

## PART A: Accounting For Not-For-Profit Organisation, Partnership Firms & Company Accounts

- 1) What is meant by 'Reserve Capital'? 1
- 2) What do you mean by 'Honorarium' in case of Not-For-Profit Organisation? 1
- 3) Will interest paid to a partner on loan be debited to Profit & Loss A/c or Profit & Loss Appropriation A/c? Give reasons. 1
- 4) How does the factor 'location' affect the goodwill of a firm? 1
- 5) What is meant by 'Reconstitution of firm'? 1
- 6) The Income & Expenditure A/c of Raj Club shows subscriptions for 2010 as Rs.70,000. Additional information:
  - a) Subscriptions for 2009 unpaid on 01/01/2010 was Rs.4,000, Rs.3,600 of which was received in 2010.
  - b) Balance of subscription paid in advance on 01/01/2010 was Rs.1,700.
  - c) Balance of subscription paid in advance on 31/12/2010 was Rs.900.
  - d) Balance of subscription for 2010 unpaid on 31/12/2010 was Rs.3,500.Determine the amount of subscription received in cash during the year 2010. 3
- 7) Sunanda Ltd. issued 4,000 11 % Debentures of Rs100 each . Pass necessary journal entries for issue of Debentures in the following cases : 3
  - a) When debentures are issued at par and redeemable at 5 % premium.
  - b) When debentures are issued at 5 % premium and redeemable at par.
  - c) When debentures are issued at 5 % premium and redeemable at 8 % premium.
- 8) State the provisions of Section 79 of the Company's Act, 1956 regarding the issue of shares at discount. 3
- 9) Calculate the interest on drawings of Sunil @10% per annum for the year ended 31/03/11, in each of these cases: 4
  - Case I – If he withdraws Rs.4,000 at the beginning of each month.
  - Case II- If he withdraws Rs.,5,000 at the end of each quarter.
- 10) X,Y and Z are sharing in 2:2:1. Y dies on March 1<sup>st</sup>,2011 and his share is taken over by X and Y in the ratio of 3:2. Profits up to December 31<sup>st</sup>, 2010 is Rs.50,000. Total goodwill of the firm on the date of his death is Rs.40,000. Journalise in the books of the firm. 4
- 11) ABC Ltd. issued 20,000 shares of Rs.10 each at a premium of Rs.3 which were payable as follows:

|                |                                  |
|----------------|----------------------------------|
| On Application | - Rs.4 (including Re. 1 premium) |
| On Allotment   | - Rs.5 (including Re. 2 premium) |

Balance on 1<sup>st</sup> & Final call.  
  
Subodh, a holder of 500 shares, failed to pay the allotment money and call money. His shares were forfeited and reissued only 300 shares @ Rs.8 per share. Journalise for forfeiture and reissue of shares only in the firm's books. 4
- 12) (a) PQR Ltd. issued 30,000, 11%Debentures of Rs.100 each. The Board of Directors decided to purchase 60% of those debentures from the market at a price of Rs.94 each, for investment purpose. The expenses on purchase amounted to Rs.200. On the same day, they decided to sell these debentures @ Rs.102 each. Journalise for purchase and sale of these debentures.  
  
(b) XYZ Ltd. redeemed its 1,800,11% Debentures of Rs.100 each by converting them into 12% Preference Shares of Rs.100 each to be issued at a premium of 20%. Pass the journal entries. 6

- 13) From the following Receipts and Payments A/c of a club and from the information supplied, prepare an Income & Expenditure A/c for the year ended 31/12/10 and the Balance Sheet as on that date:

| Receipts                                    | Amt.(Rs.) | Payments                  | Amt.(Rs.) |
|---|-----------|---------------------------|-----------|
| To Balance B/d                              | 250       | By Balance B/d            | 300       |
| To Subscriptions:                           |           | By Salaries               | 1,200     |
| 2001  | 250       | By Electric Charges       | 200       |
| 2002  | 1,000     | By Books                  | 100       |
| 2003  | 200       | By Match Expenses         | 400       |
| To Sale of old furniture<br>(costing Rs.50) | 60        | By Furniture (01/04/2010) | 50        |
| To Rent received                            | 740       | By Balance C/d            | 250       |
| To Profit from Entertainment                | 400       |                           | 500       |
| To Sale of newspaper                        | 100       |                           |           |
|   | 3,000     |                           | 3,000     |

Additional information:

- The club had 50 members, each paying annual subscriptions of Rs.25. Subscriptions outstanding on 31/12/09 were Rs.300.
- On 31/12/10, Salaries outstanding amounted to Rs.600.
- On 31/12/09, the club owned Land & Building valued at Rs.10,000, Furniture Rs.600 and Books Rs.500. There was a Match Fund in the club on 31/12/2009 in which there was a balance of Rs.300.
- Depreciate Furniture @ 10% p.a.

