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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. Closing stock is valued at cost price or price whichever is less.
2. Income received in advance will be shown on the side of the Balance Sheet.
3. As per trial balance (31-03-06) capital is Rs. 10,00,000. Interest on capital at 6% is

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4. A firm has liabilities worth Rs. 15,000 and capital Rs. 45,000. Then its assets are
5. The term 'depletion' is used for
6. Incomplete records are those records which are not kept under system.
7. Selling price of a fixed asset is Rs. 1,30,000. The book value of the asset at the time of sale is Rs. 1,50,000. Loss on sale is Rs.
8. Bank overdraft is an example of liability.
9. When total sales is Rs. 2,00,000, cash sales is Rs. 65,000. Then the credit sales will be Rs.
10. Cash budget is called as
11. The capital accounts of partners may be or fluctuating.
12. Mutual and agency is the essence of partnership.
13. When the value of an asset increases it results in
14. Capital Reserve represents profit.
15. Minimum subscription that should be received by the company is % of the issued capital.

II. Choose and write the correct answer :

16. Closing stock is shown in

- a) profit and loss account
- b) trading account and balance sheet
- c) none of these.

17. Trial Balance as on 31-12-2006 shows sundry debtors as Rs. 2,00,000.

Write off bad debts Rs. 20,000. The amount of bad and doubtful debts at 20% will be

- a) Rs. 26,000
- b) Rs. 36,000
- c) Rs. 16,000.

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 01-04-2005 Rs. 2,42,000 and on 31-03-2006 Rs. 2,60,000.

Cash paid to creditors during the year Rs. 4,18,000. Thus credit purchase made during the year is

- a) Rs. 3,46,000
- b) Rs. 4,63,000
- c) Rs. 4,36,000.

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20. Under straight line method, rate of depreciation is calculated on
- a) original cost
 - b) written down value
 - c) cost less scrap value.
21. Total amount of depreciation provided on the written down value method at the rate of 10% p.a. on Rs. 20,000 for first three years will be
- a) Rs. 5,240
 - b) Rs. 5,420
 - c) Rs. 5,440.
22. Liquid liabilities means
- 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. Purchase of furniture is an example for
- a) cash receipts
 - b) cash payments
 - c) none of these.
25. Indian Partnership Act was enacted in the year
- a) 1956
 - b) 1932
 - c) 1986.
26. Accumulated losses and undistributed profits transferred to the old partners.
- a) should be
 - b) should not be
 - c) none of these.
27. In the absence of any specific agreement, partners' loan to the firm will carry an interest of
- a) 6%
 - b) 10%
 - c) 12%.
28. When shares are forfeited, the share capital of the company will
- a) remain the same
 - b) reduce
 - c) increase.

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29. Capital reserve is shown on side of balance sheet.

- a) asset b) liability c) both.

30. When the company issue shares at a price more than the face value it is called as an issue at

- a) par b) premium c) discount.

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. What are the limitations of Single Entry System ?
33. What is residual value ?
34. What are current assets ?
35. Give any five examples of cash payments.
36. Who is an incoming partner ?
37. What is pro rata allotment ?

38. Trial balance as on 31-03-07 shows Rent received Rs. 30,000, Rent received in advance Rs. 6,000. Pass adjusting entry.

39. Calculate the missing information :

	Rs.
Closing capital	1,63,800
Additional capital	42,300
Drawings	25,200
Loss	12,600
Opening capital	?

40. A company purchased machinery for Rs. 1,00,000. Its installation costs amounted to Rs. 10,000. Its estimated life is 5 years and the scrap value is Rs. 5,000. Calculate the amount and rate of depreciation under straight line method.

41. From the following, determine the stock turnover ratio :

	Rs.
Opening stock	40,000
Closing stock	30,000
Purchases	95,000

42. Surendra and Amrith are two partners sharing profits and losses equally. Surendra drew regularly Rs. 2,000 at the end of every month during the year. Amrith draws Rs. 4,000 regularly at the beginning of every month during the year. Calculate interest on their drawings at 10% p.a.

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43. From the following information prepare cash budget for June 2005.

Particulars	Amount Rs.
Cash in hand (01-06-2005)	10,000
Cash Purchases - June 2005	70,000
Cash Sales - June 2005	1,00,000
Purchase of furniture - June 2005	2,500

44. Latha Ltd. issued 2,00,000 equity shares of Rs. 10 each at a discount of 10% per share. Give journal entry.

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 as on 31st December 2006 :

Sundry Debtors — Rs. 10,500

Adjustments :

- i) Bad debts to be written off Rs. 500.
- ii) Provide @5% provision for bad and doubtful debts
- iii) @2% provision for discount on debtors

Pass the journal entries and show how they appear in the final accounts.

OR

- b) Bala maintains books on single entry. He gives you the following information :

<i>Particulars</i>	<i>Jan 1, 2006</i>	<i>Dec 31, 2006</i>
	<i>Rs.</i>	<i>Rs.</i>
Cash in hand	2,000	3,000
Cash at Bank	1,000	2,000
Stock	16,000	18,000
Furniture	3,000	5,000
Sundry Debtors	21,000	30,000
Creditors	5,000	7,000

He has taken Rs. 4,000 from the business to meet his personal expenses.
Calculate the profit or loss for the year 2006.

46. Write notes on the following methods of calculating depreciation :

- Annuity method
- Sinking fund method
- Insurance policy method.

