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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 : $30 \times 1 = 30$)*Note :* Answer all the questions.**I. Fill in the blanks :**

1. Closing stock is valued at cost price or price whichever is lower.
2. Prepaid expenses are shown on the side of the Balance Sheet.
3. Interest on capital is debited in account.
4. Closing capital can be found by preparing a Statement of Affairs at the of the year.
5. A firm has assets worth Rs. 60,000 and capital Rs. 45,000. Then its liabilities is

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6. method of depreciation is calculated on the original cost of assets.
7. method of depreciation is used in the case of lease.
8. Gross profit can be ascertained by deducting cost of goods sold from
9. When total sales is Rs. 2,00,000, cash sales is Rs. 65,000, then credit sales will be Rs.
10. Cash budget is a useful tool for
11. Indian Partnership Act was enacted in the year
12. A sole trading business is owned and managed by person.
13. At the time of retirement the Revaluation profits of a business will be shared by partners.
14. A Public Issue cannot be kept open for more than days.
15. When excess application money is adjusted towards allotment, it is called as allotment.

II. Choose and write the correct answer :

16. Rent outstanding is

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

17. Gross profit is transferred to

- a) Capital Account
- b) Profit and Loss Account
- c) none of these.

18. Credit sales is obtained from

- a) bills payable account
- b) total debtors account
- c) total creditors account.

19. Single entry system is

- a) a scientific method
- b) an incomplete double entry system
- c) none of these.

20. Total amount of depreciation provided on the Written Down Value Method at the rate of 10% per annum on Rs. 10,000 for first 3 years will be

- a) Rs. 2,107
- b) Rs. 2,710
- c) Rs. 2,701.

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21. Under Diminishing Value method, depreciation
- a) decreases every year
 - b) increases every year
 - c) remains constant every year.
22. 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.
23. Current Assets of a business concern is Rs. 60,000 and Current Liabilities are Rs. 30,000. Current ratio will be
- a) 1 : 2
 - b) 1 : 1
 - c) 2 : 1.
24. Budget is expressed in terms of
- a) money
 - b) physical units
 - c) money and physical units.

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 Net Worth method ?
33. What is obsolescence ?
34. Write notes on operating ratio.
35. What are the characteristics of a Budget ?
36. What is Accumulative Reserve ?
37. What is pro-rata allotment ?
38. Commission received given in Trial Balance is Rs. 1,000 as on 31. 12. 1994. Commission accrued but not received Rs. 150. Show the adjusting entry.
39. Calculate the missing figure :

	Rs.
Profit made during the year	2,500
Capital at the end	6,000
Capital introduced during the year	2,000
Drawings	1,200
Capital at the beginning	?

40. Find out the rate of Depreciation under Straight Line method :

Cost of the plant	Rs. 2,30,000
Installation charges	Rs. 20,000
Expected life in years	10 years
Scrap value	Rs. 50,000

41. Calculate Stock Turn-over ratio :

Opening Stock	Rs. 15,000
Closing Stock	Rs. 25,000
Purchases	Rs. 60,000

42. Mention any 5 cash receipts.

43. Three years' purchase of the last four years average profits is agreed as the value of goodwill. The profits and losses for the last four years are

Ist year Rs. 50,000.

IIInd year Rs. 80,000.

IIIrd year Rs. 30,000 (loss).

IVth year Rs. 60,000.

Calculate the amount of goodwill.

44. The directors of S. Ltd. forfeited 2000 shares of Rs. 10 each for non-payment of final call of Rs. 2.50.

Give necessary Journal entries for forfeiture of shares.

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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 following balances have been extracted from the Trial Balance of Ashok as on 31. 3. 2002.

Trial Balance as on 31. 3. 2002

Particulars	Debit Rs.	Credit Rs.
Debtors	2,01,200	—
Bad debts	1,200	—

Adjustments :

- i) Write off additional Bad debt of Rs. 5,000.
- ii) Create provision of 10% for bad and doubtful debts on debtors.
- iii) Create provision of 2% for discount on debtors.

Give necessary adjustment entries and show how these items will appear in the Profit and Loss Account and Balance Sheet.

OR

- b) Mr. Suresh started business with Rs. 2,00,000 on 1. 4. 2003. His books are kept under Single entry. On 31. 3. 2004 his position was as under :

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Cash	6,000
Bills Payable	5,000	Cash at Bank	10,000
Outstanding Expenses	7,500	Furniture	30,000
		Plant & Machinery	1,00,000
		Debtors	50,000
		Stock	90,000
		Bills Receivable	15,000

Ascertain profit or loss made by Suresh for the year ended 31. 3. 2004.

46. What are the causes of Depreciation ?
47. Explain the steps involved in the preparation of cash budget.
48. What are the differences between Sacrificing ratio and Gaining ratio ?
49. On 1. 10. 2000, a company purchased a plant for Rs. 6,00,000. They spent Rs. 40,000 on its erection. The firm writes off Depreciation at the rate of 20% on Reducing Balance method. The books are closed on 31st March every year.

Prepare plant account and depreciation account for three years.

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

	Rs.
Sales	1,00,000
Dividend Received	400
Gross Profit	30,000
Net Profit	26,600
Administration Expenses	1,000
Selling Expenses	2,000
Loss on Sale of Investments	800

51. M and R are partners sharing profits in the ratio of 3 : 2 with capitals of Rs. 50,000 and Rs. 40,000 respectively. Interest on capital is agreed at 8% per annum. Interest on drawings is fixed at 10% p.a. The drawings of the partners M and R were Rs. 15,000 and Rs. 10,000 respectively. The interest for M Rs. 750 and for R Rs. 500. M is entitled to a salary of Rs. 12,000 p.a. and R is entitled to a commission of 10% on the net profit before charging such commission. The net profit of the firm before making the above adjustments was Rs. 60,000 for the year ended 31. 3. 2005.

