ACCOUNTANCY

(Three hours and a quarter)

(The first 15 minutes of the examination are for reading the paper only.
Candidates must NOT start writing during this time).

Answer ***Question 1 (compulsory)*** *from* ***Part I*** *and any* ***SEVEN*** *questions from* ***Part –II.*** *All working, including rough work, should be done on the same sheet as adjacent to, the rest of the answer.*

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PART I (Compulsory)

Question 1. **[2x15]**

Answer the following questions very briefly and to the point.

(i) What do you mean by 'cost of raw materials consumed'? **[2]**

(ii) Name any **TWO** methods of valuation of goodwill. **[2]**

(iii) Define 'over- subscription'. **[2]**

(iv) Explain Sectional Balancing System. **[2]**

(v) How do you calculate 'working capital'? Write **ONE** method. **[2]**

(vi) Describe the purpose of preparing joint venture account. **[2]**

(vii) Distinguish between a 'fixed capital' and 'fluctuating capital'. **[2]**

(viii) How is direct labour different from indirect labour? **[2]**

(ix) Classify the following under investing activities and financing activities. **[2]**
a) Dividend b) Redemption of debentures
b) Dividend received c) Repayment of loan

(x) How would you disclose contingent liabilities in the balance sheet of a company? **[2]**

(xi) How will you calculate the share of profit of a deceased partner? Write **ONE** way. **[2]**

(xii) Mention the normal requirements needed for the preparation of a Cash Flow Statement.

(xiii) Write **TWO** purposes for which the amount of securities premium can be utilized by a company. **[2]**

(xiv) Give any **TWO** examples of non-cash items in Cash Flow Statement. **[2]**

(xv) State **TWO** distinctions between Bin Card and Stores Ledger. **[2]**

PART II

Answer any **SEVEN** questions.

Question 2. **[10]**

Wangchen & Company's books of accounts provide the following information related to their production unit. Prepare a Stores Ledger based on FIFO method of pricing materials.

2008	Particulars	Units/Rate
June 1.	Stock in hand	50 units@Nu. 10 each
5.	Purchase of materials	150units@Nu. 12 each
7.	Purchase of materials	200units@Nu.15 each
10.	Issue of materials	250 units.
12.	Purchase of materials	100units@Nu.20 each
13.	Returned to suppliers from purchases made on June 7.	10 units
15.	Issue of materials	100 units
18.	Purchase of materials	175units@Nu.25 each
26.	Returned from production department	25 units

On 30th June 2008, the physical verification revealed a stock of 300 units.

Question 3.

Samden limited maintains their books under Self- Balancing System. The following details have been extracted from their books for the year ending 31st March 2005.

Opening Balances:	Amount (Ngultrum)
Purchase Ledger	90, 000
Sales Ledger	70, 000
Sales (including cash sales Nu.24, 000)	100,000
Purchases (including cash purchases Nu. 20,000)	80,000
Cash received from customers	50, 000
Cash paid to suppliers	41, 000
B/R discounted	5,000
B/R endorsed	4,000
Rebate allowed to customers	1,000
Rebate allowed to suppliers	1,500
B/R dishonoured	2,000
B/P dishonoured	2,500
Purchases returns	500
Sales returns	850
Noting charges debited to customers	350
Transfer from purchase ledger to sales ledger	500
Bad debts recovered	1,000
B/R received	6,000
B/P accepted	5,000

Prepare Sales Ledger Adjustment Account and the Purchase Ledger Adjustment Account in the General Ledger.

Question 4.

Following is the Balance Sheet of Ms.Yonten & Company which is prepared by an accountant having little knowledge. You are required to re-draft the Balance Sheet as per Schedule VI, part I of Companies Act given below.

Balance Sheet for the year ending 30th June, 2008.

Assets	Amount(Nu.)	Liabilities	Amount(Nu.)
Plant & Machinery	25,000	Share capital - 20,000 Equity Shares @Nu. 10 each fully called up	2,00,000
Bills payable	49,500		
Cash	30,000		
Land & Building	1,16,500	Preliminary expenses	14,500
Creditors	12,000	6% Debentures	30,000
Calls-in-arrears	3,000	Investment in BOBL	25,000
Stock	30,000	Unclaimed dividend	4,000
Goodwill	25,000	P&L A/c (cr.)	12,000
Furniture	19,000	Bills receivable	23,000
Capital Reserve	15,000	Debtors	14,000
		Authorised capital: 25,000 Equity Shares@Nu.10 each	-
		Share Forfeiture	2,500
	3,25,000		3,25,000

Question 5. **[10]**

Tshomo and Sherab are partners in a firm with capitals of Nu.60,000 and Nu. 50,000 respectively on 1st April 2007.

The partnership deed provides that:

a) Interest on capital to be provided @ 5% p.a.
b) Interest on drawing to be charged @ 4% p.a.
c) Tshomo to get a monthly salary of Nu.500.
d) Sherab is entitled to a commission of 10% on the net profit after charging such commission.
e) The drawings of the partners:
   Tshomo - Nu. 900 per month (drawn in the beginning of each month).
   Sherab - Nu. 800 per month (drawn at the end of each month).

