

## Accountancy 2006 (Delhi)

### General instructions:

1. This question paper contains three parts A, B and C.
2. Part A is compulsory for all candidates.
3. Candidates can attempt only one part of the remaining parts B and C.
4. All parts of a question should be attempted at one place.

### PART - A

- Q. 1.** What is meant by Guarantee of profit to a partner? **(2)**
- Q. 2.** What is meant by Authorised Capital of a company? **(2)**
- Q. 3.** What is an Escrow account? **(2)**
- Q. 4.** What is meant by a Debenture? **(2)**
- Q. 5.** A, B & C entered into a partnership on October 1, 2004 to share profits and losses in the ratio of 3:2:1. A, however personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs. 30,000/- in any year. The capital contributions were A: Rs. 3 lakhs, B Rs. 2 lakhs and C: Rs. 1 lakh. The profits for the period ended March 31, 2005 were Rs. 1,20,000/-. Show the distribution of profits: **(3)**
- Q. 6.** Romi Ltd. acquired assets of Rs. 20 lakhs and took over creditors of Rs. 2 lakhs from Kapil Enterprises. Romi Ltd. issued 8% debentures of Rs. 100 each at par as purchase consideration. Record necessary journal entries in the books of Romi Ltd. **(3)**
- Q. 7.**
- i. A, B & C are partners in a firm sharing profits in the ratio of 4:3:1. A retires and his share is taken up by B and C equally. Find the new profit sharing ratio and the gaining ratio.
  - ii. The good will of the firm is valued at Rs. 16,000. No goodwill account appears in the books. Pass necessary journal entry for recording the goodwill in the above mentioned case. **(4)**
- Q. 8.** The partnership between A & B was dissolved on March 31, 2005. Their capitals on that date were Rs. 1,70,000 and Rs. 30,000 respectively. Rs. 1,00,000 was owed by the firm to A, and B owed to the firm Rs. 20,000. Creditors on that date were Rs. 2,00,000. The assets realised Rs. 4,50,000 exclusive of what was owed by B. Find the profit or loss on realisation. **(4)**
- Q. 9.** X. Ltd. forfeited 1000 shares of Rs. 10 each (Rs. 8 called up) for the non payment of the allotment money of Rs. 5 per share including Rs. 2 as premium. Of these 800 shares were re-issued to S at Rs. 7 per share as Rs. 8 called up. Journalise the above transactions in the books of X Ltd. **(4)**
- Q. 10.** F Ltd. issued 12% debentures of Rs. 100 each valued at Rs. 3,00,000 at a discount of 4%, repayable at par in equal proportions at the end of the 2nd, 4th and 6th year. Calculate the amount of

discount to be written off at the end of each year and prepare 'discount on issue of debentures account'. **(4)**

**Q. 11.** Anirudh Ltd. has 4,000,8% debentures of Rs. 100 each due for redemption on March 31,2005. The company has a debenture redemption reserve of Rs. 1,50,000 on that date. Assuming that no interest is due record the necessary journal entries atthe time of redemption of debentures. **(4)**

**Q. 12.** A Ltd. issued 20,000 equity shares of Rs. 10 each at a discount of Re. 1 per share payable as Rs. 3 on application, Rs. 3 on allotment (after discount) and Rs. 3 on call. The issue was oversubscribed to the extent of 15,000 shares, and the allotment, (b) other applicants of shares were allotted shares on a pro rata basis. The excess application money received was to be adjusted against allotment only. All moneys due were received with the exception of the call money on 400 shares. Pass necessary journal entries to record the above transactions. **(6)**

**Q. 13.** A, 2 B & C were partners in a firm sharing profits in the ratio of 5:3:2 On 31st March, 2005 their Balance Sheet was as under:

<i>Liabilities</i>	<i>Rs</i>	<i>Assets</i>	<i>Rs.</i>
Creditors	7,000	Building	20,000
Reserves	10,000	Machinery	36,000
A's Capital	30,000	Stock	10,000
B's Capital	25,000	Patents	6,000
C's Capital	<u>15,000</u>	Cash	<u>21,000</u>
	<u>70,000</u>		<u>87,000</u>
	87,000		

C died on 1st Oct., 2005. It was agreed between his executors and the remaining partners that:

- Good will be valued at 2 years' purchase of the average profits of the previous five years, which were 2001: Rs. 15,000; 2002: Rs. 13,000; 2003 Rs. 12,000; 2004: Rs. 15,000 and 2005: Rs. 20,000.
  - Patents be valued at Rs. 8,000; Machinery at Rs. 28,000; Buildings at Rs. 30,000.
  - Profit for the year 2005-06 be taken as having accrued at the same rate as the previous year.
  - Interest on capital be provided at 10% p.a.
  - A sum of Rs. 7,750 was paid to his executors immediately.
- Prepare C's Capital Account and his executors account at the time of his death. **(6)**

**Q. 14.** A, B & C were partners in a firm sharing profits in the ratio of 5:3:2, their Balance Sheet on 3 1.3.2005 was as follows:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>

Creditors	Rs.		Plant	24,000
A :	20,000		Furniture	3,000
B's	25,000		Debtors	14,000
C's	<u>12,500</u>	57,500	Joint Life Policy (Surrender	12,000
Bank Overdraft		19,000	Value)	9,000
Mrs. C's Loan		7,000	Bills Receivable	30,000
Creditors		18,000	Stock	<u>6,000</u>
Bills Payable		<u>8,500</u>	Loan to B	1,10,000
		1,10,000	Cash In Hand	

The joint life policy was for a sum of Rs. 30,000. B died on 1st April, 2005, and the firm was dissolved. Assets realised only 50% of its book value. Loan to B was adjusted against his capital. A liability for Rs. 1,500 not shown in the Balance Sheet had to be paid. The expenses on realisation came to Rs. 1,500. Prepare the Realization Account, Partners' Capital Accounts and Cash Account to close the books of the firm.

