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Part III — ACCOUNTANCY

(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. Provision for Bad and Doubtful debts is deducted from in the
Balance Sheet.
3. Trial Balance shows bank loan Rs. 7,00,000 @ 10% on 01. 04. 2003.
Interest paid Rs. 50,000. Interest outstanding is Rs. as
on 31. 03. 2004.
4. A statement of affairs resembles a

[Turn over

5. In system, only Personal and Cash Accounts are opened.
6. method of depreciation is suitable for special type of assets like loose tools.
7. Selling price of a plant is Rs. 5,00,000, profit on sale was Rs. 59,000. The book value of the plant is
8. Liquid liabilities mean current liabilities less
9. Stock turnover ratio is otherwise called as
10. Cash Budget is also called as
11. The capital accounts of partners may be or fluctuating.
12. The profits and losses of the business will be shared among the partners in the ratio.
13. Undistributed profit will appear on the side of the Balance Sheet.
14. There should be a time gap of between two calls.
15. G Ltd. issued 1,00,000 shares of Rs. 10 each, fully subscribed by public. Rs. 7 per share has been called up. Then Rs. will represent uncalled capital.

16. Accrued interest is
- a) income b) asset c) liability.
17. Trial Balance as on 31. 03. 2005 shows Sundry debtors as Rs. 50,500. Also write off Rs. 500 as Bad debts. The amount of provision for Bad and Doubtful debts at 5% will be
- a) Rs. 2,525 b) Rs. 2,600 c) Rs. 2,500.
18. Incomplete records are generally used by
- a) Small traders
- b) Government
- c) Company.
19. Debtors on 01. 04. 2004 Rs. 39,600 and on 31. 03. 2005 Rs. 49,900. Cash received from debtors during the year Rs. 69,500. Thus, credit sale made during the year is
- a) Rs. 20,000
- b) Rs. 59,200
- c) Rs. 79,800

20. Under the written down value method if depreciation is at the rate of 10% p.a. on Rs. 10,000, then the book value of the asset at the end of third year is

- a) Rs. 7,290
- b) Rs. 7,920
- c) Rs. 2,790.

21. Under written down value method, depreciation

- a) increases every year
- b) is constant every year
- c) decreases every year.

22. All solvency ratios are expressed in terms of

- a) proportion
- b) time
- c) percentage.

23. are those assets which are quickly convertible into cash.

- a) Current Assets
- b) Liquid Assets
- c) Fixed Assets.

24. Budget is an estimate relating to period.

- a) future
- b) current
- c) past.

25. Interest on capital is calculated on the

- a) opening capital
- b) closing capital
- c) both.

26. In a partnership business, agreement is

- a) optional
- b) compulsory
- c) not necessary.

27. Goodwill is

- a) a Tangible Asset
- b) an Intangible Asset
- c) a Fictitious Asset.

28. In admission, undistributed profit or loss is transferred to
- a) new partners only
 - b) old partners only
 - c) all the partners.
29. Capital Reserve is shown on the side of the Balance Sheet.
- a) liability
 - b) asset
 - c) both.
30. The amount credited to share forfeiture account is Rs. 3,000. The discount on reissue of forfeited shares is Rs. 1,500. Capital Reserve will be
- a) Rs. 2,500
 - b) Rs. 4,500
 - c) Rs. 1,500.

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 each.

31. What is outstanding expense ?
32. Define Single Entry System.
33. What is Revaluation method of depreciation ?
34. What is the significance of financial statement analysis ?
35. Give five examples for cash receipts.

36. What are the methods of valuation of goodwill ?
37. What is forfeiture of shares ?
38. Give adjusting entry and transfer entry for Bad Debts Rs. 2,500.
39. From the following information, find out total sales :

	Rs.
Sundry Debtors (01. 04. 2004)	50,000
Sundry Debtors (31. 03. 2005)	75,000
Cash received from debtors	80,000
Discount allowed to debtors	2,000
Sales returns	5,000
Cash Sales	79,000

40. M/s. Victory & Co. purchased a plant for Rs. 50,000. Depreciation is to be provided annually according to the straight line method. The useful life of the plant is 10 years and the residual value is Rs. 5,000. Find out the rate of depreciation.
41. Calculate capital turnover ratio from the following information :

