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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. Interest on loan borrowed unpaid is shown on the side of the Balance Sheet.
2. is the reduction in the value of fixed assets due to its use or obsolescence.
3. The Trial Balance shows as on 31st March, 2004 Sundry debtors Rs. 30,500. Adjustment : Write off Rs. 500 as bad debts. The provision for bad and doubtful debts at 5% is

[Turn over

4. Closing capital can be found by preparing a statement of affairs at the of the year.
5. Profit under system is only an estimate.
6. method of depreciation is used in the case of lease.
7. method depreciation is calculated on the book value of the asset each year.
8. ratio is modified form of liquid ratio.
9. ratio shows the number of times the capital has been rotated in the process of carrying on business.
10. Cash budget is also called as
11. Under fixed capital arrangement there will be separate capital account and account for each partner.
12. The accounts of partners may show credit or debit balance.
13. If goodwill decreases at the time of admission of a new partner, it results in
14. New ratio minus ratio will give the gaining ratio.
15. According to Table A interest charged on calls-in-arrears is %.

II. Choose and write the correct answer :

16. Interest on drawings is deducted from

- a) income b) capital c) expense.

17. The Trial Balance as on 31. 3. 2004 shows Sundry creditors Rs. 25,000.

The amount of provision for discount on creditors @ 2% will be

- a) Rs. 50,000 b) Rs. 5,000 c) Rs. 500.

18. Credit sales is obtained from

- a) Total debtors account
b) Total creditors account
c) Bills receivable account.

19. Creditors on 1st April, 2004 Rs. 1,50,000 and on 31st March, 2005

Rs. 1,80,000. Cash paid to Sundry creditors Rs. 45,000. Thus the credit purchase made during the year is

- a) Rs. 1,85,000
b) Rs. 1,75,000
c) Rs. 2,00,000.

[Turn over

20. Loss on sale of fixed asset is debited to

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

21. Total amount of depreciation provided on the straight line method at the rate of 10% p.a. on Rs. 50,000 for first three years will be

- a) Rs. 20,000
- b) Rs. 15,000
- c) Rs. 5,000.

22. All activity ratios are expressed in terms of

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

23. Gross profit ratio establishes the relationship between

- a) Gross profit and total sales
- b) Gross profit and credit sales
- c) Gross profit and cash sales.

24. Budget is an estimate relating to period.
- a) future
 - b) current
 - c) past.
25. Under fluctuating capital system the interest on drawings will be transferred to partners' accounts.
- a) current
 - b) drawings
 - c) capital.
26. Under fixed capital system, the capitals of the partners year after year.
- a) keep changing
 - b) remain fixed
 - c) both are possible.
27. The new partner does not bring in cash for his share of goodwill under
- a) premium method
 - b) revaluation method
 - c) memorandum revaluation method.

28. Balance Sheet items like Profit and Loss a/c and General Reserve must be transferred to

- a) Revaluation a/c
- b) Partners' Capital a/c
- c) none of these.

29. Calls-in-arrears is shown in the Balance Sheet as

- a) deduction from called up capital
- b) addition to paid up capital
- c) addition to issued capital.

30. Minimum amount to be collected by a company as application money according to SEBI is of the issue price.

- a) 10%
- b) 25%
- c) 50% .

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 accrued income ?
 32. What is statement of affairs ?
 33. Mention any two merits of straight line method of depreciation.
 34. Write a note on capital turn-over ratio.
 35. What are the characteristics of a budget ?
 36. Define partnership.
 37. Write a note on reissue of forfeited shares.
 38. Give adjusting entry and transfer entry for writing off Bad Debts Rs. 3,000.
 39. Calculate the Sundry debtors at the end :

	Rs.
Opening Sundry debtors	80,000
Total sales	3,20,000
Cash sales	40,000
Cash received from Sundry debtors	1,56,000
Returns inward	10,000

[Turn over

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

	Rs.
Cost of plant	4,60,000
Installation charges	40,000
Expected life in years 10 years	
Scrap value	1,00,000

41. Calculate stock turn-over ratio from the following :

	Rs.
Cost of goods sold	13,50,000
Stock at the beginning of the year	2,00,000
Stock at the end of the year	2,50,000

42. Charles and Newman are partners. Charles drew Rs. 2,700 regularly in the middle of each month during the year 2004. Newman draws Rs. 5,400 at the end of each half year. Calculate interest on their drawings at 5% p.a.

