DE–5300 | **24**

DISTANCE EDUCATION

B.C.S. DEGREE EXAMINATION, MAY 2009.

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. State the salient points of Garner Vs Murray case in the case of Dissolution of Partnership.

2. What are the different methods of redeeming Debentures?

3. What is profit prior to incorporation? How will you calculate it?

4. Write short notes on :

   (a) Average Clause

   (b) Standard turnover

   (c) Indemnity period.

5. P, Q and R are in partnership. P died on 31.3.1998. The partnership deed provide the following :

(a) The capital to his credit shall be calculated after adjusting drawing till the date of death.

(b) That his share of profit till the date of death calculated on the basis of the average of the three preceding years.

(c) That the goodwill of the firm shall be taken at one year's purchase of the average profits of the preceeding 5 years.

(d) Interest on capital should be provided @ 5 percent.

The capital to his credit was Rs. 60,000 on 31.12.97 and there is no drawing afterwards.

Prepare P's Executors Account.

6. (a) The Directors of a company forfeited 100 equity shares of Rs. 10 each on which Rs. 400 had been paid. The shares were reissued to one of the Directors up on the payment of Rs. 900. Give Journal entries.

(b) The Directors of a Company forfeited 100 equity shares of Rs. 10 each for non payment of the first call of Rs. 2 and final call of Rs. 2. The shares were reissued for Rs. 8 per share as fully paid shares. Give the necessary journal entries.

7. The following is the Balance sheet of A.P. Ltd. as on 31.12.05 :

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	24,00,000
12% Redeemable Pref. shares		Stock	5,00,000
(5000 × 100)	5,00,000	Debtors	50,000
Equity shares (10000 × 100)	10,00,000	Cash	50,000
Share premium	2,00,000		
General Reserve	2,00,000		
Profits and Loss Account	1,00,000		
Current Liabilities	10,00,000		

	30,00,000	30,00,000

The Pref. shares are to be redeemed on 1st Jan. 2006 at 10% premium. On 1.1.06 a fresh issue of equity shares was made to the extent required for purpose of redemption. The shortfall in cash can be met by raising a bank loan after keeping a minimum cash balance of Rs. 50,000 in the business. Pass the necessary Journal Entries to record these transactions.

8. A fire occurred on 25th April 2005 in the premises of a Company. From the following particulars ascertain the claim to be lodged with insurers for loss of stock.

	Rs.		
Stock on 1.1.05	1,25,000	The Gross Profit Ratio is	20%
Purchases		The stock salvaged was	
(from 1.1.05 to the date of fire)	5,00,000	estimated as	Rs. 35,000
Wages	1,00,000		
Manufacturing exp.	50,000		
Sales (from 1.1.05 to the date of fire)	7,50,000		

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. C, D and E were partners sharing profits in the ratio of 3 : 2 : 1. The Balance sheet of the firm on 31st March 2000 was as under :

Liabilities	Rs.	Assets		Rs.
Sundry Creditors	19,000	Cash at Bank		2,500
Bills payable	5,000	Debtors	16,000	
Reserve	12,000	Less : Provision		
C's capital	40,000	for Bad debts	500	15,500
D's capital	30,000	Stock		25,000
E's capital	25,000	Furniture		8,000
		Plant and Machinery		35,000
		Building		45,000
	1,31,000			1,31,000

D retires on that date subject to the following conditions :

(a) Goodwill of the firm to be valued at Rs. 18,000.

(b) Plant and Furniture are to be depreciated by 10% and 15% respectively.

(c) Stock and Building are to be appreciated by 20% and 10% respectively.

(d) The provision for bad debts to be increased by Rs. 1,800.

It was agreed that C and E will share the future profits in the ratio of 3 : 2. Prepare revaluation account, capital account and Balance sheet.

10. The Crescent Company Limited was formed to acquire the business of A and B who share profits in the ratio of 2 : 1. The Balance sheet of A and B was as under on 31st March 2000.

