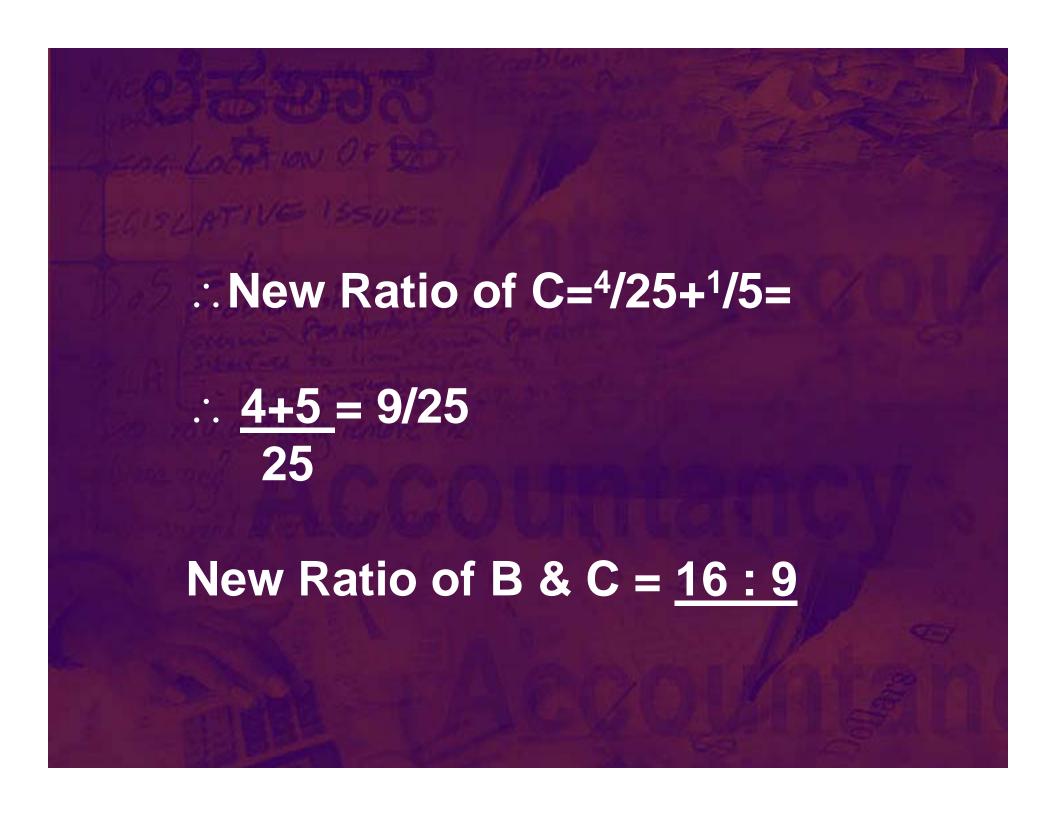
Solution: Gain ratio = New ratio-old ratio. Share gained by Sham = 1/2 - 2/6 = 3-2 = 1/6Share gained by shan = 1/2 - 1/6 = 3 - 1 = 2/6

:. Gain ratio of sham and shan=1:2









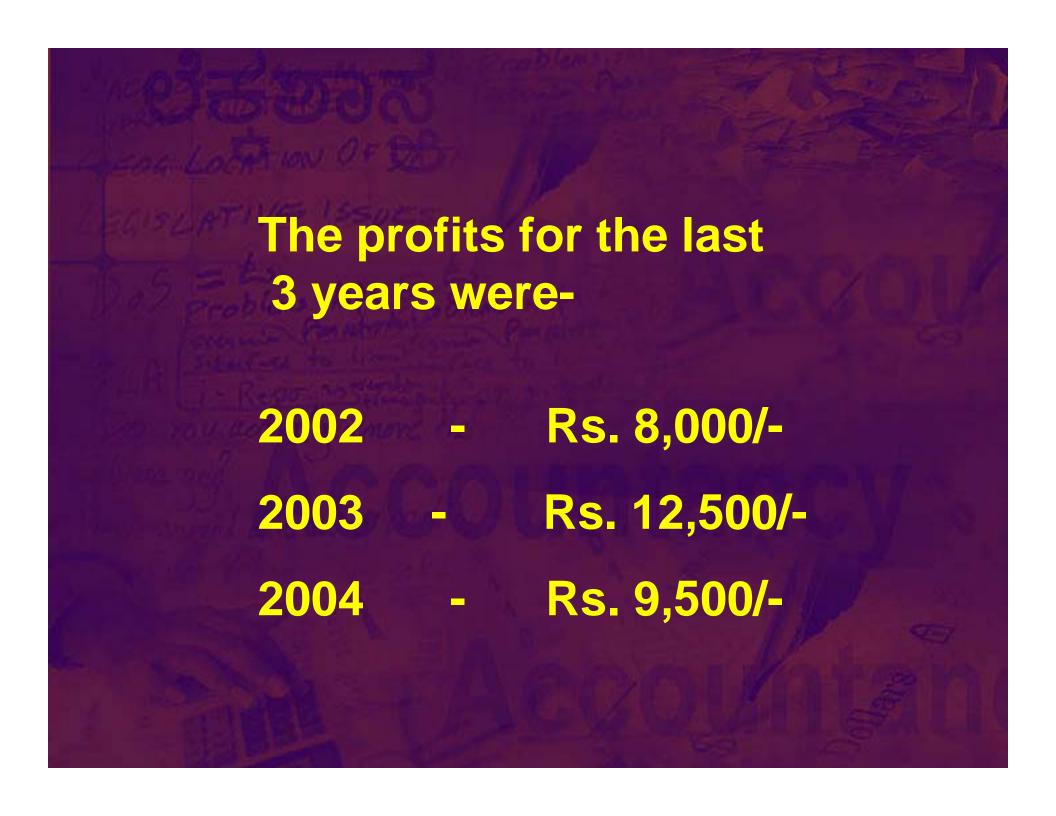
# Eg: Ram Krishna, Govinda were partners, sharing profits in the ratio of 2:2:1. Their Balance sheet as on 31/12/04 was as under –

