

ACCOUNTANCY

(Three hours and a quarter)

*(The first 15 minutes of the examination are for reading the paper **only**.*

Candidates must NOT start writing during this time).

Answer Question 1 (compulsory) from Part I and any SEVEN questions from Part II. All working, including rough work, should be done on the same sheet, adjacent to the rest of the answer.

PART I

Question 1. (Compulsory) [30 marks]

Answer the following questions very briefly and to the point.

- (i) Name any **TWO** items that are not included in Total Debtors Account. [2]
- (ii) Define 'sacrificing ratio'. [2]
- (iii) What do you mean by 'pro-rata allotment of shares? [2]
- (iv) When can the shares be forfeited? [2]
- (v) What does Debt Equity Ratio indicate? [2]
- (vi) How is 'Cost of production' derived in cost sheet? [2]
- (vii) Distinguish between LIFO and FIFO methods of stock taking. [2]
- (viii) Describe the purpose of preparing Joint Venture Account. [2]
- (ix) State any **TWO** uses of Cash Flow Statement. [2]
- (x) Explain the meaning of cost unit with an example. [2]
- (xi) Explain the terms 'Stocks' and 'Stores'. [2]
- (xii) Explain the meaning of Fund Flow Statement. [2]

(xiii) How do you deal with the following, if there is no partnership deed?

- a) Profit and Loss Ratio
- b) Interest on Capital
- c) Salary to a partner
- d) Interest on Partner's Loan

(xiv) Differentiate between 'dissolution of partnership' and 'dissolution of a firm'. [2]

(xv) Decide which of the following are Current and Non-current Liabilities. [2]

- a) Capital Reserve
- b) Securities Premium
- c) Outstanding Expenses
- d) Bills Payable

PART II

Answer any **SEVEN** questions

Question 2. [10]

The following balances have been extracted from the books of M/s Denka & Co. Limited as on 31st December 2000.

Particulars	Amount(Nu.)
Cash in hand	47,500
Cash at bank	2,00,000
Reserve Fund	66,000
12% Debentures	3,00,000
Sundry creditors	1,32,000
Capital reserve	40,000
Sundry debtors	3,00,000
Preliminary expenses	6,500
Stock of goods	6,50,000
Land & Building	9,50,000
Plant & Machinery	7,20,000
Proposed dividend	27,000
Outstanding expenses	65,000
Furniture	1,26,000
Provision for taxation	35,000
Fixed deposits	3,60,000
Calls- in- Arrears	25,000

Share capital: 2,50,000 shares of Nu. 10 each, Nu. 8 called up.

From the above, prepare company's Balance Sheet as per Schedule VI, Part I of the companies Act. The information is available that Bills discounted but not matured amounted to Nu. 60,000.

Question 3.

[10]

Sonam and Tshering were partners in a firm sharing profit and losses in the ratio 3:2. On 1st April 2004, their balance sheet was as follows:

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Creditors	20,000	Cash	5,000
Reserved Fund	20,000	Debtors	18,000
		Stock	20,000
Capitals:		Machinery	32,000
Sonam	50,000	Building	45,000
Tshering	30,000		
	1,20,000		1,20,000

On that date, Ugyen was admitted as a new partner on the following conditions:

- The new profit sharing ratio be 4:3:2.
- Ugyen to bring Nu. 30,000 as his capital and Nu. 9,000 as Goodwill. Half of the Goodwill to be withdrawn.
- Stock to be revalued at Nu. 15,750.
- Provision for doubtful debts to be created at 5% on debtors.
- Building to be appreciated by 20%.
- Capital accounts of the old partners are to be adjusted on the basis of new partner's capital to his share in business.

Prepare Revaluation Account and Partners' Capital Accounts.

Question 4.

From the following information provided by a Manufacturer for the year ended 31st December 2006, prepare a cost sheet showing all the stages.

Particulars	Amount(Nu.)
Purchase of raw materials	2,50,000
Stock of raw materials on 1.1.2006	70,000
Stock of raw materials on 31.12.2006	87,000
Travelling expenses	6,400
Rent, Rates and Taxes(factory)	10,000
Gas & Fuel	4,500
Director's Fee	7,500
Office salaries	17,500
Carriage inwards	7,000
Charity	3,500
Depreciation on Machinery	16,500
Works Manager's salary	14,000
Sales	6,00,000
Direct wages	1,30,000
Direct expenses	30,000
Stock of Finished Goods on 1.1 2006	35,000
Stock of Finished Goods on 31.12.2006	55,000
Advertising	35,000
Carriage outwards	8,600
Cash discount	2,800

Question 5.**[10]**

Sangay of Thimphu, consigned 200 packets of cosmetics to his agent Wangdi of Mongar costing Nu. 80 per packet invoiced at 25% on the cost price. The consignor paid Nu. 1,200 towards freight and insurance.

