

## ACCOUNTS

(Three hours)

(Candidates are allowed additional 15 minutes for **only** reading the paper.  
They must **NOT** start writing during this time.)

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Answer **Question 1** (compulsory) and **Question 2** (compulsory) from Part I  
and any other **five** questions from Part II.

The intended marks for questions or parts of questions are given in brackets [ ].

Transactions should be recorded in the answer book.

All calculations should be shown clearly.

All working, including rough work, should be done on the same sheet as, and adjacent to,  
the rest of the answer.

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### PART I

#### Question 1

[10 × 2]

Answer each of the following questions briefly:

- (i) State *any two* uses of Securities Premium as stated in Section 78 of the Companies Act, 1956.
  - (ii) In a Cost Sheet, how would you treat:
    - (a) Primary packing material.
    - (b) Secondary packing material.
  - (iii) Give *two* differences between Sacrificing Ratio and Gaining Ratio.
  - (iv) In case of a Joint Venture business, how is abnormal loss of goods which have been insured, treated in the books of accounts?
  - (v) List *two* instances when a partner's Fixed Capital may change.
  - (vi) List *any two* objectives of stock valuation.
  - (vii) Why is a General Ledger Adjustment Account opened?
  - (viii) Assuming that the Debt-Equity Ratio of a company is 2:1, state whether this ratio would increase, decrease or not change in the following cases:
    - (a) Issue of new shares for cash.
    - (b) Repayment of a long term bank loan.
  - (ix) What are trade investments?
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Turn over

- (x) The firm with X, Y and Z as partners earned a profit of Rs.3,00,000 during the year ended 31<sup>st</sup> March, 2011. 20% of this profit was to be transferred to General Reserve. Pass the necessary Journal entry for the same.

### Question 2

[10]

Amit, Pawan and Suresh are partners in a firm, sharing profits in the ratio 2:3:1. Suresh retired on 1<sup>st</sup> April, 2011. At the time of his retirement:

- (a) Goodwill of the firm was valued at Rs.36,000.
- (b) The Balance Sheet of the firm showed:
  - (i) A General Reserve of Rs.1,20,000.
  - (ii) A debit balance of Rs.48,000 in the Profit and Loss Account.
  - (iii) Rs.48,000 each, in the Joint Life Policy Account and Joint Life Policy Reserve Account. It was decided that the Joint Life Policy would be surrendered on the date of Suresh's retirement.

Record necessary Journal entries for the above adjustments to be made in the books of the firm on the date of Suresh's retirement.

## PART II

### Question 3

[14]

Paula Fashioners' Limited maintains its books under the Sectional Balancing System. From the particulars given below for the year ending 31<sup>st</sup> December, 2011, you are required to prepare necessary Control Accounts in the General Ledger:

	Debit Rs.	Credit Rs.
<b>Opening Balances</b>		
Suppliers' Ledger	960	96,500
Customers' Ledger	95,700	480
<b>Closing Balances</b>		
Suppliers' Ledger	1,500	—
Customers' Ledger	—	2,300
<b>Other Details</b>		
Credit purchases		2,49,720
Overdue interest charged by suppliers		1,590
Received from customers (including bad debts recovered Rs.1,200)		2,47,400
Credit sales		2,72,000
Transfer from Suppliers' Ledger to Customers' Ledger		680
B/R received from customers		32,000
Cash paid to suppliers		2,89,150

**Question 4****[14]**

The following extract of costing information relates to a commodity for the year ended 31<sup>st</sup> March, 2007.

**1<sup>st</sup> April, 2006:**

	Rs.
Raw materials	50,000
Finished products (1,000 tonnes)	40,000
Work in progress	12,000

**31<sup>st</sup> March, 2007:**

Raw materials	55,600
Finished products (2,000 tonnes)	?
Work in progress	40,000

**Transactions during the year:**

Raw materials purchased	3,00,000
Direct wages	25,000
Rent, rates and insurance of factory	1,00,000
Carriage inwards	3,600
Cost of factory supervision	20,000
Sale of finished products	7,50,000

Advertisement and selling expenses @ Rs.2 per tonne sold.

16,000 tonnes were produced during the year. It was decided to value the closing stock as per FIFO.

**Prepare a statement showing:**

- Value of raw materials used.
- Cost of the output for the year.
- Value of closing stock.
- Profit made during the year.

**Question 5****[14]**

The Balance Sheets of Cooper and Company as on 31<sup>st</sup> December, 2010 and 31<sup>st</sup> December, 2011 are given below:

Liabilities	31.12.10	31.12.11	Assets	31.12.10	31.12.11
	Rs.	Rs.		Rs.	Rs.
Equity share capital	1,50,000	1,80,000	Goodwill	10,000	5,000
General Reserve	30,000	30,000	Building	1,50,000	2,20,000
Profit and Loss A/c	50,000	70,000	Plant	80,000	1,00,000
12% Debentures	51,000	69,000	Stock	60,000	75,000
12% Public Deposits	80,000	1,20,000	Debtors	20,000	17,000
Creditors	8,000	10,000	Bills Receivable	8,000	9,000
Bills Payable	6,000	4,000	Accrued Income	10,000	6,000
Cash Credit	3,000	1,000	Prepaid Expenses	—	2,000
			Cash	40,000	50,000
	<u>3,78,000</u>	<u>4,84,000</u>		<u>3,78,000</u>	<u>4,84,000</u>

**Additional information:**

- (a) Depreciation charged on building Rs.10,000.
- (b) Depreciation charged on plant Rs.5,000.
- (c) Interest paid on debentures Rs.7,200 for the year.
- (d) Interest paid on public deposit Rs.9,600 for the year.