Liabilities	Rs.	Assets	Rs.
Capital Ram	20,000	Furniture	24,000
Krishna	20,000	Stock	44,000
Govinda	20,000	Debtors	16,000
Reserve	15,000	Cash	1,000
Creditors	10,000		
	85,000		<u>85,000</u>

Govinda Died on 1/4/05. His executors were entitled for the following:

- 1) His share of capital
- 2) His share of Goodwill.

  It is to be ascertained on the 2 years purchase of the average profits of the last 3 years





- 4) His share of reserve fund.
- 5) Interest on capital at the rate of 6% to the date of his death.

  Prepare Govind's Executor's a/c

### Solution Govind's Executor's a/c

Dr Cr

		By Govind's cap. a/c	20,000
		By Reserve (15000x <sup>1</sup> /5)	3,000
		By Goodwill (w.Note 1)	4,000
		By P&L suspense a/c	500
		By interest on capital (20,000x5/100x3/12)	250
To Balance C/d	27,750		
	<u>27,750</u>		<u>27,750</u>
		by balance b/d	27,750

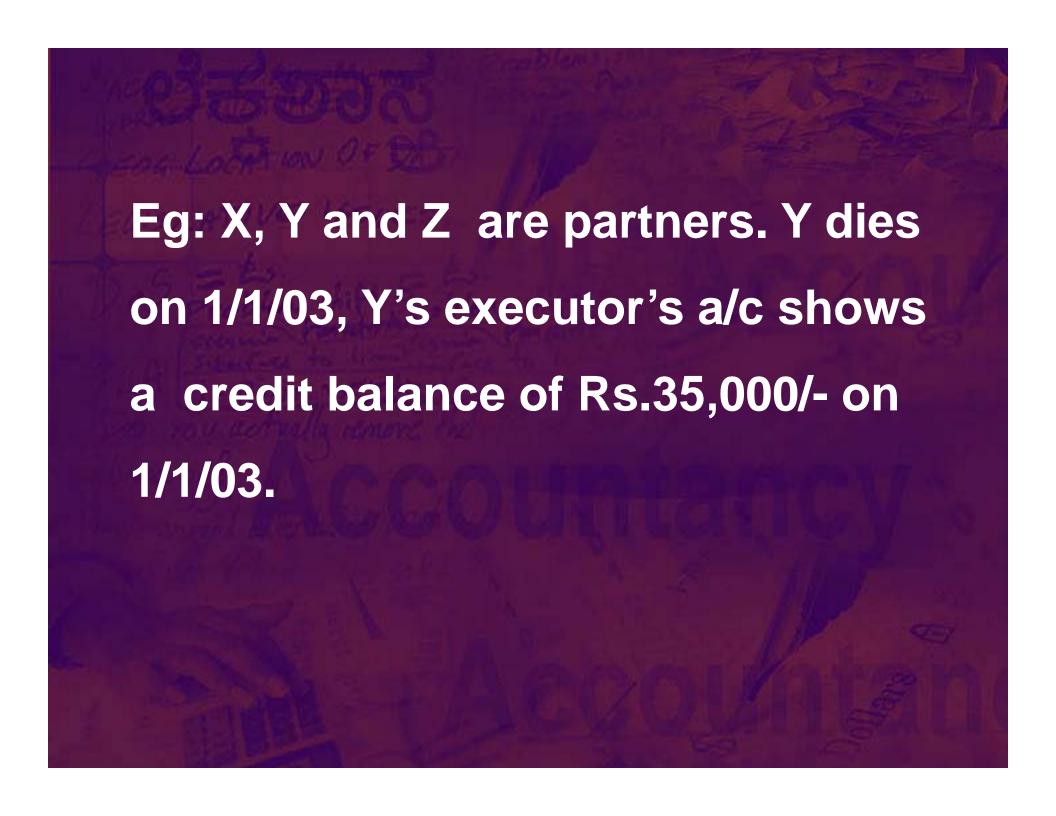
(1) W.N. –Calculation of goodwill

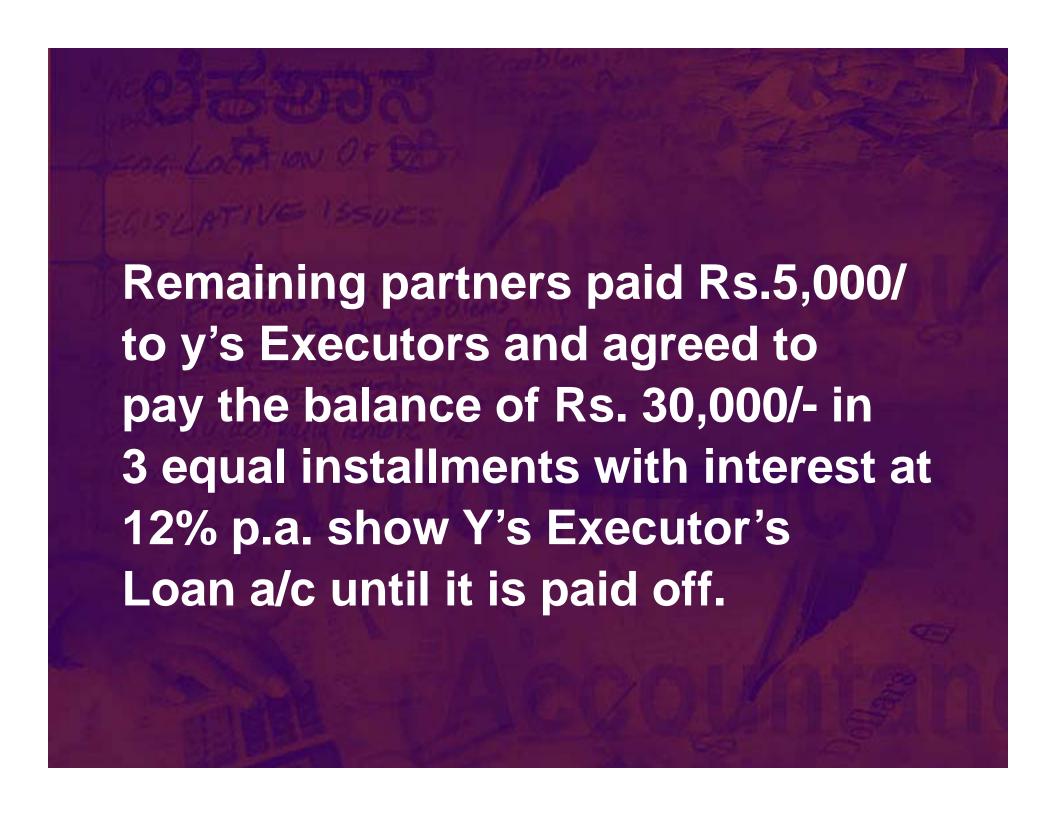
Here average profit of 3 years = 8,000+ 12,500+ 9,500

3

= 10,000 It's 2 years purchase =2x10,000 =20,000 Therefore Govinda's share of goodwill =20,000x<sup>1</sup>/5=4,000

(2) Calculation of profit and loss suspense a/c – Average profit of 3 years = 10,000 Govindas share of profit= 10,000x <sup>1</sup>/5 x <sup>3</sup>/12= 500