During transit, 10 packets were completely damaged by fire and insurance company remitted a claim of Nu. 700 only.

The consignee took the delivery of remaining packets and spent Nu. 800 as selling expenses. 150 packets were sold @ Nu. 140 each.

Wangdi sent a sight draft to the consignor after deducting his commission @ 5% on the sale proceeds.

Prepare Consignment Account ONLY showing all the workings.

Question 6.

The following data has been extracted from the books of a firm for the year ended 31st December 2007. Prepare Debtors Ledger Adjustment Account and Creditors Ledger Adjustment Account in the firm's General Ledger.

Particulars	Amount(Nu.)
Balance of Debtors on 1.1.2007	50,000
Balance of Creditors on 1.1.2007	62,000
Sales(including cash sales Nu. 5,000)	30,000
Purchases(including cash purchases Nu. 3000)	28,000
Cash received from customers	25,000
Cash paid to suppliers	33,000
Return inwards	1,200
Return outwards	800
B/R received from customers	9,000
B/P accepted	10,000
Discount allowed	650
Discount received	750
Bad debts written off	2,150
B/R dishonoured	2,500
B/P dishonoured	2,700
Interest charged to customers	500
Interest charged by suppliers	300
Rebate from creditors	450

Question 7.**[10]**

X, Y and Z are partners in a firm sharing profit and losses in the ratio 2: 2:1. Their Balance Sheet as on 31st December 2006 stood as follows:

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Sundry Creditors	10,000	Cash	8,000
General Reserves	10,000	Debtors	16,000
Capitals:		Stock- in-trade	11,000
X	30,000	Plant & Machinery	15,000
Y	20,000	Land & Building	30,000
Z	10,000		
	80,000		80,000

Y died on 31st March 2007 and the agreement provides the following:

- Goodwill of the firm is valued as Nu. 25,000.
- Deceased partner's capital balance as per balance sheet.
- Interest on capital @ 5% p.a upto the date of death.
- Interest on drawings will be charged @ 10% p.a upto the date of death which amounted to Nu. 400.
- Deceased partner's drawings upto the date of death Nu. 12,000.

- (vi) The share of profit upto the date of death is to be computed on the average profit of last 2 years.

The profits are: 2005 → Nu. 35,000 and 2006 → Nu. 40,000.

Prepare Y's Capital Account and calculate the amount payable to his Executors.

Question 8.

[10]

A company registered with an authorized capital of Nu. 2,50,000 in Equity Shares of Nu. 10 each. Issued 20,000 Equity Shares of Nu. 10 each, payable as:

Nu. 2 on application

Nu.3 on allotment

Nu. 2 on First Call

Nu. 3 on Second & Final Call

All shares money is received in full with the EXCEPTION of allotment money on 200 shares and Calls money on 500 shares (including the above 200 shares).

All the above shares were forfeited due to non- payment of dues. Out of these, 400 shares were re- issued at Nu.8 fully paid.

Pass necessary Journal Entries for the Forfeiture and Re- issue of shares ONLY.

Question 9.

[10]

X Co. Ltd. presents you the following Balance Sheets for the year ended 31.12.2005 and 31.12.2006 respectively.

Liabilities	2005	2006	Assets	2005	2006
Equity s.capital	1,50,000	2,00,000	Goodwill	36,000	20,000
10%P.S capital	75,000	50,000	Building	80,000	60,000
General Reserve	20,000	35,000	Machinery	40,000	1,00,000
Profit& Loss A/C	15,000	24,000	Debtors	1,19,000	1,54,500
Creditors	40,000	51,000	Stock	10,000	15,000
			Cash	15,000	10,500

Note: No depreciation has been provided during the year.

Prepare a Cash Flow Statement for the year ended 31st December 2006.

Question 10.

The following is the Balance Sheet of Chenchu, Dawa and Tashi as on 31st December 2003, who were sharing profit and losses in the ratio 5:3:2.

Liabilities	Amount(Nu.)	Assets	Amount(Nu.)
Capitals:		Machinery	40,000
Chenchu	50,000	Stock	20,000
Dawa	30,000	Book Debts	20,000
Creditors	20,000	Cash	10,000
		Tashi's capital (overdrawn)	10,000
	1,00,000		1,00,000

The partners decided to wind up the firm due to the insolvency of Tashi.

All the assets were realized for Nu. 71,000. Creditors were paid off with a discount of Nu. 2,000. Realization expenses came to Nu. 3,000. From the private estate of Tashi, only Nu. 4,000 could be recovered.

Prepare Realization Account and Partners' Capital Accounts applying Garner Vs Murray Rule.