Accountancy 2006 (Compartment Delhi)

General instructions:

1. This question paper contains three parts A, B and C.
2. Part A is compulsory for all candidates.
3. Candidates can attempt only one part of the remaining parts B and C.
4. All parts of a question should be attempted at one place.

PART - A

Q. 1. List any four features of partnership. **(2)**

Q. 2. What is meant by preferential allotment of shares? **(2)**

Q. 3. K Ltd. purchased building for Rs. 6, 60,000 from Z Ltd. Half the payment was made in cash and for the remaining half K Ltd. issued equity shares of Rs. 100 each at a premium of 10% in favour of Z Ltd. Pass the necessary journal entry only for the issue of equity shares. **(2)**

Q. 4. Ekta Ltd. issued 60,000, 9% debentures of Rs. 100 each redeemable at a premium of 10% after three years. Pass the necessary journal entries for the issue of 9% debentures. **(2)**

Q. 5. Karim and Karan were partners in a firm sharing profits in 1: 4 ratios. Their fixed capitals were Rs. 7, 00,000 and Rs. 21, 00,000 respectively. For the year ended 31.3.2005 interest on capital @ 12% p.a. was omitted. Pass necessary adjustment entry for the same. **(3)**

Q. 6. Explain any three types of debentures in brief. **(3)**

Q. 7. Why is it necessary to revaluate the assets and reassess the liabilities on the reconstitution of a partnership firm ? Give the necessary journal entries for increase in the value of assets and increase in the value of liabilities at the time of revaluation. **(4)**

Q. 8. Gumnam Ltd. has 80,000, 8% debentures of Rs. 100 each due for redemption on March 31, 2006. Assume that Debenture Redemption Reserve has a balance of Rs. 38, 00,000 on that date. Record necessary entries at the time of redemption of debentures **(4)**

Q. 9. On 31.3.2005 Janta Ltd. had the following balances in its ledger accounts:

	Rs.
7% Debentures Account	
7%Debenture Redemption Reserve	3, 00,000
Fund	2, 00,000
7 %Debentures Redemption Reserve	2, 00,000
Fund Investments	

The annual contribution to 7% Debenture Redemption Reserve Fund was Rs. 47,000. On that date the 7% Debenture Redemption Reserve Fund Investments were sold at 110% and the debentures were redeemed. There was a bank balance of Rs. 4, 78,000 on that date before the sale of investments. Prepare 7% Debenture Redemption Reserve Fund Account, Bank Account, 7% Debentures Account and 7% Debenture Redemption Fund Investment A/c. **(4)**

Q. 10. Mohan Limited forfeited the following equity shares of Rs. 10 each issued at a premium of Rs. 2 per share:

i. 700 shares issued to X for the non-payment of 2nd and final call of Rs. 3 per share.
ii. 500 shares issued to Z for the non-payment of 1st call of Rs. 2 per share and 2nd and final call of Rs. 3 per share.
The forfeited shares were reissued to Y for Rs. 11 per share fully paid.
Pass entries to record the forfeiture and re-issue of shares. **(4)**

Q. 11. X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 1 : 1 respectively. Record necessary journal entries for the following transactions at the time of the dissolution of the firm:

i. Realisation expenses amounting to Rs. 5,000 have to be borne by Mr. X, one of the partners.
ii. Deferred revenue advertising expenditure appeared at Rs. 50,000.
iii. Profit and Loss-A/c was appearing on the Asset side of Balance Sheet at Rs. 70,000.
iv. An unrecorded liability of Rs. 6,000 was also to be taken into consideration.

Q. 12. Alka Ltd. invited applications for 60,000 equity shares of Rs. 50 each issued at a premium of Rs. 10 per share. The amount was payable as follows:
On application and allotment Rs. 20 per share, Balance (including premium) on first and final call.
Applications for 80,000 shares were received. Applications for 5,000 shares were rejected and pro-rata allotment was made to the remaining applicants. All calls were made and were duly received except the first and final call on 600 shares which were allotted to M. His shares were forfeited. The forfeited shares were re-issued at Rs. 60 fully paid up.
Pass necessary journal entries in the books of Alka Ltd. **(6)**

Q. 13. Hemant and Barua were partners in a firm sharing profits in 3: 2 ratios. On 31.3.2005 heir Balance Sheet was as follows:

Liabilities		***Amount***	***Assets***	***Amount***
Creditors		18.000	Bank	20,000
Capitals:		10,000	Debtors	38,000
Hemant	1,20,000		Stock	1,00,000
Barua	80,000	2,00,000	Furniture	20,000
			Lease	40,000
		2,18,000		2,18,000

On the above date the firm was dissolved. The various assets realized as under:
Lease Rs. 60,000; Furniture Rs. 22,000; Stock Rs. 92,000 and Debtors Rs. 2,000 less. Creditors allowed a discount of Rs. 3,000.

Prepare Realisation Account, Cash Account and Partners' Capital Accounts to close the book of the firm. OR **(6)**

Madhu and Garima started business on 1 4 2004 with capitals of Rs 80,000 and Rs. 60,000 respectively. Their profit sharing ratio was 3 : 2. During the year ended 31.3.2005 they earned a profit of Rs. 50,000. Their drawings during the year were Madhu Rs. 7,000 and Garima Rs. 5,000. On 31.3.2005 the firm was dissolved. Creditors on that date were Rs 37,000.The assets were realised for Rs 2, 80,000 The expenses of realisation were Rs. 5,000. Prepare Realisation Account, Cash Account and Partners' Capital Accounts.

Q. 14. Following is the Balance Sheet of M, N and 0 as on March 31,2004. They shared profits in the ratio of their capital.