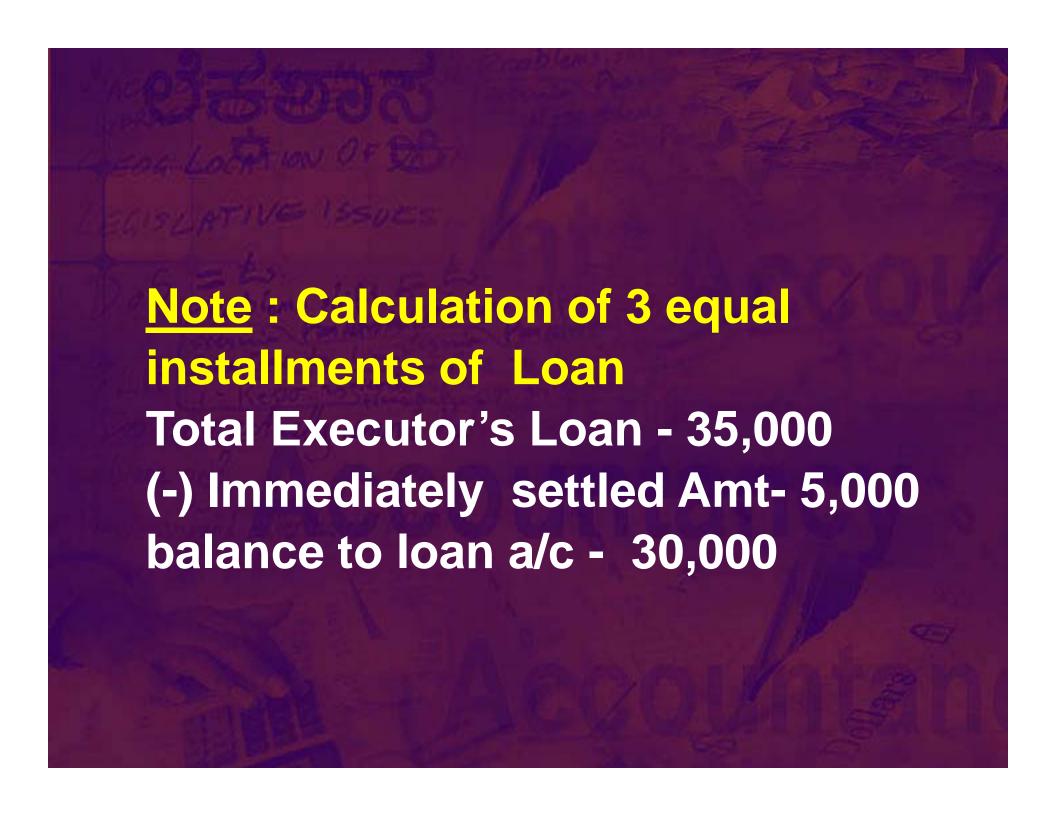


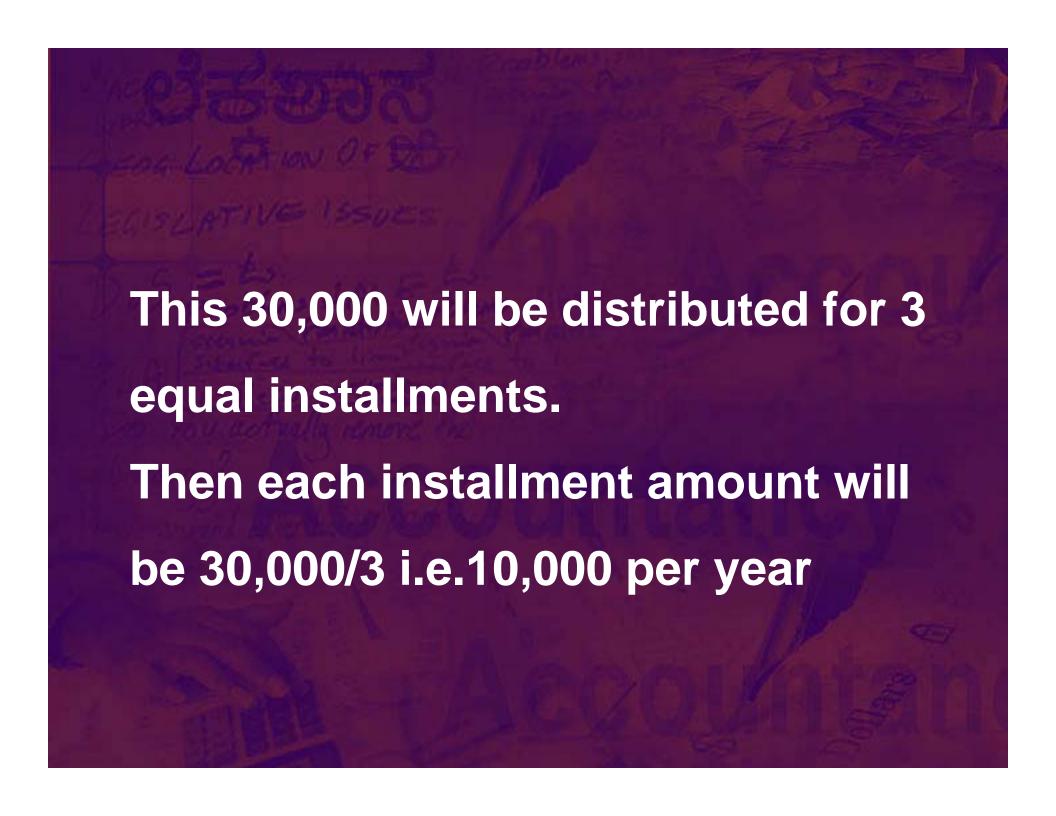


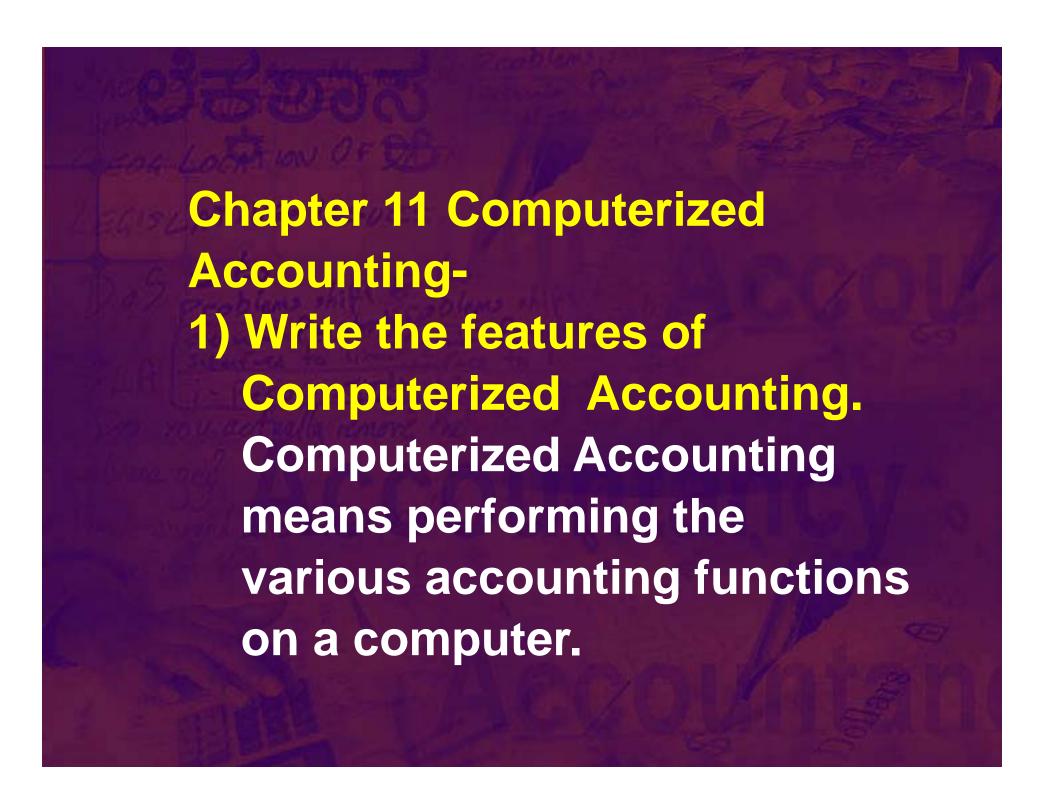
### Y's executor's Loan a/c

	To Bank a/c	5,000	1/1/03	By Y's Capital a/c	35,000
1/1/03	To Bal C/d	30,000		(transferred)	
		<u>35,000</u>			<u>35,000</u>
31/12/04	To Bank a/c (10,000+3600)		1/1/04	By Bal B/d	
31/12/04	To Bal C/d	13,600	31/12/04	By Interest on	30,000
		20,000		Loan a/c (30,000x12/100)	3,600
		33,600			33,600

31/12/05 31/12/05	To bank a/c To Bal c/d (10,000+2400)	12,400 10,000	1/1/05 31/12/05	By bal b/d By Interest on Loan a/c (20,000x12/100)	20,000 2,400
		<u>22400</u>			<u>22400</u>
31/12/06	To Bank a/c (10,000+1200)	11,200	1/1/06 31/12/06	By bal c/d By interest on Loan a/c (10,000+12/100)	10,000 1,200
		11,200			11,200
		11,200			11,







# Its features are -1) Here accounting work is done through computers 2) The work is done at a very high speed.

- 3) An accounting software program is written in a Computer language.
- 4) Computerized accounting work is accurate and free from errors.

