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Part III – ACCOUNTANCY

(English Version)

Time Allowed : 3 Hours]

[Maximum Marks : 200

SECTION - A(Marks : $30 \times 1 = 30$)*Note : Answer all the questions.*

I. Fill in the blanks :

1. Prepaid expenses are shown on the side of the Balance Sheet.
2. Interest on capital is debited to account.
3. The Trial Balance as on 31. 03. 2007 shows capital Rs. 7,00,000 and drawings Rs. 60,000. Interest on Drawings at 5% p.a. is Rs.
4. A firm has assets worth Rs. 1,00,000, Capital Rs. 75,000. Then its liabilities is Rs.
5. In system, only personal and cash accounts are maintained.

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6. method of depreciation is suitable for special type asset like loose tools.
7. Selling Price of a machinery is Rs. 2,00,000. The profit on sale of the machinery is Rs. 35,000. Book value of the machinery is Rs.
8. Liquid liabilities mean current liabilities less
9. Sales Rs. 3,00,000, cost of goods sold Rs. 2,55,000. Gross Profit is Rs.
10. Cash budget is a useful tool for
11. The debit balance of the Current Account will be shown in the side of the Balance Sheet.
12. Undistributed profits will appear on the side of the Balance Sheet.
13. New profit sharing ratio minus old profit sharing ratio will give the ratio.
14. Forfeited shares have to be reissued at a price than the face value.
15. A limited company issued 30,000 shares of Rs. 100 each to the public, but only 25,000 shares were subscribed. Its subscribed capital is Rs.

II. Choose and write the correct answer :

16. Interest on capital is added to

- a) Expense A/c b) Income A/c c) Capital A/c.

17. The Trial Balance on 31. 03. 2007 shows Sundry debtors Rs. 40,000. Bad debts to be written off Rs. 1,000 and the provision for bad and doubtful debts at 5% is

- a) Rs. 3,950
b) Rs. 1,950
c) Rs. 2,950.

18. Incomplete records are generally used by

- a) small traders
b) company
c) government.

19. Debtors on 01. 04. 2007 Rs. 75,000 and on 31. 03. 2008 Rs. 90,000. Cash received from debtors during the year Rs. 1,50,000. Then credit sales made during the year is

- a) Rs. 1,85,000 b) Rs. 1,65,000 c) Rs. 1,25,000.

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20. Loss made on sale of fixed asset is credited to

- a) Depreciation account
- b) Fixed Assets account
- c) Profit and Loss account.

21. Cost of an asset is Rs. 2,00,000. Rate of depreciation is at 10% per annum.

Depreciation is calculated under straight line method. Book value of asset at the end of third year is

- a) Rs. 1,40,000
- b) Rs. 1,60,000
- c) Rs. 1,80,000.

22. All activity ratios are expressed in terms of

- a) proportion
- b) times
- c) percentage.

23. Gross profit ratio establishes the relationship between

- a) Gross Profit and Total Sales
- b) Gross Profit and Credit Sales
- c) Gross Profit and Cash Sales.

24. Budget is an estimate relating to period.

- a) future
- b) current
- c) past.

25. Interest on capital is calculated on the

- a) opening capital
- b) closing capital
- c) average capital.

26. Under Fixed Capital Method salary payable to a partner is recorded in

- a) Current Account
- b) Capital Account
- c) Current Account or Capital Account.

27. The formula to calculate the Super Profit is

- a) Average Profit + Normal Profit
- b) Average Profit - Normal Profit
- c) Average Profit \times Normal Profit.

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28. When a company issues shares at a price higher than the face value called as

- a) issue at par
- b) issue at premium
- c) issue at discount.

29. Securities premium will appear in the side of the Balance Sheet.

- a) Assets
- b) Liabilities
- c) Assets & Liabilities.

30. The Directors of a company forfeited 100 equity shares of Rs 10 each fully called up on which the final call of Rs. 2 has not been paid. These shares were reissued upon payment of Rs. 700. The amount transferred to Capital Reserve will be

- a) Rs. 500
- b) Rs. 200
- c) Rs. 300.

SECTION - B

(Marks : $10 \times 5 = 50$)

Note : i) Answer any ten questions.

ii) Answers to theory questions should not exceed *fifty* words each.

31. What is bad debt ?
32. Write a short note on cash budget.
33. What is Insurance Policy method of depreciation ?
34. Write notes on Capital turnover ratio.
35. Give five examples for cash receipts.
36. What is meant by Fixed Capital Method ?
37. What is forfeiture of shares ?
38. Give adjusting entry and transfer entry for interest on drawings Rs. 3,000.
39. Calculate the missing figure :

	Rs.
Capital at the end	12,000
Profit made during the year	5,500
Capital introduced during the year	4,000
Drawings	2,500
Capital at the beginning	?

