SCANNER

[GROUP - I]

FINANCIAL ACCOUNTING

ACCOUNTING CONVENTIONS AND PRACTICES

Objective -Type Questions :

Q1. Distinguish between liability and provisions. [*Ref* : Q1. (a), June '09 / Paper-5] 3

Q2. State whether following statements are true or false :

(i) Goodwill is a fictitious assets.

(ii) Land is a depreciable asset. [*Ref* : Q1. (d), June '09 / Paper-5] 4

Q3. How do the limitation of financial statements also become the limitations of Analysis of Financial statements? [*Ref* : Q1. (a), Dec '09 / Paper-5] 2

Q4. Fill in the blanks :

(i) Increase in one equity with no change in the asset will result in .... of another equity

(ii) Final Accounts of a company are prepared according to .... of the Companies Act, 1956 [*Ref* : Q1. (c), Dec '09 / Paper-5] 1+1

Q5. Correct the following Statement :

Depreciation Accounting is the process of valuation of the asset and not the process of allocation. [*Ref* : Q5. (c), (iii), June '10 / Paper-5] 1

Q6. Explain the following in single sentences :

(i) Net Realisable value

(ii) Personal Accounts [*Ref* : Q1. (c), Dec '10 / Paper-5] 1×2=2

Q7. From the four alternatives given against each statements, choose the correct alternative :

(i) Depreciation accounting is a process of

(A) Apportionment

(B) Valuation

(C) Allocation

(D) Appropriation

(ii) Which of the following is a Capital Expenditure

(A) Freight and cartage on purchase of new machine

(B) Legal expenses in connection with defending a title of firm's property

(C) Expenditure on painting of factory shed

(D) Wages paid to machine operation [*Ref* : Q1. (f), Dec '10 / Paper-5] 1×2=2

Q8. From the four alternative answers given against each statement indicate the correct alternative :

(i) An amount spent for inauguration of new factory building is

(A) Revenue Expenditure

(B) Capital Expenditure

(C) Prepaid Expenditure

(D) None of the above [*Ref* : Q1. (b), June '11 / Paper-5] 1

Q9. Choose the appropriate answer in each case from the given alternative answers (= 1 mark) and also given reason for your choice (= 1 mark) :

(i) Purchase price of amachine is Rs. 44,500; Installation charges Rs. 10,000; Freight and Cartage Rs. 4,000; Insurance charges Rs.10,000; Residual Value Rs. 14,000; Estimated useful life 5 years. The annual amount of depreciation under Straight line method would be

(A) Rs. 90,000 (B) Rs. 88,000 (C) Rs. 87,000 (D) None of these

[*Ref* : Q1. (d), June '11 / Paper-5] 2

Q10. State the conditions to be satisfied for payment of dividend out of capital profits.

[*Ref* : Q1. (e), June '11 / Paper-5] 2

Descriptive & Practical Questions :

Q1. Materiality concept. [*Ref* : Q8. (e), Dec '08 / Paper-5] 3

Q2. What are the objects of charging depreciation and problems of measurement of depreciation? Explain. [*Ref* : Q2. (b), June '09 / Paper-5] 5

Q3. State the advantages and disadvantages of Weighted Average method of valuation of inventory. [*Ref* : Q5. (b), June '09 / Paper-5] 5

Q4. A contractor whose books are closed on 31St December undertook a contract for construction of building on 1.4.2009.

His books of accounts reveal the following information on 31.12.2009:

Materials sent to site Rs. 2,92,000, labour engaged Rs. 7,08,000, Foreman's salary Rs. 87,500. During the year plant costing Rs. 3,50,000 was installed at site for 150 days, scarp value being Rs. 20,000. (estimated life 5 years)

Supervisor's salary Rs. 5,000 per month (he devotes approximately 2/3rd of his time to this work). Administration expenses amounted to Rs. 1,60,000. Materials at site on 3 1.12.2009 was valued at Rs. 30,200. Unsuitable materials costing Rs. 7,200 was sold for Rs. 6,000. A part of the plant costing Rs. 8,400 found unsuitable to the contract was sold at a profit of Rs. 1,600 without being put to use.

The contract price was Rs. 25,00,000. On 31.12.2009 2/3rd of the contract was complete. Architect's certificate covered 50% of the contract value. Amount received on account by the contractor is Rs. 8,75,000. Depreciation is charged on time basis.

Prepare the Contract Account and state how much profit should be credited to the Profit and Loss Account. [*Ref* : Q7., June '10 / Paper-5] 15

Q5. Write Short Notes on :

(c) Cum-interest and ex-interest price. [*Ref* : Q8. (c), June '10 / Paper-5] 5

Q6. Distinguish between Reserve and provisions. [*Ref* : Q6. (b), Dec '09 / Paper-5] 5

Q7. Write notes on :

Accounting Bases [*Ref* : Q8. (d), Dec '09 / Paper-5] 3

Q8. From the following information prepare

(i) Fixed Assets Account and

(ii) Accoumulated Depreciation Account :

	Opening Balance Rs.	**Closing Balance Rs.**
Fixed Assets	4,00,000	5,50,000
Accumulated Depreciation	80,000	1,35,000

Additional Information :

A part of a machine costing Rs. 60,000 has been sold for Rs. 30,000, on which accumulated depreciation was Rs. 15,000. [*Ref* : Q3. (b), June '10 / Paper-5] 5

Q9. State the various accounting concepts. [*Ref* : Q5. (b), Dec '10 / Paper-5] 5

Q10. Write Short Notes on :

Contingent liability [*Ref* : Q8. (d), Dec '10 / Paper-5] 3

ROYALTY

Objective -Type Questions :

Q1. Fill up the blanks :

When minimum rent is more than Royalty the amount payable to landlord is the ___________ .