5) Here it is possible to prepare various statement and reports from the same accounting records.6) It is cheaper, when compared to

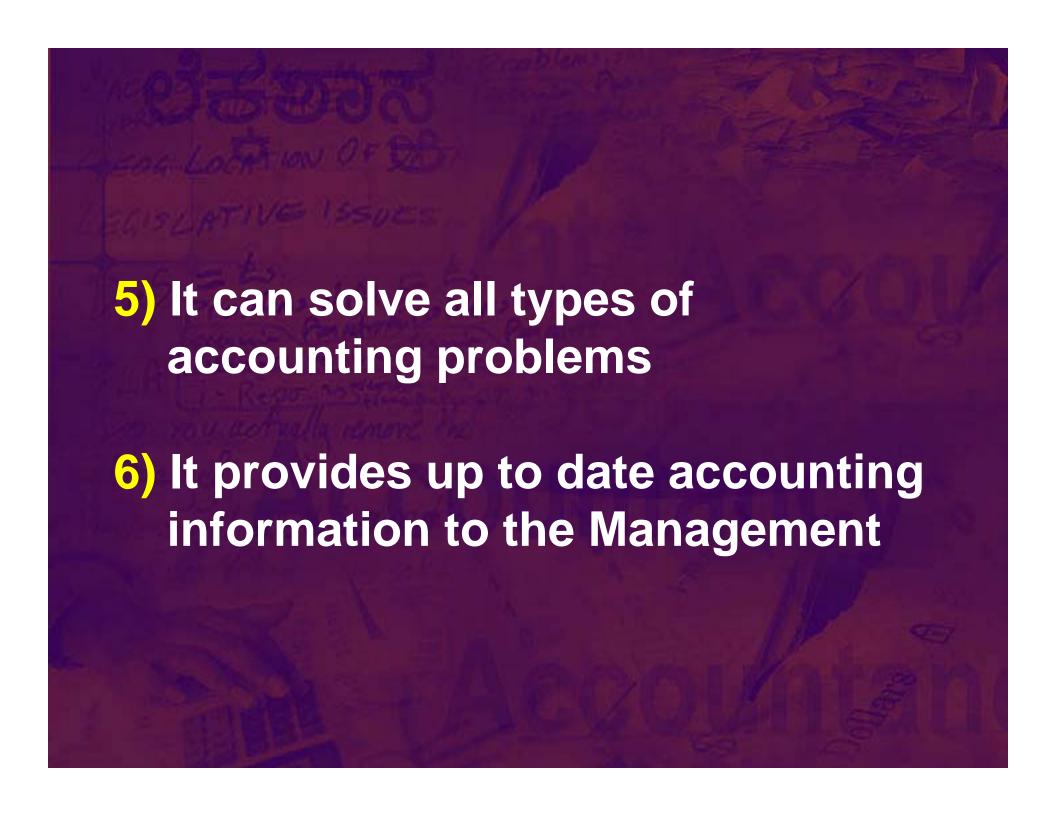
manual accounting system



- 1) Accounting work is done at very high speed
- 2) Computerized accounting is error free

3) It helps in storing large amount of accounting information for future reference

4) It is very flexible as any modifications can be done very easily.

