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Part III – ACCOUNTANCY

(English Version)

Time Allowed : 3 Hours]

[Maximum Marks : 200

Instruction : Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.

SECTION - A

(Marks : 30 × 1 = 30)

Note : Answer all the questions.

I. Fill in the blanks :

- Income received in advance will be shown on the side of the Balance Sheet.
- Debts which are not recoverable from Sundry Debtors are termed as
- Trial Balance shows bank loan Rs. 4,00,000 @ 10% on 1. 4. 2007. Interest paid Rs. 30,000. Interest outstanding is Rs. as on 31. 3. 2008.
- A statement of affairs resembles a
- A firm has assets worth Rs. 6,00,000, Capital Rs. 4,50,000. Then its liabilities is Rs.

[Turn over

6. method of depreciation is calculated on the original cost of assets.
7. Selling price of plant is Rs. 75,000. If loss on sale is Rs. 25,000, the book value of the plant is
8. Gross profit can be ascertained by deducting cost of goods sold from
9. The opening stock and closing stock are Rs. 66,000 and Rs. 34,000 respectively. Then the average stock is
10. Cash Budget is also called as
11. Undistributed loss will appear in the side of the Balance Sheet.
12. The profits and losses of the business will be shared among the partners in the ratio.
13. When the value of an asset increases, it results in
14. There should be a time gap of between two calls.
15. Deepak Limited Company issued 1,00,000 shares of Rs. 10 each, fully subscribed by public. Rs. 8 per share has been called up. Then Rs. will represent uncalled capital.

II. Choose and write the correct answer :

16. Salary outstanding is

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

17. Trial Balance as on 31. 3. 2009 shows Sundry Debtors Rs. 55,000. 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. 2,550 b) Rs. 2,600 c) Rs. 2,500.

18. 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 1. 4. 2008, Rs. 1,00,000 and on 31. 3. 2009, Rs. 85,000. Cash paid to creditors during the year is Rs. 1,30,000. Then the credit purchases during the year is

- a) Rs. 2,15,000
b) Rs. 1,15,000
c) Rs. 1,85,000.

[Turn over

20. Under diminishing balance method, depreciation

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

21. Cost of an asset is Rs. 3,00,000. Rate of depreciation is at 10% per annum.

Depreciation is calculated under Straight Line Method. Book value of asset

at the end of third year is

- a) Rs. 2,10,000
- b) Rs. 2,40,000
- c) Rs. 2,70,000.

22. Liquid liabilities mean

- a) Current liabilities
- b) Current liabilities - Bank overdraft
- c) Current liabilities + Bank overdraft.

23. All solvency ratios are expressed in terms of
- a) Proportion b) Times c) Percentage.
24. Budget is expressed in terms of
- a) money
- b) physical units
- c) money and physical units.
25. Under Fixed Capital method, the profits of partners will be transferred to their accounts.
- a) current
- b) capital
- c) drawings.
26. is calculated at the time of admission of a partner.
- a) Gaining ratio
- b) Capital ratio
- c) Sacrificing ratio.

27. The amount due to the retiring partner is ascertained by preparing his
- a) capital account
 - b) loan account
 - c) profit and loss appropriation account.
28. Capital Reserve is shown on the side of the Balance Sheet.
- a) liabilities
 - b) assets
 - c) both.
29. When more number of applications are received than that are offered to the public, it is called
- a) oversubscription
 - b) undersubscription
 - c) full subscription.
30. The amount credited to share forfeited account is Rs. 800. The loss on reissue of forfeited shares is Rs. 300. Capital Reserve will be
- a) Rs. 400
 - b) Rs. 500
 - c) Rs. 300.

SECTION - B(Marks : $10 \times 5 = 50$)**Note :** i) Answer any ten questions.ii) Answers to theory questions should not exceed *fifty* words each.

31. What is outstanding expense ?
32. What is Statement of Affairs ?
33. Define Depreciation.
34. What is the significance of Financial Statement Analysis ?
35. Give five examples for cash payment.
36. What is Goodwill ?
37. What is pro-rata allotment ?
38. Give adjusting entry and transfer entry for interest on capital Rs. 6,000.
39. Calculate the missing figure :

	Rs.
Profit made during the year	5,000
Capital at the end	12,000
Additional Capital	4,000
Drawings	2,400
Capital in the beginning	?

