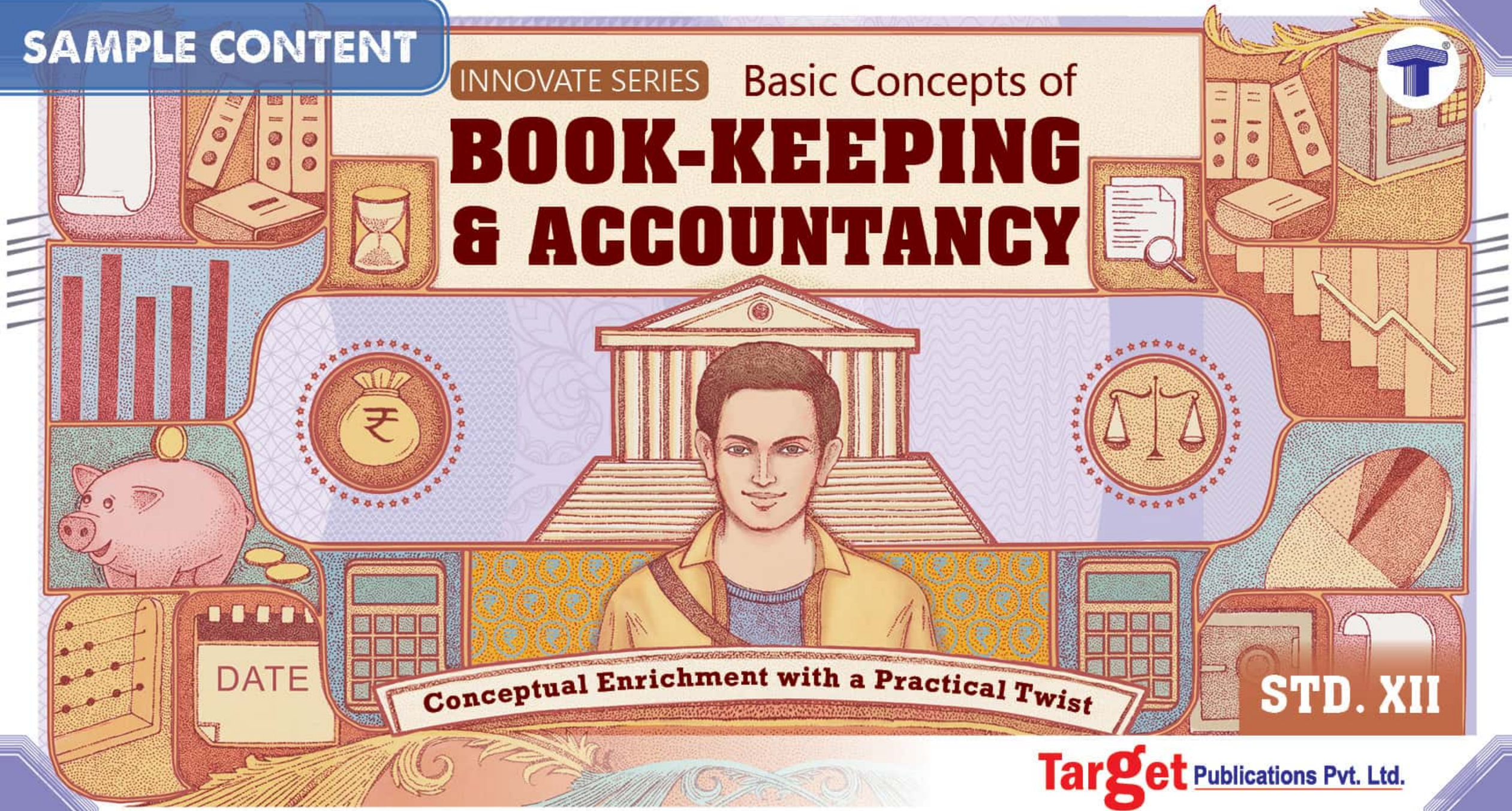
SAMPLE CONTENT

INNOVATE SERIES

Basic Concepts of

BOOK-KEEPING & ACCOUNTANCY



Conceptual Enrichment with a Practical Twist

STD. XII

Target Publications Pvt. Ltd.

INNOVATE SERIES

Basic Concepts of

BOOK-KEEPING & ACCOUNTANCY

Std. XII

Printed at: **Quarterfold Printabilities,** Navi Mumbai

© Target Publications Pvt. Ltd.

No part of this book may be reproduced or transmitted in any form or by any means, C.D. ROM/Audio Video Cassettes or electronic, mechanical including photocopying; recording or by any information storage and retrieval system without permission in writing from the Publisher.

