Accountancy 2006 (Outside 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. How would you calculate interest on drawings of equal amounts drawn on the 1st day of every month? **(2)**

Q. 2. What is meant by Calls in Advance? **(2)**

Q. 3. What is meant by forfeiture of shares? **(2)**

Q. 4. What does an Irredeemable Debenture mean? **(2)**

Q. 5. On March 31, 2005 after the close of books of accounts, the capital accounts of A, B and C stood at Rs. 24,000; Rs. 20,000 and Rs. 12,000 respectively. The profit for the year Rs. 36,000 was distributed equally. Subsequently it was discovered that interest on capital @ 5% p.a. had been omitted. The profit sharing ratio was 2: 2: 1. Pass an adjustment journal entry. **(3)**

Q. 6. Mona Ltd. acquired assets of Rs. 50 lakhs and took over creditors of Rs. 5 lakhs from Ram Enterprises. Mona Ltd. issued 8% Debentures of Rs. 100 each at a premium of 25% as purchase consideration. Record necessary journal entries in the books of Mona Ltd **(3)**

Q. 7.

i. A and B are partners in a firm sharing profits in the ratio of 3: 2. C is admitted as a partner. A and B surrender 1/2 of their respective share in favour of C. Find the new profit sharing ratio and also the sacrificing ratio.
ii. C is to bring his share of premium for goodwill in cash. The goodwill of the firm is estimated at Rs. 40,000. Pass necessary entries for the record of goodwill in the above case. **(2 + 2 = 4)**

Q. 8. The partnership between M and N was dissolved on March 3, 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 M, and N owed to the firm Rs. 50,000. Creditors on that date were Rs. 3, 00, 000. The assets realised Rs. 5, 80,000 exclusive of what was owed by N. Find the profit or loss on realisation. **(4)**

Q. 9. Y Ltd. forfeited 1,500 shares of Rs. 10 each (Rs. 7 called up) for the non- payment of the allotment money of Rs. 4 per share including Re. 1 as premium. Of these 1,000 shares were re-issued to Mat Rs. 6 per share as Rs. 7 called up. Journalise the above transactions in the books of Y Ltd. **(4)**

Q. 10. Z Ltd. issued 12% debentures of Rs. 100 each valued at Rs. 4, 00,000 at a discount of 6%, 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. Rohit Ltd. purchased for cancellation 1000 of its own 8% debentures of Rs. 250 each at Rs. 200 per debenture. The Board of Directors have also decided to transfer the required amount to Debenture Redemption Reserve Account. Journalise the transactions in the books of Rohit Ltd. **(4)**

Q. 12. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2005 their Balance Sheet was:

Liabilities	***Rs.***	***Assets***	***Rs.***
Creditors	7.000	Building	20,000
Reserves	10,000	Machinery	30,000
Capital Accounts :		Stock	10,000
A 30,000		Patents	6,000
B 25,000		Cash	8,000
C 15,000	70,000		13,000
	87,000		87,000

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

i. Goodwill 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.
ii. Patents be valued at Rs. 8,000; Machinery at Rs. 28,000; Buildings at Rs. 30,000.
iii. Profit for the year 2005 - 06 be taken as having accrued at the same rate as the previous year.
iv. Interest on capital be provided at 10% p.a.
v. A sum of Rs. 4,250 was paid to his executors immediately.
Prepare B's Capital Account and his executors account at the time of his death. **(6)**

Q. 13. A Ltd. issued 20,000 equity shares of Rs. 10 each at a discount of Re. 1 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 was done as follows:

i. Applicants of 5,000 shares were given full allotment,
ii. 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 600 shares. Pass necessary journal entries to record the above transactions. **(6)**

Q. 14. A, B and C were partners, sharing profits in the ratio of 5 : 3 2. Their Balance Sheet on 31.3.2005 was as follows:

