

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 answer.

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PART I

Question 1. (Compulsory) [30 marks]

Answer the following questions very briefly and to the point.

- (i) Name any **TWO** items that are not included in Total Debtors Account. [2]
- (ii) Define 'sacrificing ratio'. [2]
- (iii) What do you mean by 'pro-rata allotment of shares'? [2]
- (iv) When can the shares be forfeited? [2]
- (v) What does Debt Equity Ratio indicate? [2]
- (vi) How is 'Cost of production' derived in cost sheet? [2]
- (vii) Distinguish between LIFO and FIFO methods of stock taking. [2]
- (viii) Describe the purpose of preparing Joint Venture Account. [2]
- (ix) State any **TWO** uses of Cash Flow Statement. [2]
- (x) Explain the meaning of cost unit with an example. [2]
- (xi) Explain the terms 'Stocks' and 'Stores'. [2]
- (xii) Explain the meaning of Fund Flow Statement. [2]

- (xiii) How do you deal with the following, if there is no partnership deed?
- a) Profit and Loss Ratio b) Interest on Capital
 c) Salary to a partner d) Interest on Partner's Loan
- (xiv) Differentiate between 'dissolution of partnership' and 'dissolution of a firm'. [2]
- (xv) Decide which of the following are Current and Non-current Liabilities. [2]
- a) Capital Reserve b) Securities Premium
 c) Outstanding Expenses d) Bills Payable

PART II

Answer any **SEVEN** questions

Question 2. [10]

The following balances have been extracted from the books of M/s Denka & Co. Limited as on 31st December 2000.

| Particulars | Amount(Nu.) |
|------------------------|-------------|
| Cash in hand | 47,500 |
| Cash at bank | 2,00,000 |
| Reserve Fund | 66,000 |
| 12% Debentures | 3,00,000 |
| Sundry creditors | 1,32,000 |
| Capital reserve | 40,000 |
| Sundry debtors | 3,00,000 |
| Preliminary expenses | 6,500 |
| Stock of goods | 6,50,000 |
| Land & Building | 9,50,000 |
| Plant & Machinery | 7,20,000 |
| Proposed dividend | 27,000 |
| Outstanding expenses | 65,000 |
| Furniture | 1,26,000 |
| Provision for taxation | 35,000 |
| Fixed deposits | 3,60,000 |
| Calls- in- Arrears | 25,000 |

Share capital: 2,50,000 shares of Nu. 10 each, Nu. 8 called up.

From the above, prepare company's Balance Sheet as per Schedule VI, Part I of the companies Act. The information is available that Bills discounted but not matured amounted to Nu. 60,000.

Question 3.

[10]

Sonam and Tshering were partners in a firm sharing profit and losses in the ratio 3:2. On 1st April 2004, their balance sheet was as follows:

| Liabilities | Amount(Nu.) | Assets | Amount(Nu.) |
|---------------|-------------|-----------|-------------|
| Creditors | 20,000 | Cash | 5,000 |
| Reserved Fund | 20,000 | Debtors | 18,000 |
| | | Stock | 20,000 |
| Capitals: | | Machinery | 32,000 |
| Sonam | 50,000 | Building | 45,000 |
| Tshering | 30,000 | | |
| | 1,20,000 | | 1,20,000 |

On that date, Ugyen was admitted as a new partner on the following conditions:

- (a) The new profit sharing ratio be 4:3:2.
- (b) Ugyen to bring Nu. 30,000 as his capital and Nu. 9,000 as Goodwill. Half of the Goodwill to be withdrawn.
- (c) Stock to be revalued at Nu. 15,750.
- (d) Provision for doubtful debts to be created at 5% on debtors.
- (e) Building to be appreciated by 20%.
- (f) Capital accounts of the old partners are to be adjusted on the basis of new partner's capital to his share in business.

Prepare Revaluation Account and Partners' Capital Accounts.

Question 4.

From the following information provided by a Manufacturer for the year ended 31st December 2006, prepare a cost sheet showing all the stages.

| Particulars | Amount(Nu.) |
|---------------------------------------|-------------|
| Purchase of raw materials | 2,50,000 |
| Stock of raw materials on 1.1.2006 | 70,000 |
| Stock of raw materials on 31.12.2006 | 87,000 |
| Travelling expenses | 6,400 |
| Rent, Rates and Taxes(factory) | 10,000 |
| Gas & Fuel | 4,500 |
| Director's Fee | 7,500 |
| Office salaries | 17,500 |
| Carriage inwards | 7,000 |
| Charity | 3,500 |
| Depreciation on Machinery | 16,500 |
| Works Manager's salary | 14,000 |
| Sales | 6,00,000 |
| Direct wages | 1,30,000 |
| Direct expenses | 30,000 |
| Stock of Finished Goods on 1.1 2006 | 35,000 |
| Stock of Finished Goods on 31.12.2006 | 55,000 |
| Advertising | 35,000 |
| Carriage outwards | 8,600 |
| Cash discount | 2,800 |

Question 5.

[10]

Sangay of Thimphu, consigned 200 packets of cosmetics to his agent Wangdi of Mongar costing Nu. 80 per packet invoiced at 25% on the cost price. The consignor paid Nu. 1,200 towards freight and insurance.

During transit, 10 packets were completely damaged by fire and insurance company remitted a claim of Nu. 700 only.

