

**FC-09****Advanced Accountancy & Auditing  
Paper - I (Principal)****Time : 3 Hours]****[Total Marks : 70**

- Instructions :** (1) Figures on right side show Marks for the Questions.  
 (2) Quote the same question number in your answer book.  
 (3) In all there are six questions.

1. Nila and Lila are partners in a firm sharing Profits and Losses in the ratio of 3:1. The Balance Sheet of their firm as on 31-03-2004 is as under. 12

Liabilities	Rs.	Assets	Rs.
<u>Capital Accounts :</u>		Office Building	1,00,000
Nila      1,36,000		Machineries	80,000
Lila <u>1,00,000</u>	2,36,000	Furniture	10,000
General Reserve	40,000	Debtors                      50,000	
Workmen's Compensation Fund	6,000	Less : B.D.R. <u>2,500</u>	47,500
Workmen's Profit-sharing fund	8,000	Stock	30,000
Creditors	20,000	Cash Balance	42,500
	<b>3,10,000</b>		<b>3,10,000</b>

On 1-4-04 Anila was admitted in the firm. Their new profit sharing ratio will be 5 : 3 : 2. The following were the terms of admission :

- (1) Anila will bring Rs.50,000 in cash as capital.
- (2) Goodwill of the firm was valued at Rs.30,000. Necessary adjustments were to be passed in capital accounts of partners for recording only Anila's share of goodwill without opening goodwill account.
- (3) Value of building is appreciated by 20%, machineries are depreciated by 10% and stock is valued at Rs. 24,000.
- (4) Bad debts reserve on debetors is to be increased up to Rs. 5,000.
- (5) Unpaid expenses of Rs. 2,000 are to be recorded, Rs. 4,000 is to be paid against the claim of accident compensation.
- (6) After admission of Anila, partners decided to keep their capital in the new profit sharing ratio taking Anila's capital as a base. Necessary adjustments are to be made by cash.

From the above information, prepare the following accounts in the books of the firm.

- (1) Profit and Loss Adjustment Account,
- (2) Partners' Capital Accounts,
- (3) Cash Account and
- (4) Balance Sheet of the firm after admission of Anila.

2. A, B, C and D are the partners in a firm sharing Profits and Losses in the ratio of 2 : 3 : 3 : 2 respectively. The Balance Sheet of their firm as on 31-3-04 is as under.

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Liabilities		Rs	Assets		Rs.
Capital Accounts :			Building		35,000
A	30,000		Machinery		25,000
B	30,000		Furniture		20,000
C	10,000		Cash balance		10,000
D	<u>10,000</u>	80,000	Profit and Loss Account		40,000
Creditors		40,000			
B's Loan		10,000			
		<b>1,30,000</b>			<b>1,30,000</b>

The firm was dissolved on above date.

Information relating to dissolution is given below.

- (1) The fixed assets were realised Rs. 60,000.
- (2) Dissolution expenses of Rs. 5,000 paid by the firm.
- (3) All the liabilities were paid by the firm.
- (4) Partner's personal assets and liabilities were as under :

Partner	Personal Assets Rs.	Personal Liabilities Rs.
"A"	15,000	10,000
"B"	20,000	1,000
"C"	8,000	6,000
"D"	8,000	10,000

- (5) "C" and "D" were declared insolvent.

From the above information, prepare the following accounts to close the books of the firm as per Garner V/s. Murray's decision.

1. Realisation Account
2. Partners' Capital Accounts.
3. Cash Account and
4. Show your working in detail.

OR

2. Murali, Bansari and Bin are partners in a firm sharing Profits and Losses in the ratio of 1 : 2 : 3 respectively. The Balance Sheet of their firm as on 31.3.04 is as under :

Liabilities		Rs.	Assets		Rs.
<u>Capital Accounts :</u>			Land & Building		1,00,000
Murali	60,000		Machinery		60,000
Bansari	85,000		Furniture		18,000
Bin	<u>95,000</u>	2,40,000	10% Investments		40,000
General Reserve		36,000	Stock		40,000
Profit and Loss A/c.		12,000	Debtors	46,000	
Joint Life Policy Reserve		24,000	Less : Bad debts	<u>6,000</u>	40,000
Bills Payable		10,000	Bills Receivable		10,000
Creditors		28,000	Cash-Bank Balance		42,000
		<b>3,50,000</b>			<b>3,50,000</b>

On 1.4.04 Murali retired from the firm under following terms.

