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Accountancy Sample Paper 5

Part A and Part B Only

PART A PARTNERSHIP AND COMPANY ACCOUNTS

1. In the absence of any specific conditions in the partnership deed, what are the rules applied regarding the following items:
 - a. Salary to partners
 - b. Interest on capital
 - c. Interest on drawings
 - d. Interest on loans given by the partners
2. What is pro-rata allotment of shares? 2
3. Write the general headings under which the shareholders fund is shown according to Schedule VI part I of Indian Companies Act. 2
4. On 31st December 2001 ABC Ltd. redeemed their 7% debentures of Rs.50,000 out of profit by drawing a lot.

Pass necessary entries for the redemption. 2
5. A, B and C are partners sharing profits and losses in the ratio 2:1:1, with capitals of Rs.40,000, Rs.30,000 and Rs.20,000 respectively. C's minimum profit after interest on capitals @6% has been guaranteed to be not less than Rs.10,000. A & B have agreed that if C's profit falls below the guaranteed sum such deficiency would be shared by them equally. The net profit before interest on capitals is estimated to be Rs.38,400. Prepare profit and loss appropriation account. 3
6. Distinguish between shares and debentures (three points). 3
7. What is the purpose of revaluation of assets and liabilities before admission of a new partner? Why do you have to do it before retirement? 4
8. The following Balance Sheet shows the financial position of A & B as on 31st December 2002. They have decided to dissolve the firm on that date.

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital A	30,000	Cash	2,500
Capital B	20,000	Stock	7,750
Creditors	5,500	Debtors	16,400
Reserves	4,500	Less: Provision	<u>1,400</u>
			15,000

		Machinery	13,750
		Building	21,000
	<u>60,000</u>		<u>60,000</u>

Stock was sold for Rs.7,000; Debtors realised Rs.16,000; Machinery and Buildings were sold together for Rs.40,000. Creditors were paid Rs.4,500 in full settlement.

Prepare Realisation Account, Capital Accounts of Partners and Cash Account. 4

9. On 1st January 2003 ABC Ltd. invited applications for 1000 shares of Rs. 10 each. The payments to be made as follows:

Rs.3 on application

Rs.3 on allotment

Rs.4 on 1st call

All shares were subscribed, allotments have been duly made. The full amounts have been collected in due course.

Pass necessary Journal Entries to record the above. 4

10. On 31st December 2001 ABC Ltd. had debenture balance of Rs.200,000; sinking fund of Rs.170,000 and Sinking Fund Investment in 5% securities of equal amount prior to the last appropriation of Rs.21500 and the current interest on investment.

The investments have been sold at a loss of Rs.1800; the bank balance before receipt of receipt of interest on investment was Rs.44,000. The debentures have been duly redeemed.

Show the Debenture Account, Sinking Fund Account and the Sinking Fund Investment account in the books of the company. 4

11. On 31st December 1998, ABC Ltd. purchased 400 of its own debentures of Rs.100 each, for cancellation, out of which 300 were bought at a market price of Rs.98 per debenture and 100 debentures were purchased at @Rs.99 per debenture.

Pass journal entries in the books of the company.

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
	40,000		40,000

They have admitted C into partnership for 1/6th 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

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13. The following is the Balance Sheet of A, B and C sharing profits and losses in the ratio 3:2:1.

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital : A	35,000	Machinery	19,000
: B	25,000	Motor Vehicle	18,000
: C	20,000	Land & Buildings	28,000
Provident Fund	5,250	Debtors	9,400
Provision for Bad Debts	1,200	Stock	8,500
Creditors	2,550	Cash	6,100
	<u>89,000</u>		<u>89,000</u>

They have dissolved the firm as follows:

Machinery was sold for Rs.18,000; Motor Vehicle was taken by B at Rs.15,000. Land and Buildings were sold for 35,000. Collection from debtors amounted to Rs.8,900. Stock was sold for Rs.6,000.

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

OR

Pass the final journal entry for each the following cases on dissolution of a partnership business:

- a. An unrecorded typewriter was given to partner A for Rs.2,000
- b. An un recorded creditor R.3,000 was paid off along with the recorded creditors of Rs.15,000.
- c. A Photocopier appearing in the books at Rs.2,000 was given to B at an agreed price of Rs.1,500.
- d. Realization expenses Rs.3,000 paid by B from his personal cash.