OR

(6)

Rohit & Suresh are in partnership sharing profits in the ratio of 2: 3. On March 31, 2005, they agree to dissolve the business. Pass necessary journal entries at the time of dissolution of the firm to record the following:

- Realisation expenses amounted to Rs. 1,000.
- Deferred revenue advertising expenditure appeared in the books at Rs. 60,000.
- P & L Account on the asset side of the balance sheet was Rs. 30,000.
- An unrecorded asset of Rs. 3,000 was taken over by Suresh.
- Liabilities amounting to Rs. 24,000 already transferred to Realization Account, were settled at Rs. 22,000.
- Loan to Rohit was adjusted through his Capital Account, Rs. 15,000.

(6)

**Q. 15.** Given below is the Balance Sheet of Krishna & Suresh who are partners in a firm sharing profits in the ratio of 3 : 2:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Creditors	15,000	Patents	30,000
Reserves	5,000	Furniture	5,000
Capital Accounts :		Stock	3,000
Rs.		Debtors	16,000
Krishna	30,000	Cash	15,000
Suresh	20,000		<u>1,000</u>
	<u>50,000</u>		70,000
	70,000		

On that date Mohan is admitted as a partner for 1/5th share on the following terms:

- He is to contribute Rs. 14,000 as his share of capital which includes his share of premium for goodwill.

- ii. Goodwill is valued at 2 years' purchase the average profits of the last 4 years, which were Rs. 10,000; Rs. 9,000; Rs. 8,000 and Rs. 13,000 respectively.
- iii. Plant to be written down to Rs. 25,000 and patents written up by Rs. 8,000.
- iv. A joint life policy taken in the names of the partners for Rs. 50,000 on which premiums have been paid, has a surrender value of Rs. 7,000.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. OR **(8)**

X, Y & Z are in partnership sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet on 1.1.2006, the day Y decided to retire was as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
X's Capital	30,000	Buildings	25,000
Y's Capital	20,000	Plant & Machinery	15,000
Z's Capital	20,000	Investments	10,000
General Reserve	10,000	Joint Life Policy	15,000
Sundry Creditors	7,000	Debtors	10,000
Bills Payable	3,000	Stock	5,000
	90,000	Cash	10,000
			90,000

The terms of retirement were:

(a) Y sells his share of goodwill to X for Rs. 8,000 and to Z for Rs. 4,000.

(b) Stock to be appreciated by 20% and buildings by Rs. 5,000.

(c) Joint Life Policy was surrendered to the Insurance Co. for Rs. 7,000 and investments were sold for Rs. 22,000.

(d) Y is paid off in cash.

Prepare Revaluation Account, Capital Accounts of Partners and the Balance Sheet of the new firm. **(8)**

### PART - B

**Q. 16.** What is a Cash Flow Statement? List any two objectives of preparing the statement. **(2)**

**Q. 17.** Classify the following into cash flows from investing activities/Financing activities while preparing a Cash Flow Statement: **(2)**

(a) Redemption of Preference Shares

(b) Sale of Fixed Assets

(c) Receipt of Dividend

(d) Interest Received

**Q. 18.** List any three items that can be shown under the heading 'Reserves & Surplus' in a Company's Balance Sheet. **(3)**

**Q. 19.** From the following data prepare a Statement of Profits in the comparative form:

<b>Particulars</b>	<b>31.3.2004</b>	<b>31.3.2005</b>

Sales	Rs. 6,00,000	Rs. 8,00,000
Gross Profit Ratio	30%	40%
Administrative Expenses	Rs. 40,000	Rs. 1,00,000
Income Tax	50%	50%

**Q. 20.**

- i. From the given information calculate the stock turnover ratio:  
Sales: Rs. 2,00,000 ; GP: 25% on cost; Opening Stock was 1/3rd of the value of Closing Stock. Closing Stock was 30% of sales.
- ii. A business has a current ratio of 3:1 and a quick ratio of 1.2:1. If the working capital is Rs. 1,80,000, calculate the total Current Assets and Stock. **(2 + 2 = 4)**

**Q. 21.** From the following summarised Balance Sheets of a company, calculate the Cash Flow From operating activities: **(6)**

<i>Liabilities</i>	<i>2004 Rs.</i>	<i>2005 Rs.</i>	<i>Assets</i>	<i>2004 Rs</i>	<i>2005 Rs.</i>
Creditors	20,000	25,000	Cash	20,000	10,000
Bills Payable	20,000	5,000	Investments	40,000	30,000
Other Current Liabilities	40,000	45,000	Stock	30,000	45,000
6% Debentures	60,000	80,000	Debtors	30,000	40,000
Profit & Loss A/c	<u>80,000</u>	<u>1,10,000</u>	Gross Block	<u>1,00,000</u>	<u>1,40,000</u>
	2,20,000	2,65,000		2,20,000	2,65,000

OR From the following statement calculate the cash generated from operating activities: **(6)**

**Statement of profit for the year ending March 31st, 2005**

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Salaries	10,000	By Gross Profit	85,000
To Rent	5,000	By Profit on Sale of Machinery	5,000
To Depreciation	20,000	By Dividend Received	3,000
To Loss on Sale of Building	5,000	By Commission Accrued	4,000
To Goodwill Written off	8,000		
To Proposed Dividend	10,000		
To Provision for Tax	15,000		
To Net Profit	<u>24,000</u>		
	97,000		<u>97,000</u>