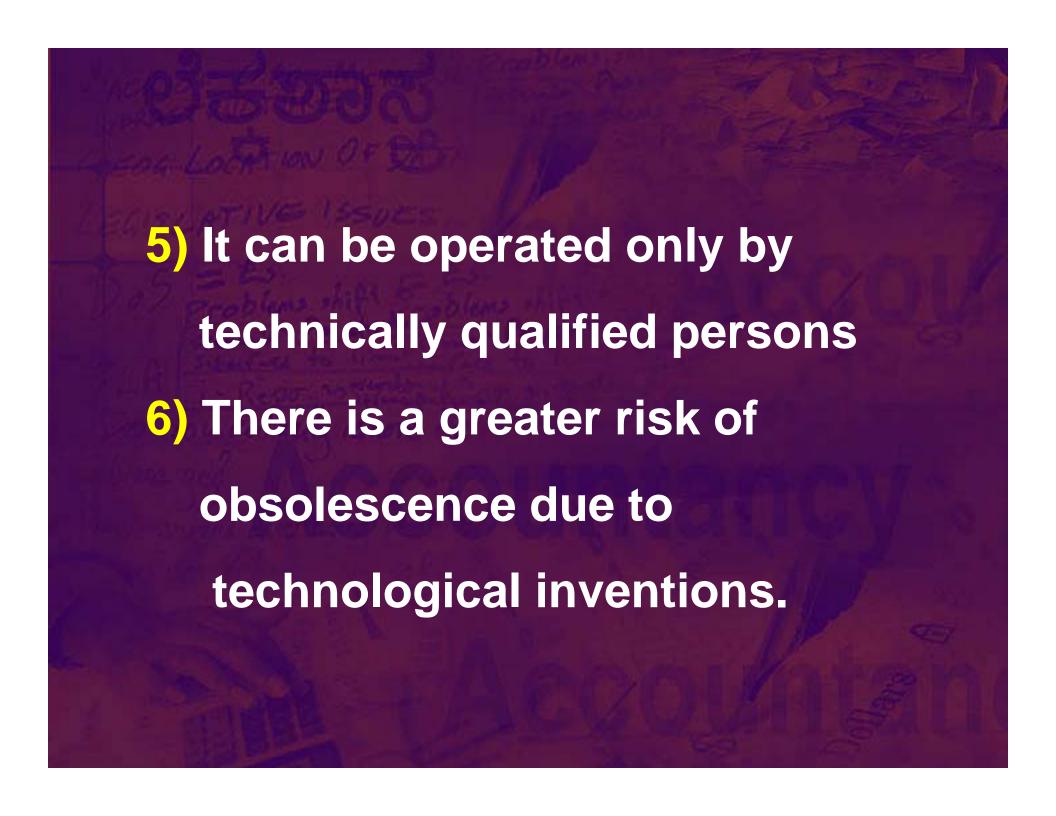




- 1) It requires huge investment at initial stage
- 2) There is the risk of break down of computers. It disturbs the smooth working of computerized accounting system.

3) Data in computer subject to the risk of computer viruses, which may destroy the whole information.

4) It is suitable for large organization, because of heavy maintenance cost.



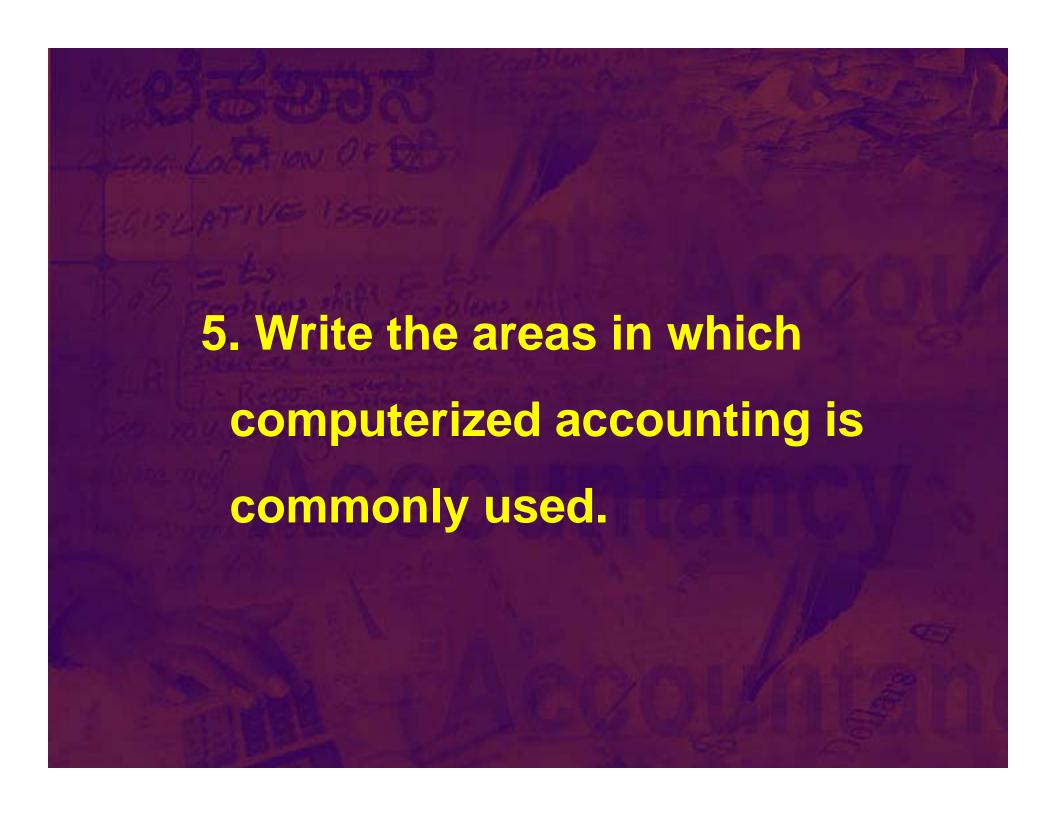
## 4) What are the differences between Manual and computerized accounting?

Manual Accounting	Computerized Accounting
<ul> <li>a) Every accounting work is performed by the employees.</li> <li>b) More time consuming.</li> <li>c) More chance of error and mistakes.</li> </ul>	<ul><li>(a) Every accounting work is done with the help of computers.</li><li>b) Less time consuming.</li><li>(c) More reliable &amp; limited chance of error.</li></ul>

d) No fear of data damaging.

- e) Suitable for small business concerns.
- f) Computer knowledge is not necessary.

- (d) There is the fear of data damaging due to power failure, virus problem etc.
- (e) Best suited for large scale business organizations.
- (f) Computer knowledge is a must for this.



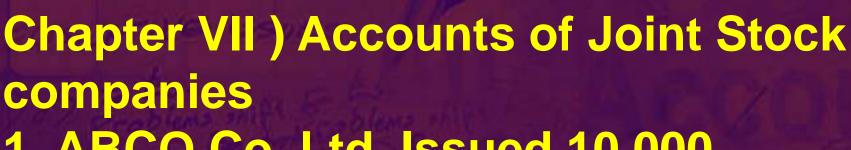
1) Transaction recording-It is an important activity to record transaction in the books of original entry and posting those entries to relevant accounts in the ledger. It must be done regularly to keep accounting information up-to-date.

