ACCOUNTANCY

(Three hours and a quarter)

(The first fifteen 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 other ***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.*

PART – I

Compulsory

Question 1. **[15x2]**

Answer the following questions very briefly and to the point:

i) What is a contingent liability? Give an example.

ii) Name ***four*** items that are not included in a cost sheet.

iii) Describe the term "Flow of Funds".

iv) State ***two*** advantages of LIFO method of stock valuation.

v) What do you mean by "gaining ratio"?

vi) Explain in what circumstances a company can forfeit its shares?

vii) Distinguish between Joint Venture and Consignment. Give ***two*** points.

viii) Name ***two*** different ledgers maintained under Sectional Balancing.

ix) Define "capital reserve". You need not give examples.

x) Determine debtors' turnover ratio from the following:
1. Credit Sales Nu. 1,50,000; Cash Sales Nu. 1,00,000; B/R Nu. 10,000;
2. Debtors Nu. 5,000.

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xi) Will deficiency be charged to a solvent partner having debit balance under Garner Vs. Murray? Support your answer.

xii) Classify the following into operating activities and investing activities:

1)	Purchase of Machine	2)	Income Tax Paid
3)	Cash received from Debtors	4)	Sale of Investment

xiii) Differentiate between Cost Centre and Cost Unit.

xiv) Why are assets and liabilities revalued at the time of admission of a partner?

xv) List down any *four* profitability ratios.

PART – II

Answer any SEVEN questions.

Question 2. [10]

Following is the list of assets and liabilities of Grow Well Co. Ltd., prepare the Balance Sheet of the Company as per the Schedule VI, Part I of the Companies Act.

Liabilities	Nu.	Assets	Nu.
Sundry Creditors	1, 00,000	Cash In Hand	79,800
General Reserve	50,000	Cash at Bank	1,500
Interest on Debentures	28,000	Investments	95,000
Authorised Share Capital:		Preliminary expenses	9,000
1, 20,000 shares of Nu. 10		Loans and Advances	95,000
Per share	12, 00,000	Goodwill	50,000
Subscribed Capital:		Buildings	6, 00,000
80,000 shares @ Nu. 10	8, 00,000	Plants	
		Machinery	5, 04,000
Less: Calls in Arrears 15,000	7, 85,000	Stock	10,000
Profit & Loss A/c	75,000	Debtors	1, 65,300

6% Debentures	6, 00,000	Furniture	14,000
Bills payable	76,000	Bills receivable	90,000

Question 3. [10]

Singye, Dawa and Penjor were partners sharing as 20%, 40% and 40% respectively.

Their Balance Sheet was:

Liabilities		Nu.	Assets	Nu.
Sundry Creditors		80,000	Cash in Hand	3,000
Reserve Fund		10,000	Book Debts	1, 00,000
Bank Loan		20,000	Investments	30,000
Capitals:			Land & Building	1, 27,000
	Singye	10,000		
	Sangay	1, 00,000		
	Sonam	40,000		
		2, 60,000		2, 60,000

The Firm was dissolved on 31st December, 2005 due to the insolvency of Singye on the following terms :

a) Dawa to take over investments at Nu. 20,000.

b) Creditors were discharged with 5% discount and the Bank Loan was paid in full.

c) All the assets were realized at Nu. 1,55,000. Realisation expenses amounted to Nu. 3,000.

d) Singye could not contribute anything to the firm and his deficiency was borne by Dawa and Penjor.

Prepare Realisation Accounts & Partners' Capital Accounts adopting Garner VS Murray rule.

Question 4.

From the following information available from the books of Dolkar Manufacturing Co., for the month ending 30th June 2005, prepare a cost sheet.

Particulars	Nu.
Raw materials	1, 28,000
Advertising	2,500
Lubricants	1,500
Direct Wages	20,000
Carriage Inwards	12,000
Motive Power	3,000
Lighting & Heating (factory)	1,000
Sales	2, 50,000
Administrative expenses	2,500
Charity	1,500
Showroom expenses	5,000
Travellers' expenses	3,000
Carriage Outwards	2,000
Depreciation of Machinery	3,500
Unproductive wages	2,000
Interest on Capital	1,250
Audit Fees	2,500
Chargeable expenses	10,000
Director's Fees	1,500

Question 5.

Prepare " Total Debtors Account" and Total Creditors Account in the General Ledger of X Co. Ltd. from the following information:

Particulars	Nu.
Opening Balance of Debtors	40,000
Opening Balance of Creditors	30,000
Credit Sales	1, 00,000
Cash Sales	65,000
Credit Purchases	85,000
Cash Purchases	38,000
Return Inwards	4,000
Return Outwards	2,500
Cash received from customers	85,000
B/R received	15,000
Bad debts recovered, previously written off	4,500
B/R dishonored	3,200
Cash paid to the suppliers	70,000
Transfer from Purchase Ledger to Sales Ledger	3,000
Transfer from Sales Ledger to Purchase Ledger	4,500
Bad debts	1,750
Discount allowed to the debtors	2,000
B/P accepted	3,700
Rebate allowed by the creditors	2,200
Endorsed bills dishonored	5,700
Provision for discount on debtors	2,800

Question 6.