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- 14) Following is the Balance Sheet of P, Q & R who were sharing Profits & Losses in the ratio of 3:2:

| Liabilities      | Amt. (Rs.) | Assets                     | Amt. (Rs.)   |
|------------------|------------|----------------------------|--------------|
| Bank Balance     | 12,000     | Debtors                    | 20,000       |
| Creditors        | 70,000     | Less : Provision           | <u>1,200</u> |
| Mrs. P's Loan    | 25,800     | Stock                      | 40,000       |
| Capital Accounts |            | 3,000 Shares in 'A' Ltd.   | 30,000       |
| P                | 1,20,000   | Motor Car                  | 75,000       |
| Q                | 95,000     | Plant                      | 80,000       |
| R                | 5,000      | Advertisement Suspense A/c | 84,000       |
|                  | 3,27,800   |                            | 3,27,800     |

The firm was dissolved on that date and the following arrangement were made:

- Assets realized as follows: Debtors Rs.15,000; Plant at 30% discount.
- Stock was valued at Rs.36,000 and this was taken over by P & Q equally.
- Market value of the shares of A Ltd. is Rs.15 per share. Half the shares were sold in the market and the balance half were taken over by P & Q in their Profit sharing ratio.
- A Creditor for Rs.50,000 took over Motor Car in full settlement of his claim and the balance of creditors were paid at a discount of 2%.
- Expenses of realisation amounted to Rs.6,000. P agreed to discharge his wife's Loan.

Show the necessary Ledger Accounts.

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- 15) Given below is the Balance Sheet of A & B, who are carrying on partnership business as on December 31, 2010 A & B share profit & losses in the ratio of 3:2.

| Liabilities          | Amt.(Rs.)       | Assets         | Amt.( Rs.) |
|----------------------|-----------------|----------------|------------|
| Bills Payable        | 6,000           | Cash           | 28,750     |
| Creditors            | 30,000          | Sundry Debtors | 80,000     |
| Outstanding Expenses | 14,000          | Stock          | 30,000     |
| Capitals A           | 2,00,000        | Plant          | 1,00,000   |
| B                    | <u>1,50,000</u> | Buildings      | 1,50,000   |
|                      | 4,00,000        | Goodwill       | 11,250     |
|                      |                 |                | 4,00,000   |

On that date, they agreed to admit C as a partner on the following terms :

- (a) C will get 1/4<sup>th</sup> Share in Profits. C brings proportionate capital.
- (b) New Profit Sharing ratio shall be 3 : 3 : 2.
- (c) Goodwill shall be valued on 2 ½ years' purchase of the past 4 years' average profits, which were Rs.17,000; Rs.14,000; Rs.15,000 & Rs.20,000 respectively.
- (d) Plant is to be appreciated to Rs.1,20,000 and value of buildings is to be appreciated by Rs.20,000.
- (e) Stock was found overvalued by Rs.5,000.
- (f) Creditors were unrecorded to the extent of Rs.1,000.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm.

**Or**

The Balance Sheet of X,Y and Z who are sharing profits & losses in the proportion of 1/2 : 1/3 : 1/6 respectively was as follows on Dec. 31, 2010 :

| Liabilities       | Amt.( Rs.) | Assets           | Amt.( Rs.) |
|-------------------|------------|------------------|------------|
| Sundry Creditors  | 12,900     | Cash at Bank     | 25,650     |
| Bills Payable     | 6,000      | Bills Receivable | 5,400      |
| Reserve fund      | 1,500      | Book Debts       | 17,800     |
| Profit & Loss A/c | 3,000      | Stock            | 22,300     |
| Capitals :        |            | Furniture        | 3,500      |
| X                 | 40,000     | Buildings        | 24,000     |
| Y                 | 25,000     | Machinery        | 9,750      |
| Z                 | 20,000     |                  |            |
|                   | 1,08,000   |                  | 1,08,000   |

X retires from the business from 1<sup>st</sup> January, 2011 and his share in the firm is to be ascertained on revaluation of the assets as follows : Stock Rs.20,000; Furniture Rs.3,000; Machinery Rs.9,000; Building Rs.20,000; and Rs.850 are to be provided for doubtful debts. The goodwill of the firm is agreed to be valued at Rs.6,000. X is to be paid Rs.11,050 in cash on retirement and the balance in three equal annual investments with interest at 5% p.a.