From the above information, prepare a Cash Flow Statement as per Accounting Standard-3 for the year ended 31<sup>st</sup> December, 2011.



**Question 6****[14]**

In 2010, Ganga Ltd. was registered with an authorized capital of Rs.1,00,000 in Equity shares of Rs.10 each. Of these, 4,000 equity shares were issued as fully paid to vendors for the purchase of Plant and Machinery and the remaining 6,000 shares were subscribed for, by the public for cash. During the first year, Rs.6 per equity share was called up, on these 6,000 shares, payable Rs.3 on application, Rs.1 on allotment and Rs.2 on the first call.

The amount received in respect of these shares were as follows:

On 5,000 shares, the full amount called.

On 600 shares, Rs.4 per share.

On 400 shares, Rs.3 per share.

The company forfeited all those shares on which only Rs.3 had been received and reissued them at Rs.4 per share, Rs.6 called up.

**Journalise the transactions in the books of the company and prepare a Calls-in Arrear Account.**

**Question 7****[14]**

Anita, Bina and Chitra were in partnership, sharing profits and losses equally. The firm's Balance Sheet as on 31<sup>st</sup> December, 2011 was as follows:

Liabilities	Rs.	Assets	Rs.
Anita's Capital A/c	24,000	Plant and Machinery	26,000
Bina's Capital A/c	8,000	Debtors	53,000
Chitra's Capital A/c	4,000	Stock	22,200
Anita's Current A/c	10,800	Cash	1,600
Creditors	64,000	Bina's Current A/c	2,000
		Chitra's Current A/c	6,000
	<u>1,10,800</u>		<u>1,10,800</u>

It was decided to dissolve the firm on 31<sup>st</sup> December, 2011.

The plant and machinery, debtors and stock were sold by the firm for Rs.70,000 and the creditors were paid off.

Chitra was declared insolvent and could not meet her liability towards the firm.

**From the above, prepare the Realization Account, Partners' Capital Account and Cash Account assuming that the firm applied the Garner Vs. Murray rule.**

**Question 8****[14]**

From the following information, calculate (upto two decimal places):

- (i) **Liquid Ratio**
- (ii) **Current Ratio**
- (iii) **Proprietary Ratio**
- (iv) **Working Capital Turnover Ratio**
- (v) **Gross Profit Ratio**
- (vi) **Operating Ratio**
- (vii) **Net Profit Ratio**

	Rs.
Cost of Goods sold	6,00,000
Operating expenses	50,000
Gross Sales	8,00,000
Sales Returns	10,000
Total Current Assets	3,00,000
Total Current Liabilities	1,00,000
Total Assets	7,00,000
Closing Stock	30,000
Prepaid Insurance	5,000
Preliminary Expenses	6,000
Share Capital	5,60,000
Reserves and Surplus	40,000

**Question 9****[14]**

On 1<sup>st</sup> January, 2000, Star Ltd. issued 1,000, 12% Debentures of Rs.100 each at a discount of 5% , repayable as follows:

	Rs.
On 31 <sup>st</sup> December, 2002	20,000
On 31 <sup>st</sup> December, 2003	60,000
On 31 <sup>st</sup> December, 2004	20,000

The company pays interest on debentures annually.

You are required to:

- (a) **Pass the Journal entries (including interest) for the year beginning 1<sup>st</sup> January, 2000 to 31<sup>st</sup> December, 2000.**
- (b) **Prepare the 'Discount on issue of Debenture Account', till it is finally closed.**

**Question 10****[14]**

The following balances have been extracted from the books of King Furnishings Ltd. as on 31<sup>st</sup> March, 2011:

	Rs.		Rs.
Equity Share Capital (fully paid shares of Rs.100 each)	4,00,000	Accumulated Depreciation	30,000
Fixed Assets (at cost)	6,60,000	Provision for Taxation	25,000
Inventories	40,000	Reserves and Surplus	1,00,000
Cash & Bank Balance	50,000	5% Debentures (secured against land)	2,00,000
Creditors	30,000	Unsecured Loan from Subsidiaries	50,000
Bills Receivable	20,000	Underwriting Commission	5,000
		Investments	70,000
		Interest accrued and due on 5% Debentures	10,000

You are required to prepare a Balance Sheet of King Furnishings Ltd. as on 31<sup>st</sup> March, 2011, in the Horizontal Form, as prescribed under Schedule VI of the Companies Act, 1956.