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### **Part III – ACCOUNTANCY**

( New Syllabus )

( English Version )

Time Allowed : 3 Hours ]

[ Maximum Marks : 200

#### **SECTION - A**

( Marks :  $30 \times 1 = 30$  )

*N. B. :* i) Answer *all* the questions.

ii) *All* questions carry equal marks.

I. Fill in the blanks :

1. Closing stock is valued at cost price or ..... price, whichever is lower.
2. Income received in advance will be shown on the ..... side of the Balance Sheet.
3. The Trial Balance as on 31. 3. 2004 shows Capital Rs. 6,00,000 and Drawings Rs. 40,000. Interest on drawings at 5% per annum is .....
4. Statement of affairs method is also called as ..... method.

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5. The excess of assets over liabilities is .....
6. Under insurance policy method, cash is paid by way of ..... every year.
7. Selling price of a plant is Rs. 10,00,000. If loss on sale is Rs. 1,00,000, the book value of the plant is .....
8. The relationship of net profit to sales is known as .....
9. Ratio helps in ..... forecasting.
10. Cash Budget is also called as .....
11. Mutual and ..... agency is the essence of partnership.
12. Undistributed loss will appear in the ..... side of the Balance Sheet.
13. If the amount due to the retiring partner is not paid immediately, it will be transferred to his ..... account.
14. .... is the maximum amount of capital that can be issued by a company.
15. A company issued 2,00,000 shares of Rs. 10 each to the public but only 1,50,000 shares were subscribed. Its subscribed capital is .....

II. Choose and write the correct answer :

16. Rent outstanding is

- a) a liability                      b) an asset                      c) an income.

17. Trial Balance as on 31. 3. 2005 shows Sundry Debtors Rs. 1,05,000. As per given adjustment, if Rs. 5,000 is to be written off as bad debts, the provision for bad and doubtful debts at 5% will be

- a) Rs. 5,500                      b) Rs. 5,250                      c) Rs. 5,000.

18. Under incomplete double entry, capital of a business is ascertained by preparing

- a) statement of affairs  
b) trading account  
c) statement of profit or loss.

19. Debtors on 1st April, 2004, Rs. 50,000 and on 31st March, 2005, Rs. 60,000. Cash received from debtors during the year Rs. 1,00,000. Then credit sales made during the year is

- a) Rs. 1,50,000                      b) Rs. 1,10,000                      c) Rs. 1,60,000.

20. If selling price is more than the book value of asset on the date of sale, it is

- a) an income                      b) a profit                      c) a loss.

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21. Cost of an asset is Rs. 3,00,000. Rate of depreciation is at 10% per annum. Depreciation is calculated under Straight Line Method. Book value of asset at the end of third year is
- a) Rs. 2,10,000                      b) Rs. 2,40,000                      c) Rs. 2,70,000.
22. Absolute Liquid Assets mean
- a) Cash, Bank Balance and short term investments
- b) Cash, Bank balance and stock
- c) Cash, Bank balance, stock and prepaid expenses.
23. .... are those assets which are easily convertible into cash.
- a) Fixed Assets
- b) Intangible Assets
- c) Current Assets.
24. Cash Budget deals with
- a) estimated cash receipts
- b) estimated cash payments
- c) estimated cash receipts and estimated cash payments.
25. .... is used to calculate interest on drawings.
- a) Average Profit method
- b) Average Period method
- c) Capitalisation method.

26. Under Fluctuating Capital method, the profits of partners will be transferred to their ..... accounts.

- a) current                      b) drawings                      c) capital.

27. Gaining ratio is calculated at the time of

- a) dissolution of partnership  
b) admission of a partner  
c) retirement of a partner.

28. The amount due to the retiring partner is ascertained by preparing his

- a) capital account  
b) loan account  
c) profit and loss appropriation account.

29. When shares are forfeited, the share capital of the company will

- a) remain the same              b) reduce                      c) increase.

30. The directors of a company forfeited 100 shares of Rs. 10 each on which the final call money of Rs. 3 was not paid. Later these shares were reissued for Rs. 800. Capital Reserve will be

- a) Rs. 700                      b) Rs. 500                      c) Rs. 800.

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**SECTION - B**

( Marks : 10 × 5 = 50 )

- N. B. : i) Answer any ten questions.  
 ii) All questions carry equal marks.  
 iii) Answers to theory questions should not exceed *fifty* words.

31. What are bad debts ?  
 32. What is Conversion method ?  
 33. What is Revaluation method of depreciation ?  
 34. Define ratio.  
 35. Write a note on Budget.  
 36. What is Fixed Capital method ?  
 37. What is Reserve Capital ?  
 38. Give adjusting and transfer entry for depreciation at 10% per annum on machinery of Rs. 25,000.  
 39. Calculate the missing figure :

Capital at the end	Rs.	80,000
Capital at the beginning	Rs.	60,000
Profit made during the year	Rs.	32,000
Additional capital introduced	Rs.	10,000
Drawings		?