2) Payroll accounting-periodically the amount payable to employees, allowances, bonus etc. then various deductions for PF, Income tax, etc. have to be calculated accurately, promptly and uniformly by applying uniform rules.

(3) Debtors accounting- Every business maintains debtor's account accurate and up to date, send periodical statement of accounts to debtors and must also send reminders to the debtors regularly. It can be done accurately and easily through computers.

(4) Stores accounting- For effective stores control, there should be efficient stores accounting. It is concerned with maintenance of proper and up to date record and receipts and issue of various items in the stores. Proper up-to-date stores accounting can be easily maintained through computers.

(5) Preparation of Budgets – preparation of cash budget, purchase budget, sales budget, production budget, production cost budget etc involves difficult calculations. Computers can prepare these budgets easily, quickly & accurately. (6) Preparation of financial statements - business undertakings comprise profit and loss account and balance sheet. These statements are prepared from ledger accounts. Now a days computers are widely used for preparation of the financial statement.

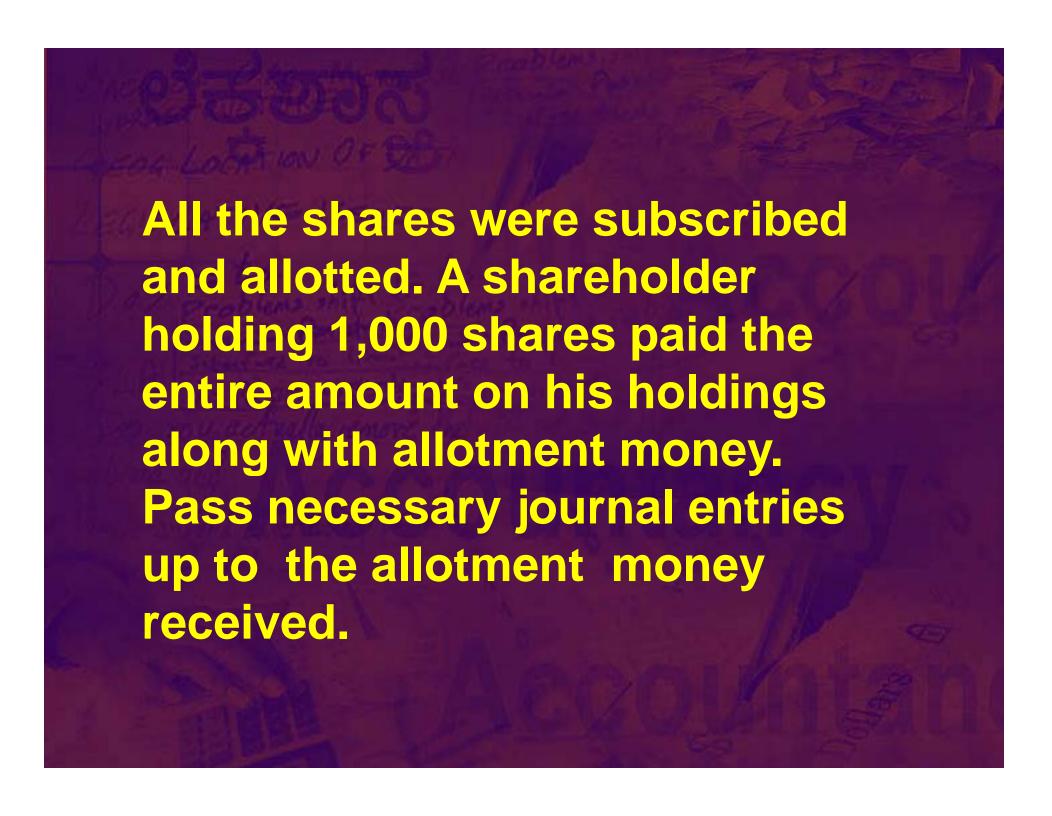


1. ABCO Co. Ltd. Issued 10,000 equity shares of Rs. 10 each Money was payable as under-

Rs. 2/ on application

Rs. 3/ on allotment and

Rs. 5/ on 1<sup>st</sup> and Final call.

