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## Accountancy Sample Paper3

### Part A and Part B Only

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#### PART A PARTNERSHIP AND COMPANY ACCOUNTS

1. On 1<sup>st</sup> January 2002, A & B sharing profits and losses equally have decided to change their profit sharing ratio in to 2:1. Reserves on that date amounted to Rs.4,000. Pass necessary Journal Entry for treating reserve. 2
2. What is meant by 'preference share'? 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, to be redeemed after 3 years at a premium of Rs.10. Pass Journal entry at the time of issue. 2
5. Distinguish between 'fixed' and 'fluctuating' capital accounts. 3
6. Write short note of issue of debentures as collateral security. 4
7. What is meant by revaluation of assets and reassessment of liabilities on the reconstitution of the firm?  
What purpose does it serve at the time of reconstitution of partnership? 4
8. The following Balance Sheet shows the financial position of Aashish and Binu for the year ended 31<sup>st</sup> December, 2002.

#### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital A	35,000	Buildings	17,500
Capital B	30,000	Machinery	28,000
Creditors	6,500	Debtors	13,500
Outstanding Expenses	3,500	Stock	10,400
		Cash	5,600
	<u>75,000</u>		<u>75,000</u>

The have dissolved their firm in the following manner:

1. All assets have been sold for Rs. 70,000.
2. Creditors have been paid at a discount of Rs.500.
3. Realisation expenses amounted to Rs.300

Prepare realization account.

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9. On 1<sup>st</sup> January 2002, ABC Ltd. purchased a Machine for Rs.55,000 from Dyna Engineering, for which they issued equity shares at a premium of 10% to the vendor. Pass necessary journal entries. 4
10. On Jan 1<sup>st</sup> 1998; Arnold Ltd. issued 8% debentures of Rs.500,000 at a discount of 15%. The debentures are to be paid off in 5 equal annual installments starting from the end of 1<sup>st</sup> year. Show discount on debenture account for the period. 4
11. AarJee Ltd. had debentures of Rs.30,000. In redemption of these debentures the company offered:  
 a. cash or  
 b. equity shares issued at a premium of 50%.  
 Half the debenture holders opted for cash and remaining half opted for shares. Pass journal entries. 4
12. A & B sharing profits and losses equally had the following Balance Sheet as on 31<sup>st</sup> December 2001. They have decided to admit C into partnership as an equal partner on that date.

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital A	35,000	Cash	8,000
Capital B	25,000	Investments	18,250
Creditors	7,000	Debtors 17,400	
Bills Payable	3,500	Less: Reserve <u>1,400</u>	16,000
Reserves	9,000	Stock	9,250
		Machinery	28,000
	<b>79,500</b>		<b>79,500</b>

For the purpose of admission the following conditions have been agreed:

1. Assets and liabilities shall be revalued as follows:
  - a. Investments 17,500
  - b. Reserve for doubtful debts increased to Rs. 1750
  - c. Stock to be valued at Rs.8,000
  - d. Buildings to be depreciated by 5%
  - e. There is an old typewriter worth Rs.1,200 to be brought into books
2. Goodwill of the firm is valued at Rs.22,500 and C paid for his share.
3. C has agreed to bring in Rs.40,000 as his capital in addition to his Goodwill.
4. The capital accounts have to be adjusted on the basis of C's capital contribution.

Prepare Revaluation account, Capital accounts of partners and the Balance Sheet of the firm 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. 3000 paid, by Mr. X on behalf of the firm.
  - (ii) Mr.X one of the partners agreed to bear the realisation expense for a payment of Rs.2000, but actual expense Rs.3000 was paid from the cash box.
  - (iii) 'Y', one of the partners, took over a machine for Rs. 20,000.

- (iv) 'Z' one of the partners agreed to take over furniture for Rs.2,000 settle creditors of the same value.
- (v) 'A' one of the partners has agreed to settle his wife Mrs. A's loan dissolution.
- (vi) Profit and Loss Account balance of Rs. 15,000 appeared on the assets side of the Balance Sheet.

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OR

The following is the Balance Sheet of A and B on 31<sup>st</sup> December 1996:

### Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	60,000	Cash	26,000
Mrs. A's Loan	10,000	Stock	10,000
General Reserve	20,000	Investments	20,000
Investment Fluct Fund	2,000	Debtors	40,000
A's Capital	20,000	Less Provision	<u>4,000</u>
B's Capital	20,000	Plant	40,000
	<u>132,000</u>		<u>132,000</u>

Firm was dissolved on 31<sup>st</sup> December 1996 on following terms:

- a. A promised to pay Mrs. A's Loan and took over stock at Rs.8,000.
- b. Debtors realise 4d rs.38,000
- c. Creditors payable after one month were paid immediately at 6% discount.
- d. Plant realized Rs.50,000 and investment Rs.19,000.
- e. An old typewriter which was completely written off is taken over by B at Rs.600.
- f. Realisation expenses were Rs.2,000 paid by A

Prepare necessary ledger accounts to close the books of the firm.

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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
		Cash	8,300
	<u>57,500</u>		<u>57,500</u>

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.

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**OR**

A, B and C sharing profits and losses equally had the following balance sheet as on 31<sup>st</sup> December, 2001.

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital : A	35,000	Machinery & Tools	25,900
: B	21,000	Motor Vehicles	24,000
: C	15,000	Debtors	12,400
Reserves	1,200	Stock	8,500
JLP Reserve	7,500	Joint Life Policy	7,500
Creditors	4,700	Cash	6,100
	<b>84,400</b>		<b>84,400</b>

B died on 31<sup>st</sup> March, 2002. A & C decided to continue business as equal partners. They have settled the full amount due to B immediately after revising the values of assets liabilities and goodwill as listed below.

Value of Motor vehicles were reduced to Rs.20,000 and a provision for of Rs.500 were created for doubtful debts. Partner's lives have been jointly insured for Rs.30,000 and the insurance company settled the claim with an additional bonus of Rs.6,000. B's share of current year's profit is worked out on the estimation of Rs.12,000 profit for for the whole year. Goodwill is valued at Rs.13,500..

Prepare revaluation account capital accounts and the new balance sheet of A and C.

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### PART B ANALYSIS OF FINANCIAL STATEMENTS

16. State two possible items of outflow in investing activity and two items inflow from financing activity? 2
17. State how you will treat proposed dividend mentioned in the opening balance sheet and closing balance sheet of a company, while preparing the cash flow statement. 2
18. Mention one two tools of analysis of financial statements and state what information it projects. 3
19. The Current Assets of a company are Rs. 240,000 and the current Ratio is 3:2 and the inventories are Rs. 80, 000. Find out the Liquid Ratio. 3
20. Inventory Turnover Ratio is 4 times. Sales are Rs. 1,50,000, The firm makes 20% profit on sales. 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. 150,000 as on March 31, 2003, after considering the following:  
 Depreciation on Fixed Assets Rs. 10,000  
 Goodwill written off Rs. 5,000  
 Loss on sale of Machine Rs. 4,000  
 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	20,000	10,000
Bills Payables	6,000	7,500
Debtors	15,000	20,800
Stock in hand	14,000	16,000
Outstanding Expenses	6,000	4,000

Calculate Cash flow from operating activities.

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**OR**

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

Particulars	Dec 31, 04	Dec.31 05
Machinery (cost)	1,80,000	2,40,000
Accumulated Depreciation	40,000	60,000
Buildings (net)	50,000	100,000

**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

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