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).

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*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.*

PART I (Compulsory)

Question 1. **[2x15]**

Answer briefly each of the items (i) to (xv) in this question.

(i) What is prime cost? **[2]**

(ii) Mention **TWO** situations where goodwill is valued. **[2]**

(iii) State **TWO** circumstances under which a company can issue shares at discount. **[2]**

(iv) What is the meaning of funds and flow in relation to fund flow statement? **[2]**

(v) How is abnormal loss treated in joint venture account? Explain. **[2]**

(vi) Write **TWO** ways in which retiring partner's due is paid off. **[2]**

(vii) Give **TWO** examples of cash inflow from financing activities. **[2]**

(viii) Compare work- in progress and finished goods. **[2]**

(ix) Arrange the following expenses as direct and indirect expenses: **[2]**
a) Carriage inward b) Royalty
c) Power d) Showroom expenses

(x) Differentiate between stock and stores. **[2]**

(xi) Write **TWO** differences between sectional balancing system and self- balancing system. **[2]**

(xii) Distinguish between 'Profit & Loss account' and 'Profit & Loss appropriation account'.

(xiii) Non- operating items are added to net profit while preparing funds from operation. Why? Give **ONE** reason. **[2]**

(xiv) How is the 'expenses on issue of shares' treated in the balance sheet? **[2]**

(xv) What will be the effect on cash from operation by the following? **[2]**

a) Decrease in stock b) Increase in debtors
c) Decrease in creditors d) Increase in Bills Payable

PART II

Answer any **SEVEN** questions.

Question 2.

Mr. Penjor furnishes the following data relating to the manufacture of Wood-product during the month of August 2011. **[10]**

Opening Stock		(Nu.)
- Raw materials		23,000
- Finished goods (2,400 units)		103,200
Closing Stock		
- Raw materials		20,900
- Finished goods (1600 units)		?
Raw materials purchased		1,10,000
Expenses on purchases		5,900
Interest on loan		15,000
Insurance on materials purchased		1,600
Scrap value of defective raw materials		600
Productive wages: 20% of materials consumed		
Work expenses		20,400
Office expenses		6,800
Selling expenses: 10% on sales		
Unit produced	3,400 units	
Selling price	Nu. 60/unit	

You are required to prepare a statement of cost showing per unit cost of sales and profit.

Question 3.

From the books of Coca cola Co.Ltd, ascertain that on 1.1.2007, the debtor's balance was Nu. 40,000 and the supplier's balance was Nu. 31,155. The following particulars were available for the year ended 31.12.2007. Prepare General Ledger Adjustment Account in Debtor Ledger and Creditor Ledger.

Particulars	Amount (Nu.)	Particulars	Amount (Nu.)
Sales	3,18,700	Returned inward	5,000
Credit purchases	1,99,800	Returned outward	2,600
Cash purchases	50,000	Transfer	1,000
Cash paid to creditors	1,26,500	B/R endorsed	3,000
Discount allowed	11,600	Bad debt	1,600
Cash received from debtors	2,76,000	Bad debt recovered	600
B/P matured during the year	49,000	Discount received	7,300
B/R received	20,300	B/P accepted	60,000
B/R dishonoured	1,300	Cheque issued to creditors	3,000

Question 4. **[10]**

From the books of Druk Cement Co. Ltd, prepare a balance sheet in the form prescribed under the Schedule VI part I of the Company's Act as on 31.12.2009.

Particulars	Amount(Nu.)
Share capital	6,30,000
Livestock	80,000
Calls-in-arrears	25,000
Capital reserve	1,54,000
Creditors	3,15,500
Preliminary expenses	30,000
Stores	90,000
Wage due	29,000
Brokerage on shares	12,000
Unexpired insurance	10,000
Cash in office	2,00,000
Employees' benefit fund	15,000
Bad debt provision	6,500
Machinery	5,08,000
Loose tools	1,30,000
Debtors	1,20,000
Unclaimed dividend	5,000
Profit and loss A/c	2,00,000
15% Debentures	1,00,000
Investments	2,50,000

Question 5.

On 31st March, 2008, Mr. Norbu retired from a partnership business and his share of the following was ascertained on that date.

Particulars	Amount(Nu)
Capital	1,00,000
Goodwill	7,000
Drawings	15,000
Interest on Drawings	1500
Interest on Capital	9,000
Profit & Loss A/C(Dr)	2,000
Revaluation Loss	1500

Norbu is to be paid Nu. 6,000 in cash on retirement and the balance is to be kept with the firm as a loan and is to be paid to Norbu by three equal annual instalments, with interest @ 6% per annum. Interest being calculated on the outstanding balances. The first instalment was paid on 31st December, 2008 and subsequent payments were made on 31st December each year.

You are required to prepare

i) Norbu's Capital Account and
ii) Norbu's Loan Account.

