

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, adjacent to the rest of the answers.

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PART I (Compulsory)

Question 1

[2x15]

Answer the following questions very briefly and to the point:

- i) Name **TWO** items which appear both in Total debtors account and Total creditors account. [2]
- ii) Explain perpetual inventory method of stock valuation. [2]
- iii) Briefly describe super profit method of calculating the value of goodwill. [2]
- iv) Discuss any **TWO** limitations of cash flow statement. [2]
- v) Pass the journal entry for the claim received from insurance company in the preparation of Joint venture account. [2]
- vi) Match the items of column A against that of column B. Rewrite the matching pair in your answer sheet. [2]

Column A

Column B

- | | |
|------------------------------|---|
| a) Interest on capital. | 1. Profit and loss appropriation account. |
| b) Retirement by partners. | 2. 6% per annum. |
| c) Rent paid to partner. | 3. Fixed capital method. |
| d) Partners current account. | 4. Gaining ratio. |
| | 5. Profit and loss account. |
| | 6. Sacrificing ratio. |

- vii) Write **ONE** example each for secured loan and unsecured loan. [2]

- viii) How do you treat bills receivable discounted in the preparation of company balance sheet. [2]
- ix) Write **TWO** differences between normal loss and abnormal loss of inventories. [2]
- x) Mention **TWO** differences between direct cost and indirect cost. [2]
- xi) Distinguish between Joint bank method and memorandum Joint venture method of recording joint venture transactions. [2]
- xii) Give **TWO** comparisons between cash flow statement and fund flow statement. [2]
- xiii) Can debtors ledger have credit balance? Give reasons. [2]
- xiv) Explain the treatment of unrecorded assets on dissolution of partnership firm. [2]
- xv) Find out whether the following transactions would result in the inflow, outflow or no flow of fund. [2]
 - a) Cash paid to creditors.
 - b) Redemption of debentures.

PART II

Answer any **SEVEN** questions

Question 2 [10]

Khamsum Construction Company issued prospectus inviting application for 50,000 equity shares of Nu.100 each at a premium of Nu.10, payable as follows:

- Nu. 25 on application,
- Nu. 50 on allotment (including premium) and the balance on call.

The company received applications for 65,000 shares and it was decided to allot as follows :

- i) To refuse allotment for 5,000 shares.
- ii) To allot in full to the applicants of 10,000 shares.
- iii) To allot the balance shares on pro-rata basis among the other applicants.

The excess application money is to be utilized towards allotment.

Ugyen, to whom shares were allotted in full, did not pay the amount due on allotment on 1000 shares. His shares were forfeited and it was reissued at Nu. 95 fully paid. The amount due on call was not made.

Pass the journal entry to record the above transactions.

Question 3

- a) The following balance sheet has been prepared by an inexperienced accountant of Sangay Ltd.

[5]

Balance sheet as on 31st December 2013

Assets	Nu.	Liabilities	Nu.
Cash in hand	1,12,600	Equity share capital (50,000 shares of Nu.10 each)	5,00,000
Outstanding expenses	900	Bank overdraft	1,100
Security premium	57,500	Stock	38,400
Calls in-arrears	27,500	Preliminary expenses	20,000
Prepaid expenses	11,000		
Land and building	3,50,000		
	5,59,500		5,59,500

You are required to redraft the above Balance sheet as per schedule VI part I of company act.

- b) Damchoe Ltd. purchased assets of the book value of Nu. 16,00,000 and took over liabilities of Nu. 2,50,000 from Wangyel Ltd. Purchase consideration of Nu. 14,25,000 was paid by the issue of 13% debenture at a discount of 5%. Journalize.

[3½]

- c) Yangzom Ltd. purchased land and building for Nu. 10,00,000 payable as to 10% by cheque and the balance by issue of 9,000, 10% debenture of Nu.100 each. Give the journal entry.

[1½]

Question 4.

[10]

Druk Petroleum Distributor of Phuentsholing consigned 800 barrels of kerosene to Tobden Petroleum Distributor of Wangdue at a cost of Nu.1,500 per barrel. Druk Petroleum Distributor paid Nu.15,000 as carriage and Nu.25,000 on account of freight and insurance. During the transit 20 barrels of kerosene were accidentally destroyed by fire, for which Royal Insurance Corporation of Bhutan Ltd. paid Nu.25,000 in full settlement of the claim.

