

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.*

PART I (Compulsory)

Question 1.

[2x15]

Answer the following questions very briefly and to the point.

- i) Write **TWO** ways in which retiring partner's due is paid off. [2]
- ii) Mention **ONE** advantage and **ONE** disadvantage of FIFO method of stock valuation. [2]
- iii) Explain the treatment of normal loss in stock valuation. [2]
- iv) Explain the meaning of 'debentures issued as collateral security'. [2]
- v) Give **FOUR** examples of selling and distribution expenses. [2]
- vi) Give the journal entry for the transfer of normal balance from Creditors ledger to Debtors ledger under Sectional Balancing System. [2]
- vii) Pema and Tashi are partners sharing profits in the ratio 3:2. Dema is admitted for 1/3rd share in profits which she acquires wholly from Pema. Calculate the new profit sharing ratio. [2]
- viii) Gangjung limited invited applications for 12000 shares of Nu. 10 each. Applications were received for 16000 shares. Name the kind of subscription. Give **THREE** alternatives for allotting shares. [2]
- ix) Quick Ratio = 2:1, Current Assets = Nu. 15,000, Current liabilities = Nu. 50,000. Calculate the value of stock. [2]

- x) Compare work - in progress and finished goods. [1]
- xi) Distinguish between 'Profit & Loss account' and 'Profit & Loss appropriation account'. [1]
- xii) Arrange the following expenses as direct and indirect expenses: [2]
 - a) Carriage inward b) Royalty
 - c) Power d) Showroom expenses
- xiii) How would you disclose contingent liabilities in the balance sheet of a company? Give **TWO** ways. [2]
- xiv) 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
- xv) The consignor draws a Bill of Exchange on the consignee before the consignment is sold. Give **TWO** justifications. [2]

PART II

Answer any **SEVEN** questions.

Question 2. [10]

Damchen agency sent 100 tins of petrol to their agent in Trashiyangtse to sell on consignment. Each tin contains 50 litres, each litre costing Nu. 100. He spent Nu. 5000 to send the consignment. The agent on receipt of the consignment, spent Nu. 3000 towards duty and clearing charges and Nu. 1000 for godown rent and remitted Nu. 200,000 by a sight draft as an advance.

Agent is entitled to 10% commission on gross sales. 70 tins were sold at Nu. 200 per litre including 5 tins on credit. Meanwhile, 5 tins were lost and agent could realize only 70% of the claim. The agent settled his account by a bill.

Show Consignment Account and Goods Sent on Consignment Account.

Question 3.

[10]

Kelzang and Peday entered into a joint venture for underwriting 60,000 equity shares of Nu. 10 each in PCA Ltd. They paid the following expenses as per the agreement:

- | | | |
|------|--------------------------|------------------------|
| i) | 9000 (paid by Kelzang) | Registration fee |
| ii) | 7500 (paid by Peday) | Advertisement |
| iii) | Nu. 4000 (paid by Peday) | Printing & Stationery |
| iv) | by Kelzang) | Postage Nu. 2000 (paid |

The prospectus was issued and application fell short of issue by 12000 shares. Peday took over these shares on behalf of joint venture and paid for the same in full. The venturers received 7000 fully paid shares as underwriting commission. The partnership sold all the shares. Kelzang received the sale proceeds of 12,000 shares amounting to Nu. 1,15,000 and Peday received the sale proceeds of 7000 shares amounting to Nu. 65,000.

You are required to prepare Joint Venture Account and Peday's Account in the books of Kelzang.

Question 4.

[10]

The particulars mentioned below have been extracted from the books of Ugyen Trading Company who keeps its ledgers under self balancing system.

Opening balances:

- Bought ledger (Cr.) 53,400
- Sold ledger (Dr.) 49,000
- Sold ledger (Cr.) 2,300

Closing balance:

- Sold ledger (Cr) 2,500

Transactions during the month of October 2009

Particulars	Amount(Nu)
Cash collected from debtors	1,60,000
Cash paid to creditors	1,19,000
Discount allowed	4,000
Discount received	3,200
Bad debts written off	2,800
Bad debts recovered	1,100
Transfer from creditors ledger to debtors ledger	4,000
Credit purchases	1,32,000
Cash purchases	32,000
Credit sales	2,15,000
Cash sales	37,000
Purchases returns	3,600
Sales returns	4,500
B/R received	18,000
B/R dishonored	1,500
B/P granted	16,000

Prepare:

- i) G
 eneral Ledger Adjustment Account in Bought ledger and
- ii) G
 eneral Ledger Adjustment Account in Sold ledger.

Question 5.

[10]

A, B and C started a partnership business on 1st January 2008. They contributed Nu. 40,000, Nu. 50,000 and Nu. 60,000 respectively as their capitals.

The partnership deed provides the following:

- i) A
 and B are entitled to annual salary of Nu. 4000 and Nu. 6000 respectively.
- ii) C
 is entitled to a commission of Nu. 8000.
- iii) I
 nterest on capital and drawings are 10% p.a and 8% p.a respectively.
- iv) O
 f the first Nu. 18,000 divisible as profit in any year, A is entitled to 40%, B to 30% and C to 30%. Annual profit in excess of Nu. 18,000 are divisible equally.

v)

is entitled to a rent of Nu. 2000 per month for the use of his premises by the firm.

The Net Profit of the firm for the year ended 31st December, 2008 before providing for any of the above clauses was Nu. 2,28,000

During the year B withdrew Nu. 1000 in the beginning of every month and C withdrew Nu. 1500 at the end of every month.

