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ACCOUNTANCY

(Commerce)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

General Instructions :

- (i) This question paper contains two parts—A and B.
- (ii) Part—A and Part—B are compulsory for all candidates.
- (iii) All parts of the questions should be attempted at one place.

PART—A

**(Accounting for Not-for-Profit Organisations,
Partnership Firms and Companies)**

- | | |
|---------------------------------------|---|
| 1. Define partnership deed. | 2 |
| 2. What is authorized capital? | 2 |
| 3. What is capital reserve? | 2 |

4. Why do debenture holders not have any voting right? 2

5. A and B are partners in a firm sharing profits in the ratio of 2 : 1. They had advanced to the firm a sum of ₹ 60,000 as a loan in their profit sharing ratio on 1st July, 2012. The partnership deed is silent on the question of interest on loan from partners. Compute the interest payable for 2012 and 2013 by the firm to the partners, assuming the firm closes its books on 31st December each year. 3

6. X Ltd. took over the following assets and liabilities of Y Ltd. :

	₹
Assets :	
Machinery	3,00,000
Furniture	1,40,000
Stock	60,000
Liabilities :	
Creditors	2,00,000

The purchase price was agreed at ₹ 2,20,000. This is to be settled by issue of 11% debentures of ₹ 100 each at a premium of 10%.

Pass necessary Journal Entries. 3

7. What do you mean by—

(a) legacies;

(b) honorarium? 2+2=4

- 8.** Calculate Goodwill by capitalization of average profit method from the following figures : 4
- (i) Average profit—₹ 1,70,000
- (ii) Normal rate of return—10%
- (iii) Assets—₹ 26,50,000
- (iv) Liabilities—₹ 12,00,000
- 9.** State the purposes for which securities premium amount can be used by a company. 4
- 10.** *M* Ltd. forfeited 3000 equity shares of ₹ 10 each, issued at a premium of ₹ 4 per share held by Ram for nonpayment of the final call of ₹ 3 per share. Of these, 2000 shares were reissued to Suresh at a discount of ₹ 3 per share.
- Pass Journal Entries. 4
- 11.** The Reliance Ltd. issued 10% debentures of ₹ 9,00,000 payable by three annual instalments at par.
- Pass necessary Journal Entries (only for the first year) if debentures are to be redeemed out of profit. 4

12. From the figures given below, prepare Income & Expenditure A/c for the year ended on 31st December, 2013 :

Subscription for 2013, still owing—₹ 2,100
Interest due on bonds—₹ 300
Rent still owing—₹ 180
The book value of investment sold—₹ 5,400
Subscription received in 2013 included
₹ 3,000 for a life member
The total furniture on 1st January, 2013
worth—₹ 2,700

The following is the Receipts & Payments A/c for the year ended on 31st December, 2013 :

6

*Receipts & Payments A/c
for the year ended on 31st December, 2013*

<i>Receipts</i>	₹	<i>Payments</i>	₹
Balance b/d	5,220	Salaries	14,400
Subscriptions :		Rent	1,500
2012 1,500		Stationery and	
2013 24,900		Postage	600
2014 1,800	28,200	Furniture Purchased	900
Sale of Investments	6,000	Bonds	9,000
Interest on		Help to	
Investments	180	Needy Students	6,000
Sale of Furniture		Balance c/d	8,100
(Book value ₹ 1,200)	900		
	<u>40,500</u>		<u>40,500</u>

13. A limited company invites application for 50000 equity shares of ₹ 10 each payable as ₹ 3 on application, ₹ 4 on allotment and the balance on first and final call. Applications were received for 55000 shares. Allotment was made on the following basis :

- (i) To applicants for 35000 shares—in full
- (ii) To applicants for 20000 shares—15000 shares

Excess money paid on application was utilized towards allotment money. A shareholder, who was allotted 1500 shares out of the group applying for 20000 shares, failed to pay allotment money and money on call. These shares were forfeited.

Show the Journal Entries in the books of the company.