40. From the following particulars find out the rate of depreciation under Straight Line method :

Cost of fixed assets	Rs.	10,00,000
Residual value	Rs.	50,000
Estimated life		10 years.

41. Calculate Fixed Assets Turnover Ratio from the following :

Cash Sales	Rs.	6,50,000
Credit Sales	Rs.	4,00,000
Sales Returns	Rs.	2,50,000
Fixed Assets	Rs.	2,20,000
Depreciation	Rs.	20,000

42. Sivagami and Sundari are partners sharing profits and losses equally. Sivagami draws regularly Rs. 3,000 at the beginning of every month during the year. Sundari draws regularly Rs. 2,000 at the end of every month during the year. Calculate interest on their drawings at 10% per annum.
43. A and B are partners sharing profits in the ratio of 3 : 2. They admit C for  $\frac{3}{10}$  th share as new partner. Calculate new profit ratio and sacrificing ratio of old partners.
44. A company forfeited 5,000 shares of Rs. 10 each fully called up for non-payment of final call money of Rs. 3 per share. These shares were reissued for Rs. 30,000 as fully paid up. Pass necessary journal entries.

### SECTION - C

( Marks : 5 × 12 = 60 )

- N. B. : i) Answer any *five* questions.  
 ii) All questions carry equal marks.  
 iii) Question No. 45 is compulsory.  
 iv) Answers to theory questions should not exceed 150 words each.

45. a) The Trial Balance shows on 31. 3. 2003, Sundry debtors Rs. 2,00,000 and Bad debts Rs. 10,000.

Adjustments :

- i) Bad debts to be written off Rs. 5,000.

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- ii) Provide for bad and doubtful debts at 5% per annum.  
 iii) Provide for provision for discount on debtors at 2% per annum.

Pass Adjusting entries and show how these items will appear in the final accounts.

OR

- b) Mr. David started business with Rs. 4,00,000 on 1st April, 2003. His books are kept under incomplete double entry.

On 31st March, 2004 his position was as under :

	<b>Rs.</b>
Sundry creditors	3,00,000
Cash in hand	10,000
Cash at Bank	60,000
Bills payable	50,000
Outstanding expenses	25,000
Furniture	1,00,000
Plant and Machinery	4,00,000
Sundry debtors	2,50,000
Stock	1,50,000
Bills receivable	75,000

He introduced an additional capital of Rs. 40,000 during the Financial Year.

He withdrew Rs. 20,000 for domestic purpose.

Ascertain the profit or loss made for the year ended 31st March, 2004.



46. What are the reasons for providing depreciation ?
47. What is Cash Budget ? What are its advantages ?
48. What are the differences between Sacrificing Ratio and Gaining Ratio ?
49. A company purchased a machinery for Rs. 5,00,000 on 1. 4. 2001. On 1. 10. 2002, another machinery was purchased for Rs. 3,00,000. Depreciation is to be provided at 10% per annum under Diminishing Balance method. Accounts are closed on 31st March of every year.

Prepare Machinery account and Depreciation account for three years.

50. From the following calculate

- i) Gross Profit Ratio
- ii) Net Profit Ratio and
- iii) Operating Profit Ratio.

	<b>Rs.</b>
Sales	8,00,000
Office expenses	50,000
Financial expenses	20,000
Interest received	10,000
Gross Profit	3,20,000
Selling expenses	70,000
Loss on sale of machinery	30,000
Net profit	1,60,000

51. Ganesh and Suresh are partners sharing profits in the ratio of 3 : 2 with capitals of Rs. 3,00,000 and Rs. 1,00,000 respectively on 1st April, 2004. Interest on capital is agreed at 5% per annum. Interest on drawings is fixed at 6% per annum. The drawings Ganesh and Suresh were Rs. 45,000 and Rs. 30,000

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respectively. Interest on drawings for Ganesh Rs. 2,250 and for Suresh Rs. 1,500. Ganesh is entitled to a salary of Rs. 20,000 per annum and Suresh is entitled to get commission of 10% on the net profit before charging such commission. The net profit of the firm before making the above adjustments was Rs. 90,000 for the year ended 31st March, 2005.

Prepare the Profit and Loss Appropriation account and Capital account of the partners.

52. The directors of a company forfeited 4,000 shares of Rs. 10 each fully called up for non-payment of first call Rs. 3 and final call Rs. 2 per share. Out of these 1,000 shares were reissued at Rs. 7 each as fully paid.

Give necessary journal entries and prepare ledger accounts for Forfeiture Account and Capital Reserve Account.

#### SECTION - D

( Marks : 3 × 20 = 60 )

N.B.: i) Answer any three questions.

ii) All questions carry equal marks.

iii) Question No. 53 is compulsory.

