## 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.
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.
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.

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. | $\underline{\text { Assets }}$ | 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 |  |  | $1,65,300$ |

## Question 3.

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 $31^{\text {st }}$ 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 $30^{\text {th }}$ 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 $\mathrm{X} \mathrm{Co}. \mathrm{Ltd} .\mathrm{from} \mathrm{the} \mathrm{following} \mathrm{information:}$

| 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 $31^{\text {st }}$ 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 | $\underline{11,000}$ |  |  |
|  | $1,15,000$ |  | $1,15,000$ |
|  |  |  |  |

Lepo, Norbu and Wangdi were sharing profits and losses in the ratio 2/5, 2/5 and 1/5. On $31^{\text {st }}$ 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 $1^{\text {st }}$ April 2005 and the balance in four equal yearly installments with an interest @ 6\% p.a. being $1^{\text {st }}$ installment paid on $31^{\text {st }}$ 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:

| 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 $\mathrm{Nu} .20,00,000$ at $8 \%$ discount, redeemable at par. Assume that the debentures are redeemed by drawing method in the following manner:

| 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 $31^{\text {st }}$ 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 $1^{\text {st }}$ Jan. 2005 on the following terms:
i) She was to bring in $\mathrm{Nu} .70,000$ as her capital for $1 / 5^{\text {th }}$ 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 . | Nu . | Assets | Nu. | Nu. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\underline{2004}$ | $\underline{2005}$ |  | $\underline{2004}$ | $\underline{2005}$ |
| 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.

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.