P.O. No. 155485

13260_JUP

SAMPLE CONTENT

INDEX

Sr. No.	Titles	Pg. No.
1	Introduction to Partnership	1
2	Partnership Final Accounts	9
3	Reconstitution of Partnership: Admission of Partner	26
4 & 5	Reconstitution of Partnership: Retirement & Death of Partner	45
6	Dissolution of Partnership Firm	55
7	Accounts for 'Not For Profit Concern'	69
8	Single Entry System	82
9	Bills of Exchange	88
10	Company Accounts Part - I: Accounting for Shares	103
11	Company Accounts Part - II: Accounting for Debentures	118
12	Analysis of Financial Statements	123

Preface

Book Keeping & Accountancy is undoubtedly a fundamental pillar of Commerce. Moreover, it is not a subject that can be mastered by mere rote learning. Conceptual clarity is the key to learning, understanding & scoring in this subject.

Our motive behind creating this tiny, handy book is to facilitate revision and offer a quick access to the fundamentals of Accounts. With its innovative size and presentation, this book becomes far more accessible and readable.

Along with the coverage of key concepts, this book is liberally sprinkled with a variety of innovative exercises like Crosswords, Case Studies, Fill in the Blanks (with hints), Word Mazes etc.

The subject of Book Keeping & Accountancy is delicate and a student is decidedly poised to score full 100 marks in the Board Examination only if he has fundamental clarity.

This book is our humble effort of providing key, conceptual information in a cost effective way. We hope that all the students as well as teachers find it resourceful and purposeful.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us on: mail@targetpublications.org

SAMPLE CONTENT

Disclaimer

This reference book is transformative work based on textual contents published by Bureau of Textbook. We the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

This work is purely inspired upon the course work as prescribed by the Maharashtra State Board of Secondary and Higher Secondary Education, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents, the Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

© Reserved with the Publisher for all the contents created by our Authors.

No copyright is claimed in the textual contents which are presented as part of fair dealing with a view to provide best supplementary study material for the benefit of students.

How to Use the Book

A student may use the book in the following manner:

1. *Read the theory of the chapter thoroughly from your textbook/ notes.*
2. *Seek help of your teachers to understand concepts that you haven't understood yourself.*
3. *Solve the exercises in this book to verify that you have properly understood the concept and become confident that your fundamentals are clear.*
4. *Refer this book at regular intervals for revision of concepts.*

PS: Kindly note that this book is a supplementary reference material and not a replacement to the Textbook or Notes.

SAMPLE COPY

10 Company Accounts Part - I: Accounting for Shares

Meaning

- The share capital of the company is divided into large number of small units of capital. Each such unit known as a **'share'**.
- Shareholders are the owners of the company.
- They enjoy voting rights, are freely transferable and are entitled to profits in the form of **'dividend'**.

1 Let's think

The term 'share' includes stock. Give your opinion.

XYZ Ltd.

Capital - ₹ 10,00,000

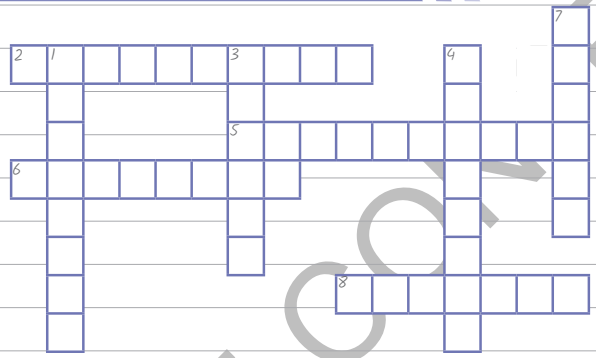
Divided into 80,000 Ordinary shares of ₹ 10 each
2,000 6% cumulative preference shares of ₹ 10 each

This is to certify that ..... is the holder of ..... ordinary shares of ₹ 10 each (fully paid), numbered ..... to ..... inclusive in the above named Company, subject to the Memorandum and Articles of Association thereof.

Date ..... Authorised Signatory .....

SAMPLE COPY

2 Solve the Crossword – Types of Share Capital



Across

2. Amount of capital stated in capital clause of MoA.
5. The Capital that is applied by shareholders and alloted by the company.
6. Amount to be paid as and when demanded by the directors.
8. Portion of capital which is demanded at the time of winding up of the company.

Down

1. Amount of share capital not yet demanded by directors.
3. Shares available for subscription.
4. Shares not available for subscription.
7. Amount actually received by the company from shareholders.

SAMPLE CONTENT

Types of Shares

Equity or Ordinary Shares

- These are those shares that are not preferential shares.
- This means that they do not enjoy any preferential right to dividend and repayment of capital.
- Here, the rate of dividend is not fixed.