The net profit of the firm for the year ended 31st March 2008 amounted to Nu. 20,000.

Prepare Profit & Loss Appropriation Account and the Partners' Capital Accounts.

Question 6(a).

The directors of DPPL Ltd., forfeited 500 equity shares of Nu. 20 each for non- payment of First Call Nu. 4 per share and Second & Final Calls of Nu. 6 per share, which were issued to Tashi. Out of these, 300 shares were re-issued to Zangpo @ Nu. 18 per share as fully paid.

Pass necessary journal entries for forfeiture and re- issue of shares.

Question6(b). **[5]**

Journalize the following transactions:

a) 100 debentures issued at Nu. 105, redeemable at Nu. 100.
b) 200 debentures issued at Nu. 90, redeemable at Nu. 110.
c) 50 debentures issued at Nu. 95, redeemable at Nu. 100.

Note: The face value of each debenture is Nu. 100.

Question 7. **[10]**

Black & White are partners in a firm sharing profit and losses in the ratio 3:2. Their Balance Sheet as on 1st April 2006 was as follows:

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Creditors	30,000	Cash	12,000
Bills Payable	10,000	Stock	35,000
General Reserve	15,000	Book Debts	28,000
		Machinery	60,000
Capitals: Black White	90,000 75,000	Land & Building	85,000
	2,20,000		2,20,000

They decided to admit Green for one-fifth share on the following terms:

a) Green to bring Nu. 60,000 as his capital and Nu. 10,000 as his share of Goodwill (premium).
b) Stock to be reduced by Nu. 5000; Machinery to be reduced by Nu. 6000 and Land & Building to be valued at Nu. 1,00,000.
c) A provision of 5% on debtors to be created for doubtful debts.
d) It was decided to adjust the old partners' capitals on the basis of new comer's capital proportion.

Prepare Revaluation A/c and Capital Accounts of the Partners.

Question 8(a).

Balance Sheets of Yangki Ltd. as on 31.3.2007 and 31.3.2008 are given below:

Liabilities	Amount (Nu.)2007	Amount (Nu)2008	Assets	Amount (Nu.)2007	Amount (Nu.)2008
Share capital	2,00,000	3,00,000	Goodwill	1,20,000	1,40,000
Debentures	1,50,000	1,00,000	Land	1,40,000	1,75,000
General Reserve	40,000	60,000	Bills Receivable	52,000	55,000
Creditors	50,000	56,000	Customers	40,000	46,000
Bills payable	20,000	18,000	Inventories	86,000	90,000
Depreciation provision	10,000	12,000	Marketable securities	54,000	49,000
Profit& Loss A/c	30,000	14,000	Preliminary expenses	8,000	5,000
	5,00,000	5,60,000		5,00,000	5,60,000

Additional information: A piece of land worth Nu. 40,000, sold for Nu. 25,000.

Prepare a Statement of Changes in Working Capital.

Question 8(b).

Following is the information provided by Yangphel Ltd. **[6]**

Particulars	Amount(Nu.)
Opening Stock	31,000
Closing Stock	25,000
Sales	1,60,000
Cost of goods sold	1,40,000
Debtors	20,000
Gross Profit	20,000
Net Profit	16,000

Ascertain the following ratios:

a) Debtors Turnover Ratio
b) Net Profit Ratio
c) Stock Turnover Ratio

Question 9.

On 1st May 2009, Pemba of Phuntsholing sent a consignment to Tempa of Thimphu, 50 chests of tea containing 100 kg in each chest costing Nu. 40 per kg at a pro-forma invoice of 20% above the cost.
Pemba paid Nu. 2,000 for insurance and Nu. 2,500 for cartage. He drew a bill upon Tempa for Nu. 1,00,000 payable after three months, which was discounted for Nu. 98,000. The discounting charges being charged to consignment.

During the transit, 5 chests of tea were completely damaged due to an accident, for which the insurance company admitted a claim of Nu. 12,000.

Tempa received the remaining consignment. On 30th May, he reported that 40 chests of tea were sold @ Nu. 50 per kg. He spent Nu. 1,200 for storage and Nu. 2,500 as selling expenses. He is entitled to an ordinary commission of 4% and del credere commission of 2% on the total sales.
On 31st May, Tempa settled his dues by a Sight draft.

Prepare Consignment Account ONLY in the books of Consignor.

Question 10. **[10]**

Following is the Balance Sheet of Singye & Sangay, partners in a firm sharing profit and losses in the ratio 3:2.

Liabilities	Amount (Nu.)	Assets	Amount (Nu.)
		Cash	1,500
Capitals: Singye	9,000	Stock	7,500
		Debtors	2,800
		Furniture	3,200
Creditors	16,000	Machinery	6,000
		Sangay's capital	4,000
	25,000		25,000

The firm was dissolved as all the partners became insolvent.

Sundry Assets were realized for Nu. 16,500.
Realisation expenses amounted to Nu.2,000.
Singye was unable to contribute anything from his private estate.

Prepare the necessary ledger accounts to close the books of the firm.