

# AccountsTeacher.com

## Accountancy Sample Paper 6

### Part A Only (60 Marks)

---

#### PART A PARTNERSHIP AND COMPANY ACCOUNTS

1. State any three items that should be included in the partnership agreement form accounting point of view. 2
2. State the provisions of the Companies Act, 1956 for the issue of shares at discount. 2
3. What is authorised capital? What is its significance? How does it differ from issued capital? 2
4. Pass journal entries for the issue and redemption in the following cases:
  1. 8% debentures of rs.100; issued at Rs.100; repayable at Rs.100
  2. 5% debentures of rs.100; issued at Rs.100; repayable at Rs.1052
5. A, B and C have agreed to share their profits and losses in the ratio 2:1:1 in which C is guaranteed a minimum profit of Rs.15,000. The divisible profit for the year 2002 amounted to Rs.45,000. Show distribution of profit. 3
6. State reason why a company would opt for the issue of debentures where their shares are highly in demand in the market? 3
7. What is sacrificing ratio? Give two circumstances in which sacrificing ratio is used. 4
8. The following Balance Sheet shows the financial position A, B and C sharing profits and losses in the ratio of 2:2:1.

#### Balance Sheet

Liabilities	Amount	Assets	Amount
A's Capital	33,000	Land	30,000
B's Capital	28,000	Buildings	28,000
C's Capital	18,000	Furniture	6,500
Creditors	5,500	Stock	8,200
P&L Account	4,800	Debtors	11,250
Workmen's Comp Fund	8,700	Investment	8,500
		Cash	5,550
	<u>98,000</u>		<u>98,000</u>

They have decided to dissolve the firm. The following realisations have been made.

Land and Buildings sold together for Rs.70,000; Furniture was taken over by A for Rs.5,000; stock was sold for s.7,000 and debtors realised Rs.9,500. Investments were sold for s.8,750. There were no workmen's compensation claims. Realisation expenses amounted to Rs.1,200

Prepare Realisation Account

4

9. ABC Ltd. invited applications for 1000 shares of Rs.10 each at a discount of Re.1 on 1<sup>st</sup> January, 2002. The payments to be made as follows:

Rs.2 on application

Rs.2 on allotment

Rs.5 on 1<sup>st</sup> call

The issue have been fully subscribed and the full amounts due on allotments and first call have been received. Pass necessary Journal Entries.

4

10. On 1<sup>st</sup> January 1998, ABC Ltd. issued 1500, 6% debentures of Rs.100 each repayable at a premium of 10% at the end of 3 years. It was decided to establish a sinking fund for the redemption debentures and to make investment in securities carrying interest @5%. Sinking fund table shows that an investment of Rs.0.37208 invested annually @5% would generate Re.1 at the end of 3 years. On 31<sup>st</sup> December, 2000 bank balance stood at Rs.78,000 before receipt of interest on sinking fund investment. The investments have been sold at a loss of Rs.550 and the debentures were duly redeemed.

Show the Debenture Account, Sinking Fund Account and the Sinking Fund Investment Account in the books of the company.

4

11. Gandhar Anand Limited had 12% debentures of Rs.150,000 redeemable at a premium of 10% on 1st January 2004. The debenture redemption reserve on that date stood at Rs. 100,000. The debentures have been converted into 15,000 equity shares of Rs.10 each at a premium of 10%. Pass necessary journal entires.

Pass necessary journal entries for conversion.

4

12. The following was the balance sheet of A & B sharing profits and losses in the ratio 3:2

**Balance Sheet**

Liabilities	Amount	Assets	Amount
A's Capital	20,000	Furniture	3,600
B's Capital	10,000	Buildings	17,000
General Reserve	3,000	Machinery	8,000
Creditors	7,000	Debtors	12,000
		Less: Res: <u>600</u>	11,400
	<b>40,000</b>		<b>40,000</b>

They have admitted C into partnership for 1/6<sup>th</sup> share in future profits on following conditions:

- i) C pays Rs.10,000 as his share of capital
  - ii) He pays Rs.3,000 for goodwill.
  - iii) Provision for bad debts be increased to Rs.1,000
  - iv) Value of buildings is to be reduced to Rs.15,000
  - v) Value of machinery to be increased to Rs.10,000
  - vi) Creditors are to be raised to Rs.8,000
- Open capital accounts of partners and present balance sheet of the firm immediately after admission

6

13. Explain accounting procedure for the dissolution of partnership business.

6

OR

The following Balance Sheet shows the financial position of A & B sharing profits and losses in the ratio 3:1.