Preference Shares

- The preferential shareholder enjoys the right to receive dividend at a pre-determined rate before the equity shareholders.
- The shareholder also possesses the right to receive repayment of capital on winding up of the company before return to equity shareholders.

SAMPLE CONTENT

3 Find the various types of Preference shares from the below word grid

Z	Z	L	C	K	F	R	L	O	M	A	A	E	D	R	B	H	C	I	V
U	J	Y	G	U	B	T	M	C	D	H	L	J	Q	E	V	V	B	V	Y
H	P	A	R	T	I	C	I	P	A	T	I	N	G	D	I	Z	S	Q	N
L	Q	L	I	J	L	H	I	I	R	J	H	G	A	E	Z	T	F	B	O
J	X	I	V	K	I	A	F	C	F	J	J	L	L	E	V	N	T	U	N
D	H	G	U	W	G	V	J	M	D	D	F	K	E	M	E	O	C	C	C
X	R	G	W	S	F	A	W	N	Z	U	B	A	U	A	N	N	U	O	U
Z	G	I	T	J	A	P	J	H	O	K	T	K	C	B	O	P	M	N	M
R	Z	S	Q	S	S	A	J	S	B	U	U	J	V	L	N	A	U	V	U
S	F	Y	O	Z	I	Z	P	X	J	D	S	C	B	E	R	R	L	E	L
I	W	O	Y	T	Q	S	I	U	Q	C	S	D	C	Z	E	T	A	R	A
F	A	S	K	Z	F	S	I	W	M	V	B	O	T	D	D	I	T	T	T
C	N	O	N	C	O	N	V	E	R	T	I	B	L	E	E	C	I	I	I
B	S	O	R	A	I	P	G	H	R	S	A	J	T	E	E	I	V	B	V
N	E	Q	R	L	I	N	R	L	Y	B	O	M	D	W	M	P	E	L	E
E	H	A	J	Q	X	D	T	O	U	H	O	L	S	H	A	A	E	E	M
V	O	I	W	K	P	S	L	O	P	I	R	K	U	F	B	T	T	A	A
T	I	P	W	H	S	W	S	E	I	P	Y	U	Y	Q	L	I	Q	I	C
E	Y	H	O	P	Y	R	U	E	R	J	U	N	V	U	E	N	X	Y	U
J	N	O	O	Z	Y	I	H	X	M	A	J	M	R	E	S	G	G	X	E

SAMPLE CONTENT

Methods of Issue of Capital

PRIVATE PLACEMENT

- Direct sale of shares to a limited number of investors, mainly them being institutional investors.
- Eg: LIC, UTI, NGI, MFs etc.

PUBLIC ISSUE

- **Step 1** : Issue of Prospectus
- **Step 2** : Compulsory listing
- **Step 3** : Application
- **Step 4** : Allotment
- **Step 5** : Calls

> As per SEBI Guidelines, if the company does not receive a minimum subscription of 90% of the issued amount within 60 days from the date of closure of the issue, the company must refund the entire subscription amount.

SAMPLE CONTENT

Subscription to the Issue

Full Subscription	Number of shares offered = Number of shares applied
Under Subscription	Number of shares offered > Number of shares applied
Over Subscription	Number of shares offered < Number of shares applied

In case of over-subscription, the shares are allotted on the basis of Lottery method, Pro-rata basis, Firm allotment method or datewise method.

SAMPLE CONTENT

4 Activity

T Ltd. invited applications for 4 lakh shares of ₹ 10 each payable as ₹ 2 on application, ₹ 5 on allotment and ₹ 3 on call. Applications for ₹ 13,10,000 shares were received and the allotments were made as follows.

Category	Shares applied	Shares allotted
1.	1,00,000	1,00,000
2.	1,00,000	80,000
3.	70,000	20,000
5.	1,80,000	40,000
6.	2,00,000	40,000
7.	6,60,000	1,20,000

Prepare a statement showing the adjustment of application money received if excess money was adjusted towards a sum due on allotment.

Hint

Category	Shares applied	Shares allotted	Application money received	Adjustment of application money received		
				Share capital	Share allotment	Refund

SAMPLE CONTENT

Calls-in-Arrears vs Calls-in-Advance

Calls-in-Arrears

- Amount unpaid on installments.
- Amount due but not collected from the shareholders.
- Deducted from calledup capital.
- As per Table A, interest @5%p.a. to be charged.
- Paid up Capital = Called-up Capital – Calls-in-arrears

Calls-in-Advance

- Amount paid by shareholders in excess of the amount due from them.
- Balance in this account is shown separately under the head 'Share Capital' and should not be added.
- As per Table A, interest @6%p.a. is to be paid on such an amount.