43. Priya and Sharmila are partners sharing profits in the ratio of 3 : 2. They admit Sangeeta for $\frac{1}{5}$ th share which acquires equally from Priya and Sharmila. Calculate new profit ratio and sacrificing ratio of old partners.

44. A company forfeited 400 shares of Rs. 10 each on which the first call money of Rs. 3 per share was not received, the final call of Rs. 2 is yet to be made. These shares were subsequently reissued at Rs. 7 per share at Rs. 8 paid up. Pass 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 following are the balances extracted from the Trial Balance of Kumar as on 31. 3. 2002.

Trial Balance as on 31. 03. 2002

Particulars	Debit Rs.	Credit Rs.
Sundry debtors	1,20,000	—
Bad debts	10,000	—
Provision for bad & doubtful debts	—	20,000

Adjustment :

Create provision for bad & doubtful debts @ 5% on Sundry debtors.

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

OR

- b) Mrs. Rani started business with Rs. 1,20,000 as capital on 1. 4. 2003. During the year she has withdrawn at the rate of Rs. 1,000 per month. She introduced Rs. 20,000 as additional capital. Her position on 31. 3. 2004 was as follows :

	Rs.
Bank balance	8,000
Stock	80,000
Sundry debtors	50,000
Furniture	2,500
Cash in hand	2,000
Sundry creditors	25,000
Expenses outstanding	1,000

She keeps her books under Single entry system. Determine her profit or loss for the year 2003 - 2004.

[Turn over

46. What are the factors determining the amount of depreciation ?
47. Give few examples for cash receipts and cash payments.
48. Explain the differences between fixed capital account and fluctuating capital account.
49. A garment company purchased a plant on 1st April, 2001 for Rs. 2,00,000. After having used it for three years it was sold for Rs. 1,60,000. Depreciation is to be provided at 10% p.a. on fixed instalment method. Accounts are closed on 31st March every year.

Prepare Machinery a/c and Depreciation a/c for 3 years.

50. From the following calculate Gross profit ratio, Net profit ratio and Operating profit ratio :

	Rs.
Gross profit	60,000
Sales	2,00,000
Administration expenses	2,000
Selling expenses	4,000
Loss on sale of investment	1,600
Dividend received	800
Net profit	53,200

51. A and B are partners with capitals of Rs. 60,000 and Rs. 20,000 respectively on 1st January, 2001. The Trading profit (before taking into account the provision of the deed) for the year ended 31. 12. 2001 was Rs. 12,000.

Interest on capital is to be allowed at 6% p.a. B is entitled to a salary of Rs. 3,000 p.a. The drawings of the partners were : A Rs. 2,000 and B Rs. 1,000 ; the interest on drawings for A being Rs. 100 and for B Rs. 50.

Assuming that A and B are equal partners, prepare Profit and Loss Appropriation account and the Partners' Capital account as at 31. 12. 2001.

52. Poorani Ltd. forfeited 2000 shares of Rs. 10 each issued at a discount of 10% for non-payment of first call Rs. 2 and second call Rs. 3. These shares were reissued to Mrs. Merlin upon a payment of Rs. 14,000 as fully paid.

Give necessary Journal entries and prepare Ledger accounts for Forfeiture a/c and Capital Reserve a/c.

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. Muthu commenced business on 1. 4. 2004 with a capital of Rs. 75,000. He immediately bought furniture for Rs. 12,000. During the year he borrowed Rs. 15,000 from his wife as loan. He has withdrawn Rs. 21,600 for his family expenses. From the following particulars you are required to prepare Trading and Profit and Loss a/c and Balance Sheet as on 31. 3. 2005.