Show Revaluation Account, X's Capital Account and his Loan Account till final payment.

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- 16) Zem Ltd. issued 30,000 equity shares of Rs.10 each at a discount of Re.1 per share (to be adjusted on allotment ) payable as follows :

Rs.3 per share on application; Rs.2 per share on allotment; Rs.4 per share on 1<sup>st</sup> call. The subscription list was closed on 1<sup>st</sup> January, 2011 by which date, applications for 40,000 shares were received.

Allotment was made as follows :

List I. Applicants of 5,000 shares were in full.

List II. Applicants of 15,000 shares were allotted 10,000 shares on pro-rata basis.

List III. Applicants of 20,000 shares were allotted 15,000 shares on pro-rata basis.

All the shareholders paid the amount due on allotment & call except X (who was allotted 1,000 shares under List II ) & Y (who was allotted 1,500 shares under List III ). They did not pay any money due on allotment & 1<sup>st</sup> call. Their shares were forfeited & reissued at Rs.7 per share fully paid.

Pass the necessary journal entries to record the above transactions.

**Or**

X Limited invited applications for 11,000 shares of ` 10 each issued at 20% premium, payable as:  
Application – Rs.3 (including Re.1 Premium); Allotment – Rs.4 (including Re.1 Premium); On 1<sup>st</sup> call - Rs.3 and 2<sup>nd</sup> & Final Call – Rs.2

Applications were received for 24,000 shares and allotment was made as follows:

Category I :  $\frac{1}{4}$ th of the shares applied for allotted 2,000 shares.

Category II :  $\frac{3}{4}$ th the shares applied for allotted 9,000 shares.

Rajan holding 300 shares out of category II failed to pay allotment and two calls and his shares were forfeited. Later on 200 of his shares were reissued @ Rs.11 fully paid up. Share issue expenses amounted to Rs.10,000.

Pass journal entries in the books of the company.

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### PART B: Analysis Of Financial Statements

17) What will be the impact of ‘ Redemption of Debenture ‘ on a Debt Equity Ratio of 2:1 of a company. Give reasons. 1

18) Sale of Patents is which type of activity in Cash Flow Statement ? 1

19) What do you mean by Cash equivalents? 1

20) Discuss the uses of analysis of financial statements to Government, Employees and Creditors. 3

21) Prepare a Common Size Income Statement with the help of the following information: 4

| Particulars        | 2009(Rs.)                    | 2010(Rs.)                    |
|--------------------|------------------------------|------------------------------|
| Sales              | 3,00,000                     | 5,00,000                     |
| Cost of Goods Sold | 80% of Sales                 | 70% of Sales                 |
| Indirect Expenses  | 40% of Gross Profit          | 50% of Gross Profit          |
| Income Tax         | 50% of Net Profit before Tax | 50% of Net Profit before Tax |

22) From the following information, find out the Cost of Goods sold, Sales and Closing Stock.

- a) Stock Turnover Ratio = 9 Times    b) Gross Profit = Rs.70,000  
c) Gross Profit Ratio = 20%        d) Closing Stock is 2 times more than Opening Stock.

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23) From the following information, prepare Cash Flow Statement for AKS Ltd.

| Liabilities          | 31/03/10(Rs.) | 31/03/11(Rs.) | Assets      | 31/03/10(Rs.) | 31/03/11(Rs.) |
|----------------------|---------------|---------------|-------------|---------------|---------------|
| Equity Share Capital | 5,00,000      | 7,00,000      | Patents     | 1,00,000      | 95,000        |
| Profit & Loss A/c    | 2,00,000      | 3,50,000      | Equipments  | 2,00,000      | 2,30,000      |
| Bank Loan            | 1,00,000      | 50,000        | Furniture   | 3,00,000      | 2,70,000      |
| Creditors            | 50,000        | 45,000        | Investments | ---           | 1,00,000      |
| Outstanding Rent     | 5,000         | 7,000         | Stock       | 50,000        | 1,30,000      |
| Proposed Dividend    | 50,000        | 70,000        | Debtors     | 80,000        | 1,20,000      |
| Provision for Tax    | 30,000        | 50,000        | Bank        | 2,00,000      | 3,00,000      |
|                      |               |               | Cash        | 5,000         | 27,000        |
|                      | 9,35,000      | 12,72,000     |             | 9,35,000      | 12,72,000     |

Additional information:

During the year, Equipment costing Rs.80,000 was purchased. Loss on sale of Equipment amounted to Rs.5,000. Depreciation for the year : Equipments – Rs.15,000; Furniture – Rs.3,000

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