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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. Net profit is transferred from Profit and Loss Account to
Account.
2. Prepaid expenses are shown on the side of the Balance
Sheet.
3. Trial Balance as on 31. 3. 2005 shows Bank Loan Rs. 1,00,000 at 10% per
annum on 1. 4. 2004. Interest paid Rs. 4,000. Interest outstanding
is

[Turn over

4. A statement of affairs resembles a
5. If adjusted closing capital is less than opening capital, it denotes
6. Under method, depreciation is calculated on the book value of the asset each year.
7. Selling price of a plant is Rs. 5,00,000. If profit on sale is Rs. 50,000, the book value of the plant is
8. is a mathematical relationship between two items expressed in quantitative form.
9. ratio is modified form of liquid ratio.
10. Cash Budget is a useful tool for
11. The credit balance of Current Account will be shown in the side of Balance Sheet.
12. is an intangible asset but not a fictitious asset.
13. The ratio in which the continuing partners acquire the outgoing partner's share is called as ratio.
14. Capital Reserve represents profit.
15. A company had Authorised Capital of Rs. 4,00,000 divided into 4,000 shares of Rs. 100 each. It offered 3,000 shares to the public. Its issued capital is

II. Choose and write the correct answer :

16. Prepaid insurance is

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

17. Trial Balance as on 31. 3. 2004 shows Sundry Debtors Rs. 1,25,000. 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. 6,000 b) Rs. 6,500 c) Rs. 6,250.

18. Under the net worth method, the basis for ascertaining the profit is the difference between

- a) the capital on two dates.
b) assets on two dates
c) liabilities on two dates.

19. Creditors on 1st April, 2004, Rs. 1,00,000 and on 31st March, 2005, Rs. 1,10,000. Cash paid to creditors during the year Rs. 1,90,000. Then credit purchases made during the year is

- a) Rs. 2,10,000
b) Rs. 3,00,000
c) Rs. 2,00,000.

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

a) a profit

b) an income

c) a loss.

21. Cost of an asset is Rs. 2,00,000. Rate of depreciation is at 10% per annum.

Depreciation is calculated under Diminishing Balance method. Book value of asset at the end of third year is

a) Rs. 1,80,000

b) Rs. 1,62,000

c) Rs. 1,45,800.

22. Liquid liabilities mean

a) current liabilities

b) current liabilities + bank overdraft

c) current liabilities – bank overdraft.

23. Stock is a

a) fixed asset

b) current asset

c) current liability.

24. The opening balance of cash in January is Rs. 15,000. The estimated cash receipts are Rs. 20,000 and the estimated cash payments are Rs. 10,000. The opening balance of cash in February will be
- a) Rs. 25,000 b) Rs. 35,000 c) Rs. 45,000.
25. The excess of average profit over normal profit is
- a) Superprofit
- b) Goodwill
- c) Undistributed profit.
26. A, B and C are sharing profits in the ratio of 5 : 3 : 2. If B retires, the new profit sharing ratio of A and C is
- a) 5 : 3 b) 5 : 2 c) 3 : 2.
27. Revaluation account is credited with
- a) decrease in the amount of liabilities
- b) decrease in the value of assets
- c) increase in the amount of liabilities.
28. Gaining ratio can be calculated as :
- a) old ratio + sacrifice ratio
- b) old ratio - new ratio
- c) new ratio - old ratio.

[Turn over

29. When more number of applications are received than that are offered to the public, it is called
- a) under-subscription
 - b) full subscription
 - c) over-subscription.
30. The Directors of a company forfeited 500 shares of Rs. 10 each on which the final call money of Rs. 2 was not paid. Later these shares were reissued at Rs. 8 per share. Capital Reserve will be
- a) Rs. 1,000
 - b) Rs. 4,000
 - c) Rs. 3,000.

SECTION - B

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

- 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 is provision for Bad and Doubtful debts ?
32. What is Statement of Affairs ?
33. What is insurance policy method of depreciation ?
34. Mention any two advantages of ratio analysis.
35. What are the characteristics of Budget ?

36. What is Goodwill ?
37. What is forfeiture of shares ?
38. Give adjusting and transfer entries to write off bad debts Rs. 10,000.
39. From the following, calculate the missing information :

	Rs.
Drawings	40,000
Additional Capital	60,000
Opening Capital	60,000
Profit during the year	50,000
Closing Capital	?