	Rs.
Cash received from Sundry debtors	1,21,000
Cash paid to Sundry creditors	1,75,000
Cash sales	1,00,000
Cash purchases	40,000
Carriage inwards	4,500
Discount allowed to Sundry debtors	4,000
Salaries	5,000
Office expenses	4,000
Advertisement	5,000
Closing balance of Sundry debtors	75,000
Closing balance of Sundry creditors	50,000
Closing stock	35,000
Closing cash balance	43,900

Provide 10% depreciation on furniture.

OR

[Turn over

- b) A and B were partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31. 12. 2001 is as under :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Capitals :</i>		Land & Buildings	40,000
A Rs. 30,000		Plant & machinery	10,000
B Rs. <u>25,000</u>	55,000	Investments	10,000
Reserve Fund	10,000	Stock	11,000
Sundry Creditors	16,000	Profit & Loss a/c	10,000
Bills payable	6,800	Sundry Debtors Rs. 5,000	
		Less Provision for	
		doubtful debts Rs. <u>200</u>	4,800
		Cash	2,000
	87,800		87,800

They decided to admit C into the partnership with effect from 1st January, 2002.

- i) That C shall bring as capital Rs. 20,000 for $\frac{1}{3}$ rd profits.
- ii) That goodwill of the firm was valued at Rs. 36,000.
- iii) Land and Buildings was to be revalued at Rs. 45,000 and investment at Rs. 25,000.
- iv) Stock was to be written down by Rs. 2,000.
- v) That provision for doubtful debts was to be increased to Rs. 300.
- vi) Creditors include Rs. 500 no longer payable and this sum was to be written off.

Pass Journal entries. Prepare Revaluation a/c, partners' capital a/c and new Balance Sheet.

54. The following are the balances extracted from the books of Mrs. Nandini as on 31. 3. 2002.

Debit balances	Rs.	Credit balances	Rs.
Drawings	40,000	Capital	2,00,000
Cash in hand	17,000	Sales	1,60,000
Cash at bank	65,000	Sundry creditors	45,000
Wages	10,000		
Purchases	20,000		
Stock (01. 04. 2001)	60,000		
Buildings	1,00,000		
Sundry debtors	44,000		
Bills receivable	29,000		
Rent	4,500		
Commission	2,500		
General expenses	8,000		
Furniture	5,000		
	4,05,000		4,05,000

Adjustments :

- i) Closing Stock Rs. 40,000
- ii) Depreciate furniture by 5%
- iii) Interest on drawings at 5% to be provided

[Turn over

- iv) Wages yet to be paid Rs. 1,000
- v) Rent prepaid Rs. 900.

Prepare Trading a/c, Profit and Loss a/c and Balance Sheet for the year ending 2002, March 31.

55. From the following Balance Sheet calculate debtors' turn-over ratio, creditors' turn-over ratio, capital turn-over ratio and fixed assets turn-over ratio.

Balance Sheet as on 31. 3. 2004

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share capital	4,00,000	Land & Buildings	3,00,000
Reserves	2,40,000	Plant & Machinery	1,60,000
Creditors	2,60,000	Stock	2,96,000
6% Debentures	60,000	Debtors	1,42,000
		Cash	62,000
	9,60,000		9,60,000

Additional information :

- i) Credit purchase during the year Rs. 10,40,000
- ii) Credit sales during the year Rs. 4,26,000.

56. Prepare cash budget for the months of June, July and August 2004, from the following information :

- i) Opening cash balance in June Rs. 21,000.
- ii) Cash sales for June Rs. 60,000, July Rs. 90,000 and August Rs. 1,20,000.
- iii) Wages payable Rs. 18,000 every month.
- iv) Interest receivable Rs. 1,500 in the month of August.
- v) Purchase of Machinery for Rs. 48,000 in July.
- vi) Cash purchases for June Rs. 30,000, July Rs. 27,000 and August Rs. 42,000.

57. Raja & Company invited applications for 20,000 equity shares of Rs. 100 each at a discount of Rs. 10 per share (allowed at the time of allotment).

The amount was payable as follows :

On application	Rs. 20
On allotment	Rs. 40
On first and final call	Rs. 30

The public applied for 18,000 shares and these were allotted. All money due was collected with the exception of allotment and the first and final call on 800 shares.

Pass journal entries. Prepare important ledger accounts.
