

ANSWER KEY
ACCOUNTANCY

XII

Q. (i) Which of the following is a tool

Ans. (c) Ratio Analysis

OR

(ii) If the Operating ratio of Pathway Ltd.....

Ans. (d) 70%

Q. (i) Which of the following is not a solvency ratio?

Ans. (b) Return on Investment.

OR

(ii) Which of the following are known as efficiency ratios?

Ans. (c) Activity ratios

Q. Which of the following transactions.....

Ans. (c) Cash received on maturity of marketable securities

Q. Which of the following is not included in

Ans. (d) Trade Receivables

Q. Classify the following items....

Ans.

	Item	Major Head	Sub Head
(a)	Computer Software	Non Current Assets	Fixed Assets- Intangible Or Property, Plant & Equipment and Intangible Asset
(b)	Work in progress	Current Assets	Inventories
(c)	Calls in Advance	Current liabilities	Other Current liabilities

Note:

Full credit to be given for only writing Intangible Asset or Fixed Asset under the Sub head of (i) Computer Software

Q. These ratios are calculated to determine the ability

Ans. Any three of the following Solvency Ratios.

(i) Debt Equity Ratio means the relationship between long term debt and equity. It measures the degree of indebtedness of an enterprise and gives an idea to the long term lender regarding the extent of security of the debt.

(ii) Debt to Capital employed Ratio refers to the ratio of long term debt to the total of external and internal funds. It shows the proportion of long term debt in capital employed.

(iii) Proprietary Ratio expresses relationship of proprietor's funds to net assets. Higher proportion of shareholders funds in financing the assets is apposite feature as it provides security to the creditors.

(iv) Total Assets to Debt Ratio measures the extent of the coverage of long term debts by assets. It indicates the rate of external funds in financing the assets and the extent to which debts are covered by assets.

(v) Interest Coverage Ratio expresses the relationship between profits available for payment of interest and the amount of interest payable. It reveals the number of times interest on long term debts is covered by the profits available for interest.

Q. (a) (i) From the following information.....

(ii) From the following details....

Ans.

(i) Operating Ratio = $\frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Revenue from Operations}}$ 1/2 mark

$$= \frac{₹4,00,000 + (₹80,000 + ₹1,20,000)}{10,00,000} \dots\dots\dots 1 \text{ mark}$$

$$= 60\% \dots\dots\dots 1/2 \text{ mark}$$

(ii) Interest Coverage Ratio = $\frac{\text{Profit before Interest and Tax}}{\text{Interest on Long Term Debt}}$ 1/2 mark

Interest on Long Term Debt = 10% of ₹5,00,000 = ₹50,000

$$\text{Interest Coverage Ratio} = \frac{₹2,00,000 + ₹50,000}{₹50,000} \dots\dots\dots 1 \text{ mark}$$

$$= 5 \text{ times} \dots\dots\dots 1/2 \text{ mark}$$

OR

Q. (b) The Current Ratio of Zenith Ltd.....

Ans.

S.No.	Effect on Ratio	Reason
(i)	Increase	Decrease in Current Assets and Current Liabilities
(ii)	Decrease	Increase in Current Assets and Current Liabilities
(iii)	No Change	No change in Current Assets and Current Liabilities
(iv)	Increase	Increase in Current Assets with No change in Current Liabilities

Q. Read the following hypothetical text....

Ans.

Dr. Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,50,000	By Accumulated Depreciation A/c	90,000
To Bank A/c (purchase)	2,10,000	By Bank A/c (sale)	50,000
		By Statement of P/L (loss)	20,000
		By Balance c/d	7,00,000
	8,60,000		8,60,000

Dr. Accumulated Depreciation on Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	90,000	By Balance b/d	1,50,000
To Balance c/d	1,00,000	By Depreciation A/c	40,000
	1,90,000		1,90,000

Cash Flow from Investing Activities

Particulars	Amount (₹)
Purchase of Machinery	(2,10,000)
Sale of Machinery	<u>50,000</u>
Net cash used in investing activities	(1,60,000)

Cash Flow from Financing Activities

Particulars	Amount (₹)
Issue of Equity share capital	2,00,000
Issue of 10% Debentures	1,00,000
Interest Paid on 10% Debentures	(30,000)
Bank Overdraft taken	<u>15,000</u>
Net cash generated from financing activities	2,85,000