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Class 12 Accountancy

Chapter-wise One-Liner Revision Notes

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Partnership Accounts

Fundamentals

- No deed: profits shared equally, no salary/commission, interest on capital only from profits at 6% p.a. if silent.
- Fixed capital method uses Capital and Current accounts.
- Guarantee deficiency is borne by guaranteeing partners in agreed ratio.

Goodwill Valuation

- Average Profit method: Goodwill = average profit × years' purchase.
- Super Profit = actual average profit – normal profit.
- Capitalisation: Goodwill = capitalised value – net assets.

Admission, Retirement & Death

- Sacrificing ratio = old ratio – new ratio.
- Gaining ratio = new ratio – old ratio.
- Revaluation profit/loss goes to OLD partners in OLD ratio.
- Deceased partner's profit till death estimated on time or turnover basis.

Company Accounts

Shares

- SEBI: minimum application money is 25% of issue price.
- Securities premium usage is restricted to Section 52 purposes.
- Forfeited shares can be reissued at a discount up to the amount forfeited.
- Pro-rata allotment adjusts excess application money to allotment.

Debentures

- Debenture = acknowledgement of debt carrying fixed interest.
- Interest on debentures is a charge against profit (paid even in losses).
- DRR (Debenture Redemption Reserve) as per applicable rules.

Analysis of Financial Statements

Key Ratios

- Current ratio = current assets / current liabilities; ideal 2:1.
- Quick ratio excludes inventory and prepaid; ideal 1:1.
- Debt-Equity = long-term debt / shareholders' funds; ideal 2:1.
- Inventory turnover = cost of revenue from operations / average inventory.
- Operating ratio = (COGS + operating expenses) / net sales × 100.

Cash Flow Statement

- Three activities: Operating, Investing, Financing.
- Depreciation is added back under operating activities.

- Purchase of fixed assets is an outflow under investing.