

ACCOUNTANCY
(Principal and Practice of Financial Accounting)

Time: 3 Hours]

[Maximum Marks: 100

Note:

- (i) This Question Paper consists of two Sections, viz., 'A' and 'B'
- (ii) All questions from Section 'A' are to be attempted
- (iii) Section 'B' has got more than one option. Candidates are required to attempt questions from one option only.

SECTION – A

- 1. Explain the term 'Current Assests' and give two examples. 2
- 2. State the meaning of Ledger. 2
- 3. When is there a favourable bank balance and when is there an unfavourable bank balance as per Cash Book and as per Pass Book?
2
- 4. Calculate Cost of Goods Sold from the following information. 2

	Rs.
Opening Stock	12,500
Net Purchases	42,600
Carriage Inward	1,400
Closing Stock	14,500

- 5. Sudhir, a partner in your wants to retire, List the amounts that he can claim at his retirement. 2
- 6. "Accounting involves not only Book-keeping but also many more other activities." Do you with the statement? Explain, in brief, those activities. 3
- 7. Explain 'Accrual Concept' with suitable examples. 3
- 8. Manju and Sanju are partners I a firm. They do not have any partnership agreement. They differ on the following points. State who is correct in each case. 3

- (a) Manju wants a salary since she works and Sanju does not for the firm.
- (b) Manju has invested Rs. 50,000 as capital and Sanju has invested Rs. 30,000 s capital.
Manu wants profits to be shared in the ratio of 5:3
- (c) Sanju has given Rs. 20,000 as loan to the firm. She wants interest on it @ 12% p.a. which is a market rate.

9. Define the following terms giving one example each: 3
- (a) Capital Expenditure
- (b) Revenue Expenditure
10. The representatives of the deceased partners are expected to bear certain amounts. What are those amounts? Explain. 3
11. On 31st March, 2006, the total assets were Rs. 2, 50,000 and capital was Rs. 1, 75,000. Complete the accounting equation with four probable liabilities with imaginary amounts. 4
12. The cash Book of your friend shows a bank balance of Rs. 10,600. While comparing bank transactions given in the cash book with the pass Book, he be subtracted to arrive at the balance as per pass Book. 4
- (i) A cheque for Rs. 10,000 sent for collection has not been collected and credited by bank for payment so far.
- (ii) Bank charges of Rs. 100 have not been entered in the Cash Book.
- (iii) A customer has deposited Rs. 3,500 directly in the bank account, but it was not entered in the Cash Book.
13. What is meant by ‘over –subscription f Shares’? Explain with example. Also explain the options a company has in case of over-subscription. 5
14. Prepare relevant Accounting Vouchers from the following information: 10
- | | Rs. |
|--|--------|
| 2005 | |
| July 1 Purchased machine vide Cash Memo No. 903 | 24,000 |
| “ 10 Purchase goods from Jagat Seth & Sons for cash vide Cash Memo No. 763 | 12000 |
| “ 12 Paid cartage | 120 |
| “ 20 Received Bank Loan from National Bank vide Agreement No. 160 | 25,000 |

15. From the information given below , prepare trading and Profit & Loss Account for the year ended 31st December, 2005 and Balance Sheet as on that date :

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Trial Balance
As on 31st December, 2005

Particulars	Dr. Balance Rs	Cr. Balance Rs.
Stock (1.1.2005)	18,500	-----
Purchase and Sales	82,000	1, 22,000
Carriage inward	1,200	----
Wages	3,600	----
Capital	-----	75,000
Sales Returns	2000	----
Salaries	6,000	---
Insurance Premium	2,000	----
Advertisement	3,500	----
Bills Receivable	18,000	----
Commission	-----	4,500
Debtors & Creditors	32,000	24,000
Plant and Machinery	30,000	----
Furniture and Fixtures	12,000	----
Rent	5,500	
Conveyance Charges	1,380	
Bad Debts	680	
Provision for bad debts		1,460
Cash and bank & in Hand	5,600	
Drawings	3,000	
2, 26,960	2, 26,960	

Adjustments:

- (i) Closing Stock RS 22,500
- (ii) Wages Outstanding- Rs. 400
 - (iv) Make a Provision for Bad and Doubtful Debts at 5% on Debtors
 - (v) Rent is paid for 11 months
 - (vi) Provide Depreciation on plant & Machinery at 10% and on Furniture & Fixtures at 5%.
 - (vii) Insurance Premium is paid for the year ended 31st March , 2006

16. The following is the Balance Sheet of Rohit and Mohit , who had been sharing profits and losses in the ratio of 3: 1 as at 31st December, 2005

Liabilities	Amount Rs.	Assests	Amount Rs.
Creditor	36, 5001	cash at Bank	17,500
General Reserve	4,000	Debtors	20,000
Capitals:		Stock	20,000
Rohit	30,000	Furniture	6,000
Mohit	18,000	land & Building	25,000
	88,500		88,500

They agreed to admit Vikram into partnership from 1st of January, 2006 on the following terms.

