

## 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).*

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*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.*

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### PART I

#### Question 1.

Answer the following questions very briefly and to the point.

[2x15]

- (i) When does a Joint Stock Company issue shares at a premium?
- (ii) List any **TWO** advantages of a cost sheet.
- (iii) Write any **TWO** distinctions between a Cash Flow Statement and a Fund Flow Statement.
- (iv) Give **TWO** advantages of LIFO method of Stock Valuation.
- (v) What are the essential features of the rule, Garner Vs Murray?
- (vi) Compare a company's balance sheet with a firm's balance sheet giving two points.
- (vii) What is the treatment of normal loss of goods in Consigned Account?
- (viii) State the objective of making ledgers self-balancing?
- (ix) Give **TWO** examples of miscellaneous expenditures appearing under Schedule I of the Company Act.
- (x) Explain the term flow of funds by giving an example.
- (xi) Explain the treatment of rent paid to a partner for the use of his premises by the firm.

- (xii) State with reasons whether the following would result in an inflow, outflow or no flow of funds.
  - (a) Amount transferred to Provision Taxation.
  - (b) Tax refund.
- (xiii) How will you deal with the opening and closing stock of finished goods while preparing a cost sheet?
- (xiv) How will you deal with the following in the absence of a partnership agreement?
  - (a) Salary payable to a whole time partner
  - (b) Interest on partner's loan.
- (xv) Write any **TWO** factors that are to be kept in mind while analyzing the financial ratio?

## PART II

*Answer any SEVEN questions*

### Question 2.

[10]

Penden Cement Authority Limited issued 100,000 equity shares of Nu.15 each at a Premium of Nu.1 per share, payable as follows:

On application Nu. 5.

On allotment Nu. 6 (including premium).

On first and final call Nu. 5.

All sums were duly received except the allotment and call money on 1000 shares.

These shares were forfeited and later re-issued at Nu. 14 per share as fully paid.

Pass the necessary journal entries to record the above transactions.

### Question 3.

P and Q were the partners in a firm sharing profits in the ration 3:2. Their balance sheet on 31<sup>st</sup> December 2005 stood as follows:

Liabilities	Amount (Nu.)	Assets	Amount (Nu.)
Capital :		Building	22000
P –	8,000	Debtors	8,000
Q –	6,000	Stock	6,500
Sundry Creditors	26000	Bills Receivable	5,000
Bills Payable	3,000	Cash	1500
	43,000		43,000

The firm was dissolved on the above date. All the assets except cash were realized at Nu. 39,000. The creditors and the Bills Payable were paid in full. The realization expenses came to Nu. 880. Prepare Realisation Account and Partner's Capital Accounts.

### Question 4.

[10]

From the following particulars, prepare a Cost Sheet showing:

- Prime Cost
- Work Cost
- Cost of Production
- Cost of sales and
- Profit on Sale of Goods

	Nu.
Sales Men's salary	20,000
Manager's salary (3/4 <sup>th</sup> to Factory; 1/4 <sup>th</sup> to office)	60,000
Audit fees	3000
Direct Wages	46,000
Rent and Rates:	
Factory	44,000
Office	12,000
Lighting and Heating:	
Factory	18,000
Office	9,000
Sale of Scrap	2,000
Direct Materials	100,000
Depreciation :	
Plant	5,000
Office Furniture	3,000
Carriage inward	2,000
Advertising	6,000
Sales	250,000

**Question 5.**

[10]

From the following particulars and information prepare General Ledger Adjustment Accounts in Sales Ledger and Purchase Ledger:

	Nu.
Debtors balance on 1.1.05 (Dr.)	23,000
Debtors balance on 1.1.05 (Cr.)	1,500
Creditors balance on 1.1.05 (Dr.)	1,000
Creditors balance on 1.1.05 (Cr.)	17,000
Purchases	30,000
Sales	60,000
Cash paid to creditors	25,000
Cash received from debtors	35,000
Discount allowed	500
Discount received	250
Sales Return	3,450
Purchase Return	800
Bills Receivable drawn	10,000
Bills Receivable dishonored	3,000
Discount allowed to customer, later on disallowed	100
Bill Receivable endorsed	1,000
Bills Receivable endorsed, dishonored	450

Bills Payable accepted	5,050
Transfer of debit balance from Sales Ledger to Purchase Ledger	600
Bad debts	400
Provision for Bad debts	750
Debtors balance on 31.12.05 (Cr.)	250
Creditors balance on 31.12.05 (Dr.)	150

**Question 6.**

[10]

Karma and Dorji are partners sharing profits and losses in the ratio 2:1 respectively. Choke is admitted as a new partner on the basis of the following balance sheet:

Liabilities	Assets	Nu.
Capital Accounts :	Premises	60,000
Karma                      70,000	Plant & Machinery	20,000
Dorji                        35,000	Sundry Debtors	32000
Sundry Creditors          60,000	Stock	45,000
	Bank	8,000
1,65000		1,65000

The following terms were agreed on:

- The new profit sharing ratio would be 2 : 3: 3
- Choke is to contribute Nu. 42,000 as her capital and Nu. 6750 as her share of goodwill.
- Karma's capital after the admission of Choke is to be reduced to Nu. 60,000.
- Karma is to be charged with any loss arising from revaluation.
- Assets are to be revalued as follows:

Stock Nu. 42,000; Plant & Machinery Nu. 18,000;  
Premises Nu. 61,000; Sundry Debtors 10% less than book value.  
Pass necessary journal entries for the above.

**Question 7.**

[10]

From the following list of assets and liabilities prepare a Balance Sheet of Leki Ltd.  
As per Schedule VI, Part I of the Company Act.

	Nu.
Authorised share capital:	
1, 50,000 shares of Nu. 10 each.	
Subscribed capital; 120,000 shares @ Nu. 10 each	1200,000
<u>Less</u> Calls-in-arrear	<u>40,000</u>
	1160000
General Reserve	40000
Profit & Loss A/c (Cr.)	30000
5% Debentures	400000
Interest on Debentures	35000
Sundry Creditors	28000
Accrued Wages	6880
Provision for Taxation	30000
Good will	50000
Land & Building	588000
Debtors	135000
<u>Less</u> Provision	<u>5000</u>
	130000
Cash in hand	50000
Cash at Bank	55000
Discount on issue of shares	30000
Preliminary Expenses	4880
Underwriting Commission	30000
Stock	2700000
Plant & Machinery	522000

**Question 8.**

P and Q are partners in a firm and their capital accounts stood at Nu. 100,000 and Nu. 80,000 respectively on 1.1.04. During the year ending 31<sup>st</sup> December 2004, they earned a Net Profit of Nu. 70,000.

As per the provision of the Deed:

- (a) Interest on capital is to be charged @ 6% p.a.
- (b) P will get a commission at 5% on Sales
- (c) Q will get a salary of Nu. 1200 per month
- (d) Q will get a commission of 5% on profit after deduction of interest, salary and commission (including his own commission).
- (e) Interest on drawings is to be charged: P = Nu. 600 and Q = Nu. 698

Partner's drawings for the year were:

P = Nu. 6000

Q = Nu. 6980

Sales for the year were Nu. 150,000.

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

**Question 9.**

From the following Balance Sheet as on 31.12.04 and 31.12.05 you are required to prepare:

- (a) Schedule of changes in working capital
- (b) Fund Flow Statement.

[5+5]

	31.12.04 Nu.	31.12.05 Nu.
Bank	8000	7600
Sundry Debtors	38000	29400
Stock in trade	23000	22000
Land	40000	50000
Building	73000	76000
Machinery	40000	43000
	-----	-----
	222000	228000
	-----	-----
Creditors	18000	20000
Bills Payable	31000	33000
Mrs. Karzang's Loan	24000	-----
Bank Loan	-----	38000
Capital	149000	137000
	-----	-----
	222000	228000
	-----	-----

Additional information:

During the year, the partners withdrew Nu.32, 000 for domestic purposes.

**Question 10.**

[10]

Nima and Ugyen entered into a Joint Venture for the purchase and sale of plastic goods during Thimphu Tshetshu. Profit or losses were to be shared equally. Nima was to purchase plastic goods from Phuntsholing and send them to Ugyen of Thimphu who would sell them. Nima purchased goods worth Nu. 80,000 and send them to Ugyen incurring the following expenses:

- |       |                   |          |
|-------|-------------------|----------|
| (i)   | Loading charges   | Nu. 2500 |
| (ii)  | Packing charges   | Nu. 600  |
| (iii) | Transport charges | Nu. 3000 |

He immediately drew up on Ugyen Nu. 80,000 for 3 months. The acceptance was discounted @ Nu. 18% p. a.



Ugyen took delivery of the goods and incurred the following expenses.

- |       |                    |          |
|-------|--------------------|----------|
| (i)   | Cartage charges    | Nu. 1800 |
| (ii)  | Unloading charges  | Nu. 2000 |
| (iii) | Agent's commission | Nu. 2500 |

Ugyen sold the entire goods on behalf of the Joint Venture and realized Nu. 150000.

Prepare:

- (a) Memorandum Joint Venture Account and
- (b) Joint Venture with Nima's A/c in the books of Ugyen.