14. Mahesh Ltd., invited applications for 20,000 shares at a discount of Rs.5 per share (allowed at the time of allotment). The amount was payable as under:

On application Rs.25; on allotment Rs.50; the balance on call.

The public applied for 18,000 shares and these were allotted. All money due was received with the exception of allotment and call money on 300 shares. These shares were forfeited afterwards. 200 of these shares were reissued as fully paid for payment of Rs.75 per share.

Journalise the transactions in the books of the company. 6

15. The following is the Balance Sheet of A, B and C as on 31st December,2001. C decided to retire from the partnership.

Balance Sheet

Liabilities	Amount	Assets	Amount
A's Capital	20,000	Land	21,500
B's Capital	15,000	Buildings	19,500
C's Capital	15,000	Debtors 9,000	
Creditors	7,500	Less: Reserve 800	8,200
		Cash	8,300
	57,500		57,500

The following revaluations and adjustments have been made for retirement.

- a. Old profit sharing ratio of 2:1:1 is changed to 1:1 between A & B.
- b. Land is appreciated by 20%
- c. A debtor for Rs.500 is known to be insolvent, and the amount is to be reduced from debtors.
- d. Present provision for doubtful debts is to be maintained unchanged.
- e. Goodwill of the firm is valued at Rs.15,000, C's share is adjusted in the books without raising goodwill account
- f. A Joint Life Policy, not appearing in the books is surrendered for Rs.14,000, 50% of C's account is settled immediately on retirement.

Prepare necessary Ledger Accounts and the Balance Sheet of the firm after C's retirement.

OR

A B and C were partners in a firm sharing profits and losses in the ratio of their capitals. Their Balance Sheet on 31.12. 1996 was as follows:

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	3,000	Furniture	8,000
Reserve fund	3,200	Stock	6,000
Capitals:		Debtors	6,000
A 10,000		Bills Payable	1,000
B 5,000	20,000	Cash	5,200
C <u>5,000</u>			
	26,200		26,200

A died on 31. 3. 1997. Under the terms of partnership deed the executors of a deceased partner were entitled to:

- a. Amount standing to the credit of the partner
- b. Interest on capital @ 5%
- c. Share of goodwill on the basis of twice the average profits for the past three years.
- d. Share of profit from the last financial year to the date of death on the basis of profit for the last year's profit. Profits for 1994, 1995 and 1996 were Rs.6,000, Rs.8,000 and Rs.7,000 respectively.

A's executors were paid Rs.1,800 on 1.4.1997 and the balance in 4 equal instalments from 31.3.1998 with interest @6% p .a.

Pass necessary journal entries and draw up A's account to be rendered to his executor and his executor's account for the year 1997 and 1998

PART B
ANALYSIS OF FINANCIAL STATEMENTS

16. The debt equity ratio of a company is 1:2. Which of the following suggestions would increase, decrease or do not change it
- i. Issue of equity shares
 - ii. Cash received from debtors
 - iii. Redemption of debentures
 - iv. Purchase of goods on credit 2
17. Current liabilities of a company is Rs.600,000 . Current Ratio is 3:1 and liquid ratio is 1:1. Calculate value of stock in trade.
18. X Ltd. had a current ratio of 4.5:1 and a quick ratio of 3:1. If the inventory is Rs.36,000 find out current assets and current liabilities.
19. What is meant by common size balance sheets?
20. Inventory Turnover Ratio is 5 times. Sales are Rs. 1,50,000, The firm makes 20% profit on sales. Opening Stock is Rs. 15, 000 more than the closing stock. Calculate the opening and closing stock. 4
21. The net profit of a company before tax is Rs. 150,000 as on March 31, 2003, after considering the following:
 Depreciation on Fixed Assets Rs. 15,000
 Goodwill written off Rs. 5,000
 The current assets and current liabilities of the company in the beginning and at the end of the year were as follows:

	March 31, 2002	March 31, 2003
Bills Receivables	25,000	10,000
Bills Payables	6,000	7,500
Debtors	11,000	20,800
Stock in hand	12,000	16,000
Outstanding Expenses	7,000	4,000

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)	2,00,000	2,40,000
Accumulated Depreciation	40,000	60,000
Buildings (net)	50,000	100,000

Additional Information

- i. Machinery costing Rs.25,000 having accumulated depreciation of Rs.8,000 was sold for Rs.15,000
 - ii. Building purchased during the year amounted to Rs.70,000
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