ACCOUNTS

(Three hours)

(*Candidates are allowed additional 15 minutes for **only** reading the paper.*

They must NOT start writing during this time)

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.

PART I

Question 1 [10 × 2]

Answer each of the following questions briefly:

(i) Define Prime Cost.

(ii) Explain FIFO method of stock valuation.

(iii) What do you mean by the term non-recurring expenses in joint venture?

(iv) What is the purpose of opening a joint bank account for joint venture?

(v) State two advantages of self-balancing system.

(vi) Why is a profit and loss appropriation account necessary in a partnership firm?

(vii) Why is there a need for revaluation of assets and liabilities of a firm if there is a change in profit-sharing ratio of partners?

(viii) Explain 'pro-rata allotment of shares' by means of a suitable example.

(ix) State two differences between 'current assets' and 'current liabilities'.

(x) Mention two uses of ratio analysis.

Question 2 [10]

Winston was allotted 100 equity shares of Rs.100 each by Diplod Ltd. originally issued at a discount of 6% per share. He failed to pay the final call at Rs.35. These shares were forfeited and out of these, 50 shares were re-issued to Morgan at Rs.90 each as fully paid up. Journalise the transactions in respect of forfeiture and re-issue of shares only.

PART II

Question 3 **[14]**

Trading and Profit and Loss Account of Myers Ltd. for the year ended 31st March 2007.

Particulars	Rs.	Particulars	Rs.
To opening stock	15,250	By sales	1,00,100
To purchases	63,050	By closing stock	19,600
To carriage	400		
To wages	1,000		
To Profit and Loss A/c	40,000		
	1, 19,700		1, 19,700
To Administrative expenses	20,200	By Trading A/c	40,000
To salaries	2,400	By non operating income	1,200
To financial expenses	1,400	To Non-operating expenses	400
To Balance c/d	16,800		
	41,200		41,200

Balance Sheet of Myers Ltd. As at 31st March, 2007.

Liabilities	Rs	Assets	Rs.
Share capital	70,000	Fixed assets	60,100
Reserves	1,200	Stock	19,000
Profit and Loss A/c	16,800	Debtors	9,000
Creditors	3,700	Bank	3,600
	91,700		91,700

From the above, calculate the follow ratios:

(i) Gross Profit ratio (%)

(ii) Net Profit ratio (%)

(iii) Stock turnover ratio.

(iv) Proprietary ratio

(v) Current ratio

(vi) Quick ratio.

(vii) Working capital turnover ratio.

Question 4 **[14]**

The following are the Balance Sheets of Jardine Ltd. as on 31st December 2006 and 2007:-

Liabilities	2006	2007	Assets	2006	2007
Share capital	5,10,000	5,50,000	Goodwill	25,000	20,000
Loan	2,50,000	1,50,000	Building	2,10,000	3,30,000
General reserve	1,00,000	1,00,000	Machinery	3,00,000	4,00,000
Profit and Loss A/c	55,000	95,000	Stock	1,25,000	1,05,000
Provision for taxation	20,000	55,000	Debtors	1,50,000	1,20,000
Creditors	25,000	20,000	Cash	1,50,000	12,000
Bills payable	10,000	15,000	Preliminary expenses	15,000	10,000
Provision for doubtful debts.	5,000	12,000			
	9, 75,000	9, 97,000		9,75,000	9,97,000

Additional information:-

(i) During the year, a part of the machinery costing Rs.2,500 was sold for Rs.1,500.

(ii) Dividend of Rs.50,000 was paid during the year.

(iii) Income tax of Rs.25,000 was paid during the year.

(iv) Depreciation provided during the year on Building Rs.5,000 and Machinery Rs.25,000.

From the above, you are required to prepare a cash flow statement as per Accounting Standard - 3.

Question 5 **[14]**

The following is the trial balance of Martin Ltd. as on 31st March 2007:-

Debits	Rs.	Credits	Rs.
Opening stock	75,000	Purchase returns	10,000
Purchases	2, 45,000	Sales	3, 40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit and Loss A/c	15,000
Furniture	17,000	Share capital	1, 00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General reserve	15,500

Trade expenses	7,050	Bills payable	7,000
Dividend paid	9,000		
Debtors	27,500		
Plant and Machinery	29,000		
Cash at Bank	46,200		
Patents	4,800		
Bills receivable	5,000		
	5, 08,000		5, 08,000

Additional information:

(i) Stock as on 31.3.2007 – Rs.88,000

(ii) Depreciate plant and machinery at 15%, furniture at 10% and patents at 5%

(iii) The Board recommends payment of a dividend @ 15% p.a.

From the above information, you are required to prepare the Profit and Loss account for the year ended 31.3.2007 and a Balance Sheet as on that date.

Question 6 **[14]**

Show by means of journal entries, how would you record the following issues in the books of Charles Ltd. Also show how would they appear in their respective Balance Sheets:-

(i) A debenture issued at Rs.95 repayable at Rs.100.

(ii) A debenture issued at Rs.95 repayable at Rs.105.

[NOTE: Face value of each debenture is Rs.100]

Question 7 **[14]**

Robert and Smith were partners sharing profits and losses in the ratio of 3: 2.

On the date of dissolution, their capitals were:

Robert – Rs.7,650 and Smith – Rs.4,300

The Creditors amounted to Rs.27,500. The balance of cash was Rs.760. The assets realised Rs.25,430. The expenses on dissolution were Rs.1,540.

All the partners are solvent.

Close the books of the firm showing the realisation, capital and cash accounts.

Question 8 **[14]**

Johnson Ltd. kept bought and sales ledger on self-balancing principles. From the following particulars, prepare the necessary adjustment accounts for the year 2007 in the two ledgers:-

Sundry Debtors (1.1.2007)	12,400
Sundry Creditors (1.1.2007)	5,000
Credit purchases	20,600
Credit sales	26,800
Cash received from debtors	15,600
Returns inward	600
Acceptances given	8,000
Returns outward	500
Debtors acceptances dishonoured	1,000
Discount allowed	200
Bad debts written off	400

Question 9 **[14]**

S, T and W having agreed to share profits and losses equally, entered into a joint venture to construct a building at a price of Rs.10,00,000. A joint bank account was thus opened where S paid Rs.4,00,000, T – Rs.2,00,000 and W – Rs.3,00,000.

Expenses incurred on behalf of the joint venture were as follows:

Materials – Rs.2,00,000; wages Rs.1,50,000 and expenses Rs.1,25,000.

Materials supplied by S from his stock amounted to Rs.1,25,000.

Finally, the venture was closed by T taking the closing stock at a valuation of Rs.1,00,000.

From the above, you are required to prepare the joint venture account, co-ventures' accounts and the joint bank account.

Question 10 **[14]**

The following figures were extracted from the records of Alfred Engineering Company Ltd. for the year ended 31.3.2007.

Opening stock of raw materials	40,000
Opening stock of work-in-progress	12,000
Opening stock of finished goods	30,000
Closing stock of raw materials	50,000

Closing stock of work-in-progress	30,000
Closing stock of finished goods	80,000
Raw materials purchased	4,00,000
Direct wages	2,00,000
Factory insurance	90,000
Carriage inwards	4,000
Dock charges	10,000
Cost of rectifying raw materials	20,000
Hire of special tools for manufacturing.	1,00,000
Cost of factory supervision	11,000
Wages paid to works gatemen	20,000
Sale of finished products	15,00,000

Selling and distribution overhead – 1% of sales.

From the above, you are required to prepare a cost sheet for the year ended 31st March 2007.