40. A company purchased a machine for Rs. 15,00,000. Its useful life is 10 years and the scrap value is Rs. 3,00,000. Determine the rate of depreciation under the straight line method.
41. From the following particulars calculate Stock Turnover ratio :

	Rs.
Cost of goods sold	13,50,000
Opening Stock	2,00,000
Closing Stock	2,50,000

42. Sulochana and Archana started business on April 1, 2004 with capitals of Rs. 2,00,000 and Rs. 1,50,000 respectively. Sulochana introduced Rs. 50,000 as additional capital on October 1, 2004. Interest on capital is to be allowed at the rate of 5% per annum. Calculate interest payable to Sulochana and Archana for the year ending March 31, 2005.
43. A, B and C are sharing profits in the ratio of 5 : 3 : 2. C retires and his share was taken up entirely by B. Find out the new profit sharing ratio.
44. A company forfeited 6,000 shares of Rs. 100 each fully called up for non-payment of final call money of Rs. 30 per share. These shares were reissued for Rs. 4,80,000 as fully paid up. Give necessary Journal entries.

SECTION - C

(Marks : 5 × 12 = 60)

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

45. a) The Trial Balance as on 31st March, 2004 shows the following :

Sundry debtors Rs. 2,20,000

Adjustments :

- i) Write off Rs. 20,000 as bad debts.
- ii) Create provision for bad and doubtful debts at 5% on Sundry debtors.

Give Adjusting entry and show how these items will appear in final accounts.

OR

- b) Mr. Joseph started business with Rs. 3,00,000 on 1st April, 2003. His books are kept under incomplete double entry.

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

	Rs.
Stock	10,500
Furniture	2,20,000
Cash	40,500
Sundry debtors	1,50,000
Sundry creditors	2,00,000
Bills Receivable	75,000
Loan	25,000
Investments	2,50,000

Mr. Joseph withdrew Rs. 40,000 for his personal use and he introduced fresh capital of Rs. 1,00,000.

Depreciate furniture by 10% per annum and provide Reserve for bad and doubtful debts at 5% on Sundry debtors.

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

46. Explain the causes of depreciation.
47. Explain the preparation of Cash Budget under Receipts and Payments method.
48. What are the differences between Fixed Capital method and Fluctuating Capital method ?
49. A company purchased a machine for Rs. 4,00,000 on 1. 4. 2001. After having used it for three years it was sold for Rs. 2,60,000. Depreciation is to be provided at 10% per annum on straight line method. Accounts are closed on 31st March of every year.

Show the calculation of profit or loss on sale of the machine. Prepare Machinery Account and Depreciation Account.

[Turn over

50. From the following, calculate

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

	Rs.
Sales	3,00,000
Cost of goods sold	2,10,000
Net Profit	45,000
Current Assets	60,000
Current Liabilities	30,000

51. Ravi and Shankar are partners with capitals Rs. 4,50,000 and Rs. 3,00,000 respectively on 1st April, 2004. They share profit and losses equally. Interest on capital is agreed at 8% per annum. The drawings of the partners were Rs. 30,000 and Rs. 20,000 respectively. Interest on drawings for Ravi Rs. 1,500 and for Shankar Rs. 1,000. Ravi is entitled to a salary of Rs. 15,000 per annum and Shankar is entitled to get a commission of 15% on the net profit after charging such commission. The Net profit of the firm before making the above adjustment was Rs. 1,30,000 for the year ended 31st March, 2005.

Prepare the Profit and Loss Appropriation Account and Capital Accounts of the partners.

52. The Directors of a Company forfeited 5,000 shares of Rs. 100 each fully called up for non-payment of final call Rs. 20 per share. These shares were reissued at Rs. 70 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 including Question No. **53** which is compulsory.

ii) All questions carry equal marks.

53. a) Mr. Venugopal maintained his books on incomplete double entry. On 1. 4. 2003 his capital was Rs. 2,62,500.

