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Part III — ACCOUNTANCY

(English Version)

Time Allowed : 3 Hours]

[Maximum Marks : 200

SECTION - A

(Marks : 30 × 1 = 30)

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

ii) All questions carry equal marks.

I. Fill in the blanks :

1. Outstanding expenses are shown on the side of the Balance sheet.
2. Debts which are not recoverable from Sundry Debtors are termed as
3. The Trial Balance as on 31-03-2006 shows capital Rs. 5,00,000. Interest on capital at 6% per annum is
4. A firm has capital Rs. 60,000 and liabilities Rs. 40,000. Then its assets is

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5. If adjusted closing capital is more than opening capital, it denotes
6. The estimated sale value of the asset at the end of its economic life is called as value.
7. If selling price is less than the book value of asset, it denotes
8. can be calculated by deducting cost of goods sold from sales.
9. The opening stock and closing stock are Rs. 72,000 and Rs. 48,000 respectively. Then the average stock is
10. Cash budget is a useful tool for
11. The excess of average profit over normal profit is
12. Undistributed loss will appear in the side of Balance sheet.
13. Old ratio of profit minus sacrifice ratio will be
14. A public issue cannot be kept open for more than days.
15. A company issued 20,000 shares of Rs. 100 each to the public, but only 18,000 shares were subscribed. Its subscribed capital is Rs.

II. Choose and write the correct answer :

16. Prepaid Insurance is

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

17. The Trial Balance as on 31-03-2006 shows Sundry Debtors Rs. 25,000. Write off Rs. 1,000 as bad debts. The amount of provision for bad and doubtful debts at 5% will be

- a) Rs. 1,300 b) Rs. 1,200 c) Rs. 1,250.

18. In Single Entry System the capital of a business is ascertained by preparing

- a) Trading Account
b) Statement of Profit or Loss
c) Statement of Affairs.

19. Creditors on 01-04-2006, Rs. 80,000 and on 31-03-2007, Rs. 65,000. Cash paid to Creditors during the year is Rs. 1,10,000. Then the Credit purchases during the year is

- a) Rs. 1,95,000
b) Rs. 95,000
c) Rs. 1,75,000.

20. Profit made on sale of fixed assets is debited to

- a) Profit and Loss Account
b) Fixed Assets Account
c) Depreciation Account.

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21. Cost of an asset is Rs. 4,00,000. Rate of depreciation is at 10% p.a. Depreciation is calculated under written down value method. Book value of the asset at the end of third year is
- a) Rs. 2,91,600
 - b) Rs. 2,80,000
 - c) Rs. 3,24,000.
22. Liquid Liabilities mean
- a) Current liabilities
 - b) Current liabilities - Bank overdraft
 - c) Current liabilities + Bank overdraft.
23. All activity ratios are expressed in terms of
- a) proportion
 - b) percentage
 - c) times.
24. Cash Budget deals with
- a) estimated cash receipts
 - b) estimated cash payments
 - c) estimated cash receipts and estimated cash payments.
25. In partnership, partners share their profit and losses in ratio.
- a) their capital
 - b) agreed
 - c) equal.

26. Under Fixed capital method, the profits of partners will be transferred to their accounts.

- a) current
- b) capital
- c) drawings.

27. Sacrificing ratio is calculated at the time of

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

28. Gaining ratio will be calculated by

- a) New ratio minus Old ratio
- b) Old ratio minus New ratio
- c) Old ratio minus Sacrificing ratio .

29. Discount on issue of shares will appear in the side of the Balance sheet.

- a) Liability
- b) Asset
- c) Liabilities & Assets.

30. The amount credited to Share Forfeiture Account is Rs. 5,000. The discount on the reissue of forfeited shares is Rs. 1,000. Capital Reserve will be

- a) Rs. 1,000
- b) Rs. 4,000
- c) Rs. 6,000.

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 each.

31. What is the provision for Discount on Debtors ?
32. What is Statement of Affairs ?
33. Name five methods of calculating depreciation.
34. Define ratio.
35. Give five examples for cash payments.
36. What is Goodwill ?
37. What is meant by calls-in-advance ?
38. Give adjusting entry and transfer entry for interest on drawings Rs. 2,000.
39. Find out profit or loss from the following :

	Rs.
Opening Capital	70,000
Closing Capital	75,000
Additional Capital	17,500
Drawings	5,000.