- (i) That Vikram pays Rs. 16,000 as his Capital for 1/5th share and also pays his Share of Goodwill.
- (ii) That the Goodwill of the firm is valued at Rs. 30,000
- (iii) That Stock and Furniture be reduced by 10% and a provision for Doubtful Debts be created on Debtors by 5%.
- (iv) That the value of Land & Building be appreciated by 20%

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

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OR

The Balance Sheet of X, Y, and Z as on 31st March, 2005 who shared profits and losses in the ratio of 3:2:1 was as following

Liabilities	Amount	Assets	Amount
Bills payable	40,000	Buildings	50,000
Loan from Bank	32,000	plant & machinery	40,000
Reserve fund	9,000	Stock	20,000
Capitals		Sundry Debtors	33,000
X	42,000	Less: Provision for	
Y	36,000	Doubtful Debts	<u>1,000</u>
Z	21,000	Investments	12,000
		Cash at Bank	26,000
	1, 80,000		1, 80,000

The firm was dissolved on the above date. X took over the Investments and Stock at Rs 37,000. Amount realised from the sale of other assets was as:

- Buildings – Rs 65,000
- Plant & Machinery – Rs 32,000
- Debtors – Rs 30,000
- Bills Payable were honoured at a discount of 1%
- Realisation Expenses of Rs 800 were paid
- Bank Loan was paid in full

Prepare Realisation Account, Partners' Capital Accounts and Bank A/c

17. Lakshmi Finance Company Ltd. Invites applications for 100000 equity shares of Rs 10 each at a premium of Rs 5 per share payable as:

- On Application – Rs 4 per share
- On Allotment --- Rs 8 per share (including premium)
- The remaining amount on first and Final Call

Applications were received for 150000 shares and allotment was made pro rata to application to applicants of 120000 shares. Applications for remaining shares were rejected and money was returned. Money overpaid on application was utilized towards sums due on allotment. Ram to whom 500 shares were allotted failed to pay the allotment money. On his subsequent failure to pay the call money, his shares were forfeited. These shares were reissued at a discount of Rs 2 per share. Give the necessary journal Entries in the books of the company. Also give the necessary working notes.

SECTION – B OPTION -1

(Analysis of Financial Statements)

18. (a) The dept equity ratio of a company is 4:5. State whether the following items will (i) increase, (ii) decrease or (iii) have no effect on this ratio. Give reasons:

1. Issue of equity shares
2. Cash received from debtors
3. Sale of goods for cash
4. Issue of debentures
5. Converting debentures into equity shares

- (b) Calculate-
- Current Assets;
 - Current Liabilities;
 - Liquid Assets
- When –
 Current Ratio is 3: 1
 Liquid Ratio is 2: 1
 Closing stock is Rs 45,000

- (c) Prepare Schedule of changes in working Capital and Fund Flow Statement from the following Balance Sheets:

Liabilities	2004 Rs	2005 Rs	Assets	2004 Rs	2005 Rs
Share capital	1,00,000	1,50,000	Goodwill	35,000	15,000
General Reserve	20,000	30,000	Buildings	1,20,000	1,15,000
Profit & Loss A/c	50,000	60,000	Machinery	80,000	1,04,000
10% Debentures	1,50,000	1,00,000	Debtors	32,000	50,000
sundry Creditors	25,000	30,000	Closing Stock	30,000	34,000
			Cash at Bank	48,000	52,000
	3,45,000	3,70,000		3,45,000	3,70,000

Additional Information:

- depreciation provided during the year on Buildings was Rs 5,000 and on Machinery Rs 8,000
- During the year a machine costing Rs 10,000 (accumulated depreciation Rs 1,000) Sold for Rs 4,500

OPTION – II

(Account of Non – trading Organizations)

3. (a) You have been preparing Receipts & Payments Account and Income & Expenditure Account of a club for many years. What difference did you find between the two accounts in respect of (i) Nature, (ii) Opening Balance, (iii) Closing Balance, (iv) Capital & Revenue and (v) Adjustments? 5

- (b) How will you show the following in the Income & Expenditure Account? 5

	Rs
(i) Rent paid in the current year	6,000
(ii) Rent due but not paid in the current year	600
(iii) Rent paid last year for this year	1,200

- (iv) Rent due of last year for this year 1,500
(v) Advance rent paid for next year in this year 1,600

- ii. From the Receipts & Payments Account and the Information given, prepare Income & Expenditure Account of New Rising Star Club for the year ended 31st December, 2005: 10

New Rising Star Club
Receipts and Payments Account
For the year ended 31st December, 2005

Dr.

Cr

Receipts	Rs	Payments	Rs
To Balance b/d	4,250	By Salaries	2,200
” Subscriptions (including Rs 500 for 2004)	7,500	” General Expenses	1,200
” life Membership Fess	2,000	” Electric Expenses	400
” Sale of old Furniture (Book Value Rs 2,000)	1,360	” Books	2,500
” Rent Received for Use of Ground	1,740	” Newspapers	600
” Profit from Entertainment	1,600	” Postage	250
” Sale of Old Newspapers	200	” Furniture	2,500
” Proceeds from Sports	5,000	” Sports Expenses	3,500
		” Investments (in 6% Govt. Bonds on 1.10.2005)	8,000
		” Balance c/d	2,500
	23,650		23,650

Additional Information:

- (i) The Club has 150 members each paying annual subscription of Rs 50
(ii) Subscription outstanding on 31st December, 2004 was Rs 600
(iii) On the 31st December, 2005 salary outstanding amounted to Rs 200, salaries paid included Rs 200 for the year 2004
(iv) On 1st January, 2005, the Club owned Land & Building valued at Rs 20,000, Furniture Rs 4,500 and Books Rs 4,000
(v) Provide depreciation on Building @ 5% and Furniture @ 10% including purchased during the year