Prepare Profit and Loss Appropriation account and Capital accounts.

52. A company forfeited 100 equity shares of Rs. 100 each issued at premium of 10% on which first call money of Rs. 30 per share and final call of Rs. 20 per share were not received. These shares were subsequently re-issued at Rs. 90 per share as fully paid up.

Give necessary Journal entries regarding forfeiture and reissue of shares. Also prepare Share Forfeited Account and Capital Reserve Account.

SECTION - D

(Marks : 3 × 20 = 60)

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

ii) All questions carry equal marks.

53. a) Kannan started business with Rs. 2,62,500 on 1. 4. 2003. He bought furniture for Rs. 42,000. He borrowed Rs. 52,500 from Bank. He withdrew for personal expenses Rs. 75,600.

From the details given below prepare final accounts on 31. 3. 2004 :

	Rs.
Credit Sales	7,00,000
Cash Sales	3,50,000
Credit Purchases	7,87,500
Cash Purchases	1,40,000
Wages	15,750
Discount allowed	3,500
Salaries	17,500
Business Expenses	14,000
Advertisement	17,500
Closing Sundry Debtors	2,62,500
Closing Sundry Creditors	1,75,000
Closing Stock	1,22,500
Closing Cash Balance	1,64,150

Depreciation to be provided on furniture @ 10%.

OR

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- b) P, S and V were partners of a firm sharing profits in the ratio of their capitals. Their Balance Sheet as on 31. 12. 2004 stood as follows :

Balance Sheet as on 31. 12. 2004

Liabilities	Rs.	Assets	Rs.
Creditors	21,000	Cash at Bank	16,000
Reserve fund	48,000	Debtors	20,000
Capitals :		(-) Provision for	
P	90,000	Doubtful debts	1,000
S	60,000	Stock	18,000
V	30,000	Machinery	48,000
		Land & Building	1,00,000
		Goodwill	48,000
	2,49,000		2,49,000

On 1. 1. 2005 S retired from the firm on the following terms :

- i) Goodwill of the firm was estimated at Rs. 36,000.
- ii) Land and Building was appreciated by 10%.
- iii) Provision for Doubtful debts was reduced by Rs. 600.
- iv) Out of the amount of Insurance which was debited entirely to Profit and Loss Account Rs. 2,000 be carried forward for unexpired Insurance.
- v) A provision of Rs. 3,000 was made in respect of an outstanding bill for repairs.

Show Revaluation Account, Capital Accounts and the Balance Sheet of the Reconstituted Partnership.

54. From the following particulars taken from the books of Ganesh, prepare Final Accounts for the year ending 31. 3. 1999 :

Trial Balance as on 31. 3. 1999

<i>Debit Balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Drawings	4,000	Capital	20,000
Cash at Bank	1,700	Sales	16,000
Cash	6,500	Creditors	4,500
Wages	1,000		
Purchases	2,000		
Stock (1. 4. 1998)	6,000		
Building	10,000		
Debtors	4,400		
Bills Receivable	2,900		
Rent	450		
Commission	250		
General Expenses	800		
Furniture	500		
	40,500		40,500

Adjustments :

- i) Stock on 31. 3. 1999 was Rs. 4,000
- ii) Interest on Capital at 6% to be provided.
- iii) Interest on drawings at 5% to be provided.
- iv) Wages yet to be paid Rs. 100.
- v) Rent prepaid Rs. 50.

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55. From the following Balance Sheet of J. Ltd., calculate :

- i) Current ratio
- ii) Liquid ratio
- iii) Debt equity ratio
- iv) Proprietary ratio.

Balance Sheet of J. Ltd. as on 31. 3. 2004

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital	20,000	Goodwill	12,000
Reserves	10,000	Fixed Assets	28,000
Loans	20,000	Stock	10,000
Creditors	6,000	Debtors	2,000
Bank Overdraft	4,000	Bills Receivable	2,000
		Cash	6,000
	60,000		60,000

56. Prepare a Cash Budget for October, November and December, 2004 from the following information :

<i>Month</i>	<i>Sales (Rs.)</i>	<i>Purchases (Rs.)</i>	<i>Expenses (Rs.)</i>
September, 2004	10,00,000	8,00,000	1,10,000
October, 2004	12,00,000	12,00,000	1,30,000
November, 2004	14,00,000	8,00,000	1,50,000
December, 2004	16,00,000	10,00,000	1,70,000

Additional information :

- i) All sales are for cash.
- ii) The period of credit allowed by the suppliers is one month.
- iii) Lag in payments for expenses is one month.
- iv) Opening Balance of cash on .1. 10. 2004 is Rs. 90,000.
- v) In December, an asset of Rs. 4,00,000 is to be bought.

57. M. Ltd. offered for subscription 20,000 shares of Rs. 10 each payable at a premium of Rs. 2.50 per share payable as follows :

On Application	Rs. 2.50
On Allotment	Rs. 5.00 (including premium)
On First call	Rs. 3.00
On Final call	Rs. 2.00

Applications were received for 30,000 shares. Applications for 5,000 shares were rejected. Applications for other 5,000 shares were adjusted towards allotment. The balance money was received in due time.

Pass Journal entries.

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