[*Ref* : Q1. (d)(vi), June '10 / Paper-5] 1

Q2. Fill up the blanks :

Selling Commission is apportioned among departments in the ratio of ___________ of each department. [*Ref* : Q1. (d)(iv), June '10 / Paper-5] 1

Q3. Fill up the blanks :

Excess of minimum rent over royalties is termed as ___________ .

[*Ref* : Q1. (b)(ii), Dec '10 / Paper-5] 1

Descriptive & Practical Questions :

Q1. Define the Concept of Minimum / Dead Rent. [*Ref* : Q3. (b), June '09 / Paper-5] 5

Q2. Outstanding rent, if shown in the Trial Balance, it would appear in the debit side of the trial balance. [*Ref* : Q5. (b)(iv), June '09 / Paper-5] 5

Q3. Depreciation Accounting is the process of valuation of the asset and not the process of allocation. [*Ref* : Q5. (c)(iii), June '10 / Paper-5] 5

Q4. Write notes on :

Valuation balance sheet. [*Ref* : Q8. (c), Dec '09 / Paper-5] 3

Q5. Ritu acquired a mine on less from Richa for a period of 8 years at a royalty of Rs. 60 per tonne of a coal produced subject to minimum rent of Rs. 1,00,000 for the first year, increasing by Rs. 30,000 every year till Rs. 2,80,000 per annum is reached. Shortworkings of any one year may be recouped out of excess workings of the following two years only. The output during the first five years was as follows :

Year ending 31st March	2006-07	2007-08	2008-09	2009-10	2010-11
Output in tonnes	600	900	2,500	3,800	5,000

While preparing the accounts of first year, Ritu decided not to carry forward as an asset any shortworkings. In the second year Rs. 95,000 were carried forward and in the third year Rs. 55,000.

Prepare necessary accounts in the books of Ritu. [*Ref* : Q3. (a), June '11 / Paper-5] 6

HIRE PURCHASE

Objective -Type Questions :

Q1. Choose the correct answer :

Under the hire-purchase system the buyer becomes the owner of goods :

(i) Immediately after the delivery of goods.

(ii) Immediately after the down payments.

(iii) Immediately after the first instalment is paid.

(iv) Immediately after the payment of last instalment. [*Ref* : Q1. (h), Dec. '08 / Paper-5] 3

Q2. Answer the following :

Under instalment system of purchase, interest suspense account is debited with :

(A) The difference between instalment price and cash price

(B) Amount of interest included in each instalment

(C) Instalment price and discounted cash price

(D) Difference between Cash Price and Depreciated Value

[*Ref* : Q1. (a), (iv), June. '10 / Paper-5] 1

Q3. Indicate the correct answer :

Under Hire purchase system the last installment paid comprises—

(1) Cash price only, (2) Interest only, (3) Cash price and Interest.

[*Ref* : Q1. (b), Dec. '09 / Paper-5] 2

Q4. Answer the following :

Under instalment system of purchase, interest suspense account is debited with

(A) The difference between instalment price and cash price

(B) Amount of interest included in each instalment

(C) Instalment price and discounted cash price

(D) Difference between Cash Price and Depreciated Value

[*Ref* : Q1. (a) (iv), June '10 / Paper-5] 1

Q5. Fill up the blank :

Where hire vendor reckons the profit on the basis of instalments received, the method is known as ____________ . [*Ref* : Q1. (d)(vii), June '10 / Paper-5] 1

Q6. State whether the following statements are 'True' or 'False'.

In consignment sales, revenue should be recognised when the goods are sold to third party.

[*Ref* : Q5. (b)(ii), June '10 / Paper-5] 1

Descriptive & Practical Questions :

Q1. Sunshine Company sells goods for cash and on hire purchase and latter being the cash retail price plus 12.5% thereon. Following are the particulars for the year ended 31st December, 2007 :

			Rs.
Stock with hire purchase (at hire purchase price) with customers on 1.1.2007			29,700
Purchase during the year			1,58,400
Stock at shop :	On 1.1.2007	22,000	
	On 31.12.2007	26,400	48,400
Cash Sales during the year			79,200
Cash received during the year (Hire purchase instalments)			1,01,750
Instalments due but not received :			
On 1.1.2007			4,400
On 31.12.2007			6,600
Hire purchase sales during the year			1,18,800

Prepare the following :

(a) General Trading Account.

(b) Hire Purchase Trading Account.

(c) Hire Purchase Sales Account, for the year ended 31st December, 2007.

[*Ref* : Q4. (a), June '09 / Paper-5] 10

Q2. Distinguish between Hire Purchase System and Instalment System.

[*Ref* : Q4. (b), June '09 / Paper-5] 5

Q3. Varun sells goods on hire purchase basis also. He fixes hire purchase price by adding 50% to the cost of goods sold. The following are the figures relating to his hire purchase business for the year 2009-2010.

	Rs.
Balance of Hire Purchase Stock Account as on 1St April, 2009	84,000
Balance of Hire Purchase Debtors Account as on 1st April,2009	2,100
Selling Price of goods sold on hire purchase basis during the year	6,34,200
Cash received from customers during the year	6,46,800
Total amount of installments that fell due during the year	6,48,900

One customer to whom goods had been sold for Rs. 8,400 paid only 5 instalments of Rs. 700 each. On his failure to pay the monthly instalment of Rs. 700 due on 4th March, 2010 the goods were repossessed on 27th March, 2010 after due legal notice.