Balance Sheet as at 31st March, 2004

Liabilities	***Amount Rs.***	***Assets***	***Amount Rs.***
Sundry Creditors	9,200	Land & Building	46,800
Reserve	10,800	Plant & Machinery	23,000
Capital Accounts :		Stock	12,400
M 48,000		Sundry Debtors	12,000
O 24,000	88,000	Cash at Bank	11,200
N 80,000	1,08,000	Cash in hand	2,600
			1,08,000

M died on June 30, 2004, under the terms of partnership; the executors of a de ceased partner were entitled to:

i. Amount standing to the credit of the partner's capital account.
ii. Interest on capital at 12% per annum.
iii. Share of goodwill on the basis of four years' purchase of three years' average profits.
iv. Share of profit from the closing of the last financial year to the date of death on the basis of the last year's profit. Profit for the years 2002, 2003 and 2004 were Rs. 16,500, Rs. 11,000 and Rs. 5,500 respectively.
Draw up M's Capital Account to be rendered to his executors and his executors' account. **(6)**

Q. 15. X and Y were partners in a firm sharing profits in 3: 2 ratios. Z was admitted as a new partner for 1/4 th share in the profits on 1.4.2005. The Balance Sheet of the firm on 3 1.3.2005 was as follows:

Liabilities	***Amount Rs.***	***Assets***	***Amount Rs.***
Creditors	10,000	Cash	10,000
General Reserve	8,000	Debtors	9,000
X's Capital	48,000	Stock	10,00
Y's Capital	34,000	Furniture	6,000

	1,00,000	Machinery Building	20,200 45,000 1,00,000

The terms of agreement on Z's admission were as follows

i. Z will bring Rs. 30,000 for his Capital and Rs. 15,000 for his share of Good will.
ii. Building was valued at Rs. 50,000 and Machinery at Rs. 18,000.
iii. The capital accounts of X and Y were to be adjusted in the profit-sharing ratio. Necessary cash was to be brought in or paid off to them as the case may be.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of X, Y and Z.

OR Khan, Lal and Mahan were partners in a firm sharing profits in the ratio of 5: 3: 2. Their Balance Sheet on 31.3.2005 was as follows:

Liabilities	***Amount Rs.***	***Assets***	***Amount Rs.***
Creditors Khan's Capital Lal's Capital Mahan's Capital	35,000 45,000 28,000 30,000 1,38,000	Bank Debtors Stock Building P& LA/c	22,000 12,000 30,000 70,000 40,000 1,38,000

On the above date 'Lal' retired on the following terms:

i. Building was to be depreciated by Rs. 5,000.
ii. Provision 5% for doubtful debts was to be made on debtors.
iii. Salary outstanding was Rs. 2,400.
iv. Goodwill of the firm was valued at Rs. 70,000 and the same was to be treated without opening goodwill account.
v. Lal was to be paid Rs. 10,000 in cash through bank and the balance was to be transferred to his loan account.
vi. Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of Khan and Mahan after Lal's retirement.

PART - B

(ANAL YSIS OF FINANCIAL STATEMENTS)

Q. 16. State any two objectives of preparing a 'Cash Flow Statement'. **(2)**

Q. 17. Categorise each of the following items into operating/investing/financing activities while preparing a Cash Flow Statement:

i. Issue of 2,00,00 12% preference shares of Rs. 10 each at a premium of Rs. 4 per share.
ii. Purchase of machinery for Rs. 40,000.
iii. Declared and paid dividend Rs 1,00,000.
iv. Interest collected from investments Rs. 28,000.

Q. 18. State the first three major headings on the Assets and Liabilities side each of a Balance Sheet according to Schedule VI of Companies Act. **(3)**

Q. 19. Briefly explain the meaning of Analysis of Financial Statements'. **(3)**

Q. 20. On the basis of the information given below calculate any two of the following ratios: (4)

i. Operating ratio ii. Liquid ratio iii. Proprietary ratio

iv. Information: Cash Sales Rs. 3,00,000; Credit Sales Rs. 2,80,000; Sales Returns Rs. 20,000; Cost of Goods Sold Rs. 4,00,000; Selling and Distribution Expenses Rs. 7,000; Administration Expenses Rs. 8,000; Current Liabilities Rs. 2,30,000; Current Assets Rs. 4,00,000; Closing Stock Rs. 40,000; Equity Share Capital Rs. 5,00,000; 8% Preference Share Capital Rs 2,00,00O; Fixed Assets Rs. 5,50,000.

Q.21. From the following statement calculate the cash generated from operating activities:

Liabilities	***Rs.***	***Assets***	***Rs.***
To Salaries	15,000	By Gross Profit	85,000
To Rent	7,000	By Profit on Sale of	12,000
To Depreciation	25,000	Machinery	6,000
To Loss on Sale of Building	6,000	By Dividend	
To Goodwill written off	10,000	Received	
To Proposed Dividend	10,000		
To Provision for Tax	5,000		1,03,000
To Net Profit	25,000		
	1, 03,000		

OR From the following summarised Balance Sheets of a company calculate cash flow from operating activities

Liabilities	***2004 Rs.***	***2005 Rs.***	***Assets***	***2004 Rs***	***2005 Rs.***
Creditors	30,000	35,000	Cash	30,000	40,000
Bills Payable	30,000	35,000	Investments	50,000	40,000
Other Current	50,000	55,000	Stock	40,000	55,000
Liabilities	1,00,000	1,20,000	Debtors	40,000	50,000
Share Capita;	80,000	1,00,000	Fixed Assets	1,30,000	1,60,000
Profit & Loss A/c	2,90,000	3,45,000		2,90,000	3,45,000