- (1) Some of the assets of the firm were revalued as under :

	Rs.
Land & Building	1,20,000
Machinery	55,000
Furniture	16,000
Stock	34,000

- (2) Bad debts reserve is to be provided at 5% on debtors.  
 (3) Interest due on investments for one year not accounted for.  
 (4) The goodwill of the firm has been valued at Rs. 75,000. The goodwill is not to be shown in the Balance Sheet of the new firm.  
 (5) Bansari and Bin will share profits and losses equally after retirement of Murali.  
 (6) Out of the dues payable to Murali, Rs. 50,000 are to be retained in the firm as his 10% loan and balance is to be paid in cash.

From the above information prepare :

- (1) Profit and Loss Adjustment account.  
 (2) Goodwill Account.  
 (3) Partners' Capital Account.  
 (4) Cash and Bank Account and  
 (5) Balance Sheet of the new firm.

3. Mital and Hetal are partners in a firm sharing Profits and Losses in the ratio of 3:2. The Balance Sheet of their firm as on 31.3.04 is as under :

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Liabilities		Rs.	Assets		Rs.
<u>Capital Accounts</u>			Machinery		85,000
Mital	1,50,000		Furniture		75,000
Hetal	<u>1,10,000</u>	2,60,000	Investments		60,000
General Reserve		30,000	Stock		1,20,000
Provident Fund		40,000	Debtors		80,000
Creditors		90,000	Dena Bank		20,000
Workers' Accident comp. fund.		20,000			
		<b>4,40,000</b>			<b>4,40,000</b>

On 1-4-04 the firm was converted into Bandish Limited under the following conditions.

- (1) The Company will take over all the assets and liabilities except furniture and Bank Balance.
- (2) The Company has taken over machinery and stock at their market value. Machinery shown in the balance sheet is 15% less than the market price and stock shown in the balance sheet is 20% more than market price.
- (3) Provide bad debts reserve on debtors at 10%
- (4) Company agreed to pay Rs. 50,000 for goodwill.
- (5) Against purchase price, the company has to give 22,000 equity shares Rs. 10 each at 20% premium and the balance in cash.
- (6) Furniture realised Rs. 58,000 and dissolution expenses amounted to Rs. 4,000.
- (7) Out of shares received from the company, 7000 shares were sold at Rs. 12 per share and remaining shares were shared by them in their profit sharing ratio.

From the above information, prepare in the books of firm :

- (1) Realisation Account.
- (2) Bandish Limited's Account.
- (3) Partners' Capital Accounts.
- (4) Bandish Limited's Shares Account
- (5) Cash Account.
- (6) Statement of calculation.

**OR**

3. Nirma, Rima and Sima were partners sharing Profits and Losses in the ratio of 2 : 2 : 1. On 1.1.04 they agreed to dissolve the firm. The Balance Sheet of the firm on that date was as under :

Liabilities		Rs.	Assets		Rs.
<u>Capital Accounts</u>			Building		80,000
Nirma	60,000		Plant		28,800
Rima	30,000		Stock		15,000
Sima	<u>20,000</u>	1,10,000	Debtors		22,000
Bank Loan		15,800	Cash on hand		2,800
Rima's Loan		12,500	Profit and Loss A/c		15,000
Creditors		25,300			
		<b>1,63,600</b>			<b>1,63,600</b>

Building is hypothecated with Bank for Loan.

The assets were realised as under :

	<b>Rs.</b>
First Instalment	25,000
Second Instalment	16,000
Third Instalment	24,000
Fourth Instalment	25,200

An amount of Rs. 4000 was kept aside for the dissolution expenses, but the actual expenses were Rs.3000.

Prepare a statement showing the distribution of cash under the “Surplus Capital Method”.

4. Shri Raj could not keep complete records of his firm. From the following information, prepare Trading Account and Profit and Loss Account for the year ended 31<sup>st</sup> March 2004 and Balance Sheet as on that date :

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<b>Assets and Liabilities</b>	<b>As on 31.3.03 Rs.</b>	<b>As on 31.3.04 Rs.</b>
Land	3,000	(?)
Creditors	15,000	12,000
Debtors	20,000	30,000
Cash	12,000	(?)
Stock	31,000	45,000
Plant and Machinery	35,000	38,000
Bad debts reserve	2,000	(?)
Bills Receivable	---	2,000

**Cash Transactions :**

Cash Sale Rs. 88,000, Collection from debtors Rs. 1,10,000, Purchase of plant Rs. 3,000 (1.10.03) Drawings Rs. 8,000, Wages Rs. 3,000, Salaries Rs. 15,000, Telephone Bill Rs. 6,000, Rent paid Rs. 9,000, Sundry Expenses Rs. 8,500, 10% Investments purchased on 1.10.03 Rs. 6,000, paid to creditors Rs. 35,000.

