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Part III — ACCOUNTANCY

(English Version)

Time Allowed : 3 Hours]

[Maximum Marks : 200

SECTION - A

(Marks : 30 × 1 = 30)

N. B. : Answer all the questions.

I. Fill in the blanks :

1. The unsold goods in stock at the end of the accounting period is called as
2. Final Accounts is prepared on the basis of
3. Trial Balance shows investments Rs. 80,000 @ 10% on 1. 1. 2005. Interest received is Rs. 6,000. Accrued interest is on 31. 12. 2005.
4. Capital of a proprietor is Rs. 1,50,000. His liabilities are Rs. 2,80,000. His assets are
5. In single entry system and cash accounts are only maintained.

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6. In method, depreciation is calculated on the book value of the assets each year.
7. A company purchased a machinery for Rs. 1,00,000. It is depreciated at 10% p.a. on reducing balance method for three years. is the balance at the end of the third year.
8. Liquid ratio is otherwise called as
9. Sales Rs. 3,50,000, Capital employed Rs. 1,75,000. Capital Turnover Ratio is
10. A budget is an account of the probable future
11. Under method, the capitals change every year.
12. is the value that arises due to efforts that had already been made in the past by the old partners.
13. The amount due to the retiring partner is either paid off immediately or is paid in
14. is the part of uncalled capital to be called up only at the time of winding up.
15. A company issued 50,000 shares of Rs. 10 each at a premium of Rs. 2 each. is the share premium amount.

II. Choose and write the correct answer :

16. The financial position of the business can be ascertained by preparing the
- a) Final Accounts b) Trial Balance c) Capital Accounts.
17. Trial Balance shows Sundry debtors Rs. 75,000 as on 31. 12. 2005. Write off Bad debt Rs. 5,000, Provide 5% for Bad and doubtful debts. The amount of provision for bad and doubtful debts is
- a) Rs. 3,750 b) Rs. 4,000 c) Rs. 3,500.
18. Single Entry system is
- a) a scientific method
- b) an incomplete Double Entry system
- c) none of these.
19. Sundry debtors on 1. 4. 2004 — Rs. 75,000, Sundry debtors on 31. 3. 2005 — Rs. 90,000. Cash received from debtors — Rs. 35,000. Credit sales is
- a) Rs. 20,000 b) Rs. 45,000 c) Rs. 50,000.
20. If selling price is less than the book value of the asset, it denotes
- a) profit b) loss c) expenditure.

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21. The original value of an asset is Rs. 6,00,000. Depreciate @ 10% under straight line method. is the depreciation amount written off every year.

a) Rs. 6,000

b) Rs. 60,000

c) Rs. 6,600.

22. Operating expenses include

a) Administration and Selling expenses

b) Selling and Distribution expenses

c) Administration, Selling and Distribution expenses.

23. indicate the performance of the business.

a) Activity ratios

b) Solvency ratios

c) Liquidity ratios.

24. Cash budget deals with

a) estimated cash receipts

b) estimated cash payments

c) estimated cash receipts and cash payments.

25. Unless the partnership deed provides for it, the partners are
- a) entitled to salary
 - b) not entitled to salary
 - c) active partner will get salary.
26. At the time of admission of a partner should be found out.
- a) gaining ratio
 - b) capital ratio
 - c) sacrificing ratio.
27. The amount due to the retiring partner will be transferred to his loan account. This will carry an interest rate of
- a) 9%
 - b) 5%
 - c) 6%
28. X and Y are partners in a firm, sharing the profits and losses in the ratio of 3 : 2. Due to withdrawal of Y, Goodwill is raised to Rs. 30,000. The share of goodwill for X & Y will be
- a) Rs. 18,000 & Rs. 12,000
 - b) Rs. 20,000 & Rs. 10,000
 - c) Rs. 15,000 & Rs. 15,000.

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29. Calls-in-arrears is shown in the Balance Sheet as

- a) deduction from called up capital
- b) addition to paid up capital
- c) addition to issued capital.

30. Normally companies can issue shares at of discount.

- a) 5%
- b) 10%
- c) 20%.

SECTION - B

(Marks : $10 \times 5 = 50$)

N. B. : i) Answer any *ten* questions.

ii) Answers to theory questions should not exceed *fifty* words each.

31. Why an interest on capital is to be debited in the Profit and Loss Account ?

32. Write any two features of Single Entry system.

33. What do you mean by Obsolescence ?

34. What are the advantages of Ratio Analysis ?

35. Write any five examples for cash payments.

36. What are the accounting rules applicable for interest on drawings and interest on capital in the absence of Partnership deed ?

37. What is Regret Letter ?

38. As per Trial Balance Capital is Rs. 9,00,000. Drawings — Rs. 80,000,
Adjustment — calculated interest on drawings @ 6% p.a.

Pass adjusting and transfer entries.