40. Find out the rate of depreciation under straight line method :

Cost of plant	Rs. 1,30,000
Installation charges	Rs. 20,000
Expected life in years	10 years
Scrap value	Rs. 30,000.

41. From the following information calculate Capital turnover ratio :

	Rs.
Sales	6,20,000
Equity share capital	1,00,000
Sales returns	20,000
Loans	50,000
Reserves	50,000.

42. Kamala and Vimala are two partners sharing profits and losses equally. Kamala draws Rs. 1,800 regularly in the middle of each month during the year 2006. Vimala draws Rs.10,800 at the end of each half-year. Calculate interest on drawings at 5% p. a.
43. X and Y were partners sharing profits and losses in the ratio of 3 : 2. They admit Z into the partnership to $\frac{1}{3}$ rd share, the old partners sacrificing equally. Calculate the new profit ratio and the sacrificing ratio.
44. Jasmin Ltd. forfeited 600 shares of Rs. 10 each fully called up for non-payment of final call of Rs. 2 each. These shares were reissued for Rs. 5,400 as fully paid up. Give necessary Journal entries.

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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 shows on 31-03-2006 as follows :

Sundry Debtors Rs. 1,00,000.

Adjustments :

i) Bad debts to be written off Rs. 10,000.

ii) Provision for bad and doubtful debts be created at 5%.

iii) Provide discount on debtors at 2%.

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

OR

b) Mr. Ragupathi keeps his books by incomplete single entry. His assets and liabilities on 01-01-2004 and 31-12-2004 stood as follows :

	01-01-2004	31-12-2004
	Rs.	Rs.
Cash in hand	10,000	15,000
Sundry Debtors	80,000	95,000
Investments	20,000	20,000
Furniture	5,000	5,000
Sundry Creditors	50,000	60,000
Stock	35,000	65,000

He introduced an additional capital of Rs. 20,000. He withdrew Rs. 40,000 for domestic purpose. Find out profit or loss for the year 2004.

46. Define Depreciation. What are the reasons for providing depreciation ?
47. Explain the characteristics and advantages of cash budget.
48. What are the differences between Fixed capital method and Fluctuating capital method ?
49. Sakthi Ltd., purchased a machine for Rs. 2,00,000 on 01-04-2002. After having used it for three years, it was sold for Rs. 1,45,000. Depreciation is to be provided at 10% per annum on straight line method. Accounts are closed on 31st March of every year.
- Prepare Machinery Account and Depreciation Account for 3 years.
50. From the following details, calculate Current ratio, Liquid ratio and Absolute

Liquid ratio :

	Rs.
Cash	12,000
Bills Receivable	20,000
Stock	44,000
Creditors	92,000
Debtors	1,04,000
Bank overdraft	6,000
Short-term Investment	40,000
Bills payable	12,000

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51. Babu and Chandra are partners sharing profits and losses equally. Their capitals on 01-04-2005 were Rs. 60,000 and Rs. 40,000 respectively. Interest on capital is agreed at 6% p.a. Interest on drawings is fixed at 8% p.a. The drawings of the partners were Rs. 6,000 and Rs. 4,000 respectively. Interests on drawings were for Babu Rs. 240 and for Chandra Rs. 160. Babu is entitled to a salary of Rs. 8,400 p.a. and Chandra is entitled to get a commission of 10% on the net profit before charging such commission. The Net Profit of the firm before making the above adjustments was Rs. 54,000 for the year ended on 31st March, 2006.

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

52. Gem Ltd. forfeited 1,000 equity shares of Rs. 10 each fully called up on which the final call of Rs. 3 has not been paid. Out of these 800 shares were reissued at Rs. 8 each fully paid.

Give necessary Journal entries and prepare Ledger accounts for Forfeited shares 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. Arul maintained his account books on single entry system. On 01-04-2005 his capital was Rs. 5,00,000.