53. a) Mr. Sundar keeps his books on incomplete double entry. From the following details, prepare Trading and Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as on that date :

<b>Particulars</b>	<b>1. 4. 2003</b>	<b>31. 3. 2004</b>
	<b>Rs.</b>	<b>Rs.</b>
Stock	1,10,000	55,000
Sundry Debtors	2,75,000	3,85,000
Cash	27,500	44,000
Furniture	11,000	11,000
Sundry Creditors	1,65,000	1,92,500

Other details :

	<b>Rs.</b>
Drawings	44,000
Discount received	16,500
Discount allowed	11,000
Sundry expenses	38,500
Cash paid to creditors	4,95,000
Cash received from debtors	5,88,500
Cash sales	5,500

OR

- b) Sankar and Saleem are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2005 is given below :

**Balance Sheet as on 31st March, 2005**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	80,000	Cash	10,000
Bills payable	50,000	Debtors	1,00,000
General Reserve	30,000	Stock	20,000
Loan	90,000	Furniture	50,000
<i>Capitals :</i>		Buildings	3,00,000
Sankar     2,00,000		Goodwill	75,000
Saleem <u>1,50,000</u>	3,50,000	Profit & Loss Account	45,000
	6,00,000		6,00,000

On 1st April, 2005 they agreed to admit Solomon into the firm for  $\frac{1}{5}$  th share of future profits on the following terms :

- i) Solomon to bring Rs. 1,00,000 as capital.

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- ii) Goodwill was valued at Rs. 50,000.
- iii) Provision for bad and doubtful debts is made at 5% per annum.
- iv) Investments of Rs. 10,000 be brought into books.
- v) Creditors include Rs. 20,000 no longer payable and this sum was to be written off.

Prepare Revaluation Account, Capital Accounts, Cash Account and Balance Sheet of the reconstituted firm.

54. From the following Trial Balance of Mr. Joseph, prepare Trading and Profit and Loss Account for the year ended 31st March, 2003 and Balance Sheet as on that date :

**Trial Balance as on 31st March, 2003**

<b>Debit Balances</b>	<b>Rs.</b>	<b>Credit Balances</b>	<b>Rs.</b>
Cash in Hand	27,000	Capital	4,00,000
Cash at Bank	80,000	Sales	3,25,000
Drawings	10,000	Sundry Creditors	75,000
Wages	8,000		
Purchases	50,000		
Opening Stock	75,000		
Buildings	3,00,000		
Bills Receivable	25,000		
Sundry debtors	1,75,000		
Rent	5,000		
Commission	8,000		
General expenses	22,000		
Insurance	15,000		
	8,00,000		8,00,000

**Adjustments :**

- i) Closing Stock Rs. 50,000
- ii) Outstanding Wages Rs. 2,000
- iii) Prepaid Insurance Rs. 5,000
- iv) Interest on Capital at 6% per annum to be provided
- v) Depreciate buildings by 10% per annum.

55. From the following Balance Sheet calculate —

- i) Current ratio
- ii) Liquid ratio
- iii) Debt Equity ratio
- iv) Proprietary ratio.

**Balance Sheet as on 31st March, 2004**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital	70,000	Fixed Assets	65,000
Reserves	5,000	Stock	15,000
Loans	37,500	Sundry debtors	30,000
Creditors	25,000	Bills Receivable	10,000
Bank overdraft	5,000	Cash	5,000
		Goodwill	17,500
	1,42,500		1,42,500

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56. From the following information prepare a Cash Budget for March, April and May, 2005 :

<b>Month</b>	<b>Credit Sales Rs.</b>	<b>Credit Purchases Rs.</b>	<b>Office Expenses Rs.</b>
<b>2005</b>			
January	75,000	20,000	7,000
February	85,000	35,000	10,000
March	1,00,000	17,000	12,000
April	1,20,000	24,000	9,000
May	1,05,000	22,000	10,000

*Additional Information :*

- i) Opening Cash Balance in March, 2005, Rs. 50,000.
- ii) Period of credit allowed to customer one month.
- iii) Period of credit allowed by suppliers two months.
- iv) Office expenses are payable in the same month.
- v) Dividend Rs. 10,000 is receivable in March, 2005.
- vi) Furniture Rs. 15,000 is to be purchased in May, 2005.

57. Global Ltd. issued 20,000 shares of Rs. 100 each at Rs. 110 payable as follows :

On Application	Rs.	20	
On Allotment	Rs.	40	( including premium )
On First call	Rs.	30	
On Second and Final calls	Rs.	20	

The company's shares were fully subscribed. Both the calls were made and all the money were duly received.

Pass Journal entries. Prepare Bank Account, Share Capital Account, Securities Premium Account and Balance Sheet.