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14. A firm has two partners, B and C, sharing profits in the ratio of 3 : 2. They admit A into the firm on 1st January, 2013, when the Balance Sheet of the firm was as follows :

Balance Sheet
as on 31st December, 2012

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
B's Capital	30,000	Machinery	18,000
C's Capital	10,000	Furniture	18,000
Profit & Loss A/c	7,500	Investments	9,000
Creditors	7,000	Stock	6,000
Bills Payable	2,500	Debtors	4,000
		Cash	2,000
	<u>57,000</u>		<u>57,000</u>

Terms of A's admission were as follows :

(i) A is to bring ₹ 20,000 as his Capital for $\frac{1}{3}$ rd share of profit and ₹ 3,500 as his share of Goodwill

(ii) Value of Machinery and Stock are to be reduced by ₹ 7,000 and ₹ 1,000 respectively and the value of Furniture to be increased by ₹ 3,000

Prepare Revaluation A/c, Partners' Capital A/cs and the Balance Sheet of the firm after the above adjustments. 2+2+2=6

15. A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. Their Balance Sheet on 31st March, 2013 was as follows :

*Balance Sheet of A, B and C
as on 31st March, 2013*

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Creditors	33,000	Cash	10,000
General Reserve	27,000	Debtors	15,000
Capitals :		Stock	30,000
A	70,000	Machinery	50,000
B	45,000	Land and Building	1,00,000
C	<u>30,000</u>		
	1,45,000		
	<u>2,05,000</u>		<u>2,05,000</u>

(7)

The firm had a joint life policy of ₹ 40,000. The surrender value of the policy was ₹ 13,500 as on 31st March, 2013. *B* retires on the above date on the following conditions :

- (i) Land and Building be appreciated by 20%
- (ii) Goodwill is to be valued at ₹ 18,000
- (iii) A provision for Doubtful Debts of 5% is to be created and Machinery be written down by 10% and Stock by 5%
- (iv) A provision of ₹ 1,500 be made in respect of Legal Charges

B is to be paid ₹ 5,000 and the balance is to be transferred to his Loan Account.

Give Journal Entries to record the above and draft the Balance Sheet of the new firm. 6+2=8

Or

A, *B* and *C* share profits as 2 : 2 : 1. *A* died on 15th June, 2013. The partnership deed provides that on the death of a partner, he will get the following :

- (i) Balance in his Capital Account which was ₹ 25,000 on 31st March, 2013 with interest on capital @ 6% p.a.
- (ii) His share of Goodwill which was valued at ₹ 18,000

(8)

(iii) His share of Profit up to the date of death which is to be based on average profits of last four years ending on 31st March :

	₹
2013	30,000
2012	18,000
2011	17,000
2010	15,000

(iv) There were three insurance policies on the lives of the partners individually as follows :

Sl. No.	Names	Policy Amount	Surrender Value
		₹	₹
1	A	80,000	20,000
2	B	80,000	30,000
3	C	50,000	10,000

Policies are not appearing in the books

(v) B and C shared profits equally after the death of A

Prepare A's Capital A/c and A's Executor's A/c. 6+2=8

PART—B

(**Financial Statement Analysis**)

16. What is cash equivalent? 2
17. Name two short-term solvency ratios and two long-term solvency ratios. 2
18. Explain the significance of stock turnover ratio. How is it calculated? 2+1=3
19. If total sales are ₹ 7,50,000; cash sales are ₹ 2,10,000; debtors at the beginning are ₹ 48,000 and at the end are ₹ 24,000 more, calculate Debtors' Turnover Ratio. 3
20. Study the following information :

	₹
Net Sales	45,00,000
Cost of Goods Sold	30,00,000
Current Assets	9,00,000
Current Liabilities	3,00,000
Paid-up Share Capital	8,00,000
Debentures	4,00,000
Loan	2,00,000

Calculate—

- (a) Gross Profit Ratio;
- (b) Working Capital Turnover Ratio;
- (c) Debt to Equity Ratio. 2+1+1=4

21. Prepare Cash Flow Statement from the following information of XY Ltd. :

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*Balance Sheet of XY Ltd.
as on 31st March, 2012 and 31st March, 2013*

<i>Liabilities</i>	<i>2012</i>	<i>2013</i>
	₹	₹
Share Capital	4,00,000	5,90,000
Profit & Loss A/c	3,80,000	4,20,000
General Reserve	80,000	1,40,000
10% Debentures	2,00,000	80,000
Proposed Dividend	1,20,000	2,05,000
Creditors	45,000	25,000
Bills Payable	10,000	15,000
	<u>12,35,000</u>	<u>14,75,000</u>

<i>Assets</i>	<i>2012</i>	<i>2013</i>
	₹	₹
Fixed Assets	8,00,000	9,00,000
Debtors	2,15,000	3,10,000
Bills Receivables	45,000	55,000
Stock	80,000	1,15,000
Cash at Bank	55,000	80,000
Discount on Issue of Shares	40,000	15,000
	<u>12,35,000</u>	<u>14,75,000</u>

(11)

Additional Information :

(i) Dividend paid during the year—₹ 1,15,000

(ii) Depreciation provided during the year—₹ 75,000

(iii) Tax paid—₹ 20,000
