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Part III – ACCOUNTANCY

(English Version)

Time Allowed : 3 Hours]

[Maximum Marks : 200

SECTION - A(Marks : $30 \times 1 = 30$)*Note : Answer all the questions.*

I. Fill in the blanks :

1. Outstanding expenses are shown on the side of the Balance Sheet.
2. Provision for Bad and Doubtful debts is deducted from in the Balance Sheet.
3. The Trial Balance as on 31. 03. 2008 shows capital Rs. 4,00,000. Interest on capital at 6% per annum is
4. Statement of affairs method is also called as method.
5. A firm has capital Rs. 1,30,000 and liabilities Rs. 50,000. Then its assets is

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6. method of depreciation is used in case of Lease.
7. Selling price of a plant is Rs. 1,50,000, profit on sale was Rs. 15,000. The book value of the plant is Rs.
8. ratios measure the firm's ability to pay off its current dues.
9. When total sales is Rs. 2,00,000, cash sales is Rs. 85,000, then credit sales will be Rs.
10. The closing balance of one month will be balance of the next month.
11. The excess of average profit over normal profit is
12. When an unrecorded liability is brought into books, it results in
13. On retirement, the profit on revaluation of business will be shared by partners.
14. Nominal capital is mentioned in the of the company.
15. A company issued 1,00,000 shares of Rs. 10 each to the public but only 75,000 shares were subscribed. Its unsubscribed capital is Rs.

II. Choose and write the correct answer :

16. Accrued interest is

a) income

b) asset

c) liability.

17. Trial Balance shows Land and Building Rs. 8,00,000. Depreciation is provided at 10%. The value of Land and Building will be
- a) Rs. 8,80,000
 - b) Rs. 7,20,000
 - c) Rs. 80,000.
18. Credit purchase is obtained from
- a) Bills Receivable Account
 - b) Total Debtors account
 - c) Total Creditors account.
19. Debtors on 1. 4. 2007, was Rs. 80,000 and on 31. 3. 2008 Rs. 1,00,000. Cash received from debtors during the year is Rs. 1,50,000. Then the credit sales during the year is
- a) Rs. 1,80,000
 - b) Rs. 1,70,000
 - c) Rs. 2,50,000.
20. If selling price is less than the book value of the asset, it denotes
- a) loss
 - b) capital profit
 - c) expenditure.

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21. Total amount of depreciation provided on the written down value method at the rate of 10% p.a. of Rs. 15,000 for first three years will be

- a) Rs. 4,635
- b) Rs. 4,065
- c) Rs. 4,506.

22. are those assets which are easily convertible into cash.

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

23. All profitability ratios are expressed in terms of

- a) Proportion
- b) Times
- c) Percentage.

24. Cash Budget deals with

- a) estimated cash receipts
- b) estimated cash payments
- c) estimated cash receipts and estimated cash payments.

25. Under Fluctuating Capital method, the profits of partners will be transferred to their
- a) Capital A/cs
 - b) Current A/cs
 - c) Drawings A/cs.
26. Sacrificing ratio is calculated at the time of
- a) dissolution of partnership
 - b) admission of a partner
 - c) retirement of a partner.
27. Goodwill is
- a) a tangible asset
 - b) an intangible asset
 - c) a fictitious asset.
28. The maximum calls that a company can make, is
- a) one
 - b) two
 - c) three.

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29. When shares are forfeited, the share capital of the company will
- remain the same
 - reduce
 - increase.
30. The amount credited to Share Forfeiture Account is Rs. 6,000. The loss on the reissue of forfeited shares is Rs. 1,500. Capital Reserve will be
- Rs. 4,500
 - Rs. 1,500
 - Rs. 7,500.

SECTION - B

(Marks : $10 \times 5 = 50$)

Note : i) Answer any *ten* questions.

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

- What is income received in advance ?
- Define Single Entry system.
- What is Annuity method of depreciation ?
- Write a note on current ratio.
- Enumerate the steps in the preparation of cash budget.

36. What is Fluctuating Capital method ?
37. What is meant by calls-in-advance ?
38. Give adjusting entry and transfer entry for Bad Debts Rs. 5,000.
39. Find out profit or loss from the following :

	Rs.
Opening Capital	1,40,000
Closing Capital	1,50,000
Additional Capital	35,000
Drawings	10,000

40. M/s. Vikram & Co. purchased a plant for Rs. 5,00,000. 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. 50,000. Find out the rate of depreciation.
41. From the following information, calculate capital turnover ratio :

	Rs.
Sales	3,75,000
Sales Returns	25,000
Equity Share capital	1,00,000
Long term loan	50,000
Reserves	25,000

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42. Calculate the amount of Goodwill on the basis of three years' purchase of the five years' average profits. The profits for the last five years are :

	Rs.
2005	20,000
2006	24,000
2007	36,000
2008	19,000
2009	26,000

43. Mention any five examples of cash payments.
44. Global Ltd. Company issued 10,000 shares of Rs. 100 each at a discount of 10%. Give Journal entry.

