

DE-3948

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DISTANCE EDUCATION
B.C.S. DEGREE EXAMINATION, DECEMBER 2008.
ADVANCED ACCOUNTANCY
(1999 onwards)

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What do you mean by piecemeal distribution of cash to various liabilities in partnership dissolution.
2. State the various conditions for redemption of preference shares.
3. What is amalgamation of companies? In what way it differs from Absorption?
4. What is hire purchase system? How does it differ from instalment system?
5. A, B and C carried on business in partnership sharing profits and losses in the ratio of 3 : 2 : 1 respectively.

The partnership deed provided that in the death of a partner his executors be paid as follows :

- (a) The capital to his credit after adjusting the drawing if any.
- (b) His share of profit calculated on the basis of the average profit of the last three years.

(c) A goodwill account be raised on the basis of the two years purchase of the average profit of the last three years.

(d) The capital account carried at 6 percent interest per annum. A died on March 31, 1996. His capital on 1st Jan. 1996 was Rs. 20,000 and drawing from 1st January to March 31, 1996 was Rs. 5,000. The annual profits of the three preceding years were Rs. 7,500, Rs. 8,000 and Rs. 9,700 respectively.

Prepare A's Executors' account.

6. A holds 100 shares of Rs. 10 each on which he has paid Re. 1 per share as application money.

B holds 200 shares of Rs. 10 each on which he paid Re. 1 on application, Rs. 2 on allotment.

C holds 300 shares of Rs. 10 each and has paid Re. 1 on application. Rs. 2 on allotment and Rs. 2 on I call.

The all fail to pay the arrears and the II call of Rs. 2 per share, and therefore these shares were forfeited. These shares were reissued for Rs. 9 per share as fully paid. Pass journal entries.

7. Kotak Ltd. has 10,000 14% redeemable preference shares of Rs. 100 each on 31st March 2005. The company has decided to redeem all the preference shares at a premium of Rs. 20 per share. For this purpose the company issued for cash 50,000 equity shares of Rs. 10 each at a premium of Rs. 4 per shares. The issue was fully subscribed and the expenses of the issue came to Rs. 50,000. The company had a General Reserve of Rs. 20,00,000 and profit and loss account of Rs. 3,50,000. The share premium showed a balance of Rs. 3,00,000. The company decided to utilize General Reserve to the minimum extent possible. Journalise the above transactions.

8. On 15th February 2005 a fire occurred in the premises of a company. From the following particulars calculate the claim to be made with insurers for loss of stock :

	Rs.
Stock on 1.1.2005	1,00,000
Purchases from 1.1.2005 to the date of fire	1,50,000
Wages	50,000
Manufacturing expenses	30,000
Sales from 1.1.05 to the date of fire	2,60,000
Gross profit ratio is 25 percent	
Stock salvaged	15,000

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. The following is the Balance Sheet and D, E and F who were partners on 1st April 2000 :

Liabilities	Rs.	Assets	Rs.
Bills payable	13,300	Cash	5,600
Creditors	16,000	Debtors	10,800
Capital accounts		Stock	41,400
D	26,800	Furniture	17,400
E	32,600	Building	49,500
F	36,000		
	1,24,700		1,24,700

They admit 'H' into partnership for a fourth share in the profits on the following terms :

(a) H should bring in Rs. 9,000 for goodwill and Rs. 25,000 as capital

(b) The stock and furniture be depreciated by 10 percent

(c) That a provision of 5 percent on debtors be created for doubtful debts

(d) That a liability for Rs. 1,080 be created againsts bill discounted

(e) That the value of building be appreciated to Rs. 62,000

(f) The values of liabilities and assets other than cash are not to be altered. Prepare the necessary account and draft the opening Balance Sheet of the new firm.

10. X, Y and Z are in partnership. Their Balance Sheet as on 31.3.05 (the date of dissolution) stood as follows. They shared profits in the ratio of 5 : 3 : 2.

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Premises	40,000
X's loan account	10,000	Plant and machinery	30,000
X's capital	50,000	Furniture	13,700
Y's capital	15,000	Stock	40,800
Z's capital	45,000	Debtors	35,500
	<u>1,60,000</u>		<u>1,60,000</u>

It was agreed to repay the amount due to the partners as and when the assets were realised.