Prepare ledger accounts on Stock and Debtors Systems for the year ended 31St March, 2000. 10

[*Ref* : Q3. (a), June '10 / Paper-5] 10

Q4. Distinguish between hire purchase system & installment system.

[*Ref* : Q2. (b), Dec '09 / Paper-5] 4

Q5. Ravi purchased a machine on hire purchase system from Moon & Sons. He paid Rs. 1,00,000 at the time of agreement and the remaining amount including interest was payable in four annual instalments of Rs. 1,00,000 each at the end of each year commencing from the data of agreement. Interest is charged @ 10% per annum.

You are required to prepare the Machinery Account and Moon & Sons account in the books of Ravi for four years if the provides depreciation on machinery @ 20 percent per annum on written down value basis. [*Ref* : Q2. (a), Dec '10 / Paper-5] 10

Q6. NR and Sons sells goods on hire purchases at cost plus $33^1/_3$ percent. Prepare hire purchase Trading Account from the following information :

		Rs.
April 1, 2010	Stock with customers on hire purchase price	97,200
”	Stock in hand at shop	1,94,400
”	Instalments overdue	81,000
March 31, 2011	Purchase during the year	6,48,000
”	Goods repossessed (Instalment not due Rs. 21,600)	5,400
”	Stock at shop (excluding repossessed)	2,16,000
”	Cash received during the year	6,21,000
”	Instalment overdue	97,2000

[*Ref* : Q3. (b), June '11 / Paper-5] 5

Q7. A motor car is sold on instalment payment system, the paymen for which is made thus : Rs. 50,000 as immediate deposit and the balance to be paid on five equal annual instalments of Rs. 40,000 each. The interest is charged at 12% on unpaid cash price. If the present value of annuity of Rs. 1 for five years at 12% is Rs. 3.605, calculate the cash price of motor car.

[*Ref* : Q4. (c), June '11 / Paper-5] 2

RECEIPTS & PAYMENTS/INCOME & EXPENDITURE ACCOUNTS

Objective -Type Questions :

Q1. A non-profit organisation has furnished the following data in connection with finalisation of accounts for the year ended 31st March 2008 :

	Rs.
Membership subscriptions received as per books	57,000
Subscription in arrear for 2007-08	1,400
Contribution to indoor games section included in item no. one above	2,000
Advance receipt of subscriptions (for 2008-09)	480
Subscription outstanding for 2006-07 now received	3,000

The amount of subscription to be taken as income for 2007-08 is

A : Rs. 57,000, B : Rs. 51,520, C : Rs. 55,000, D : Rs. 52,920, Select the correct one.

[*Ref* : Q1. (f), Dec. '08 / Paper-5] 3

Q2. Fill up the blanks :

A debit balance in the Income and Expenditure A/c denotes excess of __________ over __________ . [*Ref* : Q1. (c)(iii), Dec '09 / Paper-5] 1

Q3. Answer the following :

(i) A profit on sale of furniture of a club will be taken to

(A) Cash account

(B) Receipt & Payment Account

(C) Income & Expenditure Account

(D) Profit & Loss Account [*Ref* : Q1. (a)(i), June '10 / Paper-5] 1

Q4. Fill up the blanks :

Where hire vendor reckons the profit on the basis of instalments received, the method is known as __________ . [*Ref* : Q1. (d)(vii), June '10 / Paper-5] 1

Descriptive & Practical Questions :

Q1. The income and expenditure account of an association for the year ended 31st March 2008 is as under :

		Rs.			Rs.
To	Salaries	1,20,000	By	Subscription	1,70,000
	Printing and Stationery	6,000		Entrance fee	4,000
	Telephone	1,500		Contribution for dinner	36,000
	Postage	500			
	General expenses	12,000			
	Interest and bank charges	5,500			
	Audit fees	2,500			
	Annual dinner expenses	25,000			
	Depreciation	7,000			
	Surplus	30,000			
	Total	2,10,000			2,10,000

The aforesaid income and expenditure account has been prepared after the following adjustments :

Subscription outstanding as on 31st March 2007	16,000
Subscription outstanding on 31st March 2008	18,000
Subscription received in advance as on 31st March 2007	13,000
Subscription received in advance as on 31st March 2008	8,400
Salaries outstanding as on 31st March 2007	6,000
Salaries outstanding as on 31st March 2008	8,000
Audit fees for 2006-2007 paid during 2007-2008	2,000
Audit fee for 2007-2008 not paid	2,500
The building owned by the association since 1990 costs	1,90,000
Equipment as on 31st March 2007 valued at	52,000
At the end of the year after depreciation of Rs. 7,000, equipment amounted to	63,000
In 2006-2007, the association raised a bank loan of which is still not paid	30,000
Cash in hand as on 31st March 2008	28,500

You are required to prepare Receipts and Payments Account of the association for the year ended 31st March 2008 and the Balance Sheet as at that date.

[*Ref* : Q6. (a), Dec. '08 / Paper-5] 10

Q2. Distinguish between 'Receipts and Payments Account' and 'Income and Expenditure Account'.

[*Ref* : Q6. (b), Dec. '08 / Paper-5] 5

Q3. The following is the Receipts and Payment Account of Sodepore Recreation Club for the year ended 31.12.2008 :

			Rs.			Rs.
To	Cash in hand		1,000	By	Rent of Club House	2,600
”	Cash at Bank		12,000	”	Painting of Club House	1,400
”	Members' Subscription			”	Wages of Ground Maintenance	3,000
	2007	200		”	General Expenses	2,600
	2008	3,600		”	Electricity Charges	3,600
	2009	400	4,200	”	Investment	20,000
”	Life Membership Subscription		4,000	”	Secretary's Honorarium	1,200
”	Sale of Ticket of annual exhibition		20,000	”	Annual Meeting Expenses	800
”	Sale of refreshment		24,000	”	Sports Equipment	3,600
”	Interest on investment		2,600	”	Purchase of refreshment	11,000
”	Sale of furniture		200	”	Printing & Stationery	1,000
	(Original Cost on 1.1.02			”	Insurance	600
	Rs. 1,000)			”	Cash in hand	4,000
				”	Cash at Bank	12,600
			68,000			68,000

The following information are available to you :

(a) On 31.12.2007 outstanding subscription for 2007 was Rs. 300.