Liabilities	Rs.	Assets	Rs.
Bills payable	17,200	Goodwill	8,000
Sundry creditors	21,600	Land and Building	40,000
Mrs. A's loan	3,200	Machinery	20,000
A's capital	64,000	Stock	24,000
B's capital	40,000	Debtors	39,600
		Investment	4,800
		Bank balance	9,600
	1,46,000		1,46,000

The company took over the assets at book values with the exception of Land and Building and Stock which were taken over at Rs. 45,000 and Rs. 20,000 respectively. The investment which was retained by the firm was sold for Rs. 4,000. They also discharge the loan of Mrs. A. The company took over the remaining liabilities. The value of Goodwill is fixed at Rs. 28,800. The consideration is discharged by alloting 10,000 equity shares of Rs. 10 each and the balance in cash. Close the books of the firm by preparing necessary accounts.

11. A Company had Rs. 4,50,000 14% Debentures outstanding on 1st April 2004 (redeemable on 31.3.05). On that date the Sinking Fund stood at Rs. 3,74,500 represented by Rs. 5,000 own Debentures purchased at an average price of Rs. 99 per debenture and Rs. 3,30,000 10% stock. The annual instalment was Rs. 35,500. On 31st March 2005 investments were realised at 98% and Debentures were redeemed. Pass Journal entries and write up the accounts for the year ended 31st March 2005.

12. Sound Ventures Ltd. was incorporated as a private Limited Company on 1st October 2004 to take over the business as a going concern from 1st April 2004. The purchase price of the business was settled with the agreement that 80 percent of profit earned prior to 1st October 2004, should also be paid to the vendor. The company's accounts are made upto 31st March each year and the summarised Trading and Profit and Loss Account for the year ended 31st March 2005 disclosed the following :

	Rs.		Rs.
Materials consumed	1,86,000	By Sales	2,60,000
Wages	66,500	By Stock of material	55,000
Carriage inwards	6,900		
Gross profit c/d	55,600		
	3,15,000		3,15,000
To Salaries	18,300	By Gross Profit b/d	55,600
To Office expenses	2,750		
To Directors fees	3,050		
To Bad debts	2,300		
To Commission and Discount	7,800		

	Rs.		Rs.
To Carriage outwards	1,600		
To Depreciation	10,300		
To Net profit	9,500		
	55,600		55,600

It was further ascertained that sales made by the company amounted to Rs. 1,16,000 and Bad debts amounted to Rs. 1,100 were written off prior to 1st October 2004.

Prepare the statement showing the profit earned prior and after incorporation. State also the amount profits payable to vendor.

13. White Ltd. agreed to acquire the business of Green Ltd. as on 31st March 1999. The Balance sheet of Green Ltd. at that date was as under :

	Rs.		Rs.
Equity shares (60,000 × 10)	6,00,000	Goodwill	1,00,000
General reserve	1,70,000	Land and Building	2,30,000
Profit and Loss A/c	1,10,000	Plant and Machinery	4,10,000
12% Debenture	1,00,000	Stock	1,68,000
Creditors	20,000	Debtors	36,000
		Cash at Bank	56,000
	10,00,000		10,00,000

The consideration payable by White Ltd. was agreed as follows :

(a) A cash payment of Rs. 2.50 for every Rs. 10 share in Green Ltd.

(b) The issue of 90,000 Rs. 10 share fully paid in White Ltd.

(c) The issue of such an amount of fully paid 14% Debentures of White Ltd. at 96 percent as is sufficient to discharge the 12% Debentures of Green Ltd. at a premium of 20%.

(d) The cost of liquidation of Green Ltd. came to Rs. 5,000.

Give Ledger Account to close the books of Green Ltd.

14. Kalyani Publishers published a book of Shankar on the terms that royalty will be paid at Rs. 5 per copy sold subject to the minimum of Rs. 15,000 p.a. with a right recoup the shortworkings over the first three years of the lease from following prepare :

(a) Royalty account

(b) Shortworking account.

Year	No. of copied sold
1996	1900
1997	2900
1998	3800
1999	4900

15. Krishnan purchased a truck for Rs. 56,000, payment to be made Rs. 15,000 down and the balance in 3 instalments of Rs. 15,000 each at the end of each year. Rate of interest charged by the seller is 5% p.a. Krishnan depreciates the truck at 10% p.a. on written down value method.

Krishnan paid the down payment and 1st instalment at the end of 1st year, could not pay the 2nd instalment. Consequently the seller took possession of the truck. Show the Truck Account and Vendor's Account in the Books of Krishnan.