SECTION - C

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

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. 3. 2007, Sundry debtors Rs. 78,000.

Adjustments :

- i) Bad debts to be written off Rs. 8,000.
- 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) Mr. Anwar keeps his books by incomplete single entry. His assets and liabilities on 1. 4. 2006 and 31. 3. 2007 stood as follows :

	1. 4. 2006	31. 3. 2007
	Rs.	Rs.
Cash in hand	5,000	10,000
Sundry Debtors	70,000	85,000
Investments	30,000	30,000
Furniture	10,000	10,000
Sundry Creditors	40,000	50,000
Stock	55,000	75,000

He introduced an additional capital of Rs. 30,000. He withdrew Rs. 50,000 for domestic purpose. Find out profit or loss for the year 2006-07.

46. Define Depreciation. What are the reasons for providing depreciation ?
47. Explain the characteristics and advantages of Cash Budget.
48. What are the differences between Sacrificing ratio and Gaining ratio ?
49. Arul & Co. purchased a machinery for Rs. 5,00,000 on 1. 4. 2005. After having used it for three years, it was sold for Rs. 3,50,000. Depreciation is to be provided at 10% per annum under Diminishing Balance method. Accounts are closed on 31st March of every year.

Prepare Machinery account and Depreciation account for three years.

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50. From the following details, calculate Gross profit ratio, Net profit ratio and Stock turnover ratio :

	Rs.
Sales	1,50,000
Cost of goods sold	1,20,000
Opening stock	29,000
Closing stock	31,000
Net profit	15,000

51. Amar and Akbar are partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals on 1. 4. 2004 were Rs. 1,50,000 and Rs. 1,00,000 respectively. The net profit of the firm for the year ended 31st March, 2005 before making adjustments for the following items was Rs. 70,000. Drawings of the partners during the year were Amar Rs. 15,000 and Akbar Rs. 10,000.

Their partnership deed provided for the following :

- i) Interest on capital at 6% p.a.
- ii) Interest on drawings at 8% p.a., being Amar Rs. 600, Akbar Rs. 400.
- iii) Amar and Akbar to get a salary of Rs. 10,000 each per annum.
- iv) Amar to get a commission of Rs. 3,600.

Show the Profit and Loss Appropriation Account and Capital Accounts of the partners.

52. Ashok Limited Company forfeited 2000 equity shares of Rs. 10 each fully called up on which the final call of Rs. 3 has not been paid. Out of these 500 shares were reissued at Rs. 7 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)

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

53. a) Mr. James maintained his account books on single entry system. On 01.04.2008 his capital was Rs. 3,50,000.

Additional Information :

	Rs.	
Opening Stock	1,88,000	
Cash received from Sundry debtors	38,000	
Cash Sales	1,50,000	
Cash paid to Sundry Creditors	45,000	
Opening Sundry Debtors	30,000	
Opening Sundry Creditors	1,40,000	
Business Expenses	90,000	<i>Contd.</i>

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	<i>Rs.</i>
Freehold premises (31. 03. 2009)	3,00,000
Furniture (31. 03. 2009)	15,400
Closing Stock	1,95,000
Closing Sundry Debtors	60,000
Closing Sundry Creditors	1,50,000
Closing Cash Balance	9,600

Prepare Trading and Profit and Loss Account for the year ended on 31. 03. 2009 and Balance Sheet as on that date.

OR

- b) Karthick, David and Venkat were partners of a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31st December, 2006 is as follows :

Balance Sheet as on 31st December, 2006

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry Creditors	25,000	Cash	63,000
Bills Payable	15,000	Bills Receivable	10,000
General Reserve	30,000	Sundry Debtors	30,000
<i>Capital Accounts :</i>		Stock	42,000
Karthick 80,000		Furniture	15,000
David 50,000		Buildings	80,000
Venkat <u>40,000</u>	1,70,000		
	<hr/>		
	2,40,000		<hr/>
			2,40,000

Venkat retired from the partnership on 1st January, 2007 on the following terms :

i) Goodwill of the firm was to be valued at Rs. 30,000.

ii) Assets are to be valued as under :

Stock Rs. 50,000, Buildings Rs. 1,00,000.

iii) Furniture was to be depreciated by Rs. 3,000.

iv) A provision for doubtful debts be created at Rs. 1,000.

v) Venkat was to be paid off at once.

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

54. From the following Trial Balance of Mr. Imran as on 31st March, 2005, prepare Trading and Profit and Loss Account for the year ended 31. 03. 2005 and the Balance Sheet as on that date :

Trial Balance as on 31st March, 2005

<i>Debit Balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Purchases	1,50,000	Capital	3,00,000
Sundry Debtors	80,000	Sundry Creditors	53,000
Investments	1,20,000	Sales	2,20,000
Rent	15,000	Commission Received	7,000
Carriage Inwards	10,000	Bills Payable	20,000
Salaries	20,000		
General Expenses	10,000		
Cash	30,000		
Opening Stock	75,000		
Machinery	60,000		
Drawings	30,000		
	6,00,000		6,00,000

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