Liabilities	***Rs.***	***Assets***	***Rs.***

Capital Accounts : A 20,000 B 25,000 C 12,500 Bank Overdraft Mrs. C's Loan Creditors Bills Payable	 57,500 19,000 7,000 18,000 8,500 1,10,000	Plant Furniture Debtors J. L. Policy (Surrender Value) Bills Receivable Stock Loan to B Cash in han	24,000 3,000 14,000 12,000 9,000 30,000 12,000 6,000 1.10,000

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. 2,500. Prepare the Realization Account, Partners' Capital Accounts and Cash Account to close the books of the firm. OR **(6)**

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

i. Realisation expenses amounted to Rs. 2,000.
ii. Deferred revenue advertising expenditure appeared at Rs. 60,000.
iii. P&L Account on the Assets side of the Balance Sheet was Rs. 30,000.
iv. An unrecorded asset of Rs. 3,000 was taken over by Suresh.
v. Liabilities amounting to Rs. 24,000, already transferred to Realization Ac count, were settled at Rs. 22,000.
vi. Loan to Rohit was adjusted through his Capital Account, Rs. 15,000.

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

Liabilities	***Rs.***	***Assets***	***Rs.***
Creditors Reserves Capital Accounts : Krishna 30,000 Suresh 20,000	15,000 5,000 50,000 _____ 70,000	Plant & Machinery Patents Furniture Stock Debtors Cash	30,000 5,000 3,000 16,000 15,000 1,000 70,000

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

i. 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 of 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. 5,000.
Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. OR **(8)**

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

Liabilities	***Rs.***	***Assets***	***Rs.***
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
		Cash	10,000
	90,000		90,000

The terms of retirement were:

i. Y sells his share of goodwill to X for Rs. 3,000 and to Z for Rs. 4,000.
ii. Stock to be appreciated by 20% and buildings by Rs. 5,000.
iii. Joint Life Policy is surrendered to the insurance Co. for Rs. 5,000 and in vestments were sold for Rs. 22,000.
iv. Y is paid off in cash.
Prepare Revaluation Account, Capital Accounts of Partners and the Balance Sheet of the new firm.

PART - B

(ANALYSIS OF FINANCIAL STATEMENTS)

Q. 16. What is a Cash Flow Statement? List any two uses of preparing the Cash Flow 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 debentures
(b) Sale of fixed assets
(c) Receipt of Dividend
(d) Interest Received

Q. 18. List any three items that can be shown as 'Contingent Liabilities' in a company's Balance Sheet.

Q. 19. From the following data prepare a Statement of Profits in the comparative form: **(3)**

Particulars	*31.3.2004 Rs.*	*31.3.2005 Rs.*
Sales GP ratio Administrative Expenses Income Ta	8,00,000 30% 50,000 50%	8,00,000 40% 1,00,000 50%

Q. 20.

i. From the given information calculate the Stock Turnover Ratio:
Sales: Rs. 2, 00,000; GP: 25%; Opening Stock was 1/4th of the value of Closing Stock. Closing Stock was 40% of Sales.

ii. A business has a Current Ratio of 4: 1 land 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)**

Liabilities	*2004 Rs.*	*2005 Rs.*	*Assets*	*2004 Rs*	*2005 Rs.*
Creditors Bills Payable Other Current Liabilities 6% Debentures Profit & Loss A/c	20,000 20,000 40,000 60,000 90,000 2,30,000	25,000 25,000 45,000 80,000 1,10,000 2,85,000	Cash Investments Stock Debtors Gross Block	20,000 40,000 30,000 30,000 1,00,000 2,30,000	30,000 30,000 45,000 40,000 1,40,000 2,85,000

OR From the following statement calculate the cash generated from operating activities:

Statement of Profit for the year ending March 31st 2005

Particulars	*Rs.*	*Particulars*	*Rs.*
To Salaries To Rent To Depreciation To Loss on Sale of Building To Goodwill written off To Proposed Dividend To Provision for tax To Net Profit	10,000 5,000 20,000 5,000 8,000 10,000 10,000 29,000 97,000	By Gross Profit By Profit on Sale of machinery By Dividend received By Commission accrued	80,000 10,000 3,000 4,000 97,000