

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.

[15x2]

Answer the following questions very briefly and to the point:

- i) Why is the profit disclosed by cost sheet different from that of profit and loss account?
- ii) What is the provision regarding interest on *calls in advance* and *calls in arrears* under Companies Act?
- ii) Explain the 'Separate Set of Books' method of maintaining joint venture accounts.
- iv) Identify any TWO advantages of Self Balancing System.
- v) State the necessity of valuing goodwill at the time of admission of a partner.
- vi) Give any TWO points of distinction between a Bin Card and a Stores Ledger.
- vii) Explain briefly the significance of solvency ratios.
- viii) Define *Perpetual Inventory System*
- ix) Determine which of the following affect the working capital:

- (a) Prepaid expenses (b) Sale of machinery
(c) Purchase of land (d) Bank overdraft
- x) What do you mean by 'Forfeiture of shares'?
- xi) P and Q were sharing profits in the ratio 4:3. R joins and their new ratio becomes P: Q: R = 7:4:3. Compute the sacrificing ratio of P and Q.
- xii) Is depreciation a source of funds or not? Explain.
- xiii) Explain direct labour and indirect labour giving an example each.
- xiv) Why is cash and bank balance not transferred to realization account on dissolution of a firm?
- xv) Write any TWO examples of non- cash items.

PART – II

Answer any **SEVEN** questions.

Question 2.

[10]

Lhamo, Wangmo and Zangmo were partners in a firm sharing profits in the ratio 5:3:2. Their Balance Sheet on 31st December 2006 was as follows:

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Creditors	9,000	Cash in hand	2,050
Capital:		Debtors	8,200
Lhamo	10,000	Buildings	16,000
Zangmo	8,000	Wangmo's capital	750
	27,000		27,000

Due to insolvency of Wangmo, they decided to dissolve the firm on the above date.

The assets were realized for Nu. 19,500.

Creditors were paid in full. Realization expenses amounted to Nu. 980.

Show the Realization Account and Partners' Capital Accounts applying Garner Vs Murray rule

Question 3.

Rigney Ltd. makes the following purchases and issues of a commodity:

2006	Particulars	Units/Rate
July 3	Purchases	100kgs@Nu.3
July 8	Issues	200kgs.
August 12	Issues	300kgs.
September 20	Purchases	500kgs@Nu.4
September 28	Issues	400kgs.

On 1st July 2006, there was a stock of 850 kgs. @ Nu. 2. After physical verification on 30th September 2006, the stock reflected 450 kgs. In hand.

Prepare Stores Ledger assuming LIFO method of pricing issue of materials.

Question 4.

[10]

Following are the balances extracted from the books of Penden & Co. as on 31st December 2006.

Particulars	Amount(Nu.)
Share capital:	
20,000 shares @ Nu. 10 each	2, 00,000
12% Debentures	60,000
General reserves	5,000
Profit & Loss Account (Cr.)	20,000
Plant & Machinery	65,000
Bills receivable	10,000
Stock of goods	15,000
Capital Reserve	5,000
Debenture Redemption Fund	45,000
Share Forfeiture	4,000
Investments	45,000
Unclaimed dividend	10,000
Creditors	35,000
Motor Vehicles	1, 10,000
Land & building	1, 25,000
Provision for Taxation	16,000
Cash at bank	25,000
Preliminary expenses	3,000
Unexpired Premium	2,000

Disputed workman's compensation amounting to Nu. 25,000

Prepare the Company's Balance Sheet as per Schedule VI, Part I of the Companies Act.

Question 5.

[10]

Tall, Short and Fat are in partnership sharing profit and losses equally. Their capital balances on 1.4.2006 were:

Tall	Nu. 2, 00,000(Cr.)
Short	Nu. 1, 50,000(Cr.)
Fat	Nu. 10,000 (Dr.)

Their partnership deed provides that:

- (i) Fat is entitled to a salary of Nu. 500 per month.
- (ii) Partners are entitled to an interest @ 5% p.a. on their capital balances.
- (iii) Interest on drawings to be charged @ 6% p.a.
- (iv) Short is entitled to a commission of 10% p.a on the net profit after charging such commission and salary.
- (v) Tall is to get a rent of Nu. 8,000 p.a for lending his building to the firm.
- (vi) Partners' drawings during the year :

	<u>Nu. Per month</u>	<u>Withdrawn on</u>
Tall	1,000	Beginning of the month
Short	800	Middle of the month
Fat	900	End of the month

The net profit for the year was Nu. 1, 02,200 before providing the above adjustments.

Prepare Profit and Loss Appropriation Account and the Partners' Capital Accounts for the year ended 31st March 2007.

Question 6.