The following is the Balance Sheet of Lepo, Norbu and Wangdi as on 31st December 2004.

Liabilities	Nu.	Assets	Nu.
Capital A/cs:			
Lepo	40,000	Buildings	36,000
Norbu	20,000	Investments	6,000
Wangdi	20,000	Debtors	24,000
		Stock	32,000
Sundry Creditors	24,000	Cash in Hand	17,000
General Reserve	11,000		
	1, 15,000		1, 15,000

Lepo, Norbu and Wangdi were sharing profits and losses in the ratio 2/5, 2/5 and 1/5. On 31st March 2005, Wangdi died and his executors were entitled to the following amounts:

a) Wangdi's Capital account balance.
b) Interest on capital Nu. 300.
c) His share of goodwill Nu. 10,000.
d) His share of profit from the closing date of the accounting year to the date of death amounted to Nu. 1,500.

Wangdi's executors were paid Nu. 2,800/- on 1st April 2005 and the balance in four equal yearly installments with an interest @ 6% p.a. being 1st installment paid on 31st December 2006.

Draw up Wangdi's Capital A/c and his Executors' A/c till it is fully paid.

Question 7.

a) Galaxy Co. Ltd., issued equity shares of Nu. 20 each, payable as follows: [5]

On application	Nu. 6
On allotment	Nu. 6
On first call	Nu. 4
On final call	Nu. 4

The directors of the company forfeited the shares of Mr. X, holding 300 shares for non-payments of allotment and calls money. Out of which 250 shares were reissued to Mr. Y for a total payment of Nu. 4,000.

Pass necessary journal entries for the forfeiture and re-issuance of shares only.

b) Global Ltd., issued 10% debentures of Nu. 20, 00,000 at 8% discount, redeemable at par. Assume that the debentures are redeemed by drawing method in the following manner: [5]

Year end	Face value (Nu.)
2	2,00,000
3	4,00,000
4	6,00,000
5	8,00,000

Prepare Discount on Issue of Debentures Account.

Question 8.

Rita and Riku carried on a business in partnership sharing profit and losses in the ratio 3:1. Their Balance Sheet as on 31st December 2004 stood as under:

Liabilities	Nu.	Assets		Nu.
Capitals:		Land & Building		1, 00,000
Rita	1, 50,000	Plant & Machinery		45,000
Riku	80,000	Furniture		5,000
		Stock		80,000
Creditors	1, 50,000	B/R		55,000
B/P	35,000	Debtors	82,500	
General Reserve	20,000	Less: Provision	2,500	80,000
		Cash		70,000
	4, 35,000			4, 35,000

They agreed to admit Raini on 1st Jan. 2005 on the following terms:

i) She was to bring in Nu. 70,000 as her capital for 1/5th share in profits.

ii) Goodwill of the firm was valued at Nu. 2, 00,000. Raini was to bring half of her share of goodwill in cash and the other half was raised in the books.

iii) Stock and Furniture to be depreciated by 10% of debtors.

iv) The value of land and building to be appreciated by 20%.

You are required to prepare the necessary ledger accounts and the new B/S of the firm.

Question 9.

From the B/S of M/S Domchen Ltd., make out a cash flow statement.

Liabilities	Nu. 2004	Nu. 2005	Assets	Nu. 2004	Nu. 2005
Equity share capital	3, 00,000	4, 00,000	Goodwill	1, 15,000	90,000
10% PS Capital	1, 50,000	1, 00,000	Building	2, 00,000	1, 70,000
Reserve Fund	40,000	70,000	Machinery	80,000	2, 00,000
PxL A/C	30,000	48,000	Debtors	1, 60,000	2, 00,000
Creditors	55,000	83,000	Stock	77,000	1, 09,000
B/P	20,000	16,000	B/R	20,000	30,000
Provision for Taxation	40,000	50,000	Cash in hand	15,000	10,000
Proposal Dividend	42,000	50,000	Cash at Bank	10,000	8,000
	6, 77,000	8, 17,000		6, 77,000	8, 17, 00

Question 10. [10]

Banerji of Kolkatta, consigned 1,000 toys costing Nu. 80 each to Namgey of Phuentsholing at a proforma invoice price of Nu. 100. The expenses incurred by the consigner on the consignment were: Cartage Nu. 100; freight Nu. 700 and insurance Nu. 200. He also drew a bill for Nu. 20,000 as an advance on the consignee.

100 toys were totally destroyed by fire in the godowns of the consignee.

Namgey could sell 600 toys at Rs. 120 each incurring the following expenses: Customs duty Rs.8000, dock dues Rs. 2500; warehousing Rs. 450 and selling expenses Nu. 2500. He is entitled to a commission of 5% on the gross sale proceeds.

Prepare Consignment A/C only in the books of Consigner, showing all the calculations.

This booklet contains 9 pages.