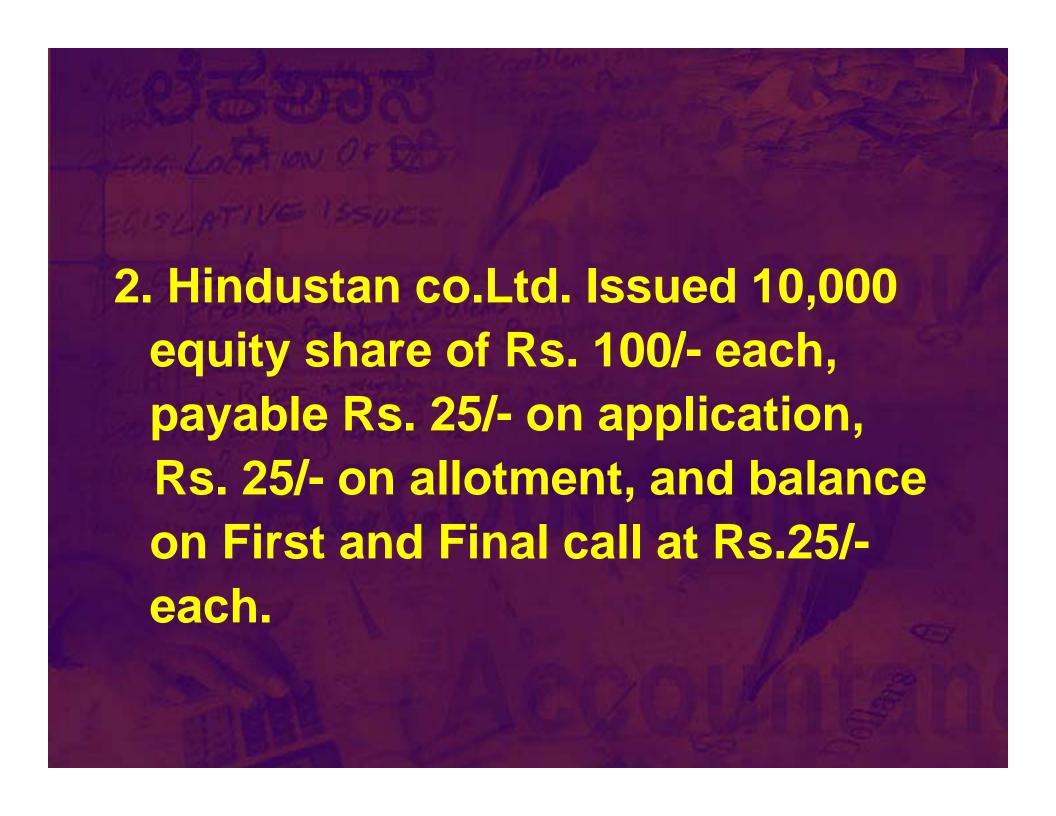


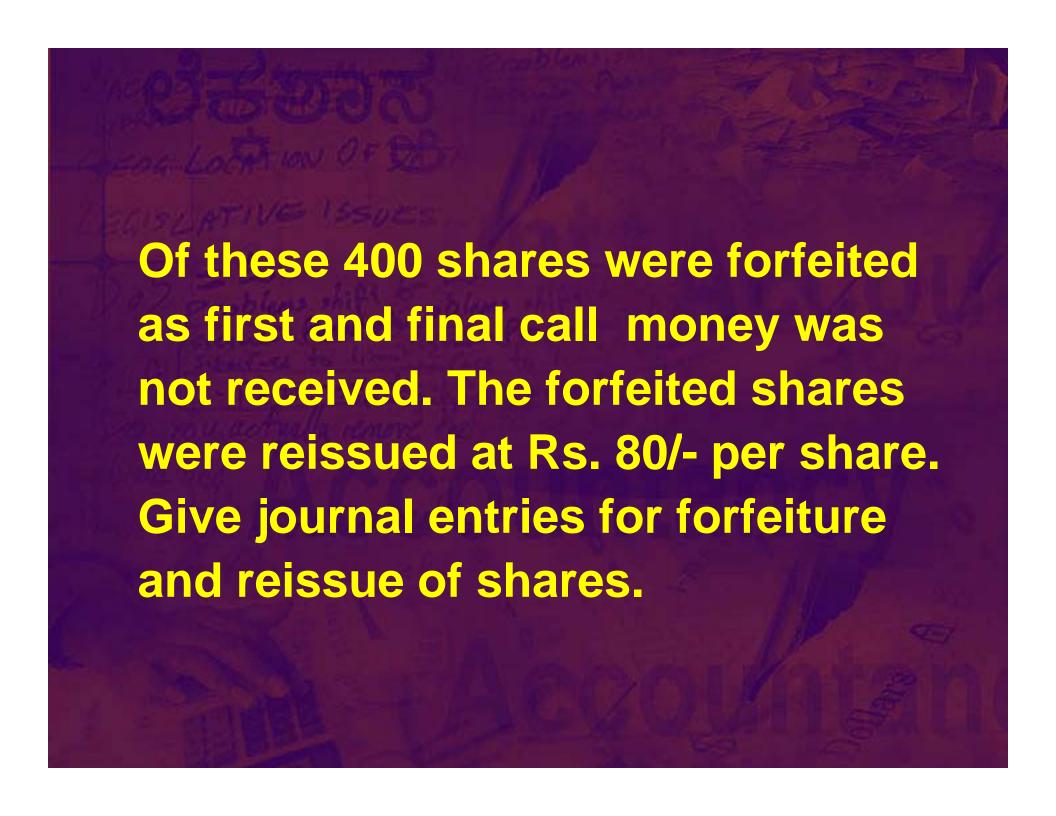
# Journal Entries in the books of ABCO co. Ltd

#### **Solution:**

Date	Particulars	L/F	Dr. (Rs.)	Cr (Rs.)
	Bank A/c Dr.		20,000	
	To Equity Share Application a/c (Being application money received on 10,000 shares of Rs. 2/ each)			20,000
	Equity Share application Dr. To equity Share capital A/c (Being transfer of application money to share capital a/c)		20,000	20,000

	Equity share allotment a/c Dr. To equity share capital a/c  (Being allotment money due on	30,000	30,000
	10,000 shares of Rs. 3 each)		
The state of the s	Bank a/c Dr. To Equity Share allotment a/c " Calls in advance a/c	35,000	30,000 5,000
	(Being allotment money received on 10,000 shares and advance received on 1000		
	shares)		





#### Solution: In the books of Hindustan co. Ltd.

Date	Particulars	L/F	Dr. Rs.	Cr.Rs.
1.	Equity Share capital a/c Dr. (400x100)		40,000	20.000
	To forfeited share a/c			20,000 10,000 10,000

2.	Bank a/c (400x80) Dr. Forfeited shares a/c (400x20) Dr. To equity share capital a/c  (Being re-issue of shares at a discount of Rs. 20/- per share)	32,000 8,000	40,000
3.	Forfeited shares a/c Dr. To Capital Reserve a/c (20,000-8,000)  (Being profit from re-issue transferred to capital Reserve a/c)	12,000	12,000