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital Account A	25,000	Land	26,000
,, B	21,000	Buildings	19,500
Creditors	12,200	Debtors	9,000
Reserves	1,800	<i>less:</i> Provision	<u>800</u>
		Cash	6,300
	<u>60,000</u>		<u>60,000</u>

They have decided to dissolve their firm. The following realisations have been made: Land and Buildings taken over by A for Rs.50,000. Creditors allowed a discount of Rs.250. A agreed to pay off his the creditors. Debtors paid the full amount due. There was an outstanding bill for telephone Rs.550, which was paid.

Prepare Realisation Account, Partner's Capital Accounts and the Cash Account.

6

14. A limited Company invited applications for 1000 shares of Rs.10 each on 1<sup>st</sup> January, 2002. The payments to be made as follows:

- Rs.3 on application
- Rs.3 on allotment
- Rs.4 on 1<sup>st</sup> call

Applications have been received for 1500 shares. Allotments were made as follows:

- a. 500 applications – 500 shares
- b. 1000 applications – 500 shares

The full amounts due were collected with the exception of Mr. A belonging to category (a), who is allotted 300 shares and failed to pay the allotment and first call. His shares have been forfeited.

Pass necessary Journal Entries.

6

15. X, Y and Z are partners sharing profits and losses in the ratio of 4:3:1 respectively. On 31<sup>st</sup> December 1990, their Balance Sheet stood as follows:

<b>Balance Sheet</b>			
<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Sundry Creditors	7,000	Cash	9,000
Bills Payable	4,000	Stock	7,500
General Reserve	8,000	Debtors	13,000
Capital Accounts:		Less: Provision	500
X	20,000	Joint Life Policy	15,000
Y	30,000	Investment	10,000
Z	20,000	Plant and Machinery	12,000
		Buildings	23,000
	-----		-----
	<u>89,000</u>		<u>89,000</u>

On the above date Y retires from the firm selling his share of profits to X for Rs.3,600 and to Z for Rs.4,500 in the ratio 4:5.

Stock is to be appreciated by 20% and Buildings by 10%. Joint Life Policy is surrendered for Rs.7,000. Provision for doubtful debts is increased to 10%. Investments are sold for Rs.23,000.

The capital of the newly constituted firm is fixed at Rs.60,000 to be divided among X and Z in the profit sharing ratio, by bringing in or taking out cash. Y's due is settled.

Calculate new profit sharing ratio and prepare Revaluation Account; Cash Account, Partner's Capital Account and the Balance Sheet of the new firm.

8

OR

The financial position of A, B and C sharing profits and losses in the ratio 2:2:1, as on 31st December 2002 is shown below.

<b>Balance Sheet</b>			
<b>(as on 31st December, 2001)</b>			
<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Capital A	25,000	Machinery	22,600
Capital B	25,000	Buildings	24,500
Capital C	15,000	Premises	14,500
Provident fund	8,250	Tools	6,200
Mrs. A's Loan	11,000	Office Equipment	10,400
Creditors	4,250	Cash at Bank	7,800
		Petty Cash	2,500
	<u>88,500</u>		<u>88,500</u>

A died on 31st March, 2002. The following arrangements have been made for settlement of his account with the legal representatives.

Machinery revalued at 10% less and buildings appreciated by 20%. Office equipment have been sold to B for Rs.9,500.

The firm earned a profit of Rs.21,000 during the year 2001. A's share of current year's profit is calculated on the assumption that the same profit will be earned uniformly during the year 2002 as well.

There was a Joint Life Policy for Rs.40,000, with 25% surrender value. Insurance company paid Rs.45,000 in settlement with bonus.

Rs.9,000 from Mr.A's capital account is transferred to Mrs. A's loan amount to raise it to Rs.20,000. The balance amount in the capital account is settled immediately.

Pass necessary journal entries, prepare ledger accounts and the revised balance sheet of the firm.