From the above, draft Profit & Loss Appropriation Account only for the year ended 31st December 2008.

Question 6.

[10]

The Balance Sheet of Karma and Dechen who were sharing profits in the ratio of 3:1 as on 31st March 2009 was as follows:

Liabilities	Amount(Nu)	Assets	Amount(Nu)
Creditors	15,000	Cash	5,000
Bills payable	11,000	Debtors 12,000	
Provident fund	20,000	Less:Provision - <u>2000</u>	10,000
General reserve	10,000	Stock	8,000
Capital accounts:		Plant & Machinery	30,000
Karma - 50,000		Land & Building	90,000
Dechen - <u>40,000</u>	90,000	Advertisement	
		Suspense A/c	3,000
	1,46,000		1,46,000

They decided to admit Kinzang into the partnership firm giving 1/3rd share on the following terms:

- i) Kinzang must bring Nu. 40,000 as capital and Nu. 9,000 as his share of goodwill. K
- ii) Provision for doubtful debts would be increased to Nu. 2500. P
- iii) Stock would be depreciated by 10% and Plant & Machinery would be revalued at Nu. 27,000. S
- iv) Land & Building would be appreciated by Nu. 15,000. L
- v) One supplier has surrendered his claim of Nu. 2500 due to defective supply. O

- vi) The capital accounts of the old partners must be adjusted on the basis of Kinzang's capital by opening the necessary Current Accounts.

From the above prepare

- | | | |
|----|----------------------------|---|
| a) | | R |
| | evaluation Account and | |
| b) | | P |
| | partners' Capital Accounts | |

Question 7.

[10]

Sonam and Pemo were partners in a firm sharing profits and losses in the ratio 7:3. Their capitals on 1.4.2007 were:
Sonam - Nu. 20,000
Pemo - Nu. 15,000 and their current account balances on that date stood as: Sonam Nu. 4,000 (Cr.) and Pemo Nu. 1,800 (Dr.).

It was provided in the partnership deed that before distribution of profit:

- i) Interest on capital account of the partners were to be allowed at 5% p.a. on fixed capital.
- ii) Interest on the total drawings was to be charged @ 4% p.a. for 6 months on an average.
- iii) Sonam was to receive salary of Nu. 250 per month.
- iv) A sum of Nu. 1,387 was to be transferred to the reserve fund.

The profit and loss account of the firm for the year ending 31.03.08, showed a net profit of Nu. 18,000.

The partners' drawings were:

Sonam Nu. 2,000 and Pemo Nu. 1,600. Sonam advanced a loan of Nu. 3,000 to the firm on 1st July,2007 and the same was still unpaid along with the interest.

You are required to prepare a Profit and Loss Appropriation Account and Partner's Current Account.

Question 8.

The balance sheet of Leki Ltd as at 31.12.2008 and 2009 were as follows:

Assets	31.12.08	31.12.09
Goodwill	16,000	12,000
Land & Building	84,000	1,32,000
Plant & Machinery	1,20,000	1,60,000
Stock	50,000	42,000
Debtors	60,000	48,000
Cash	60,000	4800
	3,90,000	3,98,800
Liabilities	13.12.08	31.12.09
Equity share capital	2,00,000	2,00,000
Preference share capital	1,00,000	80,000
General reserve	40,000	40,000
Profit & Loss A/c	22,000	38,000
Provision for income tax	18,000	22,000
Creditors	10,000	18,800
	3,90,000	3,98,800

Additional information:

- i) D
 decrease in working capital: Nu. 84,000
- ii) D
 During the year 2009, a part of machine costing Nu. 1500 (accumulated depreciation there on being Nu.500) was sold for Nu. 600.
- iii) D
 Depreciation on Machinery for 2009 was provided at Nu. 10,000

Calculate fund from operation and prepare a Fund Flow Statement.

Question 9.

[10]

The following balances have been extracted from the books of Tashi Ltd on 31st December, 2009.

Particulars	Amount(Nu)
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Land & Building	3,50,000
Profit & Loss A/c(Dr)	15,000
Employee's benefit fund	40,000
Calls-in-arrears	10,000
Formation expenses	26,000
Provision for depreciation(Plant &Machinery)	10,000
Shares forfeited A/c	8,000
Securities premium	60,000
Interest accrued on investment	8,000
Plant & Machinery(original cost)	2,10,000
Called up capital	6,00,000
Copy right	50,000
Debenture	1,00,000
Investment	1,00,000
Calls in advance	18,000
Unexpired insurance	3,000
Stock-in-trade	36,000
Bills receivable	40,000
Work-in-progress	18,000
Debenture sinking fund	30,000

Prepare the Balance Sheet of the company as per Schedule VI Part I of the Companies Act.

Question 10.

- a) Zimdra Ltd issued 5,000 equity shares of Nu. 20 each at a discount of Nu. 2 per share payable as under:
- i) Application – Nu. 4 per share
 - ii) Allotment – Nu. 4 per share
 - iii) First call – Nu.6 per share
 - iv) Second and final call – Nu. 4 per share

[7½]

Mr. Jigme who applied for 100 shares was allotted 60 shares. Excess Application money received was adjusted towards allotment money. Jigme's shares were forfeited on his failure to pay allotment money and subsequent calls.

Of the forfeited shares, 40 shares were re-issued @ Nu. 17 per share credited as fully paid.

Show the necessary journal entries on forfeiture and re-issue only.

- b) A company issued 1000 (13%) debentures of Nu.100 each at a discount of 5% repayable at a premium of 5% at the end of 5 years. Pass journal entry.

[2½]