(b) On 31.12.2007 advance subscription for 2008 received was Rs. 100.

(c) On 31.12.2008 outstanding subscription for 2008 was Rs. 600.

[*Ref* : Q6. (b), Dec. '08 / Paper-5] 5

Q4. The following (i) Receipts and Payments Account for 2009-10; (ii) Balance Sheet as on 31st March, 2009 and other information are given by the Shiva City College :

(i) Receipts and Payments Account for the year ended 31st March, 2010

	Rs.		Rs.
To Opening Balance	6,00,000	By Salary & Allowances	21,15,00
To Tuition fees	18,00,000	By Provident Fund Contribution	1,66,200
To Grant	9,00,000	By Printing & Stationery	51,000
To Interest on Bank FD.	9,000	By Books for Library	78,000
To Hall Rent	30,000	By Postage & Telegram	15,000
		By Newspapers	9,000
		By Laboratory Equipments	29,400
		By Telephone Expenses	25,000
		By Repairs for Building	32,000
		By Misc. Charges	18,000
		By Audit Fee	10,000
		By Creditor for out standing	21,000
		By Bank Fixed Deposit	4,00,000
		By Closing Balances	3,69,400
	33,39,000		33,39,000

(ii) Balance Sheet as on 31st March, 2009.

Liabilities	Rs.	Assets	Rs.
Outstanding Exp	21,000	Cash and Bank	6,00,000
Building Fund	18,00,000	Furniture	10,50,000
Scholarship Fund	3,00,000	Land and Building	48,00,000
General Reserves	15,00,000	Tuition Fee (Outstanding)	66,000
Capital Fund	39,15,000	Library Books	7,20,000
		Fixed Deposit in Bank	3,00,000
	75,36,000		75,36,000

(iii) Other information :

(1) It was ascertained that Rs. 1,70,000 was outstanding by way of tuition fees on 31.03.2010.

(2) The creditors outstanding for library books amounted to Rs. 30,000 at the end of the financial year 2009-10.

(3) Outstanding salaries were Rs. 90,000 as on 31.3.10

(4) Depreciation to be charged : Land and Building at 5%, Furniture at 10%, and Library Books at 20%. You are required to prepare for Shiva City College;

(a) Income and Expenditure Account for the year ended 31st March, 2010

(b) Balance Sheet as on 31st March, 2010

(c) Describe how the classification of investments is done by a Banking Company

[*Ref* : Q4. (a), Dec. '10 / Paper-5] 10

Q5. Write short notes on :

Features of Financial Accounts and Balance Sheet of non-profit seeking organisations.

[*Ref* : Q8. (c), Dec. '10 / Paper-5] 3

Q6. The following is the Income and Expenditure Account of Rising Sun Club for the year ended 31.12.2010 :

(Fig. in Rs.)

Expenditure		*Income*	
To Printing and Stationery	3,200	By Entrance fees	3,000
Interest and Bank charges	1,100	Subscription	80,200
Annual Dinner expenses	18,400	Annual Dinner receipt	15,000
General expenses	6,400	Profit on annual sports	18,300
Salaries	52,500		
Audit fees	3,200		
Honorarium to Secretary	15,000		
Depreciation on Sports Equip	4,000		
Surplus (being the excess of income over expenditure)	12,700		
	1,16,500		1,16,500

The following adjustments were made to prepare the accounts :

	Rs.
Subscription outstanding on 1.1.10	4,000
Subscription outstanding on 31.12.10	6,300
Subscription received in advance on 31.12.09	5,600
Subscription received during the year	3,400
Salaries outstanding on 31.12.09	5,200
Salaries outstanding on 31.12.10	6,800

General expenses include insurance prepaid to the extent of Rs. 800; Audit fees due for the year 2010. Audit fees paid in 2010 Rs. 2,800 for 2009.

The Club has the following assets :

Football Ground	Rs. 1,80,000
Sports equipments on 1.1.2010	Rs. 35,000
Sports equipments on 31.12.2010, such sports equipments after depreciation amounted to	Rs. 37,000

The Club had taken a loan of Rs. 30,000 from a bank a few years back which remain outstanding on 31.12.10. On 31.12.10 the cash in hand amounted to Rs. 20,000.

Prepare the Receipts and Payments Account for the year ended 31.12.10 and a Balance Sheet as on that date. [*Ref* : Q2. (a), June '11 / Paper-5] 11

PARTNERSHIP ACCOUNTING

Objective -Type Questions :

Q1. A & B are two partners of a firm sharing the profits & losses in the ratio of 7 / 12 and 5 / 12 respectively. On 1st April 2008 they take C as a partner giving him 1 / 6 share. A & B agreed further to share the future profits in the ratio of 13 / 24 and 7 / 24 respectively. C, in addition to his capital, brings in Rs. 96,000 as his goodwill for 1 / 6 share. This goodwill amount is to be shared between A & B.

