

# Class 12 Accountancy - Formulas with Explanation & Examples

## 1. Partnership Fundamentals

Interest on Capital = Capital × Rate × Time / 100

Example: If capital is 50,000 at 10% for 1 year → Interest = 5,000

Interest on Drawings = Drawings × Rate × Time / 100

Example: Drawings = 10,000, Rate = 12% → Interest = 1,200

## 2. Goodwill Valuation

Average Profit = Total Profit of past years / Number of years

Goodwill = Average Profit × Number of Years Purchase

Example: Avg Profit = 20,000 and purchase = 3 years → Goodwill = 60,000

Super Profit = Average Profit – Normal Profit

Goodwill (Super Profit Method) = Super Profit × Years Purchase

## 3. Admission of a Partner

New Ratio = Agreed new ratio

Sacrificing Ratio = Old Ratio – New Ratio

Example: Old 3:2, New 2:2:1 → Sacrifice calculated accordingly

## 4. Retirement/Death of Partner

Gaining Ratio = New Ratio – Old Ratio

## 5. Dissolution

Realisation Profit = Assets realized – Liabilities paid

## 6. Financial Ratios

Current Ratio = Current Assets / Current Liabilities

Example: 1,00,000 / 50,000 = 2:1

Quick Ratio = (Current Assets – Inventory) / Current Liabilities

Gross Profit Ratio = (Gross Profit / Net Sales) × 100

Net Profit Ratio = (Net Profit / Net Sales) × 100

Debt Equity Ratio = Total Debt / Shareholders Fund

## **7. Cash Flow Statement**

Operating Cash Flow = Net Profit + Non-cash expenses – Non-operating income