39. From the following, find out the Total Sales :

	Rs.
Sundry Debtors (1. 1. 2005)	60,000
Cash Received from Sundry Debtors	90,000
Discount allowed	3,000
Sales return	7,500
Closing (31. 12. 2005) Sundry Debtors	74,500
Cash Sales	65,000

40. Rakshitha Ltd. purchased Plant and Machinery for Rs. 32,000. This is expected to last for 10 years. Estimated scrap value is Rs. 3,200. Find out the rate of depreciation under the straight line method.

41. From the following, determine the Stock Turnover Ratio :

Opening Stock	Rs. 40,000
Closing Stock	Rs. 30,000
Purchases	Rs. 95,000

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42. Calculate the amount of goodwill on the basis of three years' purchase of the last four years' average profits. The profits for the last four years are
- 2001 — Rs. 12,000, 2002 — Rs. 18,000, 2003 — Rs. 16,000,
2004 — Rs. 14,000.
43. Sindhu and Bindhu are partners sharing profits in the ratio of 7 : 3. They admit Indhu into the partnership to $\frac{1}{5}$ th share, the old partners sacrificing equally. Calculate the new profit ratio and the sacrificing ratio.
44. Vanathi Ltd. issued 30,000 shares of Rs. 100 each at a premium of Rs. 25 per share fully paid.

Pass Journal entry.

SECTION - C

(Marks : 5 × 12 = 60)

N. B. : i) Answer any *five* questions including Question No. 45 which is compulsory.

ii) Answers to theory questions should not exceed 150 words each.

45. a) The Trial Balance shows Sundry Debtors as Rs. 1,25,000. Bad debt Rs. 4,000 as on 31. 3. 2003.

Adjustments :

- i) Rs. 5,000 to be written off as Bad debt.
- ii) Provide 5% provision for bad and doubtful debts.
- iii) Provide @ $1\frac{1}{2}$ % provision for discount on debtors.

Pass adjusting entries and show how these items will appear in the Final Accounts.

OR

- b) The balances appear in Bharani's books which are kept on Single Entry basis :

	January 1, 2001	December 31, 2001
	Rs.	Rs.
Furniture	2,000	2,000
Stock	5,000	6,000
Sundry Debtors	6,000	4,000
Cash	10,000	20,000
Sundry Creditors	2,000	3,500
Bills receivable	1,000	500
Loan (Dr.)	—	1,000
Investment	—	4,000

His drawings during the year were Rs. 2,000. Depreciate furniture by 10% and provide a reserve for bad and doubtful debts at 5% on Sundry debtors. Prepare a statement showing profit for the year 2001.

46. Explain any four methods of providing depreciation.
47. Write a note on Cash Budget. What are the characteristics of a budget ? What are the advantages of cash budget ?
48. What is capital ? Explain the types of Capital Accounts maintained in the books of accounts of a partnership concern.
49. Amritha & Co. purchased a Machinery for Rs. 64,000 on 1st April, 1996. They spent Rs. 28,000 on the repairs and installed the same. Depreciation is written off at 10% p.a. on the Straight Line Method. On 30th June, 1998 the machinery was found to be unsuitable and sold for Rs. 61,000. Assume that the accounts are closed on 31st December every year.

Prepare Machinery Account and Depreciation Account for three years.

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50. Write up the Capital and Current Accounts of the partners, Rajani and Sajani, from the following details :

<i>Particulars</i>	<i>Rajani Rs.</i>	<i>Sajani Rs.</i>
Capital on 1. 4. 2003	1,00,000	60,000
Current A/c on 1. 4. 2003	3,000 (Dr.)	2,000 (Cr.)
Drawings during 2003-04	8,000	5,000
Interest on Capital @ 5%	?	?
Interest on Drawings	240	150
Share of Profit 2003-04	12,000	10,000
Partners' Salary	4,000	—
Interest on Rajani's Loan A/c	3,000	—

51. From the following calculate liquidity ratios :

Balance Sheet of Gokul Co. Ltd. as on 31. 3. 2005

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital	6,300	Fixed Assets	5,100
Reserves	1,200	Stock	2,400
Bank Overdraft	660	Debtors	660
Creditors	1,740	Cash	1,740
	9,900		9,900

52. A company forfeited 200 shares of Rs. 100 each issued at a premium of 10% (received on allotment) for the non-payment of first call of Rs. 30 and final call of Rs. 20 per share. These shares were reissued at Rs. 70 per share as fully paid up. Give necessary Journal entries for forfeiture and reissue of shares.