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40. From the following particulars find out the rate of depreciation under straight line method :

Cost of Plant	Ks.	2,30,000
Installation charges	Rs.	20,000
Expected life in years		10 years
Scrap value	Rs.	50,000

41. Calculate Fixed Assets Turnover Ratio from the following :

Sales	Rs.	6,00,000
Sales Returns	Rs.	2,00,000
Fixed Assets	Rs.	2,00,000

42. Mohan and Murugan are partners sharing profits and losses equally. Mohan draws regularly Rs. 2,000 at the beginning of every month during the year. Murugan draws regularly Rs. 3,000 at the end of every month during the year. Calculate the interest on their drawings at 10% per annum.
43. A and B are partners sharing the profits in the ratio of 3 : 2. They admit C into the firm for $\frac{1}{5}$ share, which he acquired entirely from A. Calculate the new profit sharing ratio of A, B and C.
44. A limited company issued 1,00,000 shares of Rs. 10 each payable Rs. 2 on application. The company received applications for 1,10,000 shares. The excess applications were rejected and money refunded. Pass necessary entries, to record these transactions only.

SECTION - C

(Marks : 5 × 12 = 60)

Note : i) Answer any *five* questions including Question No. 45 which is compulsory.

ii) Answers to theory questions should not exceed 150 words each.

45. a) The Trial Balance shows on 31. 03. 2007, Sundry debtors Rs. 52,000.

Adjustments :

i) Bad debts to be written off Rs. 2,000.

ii) Provision for bad and doubtful debts be created at 5%.

iii) Provide discount on debtors at 2%.

Pass adjusting entries and also show how these items will appear in the Final Accounts.

OR

b) Mr. Suresh keeps his books by incomplete double entry system. He started business with Rs. 1,10,000 on 01. 04. 2007. On 31. 03. 2008 his position was as under :

	Rs.
Bank Balance	20,000
Stock	30,000
Sundry Debtors	70,000
Machinery	50,000
Cash in hand	10,000
Bills Receivable	30,000
Sundry Creditors	40,000
Bills Payable	20,000
Outstanding Expenses	5,000

During the year he introduced Rs. 35,000 as additional capital. He has withdrawn Rs. 2,000 per month for his personal use. Find out his profit or loss for the year 2007 - 2008.

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46. Define depreciation. What are the reasons for providing depreciation ?
47. Define Budget. What are the characteristics of a budget ? List the methods that can be used for the preparation of Cash Budget.
48. What is Goodwill ? Explain the factors affecting goodwill.
49. Jayalakshmi Limited Company purchased a machinery for Rs. 5,00,000 on 1st July, 2006. It is depreciated at 10% per annum on straight line method. Having become obsolete it was sold for Rs. 3,80,000 on 31. 3. 2009. Prepare Machinery Account and Depreciation Account for three years, assuming that the Accounts are closed on 31st March every year.
50. From the following details, calculate Gross profit ratio, Stock turnover ratio and

Net profit ratio :

	Rs.
Sales	3,00,000
Cost of goods sold	2,10,000
Opening stock	80,000
Closing stock	60,000
Net profit	60,000

51. Suja and Banu are partners sharing profits in the ratio of 3 : 2. Their capitals 01. 04. 2007 were Rs. 2,00,000 and Rs. 1,50,000 respectively. The net profit of the firm for the year ended 31st March, 2008 before making adjustments for the items below was Rs. 75,000. Interest on capital is at 6% per annum. They are entitled to get salary of Rs. 10,000 each per annum. Suja to get a commission of Rs. 1,050 per annum. The drawings of the partners were Suja Rs. 20,000 and Banu Rs. 15,000. Interest on drawings at 6% p.a. being Suja Rs. 600 and Banu Rs. 450.

Prepare the Profit and Loss Appropriation Account and the Capital Accounts as on 31. 03. 2008.

52. The directors of Goodluck Ltd. forfeited 2,000 equity shares of Rs. 10 each fully called up for non-payment of first call Rs. 3 and final call Rs. 2 per share.

Out of these, 1,000 shares were reissued at Rs. 8 each fully paid. Give necessary Journal entries and prepare Ledger Accounts for forfeited shares account and Capital Reserve Account.

SECTION - D

(Marks : 3 × 20 = 60)

Note : Answer any three questions including Question No. 53 which is compulsory.

53. a) Mr. Samy maintains his books under incomplete double entry system. From the following particulars you are required to prepare Trading and Profit and Loss Account and Balance Sheet as on 31. 03. 2008.