[Turn over

40. From the following particulars find out the rate of depreciation under Straight Line method :

Cost of fixed assets	Rs. 20,000
Residual value	Rs. 2,000
Estimated life	10 years.

41. From the following information calculate Debt Equity Ratio :

	Rs.
Debentures	2,00,000
Loan from Banks	1,00,000
Equity Share Capital	1,25,000
Reserves	25,000

42. The Opening Balance of cash on 1. 4. 2009 was Rs. 50,000, Estimated Receipts during the month were Rs. 80,000 and the estimated Payments for the month were Rs. 1,00,000. Determine the Closing Balance on 30. 4. 2009.
43. Sankar and Saleem were partners sharing profits and losses in the ratio of 3 : 2. They admit Saimon into the partnership to $\frac{1}{3}$ rd share, the old partners sacrificing equally. Calculate the new profit sharing ratio.
44. Jasmine Limited Company, issued 50,000 shares of Rs. 10 each at a premium of Rs. 3. Give Journal entry.

SECTION - C

(Marks : 5 × 12 = 60)

Note : i) Answer any *five* questions including Question No. 45 which is compulsory.

ii) Answers to theory questions should not exceed 150 words each.

45. a) The Trial Balance shows on 31. 03. 2009 as follows :

Sundry Debtors Rs. 85,000.

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

b) Mrs. Sankari started business with Rs. 1,50,000 as capital as on 1. 4. 2006. During the year she has withdrawn at the rate of Rs. 3,000 per month. She introduced Rs. 40,000 as additional capital :

Her position on 31. 3. 2007 was as follows :

	Rs.
Bank Balance	15,000
Stock	85,000
Sundry debtors	75,000
Machinery	45,000
Cash in hand	20,000
Sundry creditors	30,000
Prepaid expenses	4,000

She keeps her books under Single Entry system. Find out her profit or loss for the year 2006-07.

[Turn over

46. Explain the causes of depreciation.
47. Explain the characteristics and advantages of cash budget.
48. What are the differences between Fixed Capital method and Fluctuating Capital method ?
49. Prakash Limited Company purchased a machine for Rs. 3,00,000 on 01.04.2006. After having used it for three years, it was sold for Rs. 2,30,000. 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 three years.
50. From the following details, calculate Current ratio, Liquid ratio and Absolute Liquid ratio :

	Rs.
Cash	5,000
Debtors	29,000
Bills Receivable	5,000
Short-term Investment	15,000
Stock	52,000
Creditors	30,000
Bank overdraft	14,000
Prepaid expenses	2,000
Bills payable	10,000

51. Sathyaraj and Dharmaraj are partners sharing profits and losses equally. Their capitals on 01. 04. 2007 were Rs. 1,00,000 and Rs. 80,000 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. 15,000 and Rs. 10,000 respectively. Interest on drawings were for Sathyaraj Rs. 600 and for Dharmaraj Rs. 400. Sathyaraj is entitled to a salary of Rs. 12,000 p.a. and Dharmaraj is entitled to get a commission of Rs. 3,420. The net profit of the firm before making the above adjustments was Rs. 56,000 for the year ended on 31st March, 2008. Prepare the Profit and Loss Appropriation Account and Capital Accounts of the partners.

52. Sathya Ltd. Company issued 3000 equity shares of Rs. 10 each fully called up on which the final call of Rs. 3 has not been paid. Out of these 1500 shares were reissued at Rs. 8 each fully paid. Give necessary Journal entries and prepare Ledger account for Forfeited Shares account and Capital Reserve account.

[Turn over

SECTION - D

(Marks : 3 × 20 = 60)

Note : Answer any three questions including Question No. 53 which is compulsory.