Discount received Rs. 1,000, discount to debtors Rs. 3,000.

**Adjustments :**

- (1) Provide for depreciation on depreciable assets at 10% p.a. and interest on capital at 10% p.a.
- (2) Provide for bad debts at 5% on debtors.

**OR**

4. Write Short notes on (any two) :

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1. Types of Lease
2. Financial Lease
3. Advantages of Lease
4. Terms of Hire Purchase Agreement.

5. Mr. Malav purchased a second hand Indica Car from Swati Motors on 1.1.02 on hire-purchase method. He had paid following amounts towards the purchase of the car. 12

Date	Rs.
1.01.02	10% of the cash price
30.4.02	89,000
31.8.02	65,000
31.12.02	42,000

Instalments include interest at the rate of 15% per annum. Depreciation is to be charged at the rate of 20%

From the above information prepare :

1. Indica Car Account in the books of Malav and,
2. Malav's Account in the books of Swati Motors.

**OR**

On 1.1.2004 Meetal Finance Ltd. holds 6% U.P. Government Loan at a price of Rs. 4,50,000 the face value being Rs. 5,00,000. Interest is paid on 31<sup>st</sup> March and 30<sup>th</sup> September. During 2004 the following transactions took place. 12

Date	Face Value Rs.	Rate Rs.	Remarks
1.2.04	2,00,000	95	Cum-Interest Purchase
1.3.04	1,00,000	94	Ex-Interest Sale
1.6.04	1,00,000	98	Cum-Interest Sale
16.9.04	1,20,000	94	Ex-Interest Purchase.

1% brokerage should be calculated on the market-value for each transaction of purchase and sale.

Valuing of closing balance is determined as per FIFO method.

Prepare 6% U.P. Govt. Loan Account for the year 2004.

6. Answer these questions (**Any Five**) : 10

1. Fill up the blanks.

General Reserve is, \_\_\_\_\_ . Bad Debts Reserve is \_\_\_\_\_, while .

Workers' Savings fund is \_\_\_\_\_.

2. Write short note on "Sacrifice Ratio".

3. "At the time of retirement at least one partner is gaining." Explain with illustration.

4. Find out credit sales :

Debtors (1.4.03)	Rs. 31,000
Bad Debts Reserve 1.4.03	Rs. 1,000
Cash received from debtors.	Rs. 52,000
(Rs.2,000 previously written off as bad debts.)	
Sales Return	Rs.1,000
Interest charged to debtors	Rs. 1,500
Bills receivable dishonoured	Rs. 2,500
Debtors (31.3.04)	Rs. 35,000

5. List Five types of lease contracts.

6. In A's leader : Machine Account and B's Account were as under :

#### Machine Account

1-1-04	To Bank A/c	10,000	31-12-04	By Depreciation A/c.	20,000
31-12-04	To B's A/c.	50,000	31-12-04	By Balance c/d.	40,000
		<b>60,000</b>			<b>60,000</b>

#### B's Account

31-12-04	To Bank A/c.	55,000	31-12-04	By Interest A/c.	5,000
			31-12-04	By Machine A/c.	50,000
		<b>55,000</b>			<b>55,000</b>

Pass necessary journal entries related to Profit and Loss Account in the books of A and B.

7. **Balance Sheet as on 31.12.04**

Liabilities		Rs.	Assets		Rs.
Creditors	21,000		Debtors	32,000	
Less : Dis. Res.	<u>1,000</u>	20,000	Less : B.D.R.	<u>2,000</u>	
Capital : A	25,000			30,000	
B	<u>15,000</u>	40,000	Less : Dis Res.	<u>1,000</u>	29,000
			Sundry assets		31,000
		<b>60,000</b>			<b>60,000</b>

Pass journal entries to transfer debtors' and creditors' account to Realisation Account.

8. Brokerage is 1.5% on sale-purchase of shares and securities. A purchased securities of Rs. 85,600 and sold shares of Rs. 15,560. Find out amount to be paid for purchase of securities and amount to be received for sale of shares.