The share of goodwill amount of A & B respectively will be :

A : Rs. 24,000 and Rs. 72,000
B : Rs. 72,000 and Rs. 24,000
C : Rs. 56,000 and Rs. 40,000
D : Rs. 52,000 and Rs. 44,000

Choose the correct answer :. [*Ref* : Q1. (g), Dec. '08 / Paper-5] 3

Q2. State briefly the Rule of Gerner vs. Murray. [*Ref* : Q1. (f), June '09 / Paper-5] 4

Q3. Indicate the Correct Answer :

Sec. 37 of the partnership Act provides interest on the amount left by the retiring partner at :

(1) 5%, (2) 6% (3) bank rate. [*Ref* : Q1. (b)(i), Dec '09 / Paper-5] 1

Q4. X and Y divide profit in the ration 5:3 as partners. Z is admitted for 1 / 5 share in the business. The new profit sharing ratio is

(i) 19:9:8, (ii) 5:3:2, (iii) 6:4, (iv) 5:4:2. [*Ref* : Q1. (f), Dec '09 / Paper-5] 3

Q5. Indicate the Correct Answer :

Saturn & Neptune are partners sharing profits in the ratio 5:3, they admit Jupitor giving him 3 / 10th share of profit. If Jupitor acquires 1 / 5th share from Saturn 1 / 10th share from Neptune, new profit sharing ratio will be :

(i) 5:6:3
(ii) 2:4:6
(iii) 18:24:38
(iv) 17:11:12 [*Ref* : Q1. (c), June '10 / Paper-5] 1

Q6. Fill up the Blanks :

(i) Profit on revaluation of assets on the admission of a new partner is to be credited to the old partners in their __________ profit sharing ratio.

(ii) When a new partner enters in the poartnership firm and the partners decide to maintain the General Reserve in the books of the firm at its original value, the amount of general reserve is __________ to the old partners and __________ to all partners.

[*Ref* : Q5. (a) (iii), (v), June '10 / Paper-5] 1+1

Q7. Correct the following Satements :

Under section 37 of the Partnership Act, the executers of the decesased partner would be entitled at their choice to interest at 6% p.a. on the amount due from the date of death to the date of payment or to his share before death. [*Ref* : Q5. (c) (i), June '10 / Paper-5] 1

Q8. State whether the following statements are True (T) or False (F) :

R and S divided profit in the ratio of 3 : 2. T is admitted for 1 / 5 th share in the business. The new profit sharing ratio will be 3 : 2 : 1. [*Ref* : Q1. (a) (iii), Dec. '10 / Paper-5] 1

Q9. From the four alternatives given against each statement, choose the correct alternative :

In the absence of an agreement amongst the partners, loan given by a partner to the firm will be at an interest at the rate of —

(A) 5% (B) 5% (C) 8% (D) 10% [*Ref* : Q1. (f) (i), Dec. '10 / Paper-5] 1

Descriptive & Practical Questions :

Q1. A and B carry on independent business in provisions and their position as at 31.03.09 are reflected in the Balance Sheets given below :

	A	B
	Rs.	Rs.
Stock in Trade	1,70,000	98,000
Sundry Debtors	89,000	37,000
Cash at Bank	13,000	7,500
Cash in hand	987	234
Furniture and fixture	2,750	1,766
Investments	513	—
	2,76,250	1,44,500
Represented by Sundry Creditors for		
Purchases	1,10,000	47,000
Expenses	13,250	2,000
Caipital Account	1,53,000	95,500
	2,76,250	1,44,500

Both of them want to form a partnership firm from 1st April, 2009 on the following understanding :

(a) The capital of the partnership would be Rs. 3 lakhs which would be contributed by them in the ratio of 2 : 1.

(b) The assets of the individual business would be evaluated by C at which values, the firm will take them over and the value would be adjusted against the contribution due by A and B.

(c) C gave his valuation report as follows :

Business of A : Stock in Trade to be written down by 15% and a portion of Sundry Debtors amounting to Rs. 9,000 estimated unrealisable not to be assumed by the firm; furniture and fixtures to be valued at Rs. 2,000 and investments to be taken of market value of Rs. 1,000.

Assets of B : Stocks to be increased by 10%, and Sundry Debtors to be admitted at 85% of their value; rest of the assets to be assumed at their book value.

(d) The firm is not to assume any Creditors other than dues on acount of purchase made.

Prepare the opening Balance Sheet of the firm. [*Ref* : Q5. (a), June '09 / Paper-5] 10

Q2. Suchandra, Ashmita and Kasturi were running partnership business sharing Profit and Losses in 2 : 2 : 1 ratio. Their Balance Sheet as on 31.03.2008 stood as following :

(Rs. in 000's)

Liabilities	Rs.	Rs.	*Assets*	Rs.	Rs.
Fixed Capital :			Fixed Assets		920.00
Suchandra	690.00		Investment		115.00
Ashmita	460.00		Current Assets :		
Kasturi	230.00	1,380.00	Stock	230.00	
Current Account :			Debtors	632.50	
Suchandra	138.00		Cash at Bank	287.50	1,150.00
Kasturi	92.00	230.00			
Unsecured Loan		230.00			
Current Liabilities		345.00			
		2,185.00			2,185.00

On 1.4.2008, they agreed to form new company Tata (P) Ltd. withAshmita and Kasturi each taking up 460 eq. share of Rs. 10 each, which shall take over the firm as going concern including Goodwill, but excluding cash and bank balance.

The following are also agreed upon :

(a) Goodwill will be valued at 3 years purchase of super profit.

(b) The actual profit for the purpose of Goodwill valuation will be Rs. 4,60,000.

(c) The normal rate of return will be 18% p.a. on Fixed Capital.

(d) All other assets and liabilities will taken at Book value.