SAMPLE CONTENT

Issue of Shares

AT PAR

- If the issue price of shares is equal to the face value of shares then it is termed as issue AT PAR.
- **Eg:** Face Value: ₹ 10
  Issue Price: ₹ 10

AT PREMIUM

- If the issue price of shares is more than the face value of shares then it is termed as issue AT PREMIUM.
- Eg: Face Value: ₹ 10
  Issue Price: ₹ 12

AT DISCOUNT

- If the issue price of shares is less than the face value of shares then it is termed as issue AT DISCOUNT.
- Eg: Face Value: ₹ 10
  Issue Price: ₹ 9

Securities Premium: Issue Price – Face Value

Eg. Face value = ₹ 10; Issue value = ₹ 12

Then, Securities Premium = ₹ 2

SAMPLE CONTENT

5 Check mark if Securities Premium can be used for the following purposes

1. Issue of bonus shares ☐
2. Pay off Sundry liabilities ☐
3. Provide for Debenture Redemption Reserve ☐
4. Buyback of shares ☐
5. Write off Preliminary expenses ☐
6. Issue of rights shares ☐
7. Provide for premium payable on redemption of preference shares ☐

SAMPLE CONTENT

Journal Entries for Forfeiture of Shares

When shares were originally issued at PAR

Share Capital A/c -------- Dr.
  To Share Allotment A/c
  To First / Second / Third Final Call A/c
  To Calls in Arrears A/c
  To Share Forfeiture A/c

When shares were originally issued at DISCOUNT

Share Capital A/c -------- Dr.
  To Share Allotment / First / Second / Final Call A/c
  To Discount on Issue of Shares A/c
  To Share Forfeiture A/c

When shares were originally issued at PREMIUM

Share Capital A/c ---------- Dr.
Share Premium A/c -------- Dr.
  To Share Allotment / Call A/c
  To Calls in Arrears A/c
  To Share Forfeiture A/c

SAMPLE CONTENT

Journal Entries Re-issue of Forfeited Shares

	When shares were originally issued at PAR	When shares were originally issued at PREMIUM	When shares were originally issued at DISCOUNT
Re-issue of Forfeited shares at PAR	Bank A/c ..... Dr. To Share Capital A/c	Bank A/c ..... Dr. To Share Capital A/c	Bank A/c ..... Dr. To Share Capital A/c
Re-issue of Forfeited shares at PREMIUM	Bank A/c ..... Dr. To Share Capital A/c To Share Premium A/c	Bank A/c ..... Dr. To Share Capital A/c To Share Premium A/c	Bank A/c ..... Dr. To Share Capital A/c To Share Premium A/c
Re-issue of Forfeited shares at DISCOUNT	Bank A/c ..... Dr. Share Forfeiture A/c --- Dr. To Share Capital A/c	Bank A/c ..... Dr. Share Forfeiture A/c --- Dr. To Share Capital A/c	Bank A/c ..... Dr. Discount on issue of shares A/c ..... Dr. Share Forfeiture A/c --- Dr. To Share Capital A/c

SAMPLE CONTENT

6 Activity

Calculate the profit on re-issue:

Rangoonwala Co. Ltd. forfeited 100 shares of ₹ 100 each (allotment time) on which first call of ₹ 30 per share was not yet called up.

Consider the following cases:

a. If 40 of these shares were re-issued as ₹ 80 paid up for ₹ 90 per share

b. If 40 of these were re-issued as ₹ 80 called up for ₹ 80 per share

c. If 40 of these were re-issued as ₹ 80 paid up for ₹ 70 per share

Be Smart!

Step 1: Amount forfeited on shares reissued (Total amount forfeited / No. of shares forfeited x No. of shares re-issued)	xxx
Step 2: (-) Discount on reissue (other than original discount, if any)	(xxx)
Step 3: **Profit on reissue to be transferred to Capital Reserve**	xxx

SAMPLE CONTENT

Answers

1 Let's think

The term share includes stock.

A. Stocks and equity generally refer to the shares and are often used interchangeably in the stock markets. Hence, equity being a type of share, the term 'share' includes stock.