	01. 04. 2007	31. 03. 2008
	Rs.	Rs.
Stock	75,000	37,500
Sundry Debtors	1,87,500	2,62,500
Cash	18,750	30,000
Furniture	7,500	7,500
Sundry Creditors	1,12,500	1,31,250

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Other details :

	Rs.
Drawings	30,000
Discount Received	11,250
Discount Allowed	7,500
Sundry Expenses	26,250
Cash paid to creditors	3,37,500
Cash received from debtors	4,01,250
Sales returns	11,250
Purchase returns	3,750
Cash Sales	3,750

OR

b) Ravi, Venkat and Kumar are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31. 03. 2008 is given below :

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	90,000	Cash at Bank	1,41,000
Bills Payable	30,000	Sundry debtors	39,000
General Reserve	90,000	Stock	90,000
Capital Accounts :		Plant & Machinery	1,20,000
Ravi 1,80,000		Land and Building	2,10,000
Venkat 1,20,000			
Kumar 90,000	3,90,000		
	<u>6,00,000</u>		<u>6,00,000</u>

Kumar retired from the partnership from 01. 04. 2008 on the following terms :

- i) Goodwill was to be raised at Rs. 1,08,000.
- ii) The value of Land and Building was to be increased by Rs. 30,000.
- iii) Plant and Machinery was depreciated by Rs. 9,000.
- iv) The provision for outstanding bill for repairs was to be made of Rs. 12,000.
- v) Kumar was to be paid off at once.

Show Revaluation account, Capital accounts and the opening Balance Sheet of the reconstituted firm.

54. From the following Trial Balance of Mr. Arumugam, prepare Trading and Profit and Loss Account for the year ended 31. 03. 2008 and a Balance Sheet as on that date :

Trial Balance as on 31. 03. 2008

Debit Balances	Rs.	Credit Balances	Rs.
Cash in hand	32,500	Capital	1,00,000
Cash at Bank	8,500	Sales	80,000
Drawings	20,000	Sundry Creditors	22,500
Wages	5,000		
Purchases	10,000		
Stock (01. 04. 2007)	30,000		
Buildings	50,000		
Sundry Debtors	22,000		
Bills Receivable	14,500		
Rent	2,250		
Commission	1,250		
General Expenses	4,000		
Furniture	2,500		
	2,02,500		2,02,500

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Adjustments :

- i) Closing Stock was valued at Rs. 20,000.
- ii) Interest on capital at 6% is to be provided.
- iii) Depreciate Buildings at 10% p.a.
- iv) Wages yet to be paid Rs. 500.
- v) Rent prepaid Rs. 250.

55. From the following Balance Sheet calculate

- i) Current ratio
- ii) Liquid ratio
- iii) Debt equity ratio
- iv) Proprietary ratio.

Balance Sheet as on 31st March, 2007

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital	1,40,000	Fixed Assets	1,30,000
Reserves	10,000	Stock	30,000
Loans	75,000	Sundry Debtors	60,000
Creditors	50,000	Bills Receivable	20,000
Bank Overdraft	10,000	Cash	10,000
		Goodwill	35,000
	2,85,000		2,85,000

56. From the following information, prepare a Cash Budget for the month of April and May, 2008 :

Month	Credit Sales (Rs.)	Credit Purchases (Rs.)	Office Expenses (Rs.)
January, 2008	60,000	40,000	12,000
February, 2008	70,000	30,000	10,000
March, 2008	80,000	35,000	9,000
April, 2008	75,000	50,000	12,000
May, 2008	72,000	55,000	11,000

Additional information :

- i) Opening Balance of Cash on 01. 03. 2008 is Rs. 15,000.
 - ii) Credit allowed by suppliers is two months.
 - iii) Credit allowed to customers is one month.
 - iv) Office expenses are payable in the same month.
 - v) Interest payable in April, Rs. 3,500.
57. Vasanth Ltd. issued 20,000 shares of Rs. 100 each at Rs. 120 payable as follows :

On Application	Rs. 20
On Allotment	Rs. 50 (including Premium Rs. 20)
On first call	Rs. 30
On final call	Rs. 20

All the shares were fully subscribed. Both the calls were made and all the money were duly received.

Pass Journal Entries. Prepare Bank Account, Share Capital Account, Securities Premium Account and Balance Sheet.

From the following information, prepare a Cash Budget for the month of March.

April and May, 2008

Month	Credit Sales (Rs.)	Credit Purchases (Rs.)	Office Expenses (Rs.)
January, 2008	60,000	40,000	12,000
February, 2008	70,000	30,000	10,000
March, 2008	60,000	35,000	9,000
April, 2008	75,000	50,000	12,000
May, 2008	72,000	55,000	11,000

Additional information :

i) Opening Balance of Cash on 01.03.2008 is Rs. 15,000.

ii) Credit allowed by suppliers is two months.

iii) Credit allowed to customers is one month.

iv) Office expenses are payable in the same month.

v) Interest payable in April, Rs. 2,500.

67. Vasant Ltd. issued 20,000 shares of Rs. 100 each at Rs. 120 payable as follows :

On Application	Rs.	20
On Allotment	Rs.	50 (including Premium Rs. 20)
On first call	Rs.	30
On final call	Rs.	20

All the shares were fully subscribed. Both the calls were made and all the money were duly received.

Pass Journal Entries, Prepare Bank Account, Share Capital Account, Securities Premium Account and Balance Sheet.