(e) Ashmita and Kasturi are to acquire interest in the new company at the ratio 3 : 2.

(f) The purchase consideration will be payable partly in shares of Rs. 10 each and partly in cash. Payment in cash being to meet the requirement to discharge Suchandra, who has agreed to retire.

(g) Realisation expenses amounted to Rs. 1,17,300.

You are required to close the books of the firm by passing necessary journal entries.
[*Ref* : Q4. (a), Dec. '08 / Paper-5] 10

Q3. Correct the following Statements :

Under section 37 of the Partnership Act, the executes of the deceased partner would be entitled at their choice to interest at 6% p.a. on the amount due from the date of death to the date of payment or to his share of profit before death. *Ref* : Q5. (c)(i), June '10 / Paper-5] 5

Q4. Fill up the Balnks :

Profit on revaluation of assets on the admission of a new partner is to be credited to the old partners in their __________ profit sharing ratio. [*Ref* : Q5. (a)(iii), June '10 / Paper-5] 5

Q5. State whether the following statements are "True" or "False".

Bonus shares can be issued out of **Capital Redemption Reserve** even before the redemption of Preference Shares. [*Ref* : Q5. (b)(v), June '10 / Paper-5] 5

Q6. The balance sheet of a firm as on 31.3.2007 was

Liabilities	Rs.	Assets	Rs.
Capital : Sun	50,000	Property	35,000
Moon	41,000	Motor car	7,500
Loan (Sun)	5,000	Furniture	1,000
General Reserve	5,000	Debtors	25,000
Sundry Creditors	15,000	Stock	45,000
Outstanding Expenses	1,500	Cash	4,000
	1,17,000		**1,17,000**

The profit sharing ratio between Sun & Moon was 3:2. They decided to admit Pluto as a new partner from 1st April, 2007 on the following terms & conditions :

(1) Property & Motor Car to be revalued at Rs.45,0000 & Rs. 6,5000 respectively and 5% provision to be created on debtors.

(2) Pluto should pay premium for goodwill to be valued at 2 years' purchase of last three years average profits. Such amount of premium was to be credited to old partners loan accounts.

(3) Pluto should pay rs. 37,500 as capital.

(4) The new profit sharing ratio should be 2:1:1.

(5) Last three years' books of accounts on verification disclosed the following discrepancies :
2004-05 — Bad debts previously written off recovered Rs. 400, credited to Debtors Account, Closing stock was under valued by Rs. 1,250.

2004-05 — Bad debts previously written off recovered Rs. 400, credited to Debtors Account, Closing stock was under valued by Rs. 1,250.

2005-06 — Furniture purchased Rs. 300 debtied to purchase Account, Depreciation was provided @ 10% on reducing balance method but closing stock was over valued by Rs. 2,000.

2006-07 — A purchase invoice of Rs. 1,000 was omitted from the books and Closing Stock was under valued by Rs. 1,000.

Pass the journal entries at the time of admission of Pluto and prepare the balance sheet just after his admission. [*Ref* : Q5. (a), Dec. '09 / Paper-5] 10

Q7. Write notes on :

Memorandum revaluation account [*Ref* : Q8. (b), Dec. '09 / Paper-5] 5

Q8. X & Y share profit & loss in the ratio of 5 : 3. They admit Z with 1 / 5th share of profits. He pays Rs. 80,000 as capital but does not contribute anything towards goodwill which is valued at Rs. 60,000. The capitals of the Partners are fixed. All adjustments are to be made through partners' current accounts. Their balance sheet as on March 31, 2010 is as follows :

Balance Sheet as on 31-03-10

Liabilities		Amount Rs.	Assets	Amount Rs.
Capital :			Plant and Machinery	50,000
X	80,000		Investment	31,000
Y	60,000	1,40,000	Sundry Debtors	60,000
Current account :			Stock and Trade	90,000
X	5,000		Bank	30,000
Y	6,000	11,000		
General Reserve		60,000		
Sundry Creditors		50,000		
		2,61,000		**2,61,000**

Additional Information :

(i) Plant and Machinery is valued at Rs. 46,000 and stock at Rs. 96,000.

(ii) One Creditor for Rs. 6,000 is dead and nothing is likely to be paid on this account.

(iii) The Capital accounts are to be proportionately adjusted on the basis of Z's capital and his share of profit, through Current accounts.

(iv) Partners decide to maintain the General Reserve in the books of the firm.

Prepare Revaluation account, Bank account, Capital and Current accounts and Balance sheet of the new firm. [*Ref* : Q4. June '10 / Paper-5] 15

Q9. Asha, Bipasa an Chitra are partners in a partnership firm sharing profits and lossses as 8:7:5. From 1.4.09 the partners decided to change their profit sharing ratio as 5:4:1 and for that purpose the following adjustments were agreed upon.

Balance Sheet of the firm As on 31.3.2009 was as under.

(Fig. in Rs.)

Liabilities		Amount Rs.	Assets		Amount Rs.
Capital A/cs.			Plant & Machinery		80,000
Asha	50,000		Furniture		10,000
Bipasha	40,000		Stock		40,000
Chitra	30,000	1,20,000	Trade Debtors	52,000	
Reserves		30,000	Less Provision	(–) 2,000	50,000
B's loan		20,000	Bank		30,000
Trade creditors		40,000			
		2,10,000			2,10,000

(i) Furniture and Machinery were to be depreciated and appreciated by 5% and 10% respectively.

(ii) Provision for bad debts was to be increased by Rs. 3000.

(iii) P & L. A/c. of the firm for the year ended 31.3.10 showed a net profit of Rs. 68,700.

(iv) A contingent liability of Rs. 10,000 was to be treated as actual liability.

