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## Accountancy Sample Paper 4

### Part A and Part B Only

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#### PART A PARTNERSHIP AND COMPANY ACCOUNTS

1. A, B and C have distributed their profit for the year 2001 in the ratio 2:1:1. However they left out the interest @10% on their fixed capitals of Rs.50,000 each. Pass a journal entry to rectify the omission. 2
2. Write two points of distinction between equity and preference shares 2
3. How is Share Capital shown in the Company's Balance Sheet as per Section 211 Schedule VI part I of Company's Act 1956? 2
4. A limited company issued a debenture of Rs.100, at Rs. 98 to be redeemed after 3 years at a premium of Rs.10. Pass Journal entry at the time of issue. 2
5. Name any six items, which are shown in the profit and loss appropriation account. 3
6. Write short note of issue of debentures as collateral security. 3
7. State any four factors which influence the value of goodwill 4
8. A, B and C had the following position on 31<sup>st</sup> December, 2001. They have dissolved the firm on that date.

#### Balance Sheet

Liabilities	Amount	Assets	Amount
A's Capital	25,000	Machinery	28,500
B's Capital	25,000	Buildings	32,600
C's Capital	20,000	Furniture	8,300
Creditors	14,500	Debtors	16,400
Provident fund	7,000	Cash	5,700
	<u>91,500</u>		<u>91,500</u>

The following realisations have been made:

Machinery Rs.25,000

Buildings Rs.35,000

Debtors Rs.16,000

A took over the furniture for Rs.8,000

Creditors were paid in full

Prepare Realisation Account.

4

9. On 1<sup>st</sup> January 2002, ABC Ltd. purchased a Machine for Rs.54,000 from Dyna Engineering, for which they issued equity shares at a discount of 10% to the vendor. Pass necessary journal entries. 4

10. On Jan 1<sup>st</sup> 1998; Asiatic Ltd. issued 8% debentures of Rs.400,000 at a discount of 10%. The debentures are to be paid off in 5 equal annual installments starting from the end of 3<sup>rd</sup> year. Show discount on debenture account for the period. 4

11. Garner Murray Ltd. had debentures of Rs.450,000. In redemption of these debentures the company offered:  
 a. cash or  
 b. equity shares issued at a discount of 10%.

Half the debenture holders opted for cash and remaining half opted for shares. Pass journal entries. 4

12. The following is the Balance Sheet of A & B who are equal partners as on 31<sup>st</sup> March, 2002. They have decided to admit C for 1/4<sup>th</sup> share from 1<sup>st</sup> April 2002

#### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital A	45,000	Machinery	34,000
Capital B	35,000	Buildings	65,000
General Reserve	11,000	Furniture	6,500
Provident Fund	5,500	Tools	1,300
Mrs. B's Loan	12,000	Office Equipment	2,400
Creditors	6,500	Cash at Bank	5,800
	<b>115,000</b>		<b>115,000</b>

The terms of admission have been agreed as follows:

1. Machinery to be revalued at Rs.25,000
2. The value of buildings to be raised to Rs.70,000
3. Mrs. B's Loan be transferred to B's Capital at a premium of Rs.1,000.
4. C's share of capital shall be 1/4 share of the total capital of the firm
5. The capital accounts of other partners shall be readjusted on the basis of new profit sharing ratio
3. Goodwill of the firm is valued twice the average profits for the last three years which are Rs.12,000; Rs.10,500; and Rs.13,500. C agreed to pay for his share of Capital and goodwill.

Prepare revaluation account, capital accounts of partners and the balance sheet of the firms after C's admission. 6

13. Pass necessary Journal entries for the following transactions, at the time of dissolution of the firm :
- (i) Realisation Expenses Rs. 3,000 paid.
  - (ii) Mr.X one of the partners agreed to bear the realisation expense for a payment of Rs.1,500, but actual expense Rs.1,000 was paid from the cash box.
  - (iii) 'Y', one of the partners, took over an un recorded photocopier for for Rs. 5,000.

- (iv) 'Z' one of the partners agreed to take over furniture at an agreed price of Rs.2,000 settle creditors of Rs.2,500,.
- (v) 'A' one of the partners has agreed to settle Mrs. A's loan of Rs.2,000.
- (vi) Profit and Loss Account balance of Rs. 6,000 appearing on the assets side of the Balance Sheet.

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OR

The following is the balance Sheet of A, B and C sharing profits and losses in the ratio 2:1:1.

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital A	25,000	Machinery	17,700
Capital B	19,500	Buildings	24,000
Capital C	13,000	Premises	9,600
Mrs. B's Loan	1,450	Petty Cash	1,500
Creditors	6,050	Office Equipment	1,700
General Reserve	3,000	Cash at Bank	13,500
	<u>68,000</u>		<u>68,000</u>

They have dissolved the firm. The assets and liabilities have been realised as follows:

Machinery Rs.12,500; Buildings rs.25,000; Premises Rs.18,000. Office equipment were taken by C Rs.300. Realisation expenses amounted to rs.1,200 which was drawn from petty cash. The balance in petty cash was deposited into bank.