Tobden Petroleum Distributor took delivery of the goods and immediately accepted a bill drawn by Druk Petroleum Distributor for Nu.2,00,000 for 4 months. After 4 months from the date of consignment, Tobden Petroleum Distributor reported that 700 barrels of kerosene were sold @ Nu.2,000, the expenses being Nu.2,000 on unloading, Nu.1,500 on godown rent and Nu.3,000 on salesman salaries. Tobden Petroleum Distributor is entitled to a commission of 8% in sales. Tobden Petroleum Distributor also reported a loss of 10 barrels of kerosene due to leakage in the godown.

You, as an accountant working with Druk Petroleum Distributor, are required to prepare the consignment account and consignee account.

Question 5.

The following particulars are extracted from the books of Tshomo for the year ending 31st March 2012.

Opening debtors balance Nu. 89,000 (Dr.) and Nu.1,500 (Cr.)

Transactions for the year	Amount (Ngultrum)
Total sales (cash sale being $\frac{1}{3}$ of credit sales)	2,00,000
Cash received from customers	83,900
Cheque received from customers	35,000
Cash discount allowed	3,000
Trade discount allowed	15,000
Rebate allowed	2500
B/R received	25,000
B/R discounted	5,000
Bank charges on bills discounted	250
Cash received on maturity of bills of exchange	7700
B/R dishonoured	3600
Cheque of customers dishonoured	4200
Bad debt written off	1600
Bad debt recovered	350
Provision for doubtful debt	3000
Provision for discount on debtors	1500
Returns from customers	4000
Refund to a customer for overpayment	150
Allowances to customers on goods damaged	900
Sundry charges debited to customers	60
Interest charged to customers	40
Legal expenses for recovery of debts charged to customers	200
Debts due from debtors set off against the amount owing to them as creditors	1500
Closing debtors balance (Dr.?)	650 (Cr.)

You are required to prepare a General Ledger Adjustment Account ONLY as it would appear in debtors ledger.

Question 6.

Karma and Dawa are partners in a firm sharing profit and loss in the ratio of 2:1. Their balance sheet of the firm as on 31st December 2012 is given below.

Liabilities	Amt (Nu.)	Assets	Amt (Nu.)
Sundry creditors	15,000	Cash	20,000
General reserve	15,000	Bills Receivables	15,000
Capitals:		Stock	40,000
Karma	1,80,000	Plant and machinery	75,000
Dawa	90,000	Land and building	1,50,000
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	3,00,000		3,00,000

Pema is admitted as a partner on the following terms:

- i) The new profit sharing ratio among Karma, Dawa and Pema will be 5:3:2.
- ii) Pema will introduce Nu. 90,000 as capital and pay his share of goodwill in cash, Goodwill to be valued at 3 years purchase of the average profits of the past 4 years. The profits of the past 4 years were: Nu.7,000, Nu.8,000, Nu.10,000 and Nu.15,000.
- iii) Assets are to be revalued as under:

Stock	Nu. 38,000
Plant and Machinery	Nu. 70,000
Land and Building	Nu. 1,54,000

Prepare Revaluation Account, Capital Account of all the partners, and Balance Sheet of the new firm.

Question 7.

- a) Tshering, Nima and Dema were partners sharing profit and loss in the ratio of 3:1:1. On 31st December 2012 their balance sheet stood as follows:

[7]

Liabilities	Nu.	Assets	Nu.
Capital A/c		Land and building	4,00,000
A – 300,000		Plant and machinery	2,80,000
B – 250,000		Stock	60,000
C – 200,000	750,000	Bills receivable	40,000
General Reserve	50,000	Cash	35,000
Bills payable	15,000		
	<hr/>		<hr/>
	8,15,000		8,15,000

Nima passed away on 30th June 2013. According to the partnership deed in the event of death of a partner:

- i) goodwill is to be valued at 3 years purchase of the average profit of the preceding five years.
- ii) the deceased partner's share of profit from the date of the last balance sheet till the date of death is to be calculated on the basis of the average of three completed years profit before death.
- iii) interest on capital is to be allowed @ 6% pa.