Question 6 (a). **[5]**

BCCL forfeited 300 shares of Nu. 10 each, fully called up, held by Mr. Karma for non payment of allotment money of Nu. 3 per share and final call money of Nu. 4 per share.
Out of these shares 250 were re-issued to Dorji for a total payment of Nu. 2,000.

Pass journal entries for forfeited and re-issue of shares.

Question 6 (b). **[5]**

Record the journal entries in the following cases.

i) Issued Nu. 5,000, 10% debentures par, redeemable at par.

ii) Issued Nu. 20,000, 12% debentures at discount of 10% redeemable at par.

iii) Issued Nu. 30,000, 8% debentures at par, redeemable at 10% premium.

Question 7.

Kinley and Dorji are partners sharing profits in the ratio of 3:2. Their balances stood as under on 31.12.2006.

Balance Sheet

Particulars	Amount(Nu.)	Particulars	Amount(Nu.)
Creditors	38,500	Cash	28,000
Outstanding liability	4,000	Stock	15,000
Bills payable	20,000	Prepaid Insurance	1,500
Capitals:		Debtors 9,400	
Kinley 30,000		(-) Provision 400	9,000
Dorji 20,000	50,000		
		Machinery	19,000
		Building	35,000
		Furniture	5,000
	1,12,500		1,12,500

Wangdi is admitted as a new partner bringing capital of Nu. 16,000. The new profit sharing ratio is decided as 5:3:2. Wangdi is unable to bring in any cash for goodwill. So, it is decided to raise goodwill account amount being calculated on the basis of Wangdi's share in profit and capital contributed by him.

Following revaluation are made

i) Stock to be depreciated by 5%.
ii) Provision for doubtful debt is to be Nu.500.
iii) Furniture to be depreciated by 10%.
iv) Buildings are valued at Nu. 40,000.

Show necessary ledger accounts and the balance sheet of the new firm.

Question 8 (a). **[6]**

i) From the following information, Compute Quick ratio:
Prepaid expenses Nu. 20,000, Account receivable Nu. 200,000, Cash Nu. 60,000, Marketable securities Nu. 40,000, Machinery Nu. 10,000, Expenses payable Nu.80,000, Bills payable Nu. 40,000, Accounts payable Nu. 80,000, Debentures Nu. 400,000 and Stock Nu. 80,000.

ii) A firm has a current ratio of 3:1. Its net working capital is Nu. 2,00,000. You are required to determine current assets.

iii) From the following information, calculate creditors at the beginning of the year.
Total purchases Nu. 22,00,000
Cash purchases (included in above figure) Nu. 10, 00,000
Creditors turnover ratio - 4 times
Closing creditors Nu. 2, 50,000

Question 8 (b).

From the following information, calculate funds from operation as on 31st Dec. 2010.

		(Nu.)
(i)	Net Profit for the year ended 31st Dec. 2010	23000
(ii)	Amortization of preliminary expenses	3000
(iii)	Loss on sale of old furniture	1250
(iv)	Transferred to Reserve Fund	1500
(v)	Goodwill written off	4000
(vi)	Machinery worth Nu.25000(book value) has been sold for Nu.26500 during the year	
(vii)	Depreciation charged on Plant & Machinery @10%. (Original Cost Nu.135000)	

Question 9. **[10]**

Find the stock balances at the end of January month using LIFO method of pricing from the following information

2011	Particulars	Units/Rate
January 1	Balance in hand	100 units @ Nu. 1.10 per unit
January 2	Received	200 units @ Nu. 1.20 per unit
January 10	Issued	150 units
January 14	Received	100 units @ Nu. 1.30 per unit
January 15	Transfer from department A to B	20 units
January 18	Issued	150 units
January 23	Returned to the store from the issue on 10th Jan.	20 units
January 26	Received	100 units @ Nu. 1.40 per unit
January 30	Wastage	10 units
January 31	Issued	110 units

Question 10.

Seldon, Tshomo and Eden were partners in a firm sharing profits and losses in the ratio of 1:2:2. The balance sheet of the firm as on 30th June on which date the firm was dissolved, is given below. **[10]**

Balance Sheet as on 30th June, 2011.

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Capitals:		Land & Building	4,00,000
Seldon	20,000	Machinery	2,50,000
Tshomo	3,60,000	Furniture	1,80.000
Eden	2,40,000	Debtors	1,12,000
Bank Loan	3,25,000	Cash in hand	3,000
	9,45,000		9,45,000

The assets realized and liabilities paid off are as under:

i) Bank loan paid off in full.
ii) Machinery and furniture were taken over by Eden at Nu. 2,25,000 and Nu. 1,60,000 respectively.
iii) Land & Building and Debtors realized Nu. 4,38,000.

Seldon became insolvent and could not contribute anything to the firm. The deficiency of Seldon's capital account was ultimately borne by Tshomo and Eden as per the method applied in Garner Vs Murray case.

Prepare Realization and Partners' Capital Accounts.