47. Define Budget. What are the characteristics of a budget ? What are the advantages of cash budget ?

48. Define partnership. What are the features of partnership ?

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49. Nivedita Manufacturing Company purchased on 1st April, 2006, Machinery for Rs. 2,90,000 and spent Rs. 10,000 on its installation. After having used it for three years it was sold for Rs. 2,00,000. Depreciation is to be provided every year at the rate of 15% per annum on the Fixed Instalment Method. Assuming that the financial year closes on March 31st, for the first three years pass the necessary journal entries. Prepare Machinery Account.
50. Divya and Swetha were partners sharing profits & losses in the ratio 5 : 3. In view of Pavithra's admission, they decided to revalue their assets and liabilities as indicated below :
- To increase the value of Land and building by Rs. 30,000
 - To decrease machinery by Rs. 8,000, furniture by Rs. 2,000 and stock by Rs. 6,000.
 - A provision for outstanding liabilities was to be created for Rs. 400.

Give journal entries and prepare the revaluation account.

51. From the given data, calculate

- Gross profit ratio
- Net profit ratio
- Current ratio.

	Rs.
Sales	3,00,000
Net profit	30,000
Current liabilities	30,000
Cost of goods sold	2,40,000
Current assets	60,000

52. Acharya Ltd forfeited 300 shares of Rs. 10 each fully called up held by Kumar for non-payment of first call money of Rs. 3 per share and final call money of Rs. 4 per share. Out of these shares 250 were re-issued to Ilangoven for Rs. 2,000. Give all the journal entries for forfeiture and re-issue.

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 details, prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31-03-2006.

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

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Other details :

	Rs.
Discount received	7,500
Discount allowed	5,000
Sundry expenses	15,000
Cash paid to sundry creditors	2,25,000
Cash received from sundry debtors	2,67,500
Drawings	20,000
Sales returns	7,500
Purchase returns	2,500
Charge depreciation on furniture @ 5%	

OR

- b) The following is the Balance Sheet of Siva and Panneer sharing profits 3 : 2 as on 31-03-2006.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	30,000	Bank	10,000
Bills payable	28,000	Sundry debtors	30,000
Bank overdraft	20,000	Stock	20,000
General Reserve	30,000	Machinery	40,000
Capital Accounts :		Land and building	70,000
Siva Rs. 40,000		Profit & Loss A/c	8,000
Panneer Rs. <u>30,000</u>	70,000		
	<u>1,78,000</u>		<u>1,78,000</u>

On 01-04-2006 they decided to admit Gopinath into partnership on the following terms :

- i) That Gopinath shall bring in a capital of Rs. 30,000
- ii) That goodwill of the firm being valued at Rs. 20,000
- iii) That land and building, be appreciated by 10%
- iv) That stock be depreciated by Rs. 3,000 and provision for outstanding liability be created at Rs. 2,000.

Pass journal entries. Also show revaluation account, capital accounts and the balance sheet.

54. The following are the balances extracted from the books of Anand as on 31-03-2005 :

<i>Particulars</i>	<i>Dr. (Rs.)</i>	<i>Cr. (Rs.)</i>
Capital		20,000
Drawings	4,000	
Cash at Bank	1,700	
Sales		16,000
Cash in hand	6,500	
Wages	1,000	
Purchases	2,000	
Opening Stock 01-04-2004	6,000	
Sundry creditors		4,500
Buildings	10,000	
Sundry Debtors	4,400	
Bills receivable	2,900	
Rent	450	
Commission	250	
General expenses	800	
Furniture	500	
	40,500	40,500

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Adjustments :

- i) Closing Stock Rs. 4,000
- ii) Interest on Capital at 6%
- iii) Interest on Drawings at 5%
- iv) Wages yet to be paid Rs. 100
- v) Rent pre-paid Rs. 50.

Prepare Trading Account, Profit and Loss Account and Balance Sheet as on 31st March, 2005.

55. From the following, calculate operating profit ratio and operating ratio, gross profit ratio and net profit ratio :

	Rs.		Rs.
Sales	1,00,000	Dividend Received	400
Gross profit	30,000	Net profit	26,600
Administration expenses	1,000		
Selling expense	2,000		
Loss on sale of investments	800		

56. Prepare a cash budget for the month of March, April and May, 2006 from the following information :

Month	Credit Purchases (Rs.)	Credit Sales (Rs.)	Administration & Selling Expenses (Rs.)
January	75,000	1,50,000	1,20,000
February	1,00,000	1,35,000	1,35,000
March	85,000	1,75,000	65,000
April	1,25,000	1,20,000	70,000
May	90,000	1,40,000	80,000

Additional Information :

- i) Expected cash balance on 01-03-2006 is Rs. 80,000
- ii) Suppliers allowed a credit period of two months
- iii) A credit period of one month is allowed to customers
- iv) Expenses are paid in the same month
- v) Sale of fixed asset Rs. 25,000 in April
- vi) Purchase of fixed asset in May Rs. 25,000.

57. Nagesh Ltd. issued 6000 shares of Rs. 10 each at a premium of Rs. 2 per share payable Rs. 2 on application, Rs. 5 on allotment (including premium), Rs. 3 on first call and Rs. 2 on final call. All these shares were duly subscribed and money due were fully received. Pass journal entries, prepare ledger accounts and also show the balance sheet.