The Final Accounts of Dhug Ltd. as on 31st December 2006 is as follows:

Trading and Profit & Loss Account

Particulars	Amount(Nu.)	Particulars	Amount(Nu.)
To opening stock	40, 000	By sales	2, 00,000
To purchases	1, 20,000	By closing stock	75,000
To wages	65,000		
To gross profit c/d	50,000		
	2,75,000		2,75,000
To Operating Expenses	25,000	By Gross profit b/d	50,000
To interest	5,000		
To Net Profit	20,000		
	50,000		50,000

Balance Sheet

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Share Capital	5, 00,000	Fixed Assets	4, 00,000
Reserves	50,000	Investments	1, 00,000
P&L A/c	10,000	Stock	75,000
6% Debentures	2, 00,000	Debtors	1, 00,000
Creditors	85,000	Cash	50,000
		Bank	1, 20,000
	8,45,000		8,45,000

Study the above information and compute the following:

- Gross Profit Ratio
- Working Capital Ratio
- Debt- Equity Ratio
- Stock Turnover Ratio
- Quick Ratio

Question 7.

Brite and Company maintain the books of accounts on Self Balancing System.

The following particulars are extracted from their books:

Particulars	Amount(Nu.)
Balance of Debtors (1.1.2006)	50,000
Balance of Creditors (1.1.2006)	75,000
Sales (including cash sales of Nu. 15,000)	1, 65,000
Cash received from the customers	85,000
Cash paid to the suppliers	70,000
Purchases (including cash purchases Nu. 20,000)	1, 00,000
Bills receivable received	45,000
Bills payable accepted	30,000
Bills receivable dishonoured	5,000
Bills receivable endorsed	3,400
Bills receivable discounted	7,600
Bills payable dishonoured	5,000
Discount received	3,200
Discount allowed	2,700
Bad debts	1,900
Purchases returns	3,300
Provision for doubtful debts	4,500
Rebate allowed to the customers	300
Transfer from Purchase Ledger to Sales Ledger	2,100

From the above, prepare necessary adjustment accounts in the General Ledger of the company.

Question 8.

[10]

Red, Green and Blue are partners in a firm sharing profits in the ratio 2:2:1 respectively.

Their Balance Sheet as on 31st December 2003 was as follows:

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Creditors	8,000	Cash	6,000
General Reserve	7,500	Debtors	15,500
Capitals:		Furniture	12,000
Red	20,000	Building	32,000
Green	20,000		
Blue	10,000		
	65,500		65,500

Blue died on 30.6.2004 and the deed provides as:

- i) The deceased partner is entitled to his share of goodwill of the firm which is valued at Nu. 12,500
- ii) He is to get his share of profits up to the date of death calculated on the previous year's profit of Nu. 20,000
- iii) Interest on capital to be calculated @ 10% p.a
- iv) Drawings of the deceased partner till the date of death amounted to Nu. 4,500 for which no interest is charged.
- v) Surviving partners agreed to pay Nu. 3,000 immediately to Blue's Executors and the balance in *three equal* annual instalments with an interest of 12% p.a on the balance due.

Prepare Blue's Capital Account and his Executors' Loan Account till the amount is settled.

Question 9.

[10]

Kay of Siliguri consigned 1000 calculators to his agent Arr of P/ling costing Nu. 400 per calculator at a pro- forma invoice price to show 25% profit on cost. The consignor paid the following expenses:

Freight Nu. 15,250 and Insurance Nu. 9,750.

During the transit, 10 calculators were damaged due to bad handling and the insurance company paid only Nu. 3,500 as claim.

Consignee took the delivery of rest and incurred the following expenses:

Advertisement Nu. 8,500; Selling Expenses Nu. 11,500

750 calculators were sold @ Nu. 600 including 150 calculators on credit. The consignee is entitled to a commission of 5% on the total sales. The amount due was sent by a sight draft.

Prepare the Consignment Account **ONLY** in the books of consignor.

Question 10.

- a) A company forfeited 100 shares of Nu. 10 each issued to Dorji at a premium of Nu2 (to be paid at the time of allotment), on which he paid Nu. 2 per share on application.

[6]

Nima who holds 200 shares paid Nu. 2 on application and Nu. 3 on allotment.

Both of them failed to pay the First and Final Call money of Nu. 5. Subsequently, the directors forfeited their shares.

200 forfeited shares were re-issued at Nu. 7 per share as fully paid.

Show journal entries in respect of Forfeiture and Re- issue of shares only.

- b) *Pass Journal Entry/Entries for the following transaction:*

[4]

Denka Limited issued 1000, 12% Debentures of Nu. 100 each at a discount of 10%, redeemable at a premium of 5%.