SECTION - D

(Marks : 3 × 20 = 60)

N. B. : Answer any *three* questions including Question No. 53 which is compulsory.

53. a) Mr. Apoorva commenced business on 1. 4. 2004 with a capital of Rs. 75,000. He immediately bought furniture for Rs. 12,000. During the year he borrowed Rs. 15,000 from his wife as loan. He has withdrawn Rs. 21,600 for his family expenses. From the following particulars you are required to prepare Trading and Profit & Loss A/c and Balance Sheet as on 31. 3. 2005 :

	Rs.
Cash received from Sundry Debtors	1,21,000
Cash paid to Sundry Creditors	1,75,000
Cash Sales	1,00,000
Cash Purchases	40,000
Carriage inwards	4,500
Discount allowed to Sundry debtors	4,000
Salaries	5,000
Office Expenses	4,000
Advertisement	5,000
Closing Balance of Sundry Debtors	75,000
Closing Balance of Sundry Creditors	50,000
Closing Stock	35,000
Closing Cash Balance	43,900

Provide 10% depreciation on furniture.

OR

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- b) Naveen and Nithin were partners of a firm sharing profits and losses in the ratio of 7 : 5. Set out below was their Balance Sheet as on 31st December, 2004.

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry Creditors	40,000	Bank	52,000
General Reserve	72,000	Sundry Debtors	40,000
Workmen's Compensation Fund	60,000	Stock	72,000
<i>Capital Accounts :</i>		Machinery	1,60,000
Naveen Rs. 1,20,000		Profit & Loss A/c	48,000
Nithin Rs. <u>80,000</u>	2,00,000		
	3,72,000		3,72,000

Nithin retired from the partnership from 1st January, 2005 and that Naveen will take over the business on the following terms :

- i) Goodwill of the firm was to be valued at Rs. 36,000.
- ii) Machinery was depreciated at 10%
- iii) A provision for doubtful debts be created at 5% on Sundry debtors.
- iv) The liability on workmen's compensation fund is determined at Rs. 36,000.

Show Revaluation Account, Capital Accounts and the Balance Sheet of Naveen after the adjustments have been made.

54. The following are the balances extracted from the books of Mr. Udhaya Chandran as on 31. 3. 1998. Prepare Trading and Profit and Loss Account for the year ending 31. 3. 1998 and a Balance Sheet as on that date :

Trial Balance as on 31. 3. 1998

<i>Debit Balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Drawings	40,000	Capital	2,00,000
Cash at Bank	17,000	Sales	1,60,000
Cash in Hand	65,000	Sundry Creditors	45,000
Wages	10,000		
Purchases	20,000		
Stock (1. 4. 1997)	60,000		
Buildings	1,00,000		
Sundry Debtors	44,000		
Bills Receivable	29,000		
Rent	4,500		
Commission	2,500		
General Expenses	8,000		
Furniture	5,000		
	4,05,000		4,05,000

The following adjustments are to be made :

- a) Stock on 31. 3. 1998 was Rs. 40,000.

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- b) Interest on Capital at 6% to be provided.
 c) Interest on drawings at 5% to be provided.
 d) Wages yet to be paid Rs. 1,000.
 e) Rent prepaid Rs. 500.

55. The following is the Trading & Profit and Loss Account of a firm for the year ended 31. 3. 2004.

Trading and Profit and Loss Account of Kavya & Co.

for the year ended 31. 3. 2004

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Opening Stock	35,000	By Sales	4,00,000
.. Purchases	2,25,000	.. Closing Stock	50,000
.. Wages	10,000		
.. Gross Profit	1,80,000		
	<hr/>		<hr/>
	4,50,000		4,50,000
	<hr/>		<hr/>
To Administration Expenses	10,000	By Gross Profit	1,80,000
.. Interest	5,000	.. Dividend	2,000
.. Loss on Sale of Machinery	2,000		
.. Selling Expenses	10,000		
.. Net profit	1,55,000		
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	1,82,000		1,82,000
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Calculate profitability ratios.

56. Prepare a cash budget for the months of August and September, 2004 from the following information :

Month	Cash Sales (Rs.)	Credit Sales (Rs.)	Credit Purchases (Rs.)	Wages (Rs.)	Selling Expenses (Rs.)
June 2004	75,000	1,87,000	1,24,800	12,000	8,600
July 2004	60,000	1,92,000	1,83,600	14,000	4,800
August 2004	50,000	1,94,000	1,46,000	11,000	6,600
September 2004	45,000	1,26,000	1,73,400	10,000	7,500

- i) Suppliers allowed two months credit.
- ii) Customers were given one month credit.
- iii) Wages are payable in the same month and delay in payment of selling expenses was one month.
- iv) Commission receivable Rs. 11,000 in August.
- v) Estimated Cash Balance as on 1st August Rs. 9,100.

57. Santhosh Ltd. issued 10,000 shares of Rs. 100 each at Rs. 120 payable as follows :

Rs. 25 on application

Rs. 45 on allotment (including premium)

Rs. 20 on first call and

Rs. 30 on final call.

9,000 shares were applied for and allotted. All money was received with the exception of final call on 200 shares held by Sanjay.

Give the journal entries. Prepare important Ledger Accounts and Balance Sheet.