The consignee took the delivery of remaining packets and spent Nu. 800 as selling expenses. 150 packets were sold @ Nu. 140 each.

Wangdi sent a sight draft to the consignor after deducting his commission @ 5% on the sale proceeds.

Prepare Consignment Account ONLY showing all the workings.

Question 6.

The following data has been extracted from the books of a firm for the year ended 31st December 2007. Prepare Debtors Ledger Adjustment Account and Creditors Ledger Adjustment Account in the firm's General Ledger.

| Particulars | Amount(Nu.) |
|--|-------------|
| Balance of Debtors on 1.1.2007 | 50,000 |
| Balance of Creditors on 1.1.2007 | 62,000 |
| Sales(including cash sales Nu. 5,000) | 30,000 |
| Purchases(including cash purchases Nu. 3000) | 28,000 |
| Cash received from customers | 25,000 |
| Cash paid to suppliers | 33,000 |
| Return inwards | 1,200 |
| Return outwards | 800 |
| B/R received from customers | 9,000 |
| B/P accepted | 10,000 |
| Discount allowed | 650 |
| Discount received | 750 |
| Bad debts written off | 2,150 |
| B/R dishonoured | 2,500 |
| B/P dishonoured | 2,700 |
| Interest charged to customers | 500 |
| Interest charged by suppliers | 300 |
| Rebate from creditors | 450 |

Question 7.

[10]

X, Y and Z are partners in a firm sharing profit and losses in the ratio 2: 2:1. Their Balance Sheet as on 31st December 2006 stood as follows:

| Liabilities | Amount(Nu.) | Assets | Amount(Nu.) |
|------------------|-------------|-------------------|-------------|
| Sundry Creditors | 10,000 | Cash | 8,000 |
| General Reserves | 10,000 | Debtors | 16,000 |
| Capitals: | | Stock- in-trade | 11,000 |
| X | 30,000 | Plant & Machinery | 15,000 |
| Y | 20,000 | Land & Building | 30,000 |
| Z | 10,000 | | |
| | 80,000 | | 80,000 |

Y died on 31st March 2007 and the agreement provides the following:

- (i) Goodwill of the firm is valued as Nu. 25,000.
- (ii) Deceased partner's capital balance as per balance sheet.
- (iii) Interest on capital @ 5% p.a upto the date of death.
- (iv) Interest on drawings will be charged @ 10% p.a upto the date of death which amounted to Nu. 400.
- (v) Deceased partner's drawings upto the date of death Nu. 12,000.

- (vi) The share of profit upto the date of death is to be computed on the average profit of last 2 years.

The profits are: 2005 → Nu. 35,000 and 2006 → Nu. 40,000.

Prepare Y's Capital Account and calculate the amount payable to his Executors.

Question 8.

[10]

A company registered with an authorized capital of Nu. 2,50,000 in Equity Shares of Nu. 10 each. Issued 20,000 Equity Shares of Nu. 10 each, payable as:

- Nu. 2 on application
- Nu.3 on allotment
- Nu. 2 on First Call
- Nu. 3 on Second & Final Call

All shares money is received in full with the EXCEPTION of allotment money on 200 shares and Calls money on 500 shares (including the above 200shares).

All the above shares were forfeited due to non- payment of dues. Out of these, 400 shares were re- issued at Nu.8 fully paid.

Pass necessary Journal Entries for the Forfeiture and Re- issue of shares ONLY.

Question 9.

[10]

X Co. Ltd. presents you the following Balance Sheets for the year ended 31.12.2005 and 31.12.2006 respectively.

| Liabilities | 2005 | 2006 | Assets | 2005 | 2006 |
|------------------|----------|----------|-----------|----------|----------|
| Equity s.capital | 1,50,000 | 2,00,000 | Goodwill | 36,000 | 20,000 |
| 10% P.S capital | 75,000 | 50,000 | Building | 80,000 | 60,000 |
| General Reserve | 20,000 | 35,000 | Machinery | 40,000 | 1,00,000 |
| Profit& Loss A/C | 15,000 | 24,000 | Debtors | 1,19,000 | 1,54,500 |
| Creditors | 40,000 | 51,000 | Stock | 10,000 | 15,000 |
| | | | Cash | 15,000 | 10,500 |

Note: No depreciation has been provided during the year.

Prepare a Cash Flow Statement for the year ended 31st December 2006.

Question 10.

The following is the Balance Sheet of Chenchu, Dawa and Tashi as on 31st December 2003, who were sharing profit and losses in the ratio 5:3:2.

| Liabilities | Amount(Nu.) | Assets | Amount(Nu.) |
|-------------|-------------|--------------------------------|-------------|
| Capitals: | | Machinery | 40,000 |
| Chenchu | 50,000 | Stock | 20,000 |
| Dawa | 30,000 | Book Debts | 20,000 |
| Creditors | 20,000 | Cash | 10,000 |
| | | Tashi's capital (overdrawn) | 10,000 |
| | 1,00,000 | | 1,00,000 |

The partners decided to wind up the firm due to the insolvency of Tashi.

All the assets were realized for Nu. 71,000. Creditors were paid off with a discount of Nu. 2,000. Realization expenses came to Nu. 3,000. From the private estate of Tashi, only Nu. 4,000 could be recovered.

Prepare Realization Account and Partners' Capital Accounts applying Garner Vs Murray Rule.