The partners decided not to alter the book values of the assets, liabilities and reserves but recorded the change by passing one single journal entry.

You are required —

(a) to show a single journal entry adjusting the capitals of the partners as on 1-4-09, and

(b) to show the P & L A/c for the year ended 31.3.10 after considering the following adjustments :

(i) Interest on capital at 5%,

(ii) Interest on B's loan and

(iii) transfer 20% of the divisible profit to the reserves after charging such reserve.

[*Ref* : Q5. (a), Dec. '10 / Paper-5] 10

Q10. (a) X and Y are partners sharing profit / loss in the ratio of 5 : 4. They admit Z into partnership for $^1/_5$th the shar in the profits which is given $^2/_{15}$th by X and $^1/_{15}$th by Y. Z brings Rs. 1,50,000 as his capital and Rs. 60,000 as premium. Goodwill account appears in the books at Rs. 1,65,000. Give necessary journal entries in the books of the firm at the time of Z's admission and find out the new profit sharing ratio.

(b) P and Q are partners sharing profits and losses in the ratio of 5 : 4. On 1st April, 2010 they admitted their Manager R into partnership for $^1/_5$th the share of the profits. As Manager, R was receiving a salary of Rs. 60,000 per year and a commission of 5 percent on the net profit after charging such salary and commission. It is, however, agreed that any excess over his former remuneration to which R becomes entitled as a partner is to be borne by Q.

The profits of the firm for the year ended 31st March, 2011 amounted to Rs. 4,27,500. You are required to show the division of profits among the partners.

[*Ref* : Q4. (a) & (b), June '11 / Paper-5] 4+5

BRANCH AND DEPARTMENTAL ACCOUNTS

Objective -Type Questions :

Q1. Fill in the blank :

Selling Commission is apportioned among departments in the ratio of __________ of each department.

[*Ref* : Q1. (d) (iv), June, '10 / Paper-5] 1

Q2. Fill in the blank :

By products shoul be value as lower of cost and net __________ value.

[*Ref* : Q1. (d) (v), June, '10 / Paper-5] 1

Q3. What reconcilliation entry will be required to be passed in the books of Head office when cash sent by the Branch to Head Office at the end of accounting year has not reached the Head Office? [*Ref* : Q1. (1), Dec. '10 / Paper-5] 2

Q4. State whether the following statements are 'TRUE' (T) or 'FALSE' (F) :
At the end of the accounting period the balance of "Goods sent to Branch account' is transferred to trading account. [*Ref* : Q1. (a)(ii), June. '11 / Paper-5] 1

Descriptive & Practical Questions :

Q1. Write short notes on treatment of abnormal losses in Branch Account.

[*Ref* : Q4. (b), Dec. '08 / Paper-5] 5

Q2. What are the various activities classified as per AS 3 (Revised) related to Cash Flow Statement?

[*Ref* : Q1. (e), June, '10 / Paper-5] 3

Q3. From the following particulars, prepare a Memorandum Trading and Profit & Loss A/c of Branch and also show the Branch Account as it would appear in the Head Office Books at the end of the year.

Branch Cash Account

Dr. Cr.

2008		Rs.	2009		Rs.
April 1	To Balance	10,500.00	March 31	By Bank	59,000.00
2009				By Petty Expenses	1,500.00
March 31	To Sundry Debtors	37,000.00		By Balance	9,500.00
	To Cash Sales	22,500.00			
		70,000.00			**70,000.00**

Branch Debtors Account

Dr. Cr.

2008		Rs.	2009		Rs.
April 1	To Balance	4,000.00	March 31	By Cash	37,000.00
2009				By Bills Receivable	2,000.00
March 31	To Sales	60,000.00		By Discount	1,000.00
	To Cash Sales	22,500.00		By Bad debts	500.00
				By Balance	23,500.00
		64,000.00			**64,000.00**

Branch Account

Dr. Cr.

2008		Rs.	2009		Rs.
April 1	To Balance b / d		March 31	By Balance b / d	
	To Stock 5,000.00			By Expenses	
	To Cash 10,500.00			outstanding	1,000.00
	To Sundry Debtors4,000.00		2009	By Bank	59,000.00
	To Prepaid Exp. 500.00	20,000.00		By Balance	28,000.00
2009					
Mar. 31	To Goods				
	Trasferred	60,000.00			
		8,000.000			
		70,000.00			**70,000.00**

Closing Stock at Branch was Rs. 6,000 and Expenses outstanding were Rs. 2,000.

[*Ref* : Q6. (a), Dec. '09 / Paper-5] 10

Q4. Calcutta Head Office has its branch at Kanpur. Goods are invoiced to Branch at cost plus $33\frac{1}{3}$%. All expenses of the Branch are paid by the H.O. From the following particulars you are required to show Branch Stock A / c., Branch Adjustments A / c., Loss in Transit A / c., Pilferage A / c. and Branch P & L A / c in the books of H.O.

	Rs.
Opening stock at branch at cost to branch	60,000
Goods sent to branch at invoice price	1,30,000
Loss in transit at invoice price	20,000
Goods pilfered at Branch - (at invoice price)	6,000
Normal loss at invoice price	3,000
Sales (Credit)	2,20,000
Expenses of branch	35,000
Recovered from Insurance Co. against loss in transit	12,000
Closing stock at Branch at invoice price	80,500

[*Ref* : Q7. (a), Dec. '10 / Paper-5] 10

Q5. Deepa Ltd. had 3 departments D1, D2, D3. Informations relating to the departments are as follows :

	D1 (Rs.)	D2 (Rs.)	D3 (Rs.)
Opening Stock	30,000	40,000	60,000
Direct Materials consumed	80,000	1,20,000	—
Wages	50,000	1,00,000	—
Closing Stock	40,000	1,40,000	80,000
Sales	—	—	3,40,000

Stocks of each department are valued at cost of the department concerned. Stocks of D1 are transferred to D2 at a margin of 50% above departmental cost. Stocks of D2 are transferred to D3 department at a margin of 10% above departmental cost.