The profit and loss for the preceding years were:

2005	—————>	Nu 50,000
2006	—————>	Nu.40,000
2007	—————>	Nu.15,000
2008	—————>	Nu.15,000 (loss)
2009	—————>	Nu.35,000

Nima's drawing in 2013 amounted to Nu. 16,000. Interest charged on drawing amounted to Nu.2,000.

A sum of Nu.18,000 was paid to Nima's executors in cash and the balance was to remain as a loan with the firm.

You are required to prepare Nima's capital account.

- b) Kinley, Sonam and Duba are partners sharing profit and loss in the ratio of 3:2:1. Duba retires and Kinley and Sonam decided to share the future profit in the ratio of 4:3. Goodwill does not exist in the books of the firm but it is valued at Nu.42,000. [3]

Calculate the gaining ratio and pass an adjusting entry for goodwill, without raising goodwill in the books of the firm.

Question 8. [10]

The following sets of final accounts relate to Dawa Nima Carpet Ltd.
Calculate:

- i) Quick ratio
- ii) Operating net profit ratio
- iii) Proprietary ratio
- iv) Stock turnover ratio
- v) Debt turnover ratio

Trading and Profit and loss a/c of Dawa Nima Carpet Ltd
for the year ended 30th June 2013

Particulars	Amt (Nu)	Particulars	Amt(Nu)
To opening stock	64,000	By sales:	
To purchases	64,000	Credit sales → 120,000	
To carriage	2,000	Cash sales → 80,000	200,000
To wages	8,000	By closing stock	20,000
To gross profit	82,000		
	2,20,000		2,20,000
To office expenses	28,000	By gross profit	82,000
To selling expenses	7,500	By profit on sale of motor vehicle	1,000
To Debenture interest	3,000	By interest and dividend on investment	2,500
To loss on sale of fixed assets	4,000		
To income tax	6,000		
To net profit after tax	37,000		
	85,500		85,500

Balance sheet of Dawa Nima Carpet Ltd as on 30th June 2013

Liabilities	Amount	Assets	Amount
Equity share of Nu. 100	2,00,000	Land and building	1,92,000
10% preference sales	50,000	Plant and machinery	80,000
10% debenture	30,000	Stock	20,000
General reserve	10,000	Debtors	35,000
Profit and loss a/c	37,000	Bills receivable	8,000
Creditors	12,000	Cash	7,000
Outstanding rent	3,000		
	3,42,000		3,42,000

Additional information:

Opening debtors were 5,000 less than the closing debtors.

Question 9.

[10]

The balance sheet of Karma, Lhaden and Rinzin as on 31st March 2012 was as follows:

Liabilities	Nu.	Assets	Nu.
Sundry creditors	14,000	Cash	50,500
Bills payable	7,500	Debtors	40,000
Karma's loan	9,000	Joint life policy	45,000
Rinzin's loan	10,000	Stock	64,000
Life policy fund	45,000	Machinery	100,000
Capital: Karma	120,000	Furniture	60,000
Lhaden	100,000	Goodwill	8,000
Rinzin	80,000	Profit and loss a/c	18,000
	385,500		385,500

The firm was dissolved on 1st of April 2012 and the following arrangements were made.

- i) Debtors realized in full with exception of one item of Nu.2,000 which proved bad.
- ii) Life policy was surrendered for Nu.40,000.
- iii) Creditors allowed a discount of Nu.1,000.
- iv) Karma paid realization expenses of Nu.5,000 and took over the stock at a discount of 10%.
- v) Machinery and furniture were divided equally between Karma and Lhaden at the book value.
- vi) Rinzin agreed to accept Nu.9,500 in full settlement of his loan account and took over the goodwill at a valuation of Nu. 9,000.

Prepare

- i) Realisation a/c
- ii) Rinzin's loan a/c

Question 10.

[10]

The following are the details supplied by PCAL in respect of Gypsum for the month of January 2013.

2009		
Jan 1	Opening stock	60 @ Nu. 50/- per ton
3	Purchased	60 tons @ Nu. 60/- per ton
4	Issued	40 tons
7	Issued	25 tons
11	Purchased	25 tons @ Nu. 55/- per ton
17	Issued	45 tons
21	Returned from production department out of Issue on 17 th January	10 tons
27	Issued	20 tons
29	Transfer from production department to marketing department	5 tons

During stock verification, Store Keeper reported a shortage of 10 tons on 9th January. Prepare stores ledger using First In First Out method for the month of January 2013.