53. a) Mr. Baskar keeps his books on incomplete double entry. From the following details, prepare Trading and Profit and Loss Account for the year ended 31st March, 2006 and Balance Sheet as on that date :

	1. 4. 2005	31. 3. 2006
	Rs.	Rs.
Stock	50,000	25,000
Sundry Debtors	1,25,000	1,75,000
Cash	12,500	20,000
Furniture	5,000	5,000
Sundry Creditors	75,000	87,500

Other details :

	Rs.
Cash received from debtors	2,67,500
Cash paid to creditors	2,25,000
Purchase returns	2,500
Sales returns	7,500
Discount Received	7,500
Discount Allowed	5,000
Sundry Expenses	17,500
Drawings	20,000
Cash Sales	2,500

OR

- b) Vijay and Vikram are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2009 is given below :

Liabilities		Rs.	Assets		Rs.
Creditors		70,000	Cash		15,000
Bills Payable		20,000	Debtors		70,000
General Reserve		40,000	Stock		30,000
Capitals :			Machinery		25,000
Vijay	80,000		Buildings		1,00,000
Vikram	<u>40,000</u>	1,20,000	Profit & Loss Account		10,000
		<u>2,50,000</u>			<u>2,50,000</u>

On 1st April, 2010 they agreed to admit Mr. Vinod into the firm for $\frac{1}{5}$ th share of future profit on the following terms :

- i) Vinod to bring Rs. 50,000 as capital.
- ii) Stock is revalued at Rs. 21,500.
- iii) Provision for bad and doubtful debts be created at 5%.
- iv) Building is revalued at Rs. 1,20,000.
- v) Goodwill is raised at Rs. 40,000.

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

[Turn over

54. From the following Trial Balance of Mr. Saravanan, prepare Trading and Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as on that date :

Trial Balance as on 31st March, 2009

Debit Balances	Rs.	Credit Balances	Rs.
Cash in hand	45,000	Capital	2,00,000
Cash at bank	20,000	Sundry Creditors	50,000
Drawings	30,000	Sales	1,70,000
Wages	15,000	Bills Payable	30,000
Purchases	60,000		
Opening Stock	50,000		
Buildings	1,00,000		
Sundry Debtors	85,000		
Bills Receivable	20,000		
Commission	8,000		
General Expenses	10,000		
Insurance	7,000		
	4,50,000		4,50,000

Adjustments :

- i) Closing Stock Rs. 30,000.
- ii) Interest on Capital 6% per annum to be provided.
- iii) Depreciate Buildings by 10%.
- iv) Outstanding wages Rs. 2,000.
- v) Unexpired Insurance Rs. 1,000.

55. From the Trading and Profit & Loss Account of Surya Ltd. Company, ascertain :

- Gross Profit ratio
- Net Profit ratio
- Operating ratio
- Operating Profit ratio.

Trading and Profit & Loss Account
for the year ending 31. 3. 2005

Dr.	Rs.	Cr.	Rs.
To Opening Stock	35,000	By Sales	4,00,000
.. Purchases	2,25,000	.. Closing Stock	50,000
.. Wages	10,000		
.. Gross Profit	1,80,000		
	4,50,000		4,50,000
To Administration expenses	10,000	By Gross Profit	1,80,000
.. Interest	5,000	.. Dividend	2,000
.. Loss on sale of machinery	2,000		
.. Selling Expenses	10,000		
.. Net Profit	1,55,000		
	1,82,000		1,82,000

| Turn over

56. Prepare Cash Budget for the month of March, April and May, 2009 from the following information :

Month	Credit Sales (Rs.)	Credit Purchases (Rs.)	Office Expenses (Rs.)
January, 2009	50,000	30,000	5,000
February, 2009	75,000	40,000	7,000
March, 2009	1,00,000	65,000	15,000
April, 2009	1,25,000	75,000	10,000
May, 2009	1,30,000	80,000	20,000

Additional information :

- i) Opening Cash Balance in March, 2009 — Rs. 60,000
 - ii) Period of credit allowed to customers — one month
 - iii) Period of credit allowed by suppliers — two months
 - iv) Office expenses are payable in the same month.
 - v) Dividend Rs. 15,000 is receivable in March, 2009.
57. Bharath Company Ltd., issued 30,000 shares of Rs. 100 each at a premium of Rs. 10 each payable as follows :

On Application	Rs. 20
On Allotment	Rs. 40 (including premium Rs. 10)
On first call	Rs. 20
On final call	Rs. 30

The company's shares were fully subscribed. 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 Balance Sheet.