	Rs.
Cash Sales	2,00,000
Credit Sales	1,75,000
Sales returns	25,000
Equity share capital	1,00,000
Long-term loans	50,000
Reserves	25,000

42. V and S are two partners sharing profits and losses as 7 : 5. V drew regularly Rs. 400 at the end of every month during the year 2004. S drew Rs. 800 regularly at the beginning of every month during the year. Calculate interest on their drawings at 10% p.a.
43. Neela and Nikita were sharing profits in the ratio of 4 : 3. Pooja was admitted with $\frac{1}{5}$ th share in profits of business. Calculate the New Profit Ratio and the Sacrificing Ratio.
44. Success Ltd. forfeited 500 shares of Rs. 10 each fully called up, for non-payment of final call money of Rs. 4 per share. Out of these 300 shares were reissued for Rs. 8 each fully paid up. Pass necessary journal entries.

SECTION - C

(Marks : $5 \times 12 = 60$)

- 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. 2003,
Sundry Debtors Rs. 1,25,000.

Adjustments :

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

1st April, 2003 with Rs. 3,25,000. On 31st March, 2004 his position was

as under :

	Rs.		Rs.
Cash in hand	3,000	Plant	2,00,000
Sundry Creditors	50,000	Sundry Debtors	1,50,000
Cash at Bank	25,000	Stock	1,50,000
Bills Payable	12,000	Bills receivable	15,000
Furniture	40,000		
Outstanding expenses	6,000		

Additional capital Rs. 40,000 and Drawings Rs. 15,000. Ascertain his profit or loss for 2003 - 2004.

46. Explain the causes of depreciation.
47. What is cash budget ? What are its characteristics and advantages ?
48. What is Goodwill ? Explain the factors affecting the value of goodwill.
49. Tata Ltd. purchased a machinery for Rs. 1,00,000 on 01. 01. 2003. On 30. 06. 2004 another machinery was purchased for Rs. 70,000. On 30th September, 2005, the first machinery was sold for Rs. 57,000. Depreciation is to be provided at 10% p.a. on straight line method. The accounts are closed on 31st December every year.
- Prepare machinery account and depreciation account for 3 years.

[Turn over]

50. From the following calculate Gross Profit Ratio, Net Profit Ratio and Operating Profit Ratio :

	Rs.
Sales	1,20,000
Gross Profit	30,000
Administration Expenses	1,000
Selling Expenses	2,000
Loss on sale of machinery	800
Dividend received	400
Net Profit	26,600

51. X and Y are partners with capitals of Rs. 60,000 and Rs. 20,000 respectively on 1st January, 2005. The Trading profit (before taking into account the provisions of the deed) for the year ended 31st December, 2005 was Rs. 12,000. Interest on capital is to be allowed at 6% p.a. Y is entitled to a salary of Rs. 3,000 p.a. The drawings of the partners were ; X Rs. 2,000 and Y Rs. 1,000 ; the interest on drawings for X being Rs. 100 and for Y Rs. 50.

Assuming that X and Y are equal partners, prepare the Profit and Loss Appropriation Account and the Capital Accounts of the partners for 2005 assuming that the capitals are fluctuating.

52. The Directors of Lucky Ltd. forfeited 1000 equity shares of Rs. 10 each fully called up, for non-payment of first call Rs. 3 and final call Rs. 3 per share.

Out of these 400 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) From the following information, prepare Trading and Profit & Loss Account and a Balance Sheet as on 31. 03. 2005 of Mr. K. Arun who keeps his books on incomplete double entry.

	01. 04. 2004	31. 03. 2005
	Rs.	Rs.
Sundry creditors	37,500	43,750
Furniture	2,500	2,500
Cash	6,250	10,000
Sundry debtors	62,500	87,500
Stock	25,000	12,500

Other details :

	Rs.
Drawings	10,000
Discount received	3,750
Discount allowed	2,500
Cash received from Debtors	1,35,000
Cash paid to Creditors	1,12,500
Sales returns	3,750
Purchases returns	1,250
Sundry expenses paid	8,750

Charge depreciation on furniture @ 5% p.a.