On 1st May 2005 Rs. 30,000,

On 1st July Rs. 73,000

On 1st Septembers Rs. 47,000

Prepare the statement showing the distribution of cash.

11. A company issued 5000, 14% debentures of Rs. 100 each at par on 1st April 2000 redeemable on 31st March 2005. A sinking fund was established for the purpose. It was expected that investment would earn 10% Net. Sinking fund tables show that 0.1638 amounts to Re. 1 at the end of 5 years @ 10% on 31st March 2005, the investments realised to Rs. 3,90,000. On that day the company's bank balance stood at Rs. 1,45,600. The debentures were duly redeemed. Give the important ledger accounts.

12. New Wave Ltd. was incorporated on 1st May 2005 to take over the running business of Mr. max and the profit and loss account for the year ended 31st December 2005 is as under :

	Rs.		Rs.
To Rent and rates	9,000	By Gross profit b/d	1,50,000
To Salaries	3,000	By Discount earned	6,000
To Director's fees	3,600		
To Preliminary expenses	4,900		
To Carriage outwards	5,500		
To Interest to vendor	10,000		
To Net profit	<u>1,20,000</u>		<u> </u>
	<u>1,56,000</u>		<u>1,56,000</u>

Additional information :

(a) Sales for the year ended 31.12.05 is Rs. 15,00,000 out of which Rs. 3,00,000 is in respect of sales prior to 30.4.05.

(b) Purchases upto 30th April 2005 were Rs. 3,00,000 and total purchases for the year ended 31st December 05 were Rs. 9,00,000.

(c) Interest paid to the vendor on 1st November, 2005 @ 12% per p.a. on Rs. 1,00,000 being the purchase consideration.

From the above information prepare P and L account in columnar form showing the profit prior to and after incorporation and transfer the profits to the appropriate accounts.

13. The assets of National Steel Ltd. Are purchased by Hindustan Steel Ltd. The purchase consideration was as follows :

(a) A cash payment of Rs. 90 for every equity share in National Steel Ltd.

(b) A cash payment of Rs. 550 for every debenture holder in National Steel Ltd.

(c) An exchange of four equity shares of Hindustan Steel Ltd. of Rs. 75 each for every share in National Steel Ltd. The Balance sheet of National Steel Ltd. is as follows :

Liabilities	Rs.	Assets	Rs.
6000 Equity shares of Rs. 500 each	30,00,000	Building and Plant	25,00,000
Debentures (1300 × 500)	6,50,000	Furniture fitting	4,00,000
Creditors	2,50,000	Patents	2,50,000
Workmen's savings A/c	2,00,000	Work in progress	8,00,000
General reserve	3,40,000	Stock	2,00,000
Profit and loss account	60,000	Debtors	2,65,000
	<u>45,00,000</u>	Cash at bank	<u>85,000</u>
			<u>45,00,000</u>

Pass the necessary closing entries and prepare the Realisation A/c, Cash A/c and Share holders A/c in the books of National Steel Ltd.

14. Neyveli Coal Company Ltd. are the lessee of a mine on a royalty of Rs. 5 per ton with a minimum rent of Rs. 60,000 p.a. and power to recoup shortworkings during the first six years of lease. The output for the first six years were as follows :

I year 2,500 tons,

II year 10,000 tons

III year 15,000 tons

IV year 8,000 tons

V year 12,000 tons

VI year 20,000 tons

Prepare the necessary accounts in the books of Neyveli Coal Ltd.

15. Ram purchased four machines of Rs. 14,000 each from Sivan under Hire purchase system. The down payment is Rs. 15,000 and the balance is to be paid in three equal annual instalments of Rs. 15,000 each. Ram depreciates the machines at 10% p.a. on straight line method. Sivan charges 5% interest per annum. The down payment and first instalment were paid by Ram but could not pay the second instalment. So Sivan took back 3 machines (at 20% depreciation on written down value) and repaired the machines at a cost of Rs. 3,000 and sold them for Rs. 36,000. Give the ledger accounts in the books of Sivan.