Additional Information :

	Rs.
Opening Stock	2,50,000
Cash received from Sundry debtors	50,000
Cash Sales	2,00,000
Cash paid to Sundry creditors	60,000
Opening Sundry debtors	40,000
Opening Sundry creditors	1,83,000
Business Expenses	1,20,800
Land and Building (31-03-2006)	4,00,000
Furniture (31-03-2006)	7,200
Closing Stock	2,60,000
Closing Sundry debtors	80,000
Closing Sundry creditors	2,00,000
Closing Cash Balance	55,000

Prepare Trading and Profit and Loss Account for the year ended on 31-03-2006 and Balance Sheet as on that date.

OR

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- b) Suriya, Vijay and Vikram were partners of a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance sheet as on 31st December, 2005 is as follows :

Balance Sheet as on 31st December, 2005

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry Creditors	50,000	Cash in hand	1,36,000
Bills payable	30,000	Sundry Debtors	58,000
General Reserve	60,000	Stock	72,000
Capital Accounts :		Furniture	14,000
Suriya	1,60,000	Buildings	2,00,000
Vijay	1,00,000		
Vikram	<u>80,000</u>		
	3,40,000		
	<hr/>		
	4,80,000		<hr/>
			4,80,000

Vikram retired from the partnership on 1st January, 2006 on the following terms :

- i) Goodwill of the firm was to be valued at Rs. 60,000.
- ii) Building was to be appreciated by Rs. 40,000.
- iii) Furniture was to be depreciated by Rs. 3,000.
- iv) A provision for doubtful debts be created at Rs. 1,000.
- v) Vikram was to be paid off at once.

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

54. From the following Trial Balance of Mr. Karthick as on 31st March, 2006, prepare Trading and Profit and Loss Account for the year ended 31-03-2006 and the Balance Sheet as on that date :

Trial Balance as on 31st March, 2006

<i>Debit Balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Purchases	1,25,000	Capital	2,50,000
Sundry Debtors	90,000	Sundry Creditors	60,000
Investments	50,000	Sales	1,60,000
Rent	10,000	Commission Received	10,000
Carriage Inwards	5,000	Bills Payable	20,000
Salaries	25,000		
General Expenses	15,000		
Cash	25,000		
Opening Stock	85,000		
Machinery	50,000		
Drawings	20,000		
	5,00,000		5,00,000

Adjustments :

- i) Closing Stock Rs. 1,20,000
- ii) Outstanding Rent Rs. 5,000
- iii) Commission received in advance Rs. 2,000
- iv) Depreciate Machinery at 10% per annum.
- v) Write off Bad debts Rs. 2,000.

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55. From the following Balance sheet calculate :

- i) Debt-Equity ratio
- ii) Proprietary ratio
- iii) Fixed Assets Turnover ratio
- iv) Current ratio.

Balance Sheet as on 31-03-2005

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Land & Building	1,40,000
Reserves	40,000	Plant & Machinery	80,000
6% Debentures	60,000	Furniture	20,000
Sundry Creditors	75,000	Stock	40,000
Bills Payable	25,000	Bills Receivable	30,000
		Sundry Debtors	80,000
		Cash	10,000
	4,00,000		4,00,000

Additional Information : Sales for the year Rs.4,80,000.

56. Prepare Cash Budget for the month of April, May and June, 2006 from the following information :

Month	Sales Rs.	Purchases Rs.	Expenses Rs.
March, 2006	4,00,000	3,00,000	40,000
April, 2006	5,00,000	5,00,000	60,000
May, 2006	6,00,000	3,00,000	70,000
June, 2006	8,00,000	5,00,000	90,000

- i) All sales are for cash.
- ii) Lag in payment of expenses is one month.
- iii) The period of credit allowed by the suppliers is one month.
- iv) Interest receivable is Rs 10,000 in the month of April, 2006.
- v) In June, 2006, Furniture for Rs. 20,000 is to be purchased.
- vi) Opening cash Balance on 1st April, 2006 is Rs. 60,000.

57. Texmo Ltd., issued 20,000 shares of Rs. 100 each at a premium of Rs. 10 each payable as follows :

On Application	Rs. 30
On Allotment (including premium)	Rs. 40
On First Call	Rs. 20
On Final Call	Rs. 20

The company received applications for 25,000 shares. Applications for 5,000 shares were rejected.

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 the Balance Sheet.