2 Solve the Crossword - Types of Share Capital

Across: 2. Authorised 5. Subscribed 6. Called-up 8. Reserve

Down: 1. Uncalled 3. Issued 4. Unissued 7. Paidup

3 Find the various types of Preference shares from the below word grid

Z	Z	L	C	K	F	R	L	O	M	A	A	E	D	R	B	H	C	I	V
U	J	Y	G	U	B	T	M	C	D	H	L	J	Q	E	V	V	B	V	Y
H	P	A	R	T	I	C	I	P	A	T	I	N	G	D	I	Z	S	Q	N
L	Q	L	I	J	L	H	I	I	R	J	H	G	A	E	Z	T	F	B	O
J	X	I	V	K	I	A	F	C	F	J	J	L	L	E	V	N	T	U	N
D	H	G	U	W	G	V	J	M	D	D	F	K	E	M	E	O	C	C	C
X	R	G	W	S	F	A	W	N	Z	U	B	A	U	A	N	N	U	O	U
Z	G	I	T	J	A	P	J	H	O	K	T	K	C	B	O	P	M	N	M
R	Z	S	Q	S	S	A	J	S	B	U	U	J	V	L	N	A	U	V	U
S	F	Y	O	Z	I	Z	P	X	J	D	S	C	B	E	R	R	L	E	L
I	W	O	Y	T	Q	S	I	U	Q	C	S	D	C	Z	E	T	A	R	A
F	A	S	K	Z	F	S	I	W	M	V	B	O	T	D	D	I	T	T	T
C	N	O	N	C	O	N	V	E	R	T	I	B	L	E	E	C	I	I	I
B	S	O	R	A	I	P	G	H	R	S	A	J	T	E	E	I	V	B	V
N	E	Q	R	L	I	N	R	L	Y	B	O	M	D	W	M	P	E	L	E
E	H	A	J	Q	X	D	T	O	U	H	O	L	S	H	A	A	E	E	M
V	O	I	W	K	P	S	L	O	P	I	R	K	U	F	B	T	T	A	A
T	I	P	W	H	S	W	S	E	I	P	Y	U	Y	Q	L	I	Q	I	C
E	Y	H	O	P	Y	R	U	E	R	J	U	N	V	U	E	N	X	Y	U
J	N	O	O	Z	Y	I	H	X	M	A	J	M	R	E	S	G	G	X	E

SAMPLE COPY

Answers

4 Activity

Category	Shares applied	Shares allotted	Application money received	Adjustment of application money received		
				Share capital	Share allot-ment	Refund
1	1,00,000	1,00,000	2,00,000	2,00,000	-	-
2	1,00,000	80,000	2,00,000	1,60,000	40,000	-
3	70,000	20,000	1,40,000	40,000	1,00,000	-
4	1,80,000	40,000	3,60,000	80,000	2,00,000	80,000
5	2,00,000	40,000	4,00,000	80,000	2,00,000	1,20,000
6	6,60,000	1,20,000	13,20,000	2,40,000	6,00,000	4,80,000

5 Check mark if Securities Premium can be used for the following purposes

Tick mark : 1, 4, 5, 7

Cross mark : 2, 3, 6

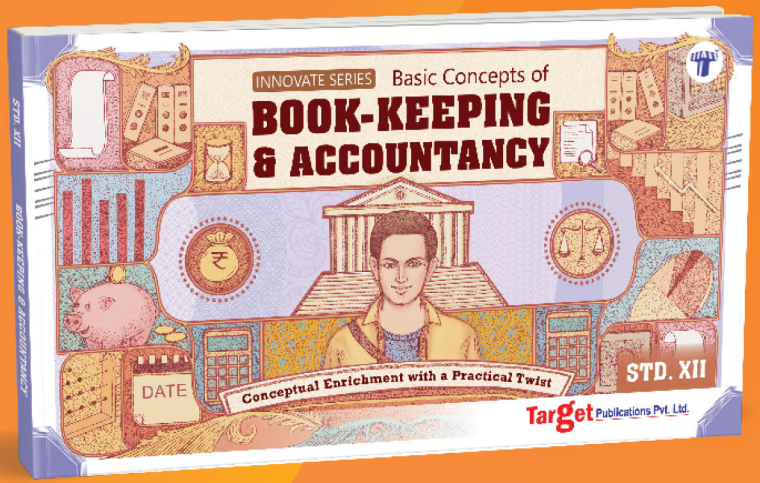
6 Activity

Case I: Amount transferred to Capital Reserve: ₹ 2,000

Case II: Amount transferred to Capital Reserve: ₹ 2,000

Case III: Amount transferred to Capital reserve: ₹ 1,600

SAMPLE CONTENT



SALIENT FEATURES

- Perfect combination of practical and traditional learning.
- Extensive coverage of key concepts.
- Inclusion of innovative exercises such as crosswords, word mazes and case studies.

BUY NOW

Target Publications Pvt. Ltd.

88799 39712 / 13 / 14 / 15
mail@targetpublications.org
www.targetpublications.org