Prepare Realisation Account; Capital Accounts of Partners and Cash Account showing final distribution.

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14. ABC Ltd. 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

The issue has been fully subscribed. The full amounts due were collected for allotment and 1<sup>st</sup> call with the exception of Mr. A, who is allotted 300 shares and failed to pay the amounts due on allotment and first call. These shares have been forfeited. 200 of these shares have been reissued @ Rs.8 per share. Pass the entries from forfeiture and reissue of A's shares.

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15. A, B and C sharing profits and losses in the ratio 2:1:1 had their Balance Sheet as on 31st December 2001 as follows

### Balance Sheet

Liabilities	Amount	Assets	Amount
A's Capital	35,000	Land	33,000
B's Capital	25,000	Buildings	25,000
C's Capital	18,500	Machinery	17,500

Reserves	6,500	Furniture	4,100
		Cash at Bank	5,400
	<b>85,000</b>		<b>85,000</b>

A has decided to retire on that date subject to the following arrangements:

B & C shall share future profits and losses equally.

The values of Land, Buildings and Machinery are estimated to be worth Rs.5,000, Rs.3000 and Rs.1,000 more than their respective book values.

A's share of goodwill is estimated at Rs.3,000

They have decided the future capital shall be Rs.100,000 to be shared by B & C in the new profit sharing ratio. The amount due to A has to be paid off immediately.

Prepare revaluation account, capital accounts of partners, cash account and the new Balance Sheet.

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**OR**

The following Balance Sheet shows the financial position of A B and C as on 31st December, 2001.

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital: A	25,000	Machinery	35,800
: B	25,000	Furniture	20,500
: C	15,000	Joint life Policy	13,200
Reserves	6,500	Debtors	3,700
Creditors	8,500	Cash in Hand	6,800
	<b>80,000</b>		<b>80,000</b>

B died on 30th April 2002. Consider the following arrangement as per provisions of their partnership deed and prepare necessary ledger accounts and the revised Balance sheet of the firm.

- a. The old profit sharing arrangement of 2:2:1 between A, B and C to be revised as 1:1 between A & C
- b. Goodwill of the firm is estimated to be worth Rs.20,000. The deceased partner's share is to be adjusted.
- c. The insurance company paid the full value of Rs.30,000 on the policy.
- d. Machinery and furniture have been revalued 5% less than their present book values.
- e. The profit for the year 2001 was Rs.18,000. It is assumed that the firm will earn the same profit during the current year as well for working out B's profit share for the current year.
- f. Funeral expenses of Rs.5,000 paid from the cash in hand, is to be shared equally by A & C.
- g. A & C have agreed to retain Rs.25,000 of Mr. B's capital in Mrs. B's Loan account carrying interest @ 12%, to support the family. The excess amount is immediately paid off.

Prepare necessary accounts and the balance sheet after B's death

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**PART B**  
**ANALYSIS OF FINANCIAL STATEMENTS**

16. State two items of outflow in financing activity? 2
17. What is interim dividend? How is interim dividend treated while preparing the cash flow statement? 2
18. Explain the information highlighted by stock turnover ratio. 3
19. The Quick Assets of a company are Rs. 120,000 and the inventories Rs.80,000. Find out current ratio if the current assets amounts to Rs.50,000. 3
20. Inventory Turnover Ratio is 4 times. Sales are Rs. 1,50,000, The firm makes 25% profit on cost. Opening Stock is Rs. 10, 000 more than the closing stock. Calculate the opening and closing stock. 4
21. The net profit of a company before tax is Rs. 120,000 as on March 31, 2003, after considering the following:  
 Depreciation on Fixed Assets Rs. 12,000  
 Goodwill written off Rs. 4,000  
 Loss on sale of Machine Rs. 6,000  
 The current assets and current liabilities of the company in the beginning and at the end of the year were as follows:
- |                      | <b>March 31, 2002</b> | <b>March 31, 2003</b> |
|----------------------|-----------------------|-----------------------|
| Bills Receivables    | 10,000                | 20,000                |
| Bills Payables       | 7,000                 | 6,500                 |
| Debtors              | 18,000                | 12,000                |
| Stock in hand        | 11,000                | 10,000                |
| Outstanding Expenses | 4,000                 | 7,000                 |
- Calculate Cash flow from operating activities. 6

**OR**

From the following details prepare a statement showing cash form / used in investing activities.

Particulars	Dec 31, 04	Dec.31 05
Machinery (cost)	1,30,000	1,40,000
Accumulated Depreciation	40,000	60,000
Buildings (net)	80,000	120,000

**Additional Information**

- i. Machinery costing Rs.20,000 having accumulated depreciation of Rs.8,000 was sold for Rs.15,000
- ii. Building purchased during the year amounted to Rs.70,000 6