Additional information :

	Rs.
Opening Stock	1,31,250
Closing Stock	1,36,500
Opening Sundry debtors	21,000
Closing Sundry debtors	42,000
Opening Sundry creditors	96,075
Closing Sundry creditors	1,05,000
Closing Cash Balance	28,875
Cash received from Sundry debtors	26,250
Cash Sales	1,05,000
Cash paid to Sundry creditors	31,500
Business expenses	63,420
Land and Buildings (31. 3. 2004)	2,10,000
Furniture (31. 3. 2004)	3,780

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as on that date.

OR

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- b) Amar, Akbar and Anthony were partners of a firm sharing profits and losses in proportion of their capital. Set out below was their Balance Sheet as on 31st March, 2004 :

Balance Sheet as on 31st March, 2004

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry creditors	2,00,000	Cash at Bank	2,50,000
Bills payable	1,00,000	Sundry Debtors	4,00,000
Loan	3,25,000	Stock	75,000
Reserve Fund	1,00,000	Machinery	2,00,000
Profit and Loss A/c	2,00,000	Land and Buildings	4,00,000
<i>Capital Accounts :</i>			
Amar 2,00,000			
Akbar 1,20,000			
Anthony <u>80,000</u>	4,00,000		
	13,25,000		13,25,000

On 1st April, 2005 Anthony retired from the firm on the following terms :

- i) Anthony was to be paid off at once.
- ii) Goodwill of the firm to be valued at Rs. 50,000.
- iii) Machinery was to be depreciated at 10% per annum.
- iv) The value of Land and Buildings was to be appreciated by 20% per annum.
- v) A provision of Bad and Doubtful debts be created at 5% on debtors.

Show Revaluation Account, Capital Accounts, Bank Account and the Balance Sheet of the reconstituted partnership.

54. From the following Trial Balance of Mr. Ashok, as on 31st March, 2005, prepare Trading and Profit and Loss Account and Balance Sheet taking into account the adjustments.

Trial Balance as on 31st March, 2005

Debit Balances	Rs.	Credit Balances	Rs.
Purchases	75,000	Capital	2,00,000
Sundry debtors	80,000	Sundry creditors	40,000
Investments	35,000	Sales	1,30,000
Rent	10,000	Bills Payable	20,000
Carriage inwards	5,000	Commission received	10,000
Salaries	20,000		
General expenses	15,000		
Cash	15,000		
Opening Stock	80,000		
Furniture	45,000		
Drawings	20,000		
	4,00,000		4,00,000

Adjustments :

- i) Closing Stock Rs. 1,00,000
- ii) Outstanding Salaries Rs. 2,000
- iii) Commission received in advance Rs. 3,000
- iv) Depreciate Furniture at 10% per annum
- v) Provide interest on Capital at 6% per annum.

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55. From the following Balance Sheet, calculate

- i) Current ratio
- ii) Liquid ratio
- iii) Absolute liquid ratio and
- iv) Debt-Equity ratio.

Balance Sheet as on 31st March, 2005

Liabilities	Rs.	Assets	Rs.
Equity Share capital	1,25,000	Machinery	2,75,000
Reserves	25,000	Furniture	1,00,000
Debentures	2,00,000	Stock	37,500
Long term loan from Bank	1,00,000	Sundry debtors	63,500
Sundry Creditors	25,000	Cash	10,000
Bills payable	30,000	Bills Receivable	9,000
Bank overdraft	20,000	Short term Investments	30,000
	5,25,000		5,25,000

56. Prepare Cash Budget for the month of June, July and August 2005, from the following information :

- a) Opening Cash Balance in June 2005, Rs. 1,00,000.
- b) Cash Sales for June Rs. 60,000, July Rs. 80,000, August Rs. 1,00,000.
- c) Wages payable Rs. 15,000 every month.
- d) Interest receivable Rs. 5,000 in the month of July.
- e) Purchase of furniture Rs. 25,000 in the month of August.
- f) Cash purchases for June Rs. 25,000, July Rs. 40,000, August Rs. 30,000.

57. Alpha Ltd. issued 10,000 shares of Rs. 100 each at a discount of 10% payable as under :

On Application	Rs.	30
On Allotment	Rs.	40 (with discount adjustment)
On First and Final Call	Rs.	20

Public applied for 8,000 shares and the shares have been duly allotted. All money were duly received.

Pass Journal entries. Prepare Bank Account, Share Capital account, Discount on issue of Shares Account and Balance Sheet.