OR

- b) *J* and *V* were partners sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st December, 2003 is as under :

Balance Sheet as on 31st December, 2003

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Capitals :</i>		Land & Buildings	40,000
<i>J</i> <i>Rs.</i> 30,000		Machinery	10,000
<i>V</i> <i>Rs.</i> <u>25,000</u>	55,000	Investments	10,000
Reserve Fund	10,000	Stock	11,000
Sundry Creditors	16,000	Sundry Debtors <i>Rs.</i> 5,000	
Bills payable	6,800	Less : RBD <i>Rs.</i> <u>200</u>	4,800
		Cash	2,000
		Profit & Loss Account	10,000
	87,800		87,800

They decided to admit *L* into the partnership with effect from 01. 01. 2004 on the following terms :

- i) That *L* shall bring in a capital of Rs. 20,000 for $\frac{1}{3}$ rd profits.
- ii) That goodwill of the firm was valued at Rs. 36,000.
- iii) Land was to be revalued at Rs. 45,000 and investments at Rs. 25,000.
- iv) Stock was to be written down by Rs. 2,000.
- v) That Reserve for Bad and Doubtful Debts (RBD) was to be increased to Rs. 300.
- vi) Creditors include Rs. 500 no longer payable and this sum was to be written off.

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

54. From the following Trial Balance of Mr. Ruso, prepare the final accounts for the year ending 31. 12. 2005.

Trial Balance as on 31. 12. 2005

Dr.		Cr.	
<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
Cash in Hand	65,000	Capital	2,00,000
Cash at Bank	17,000	Sales	1,60,000
Drawings	40,000	Sundry Creditors	45,000
Wages	10,000		
Purchases	20,000		
Stock (01. 01. 2005)	60,000		
Buildings	1,00,000		
Sundry Debtors	78,000		
Rent	7,000		
General Expenses	8,000		
	4,05,000		4,05,000

Adjustments :

- i) Closing Stock was valued at Rs. 40,000.
- ii) Interest on Drawings at 5% to be provided.
- iii) Depreciate buildings at 10% p.a.
- iv) Write off Bad Debts Rs. 1,000.
- v) Wages yet to be paid Rs. 500.

55. From the following Trading and Profit & Loss Account of a company ascertain the following ratios :

- i) Gross profit ratio
- ii) Net profit ratio
- iii) Operating ratio
- iv) Stock turnover ratio.

Trading and Profit and Loss Account of J. J. D. & Co.
for the year ending 31. 03. 2005

Dr.			Cx.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,99,000	By Sales	17,00,000
To Purchases	11,19,000	By Closing Stock	2,98,000
To Gross Profit	6,80,000		
	19,98,000		19,98,000
To Administration expenses	3,00,000	By Gross profit	6,80,000
To Selling Expenses	60,000	By interest	18,000
To Financial Expenses	30,000		
To Loss on sale of plant	8,000		
To Net Profit	3,00,000		
	6,98,000		6,98,000

56. Prepare Cash Budget for the month of October, November and December, 2005 from the following information :

Month	Sales Rs.	Purchases Rs.	Expenses Rs.
September, 2005	10,00,000	8,00,000	1,10,000
October, 2005	12,00,000	12,00,000	1,30,000
November, 2005	14,00,000	8,00,000	1,50,000
December, 2005	16,00,000	10,00,000	1,70,000

Additional Information :

- i) Opening Balance of cash on 01. 10. 2005 is Rs. 90,000.
- ii) All sales are for cash.
- iii) The period of credit allowed by the suppliers is one month.
- iv) Lag in payment of expenses is one month.
- v) In December, an asset for Rs. 4,00,000 is to be purchased.

57. Saraswati Ltd. issued 30,000 shares of Rs. 100 each at Rs. 120 payable as follows :

On Application	Rs. 25
On Allotment (including premium)	Rs. 45
On First Call	Rs. 25
On Final Call	Rs. 25

All the shares were fully subscribed. Both the calls were made and all the money were duly received.

Pass journal entries. Prepare necessary ledger accounts and the Balance Sheet.