Other relevant expenses were :

	Rs.
Salaries	20,000
Printing and Stationery	10,000
Rent	60,000
Interest paid	40,000
Depreciation	30,000

Allocate expenses in the ratio of departmental gross profits. Opening figures of reserves for unrealised profits on departmental stock were :

D2 — Rs. 10,000
D3 — Rs. 20,000

Prepare Departmental Trading and Profit & Loss A/c.

[*Ref* : Q5. (a), June '11 / Paper-5] 10

Q6. Give journal entries in the books of Head Office to record the following transactions on the closing date 31st March, 2011 :

(i) Depreciation amounting to Rs. 11,000 on Kolkata Branch fixed assets when such accounts are opened in books of Head Office.

(ii) Goods amounting to Rs. 7,500 transfer from Kolkata Branch to Delhi Branch under the instruction from Head Office.

(iii) The Delhi Branch paid Rs. 2,10,000 for machinery purchased by Head Office in Delhi.

(iv) The Kolkata Branch collected Rs. 8,000 from a Kolkata customer of the Head Office.

(v) Goods of Rs. 20,000 sent by the Head Office to Delhi Branch on 28th March and received by the later on 10th April, 2011. [*Ref* : Q5. (b), June '11 / Paper-5] 5

ACCOUNTING STANDARDS

Objective -Type Questions :

Q1. Match the following :

I	AS—1	I	Contingencies and events occuring after the Balance Sheet date.
II	AS—3	II	Accounting for Fixed Assets.
III	AS—4	III	Disclosure of Accounting policies.
IV	AS—10	IV	Cash flow statement.

[*Ref* : Q1. (d), Dec. '08 / Paper-5] 4

Q2. Match the following :

1.	AS-7	(i)	Earning per Share
2.	AS-9	(ii)	Construction Contracts (Revised)
3.	AS-19	(iii)	Revenue Recognition
4.	AS-20	(iv)	Leases

[*Ref* : Q1. (c), June '09 / Paper-5] 3

Q3. State whether the following statements are true or false :
(i) AS-26 applies when computer software is acquired for sale in the ordinary course of business.
(ii) Cost incurred in salaries / wages in internally generated software are included in the cost computation.

[*Ref* : Q1. (g), June '09 / Paper-5] 3

Q4. Match the following :

(i)	AS-4	(1)	Disclosure of Accounting policies.
(ii)	AS-10	(2)	Contingencies and events occurring after balance Sheet date.
(iii)	AS-26	(3)	Accounting for Fixed Assets.
(iv)	AS-1	(4)	Intangible assets.

[*Ref* : Q1. (g), Dec. '09 / Paper-5] 4

Q5. Match the following :

(i)	AS-20	(A)	Construction Contract
(ii)	AS-13	(B)	Net Profit or Loss for the period, prior period items & change in accounting Policies.
(iii)	AS-7	(C)	Earning Per Share (EPS)
(iv)	AS-5	(D)	Accounting for Investment.

[*Ref* : Q1. (b), June '10 / Paper-5] 1×4=4

Q6. What are the various activities classified as per AS 3 (Revised) related to Cash Flow Statement?

[*Ref* : Q1. (e), June '10 / Paper-5] 3

Q7. Fill up the Blanks :

(i) As per AS-6 when there is a change in the method of providing depreciation, the differential amount of depreciation would have __________ effect.

(ii) As per AS-6 when there is a change in the estimated useful life of the asset the, differential would be calculated __________ .

(iv) Amalgamation Adjustments Account is opened in the books of the transferee company to incorporate ____________ . [*Ref* : Q5. (a), June '10 / Paper-5] 1+1+1=3

Q8. State whether the following statements are "True" or "False".

(i) A change in the accounting policy should be made when the statute so reauires.

(ii) As per AS-10 when a fixed asset is revalued, other assets should not be revalued.

[*Ref* : Q5. (b), June '10 / Paper-5] 1+1=2

Q9. Correct the following Statements :

(i) As per AS-19 in Finance Lease depreciation on the leased asset is allowed to the lessor as he is the owner of the asset. [*Ref* : Q5. (c)(iv), June '10 / Paper-5] 1

Q10. State whether the following statements are True (T) or False (F) :

As per AS-2 inventory is valued at the lower of net realizable value and current replacement cost. [*Ref* : Q1. (a) (iv), Dec. '10 / Paper-5] 1

Q11. State the method of preparing Cash Flow statement. [*Ref* : Q1. (d), Dec. '10 / Paper-5] 1

Q12. AS-6 is related to :

(A) Valuation of inventories

(B) Accounting for Construction Contracts

(C) Cash Flow Statements

(D) Depreciation accounting [*Ref* : Q1. (f) (iv), Dec. '10 / Paper-5] 1

Q13. Operating or Finance lease comes under provision of AS-13.

[*Ref* : Q1. (a) (iii), June '11 / Paper-5] 1

Q14. Match the following :

(i)	AS-4	A.	Accounting for construction contract
(ii)	AS-7	B.	Accounting for Fixed Assets
(iii)	AS-10	C.	Contingency and events occurring after Balance Sheet date
(iv)	AS-31	D.	Interim Financial Reporting
(iv)	AS-14	E.	Accounting for Amalgamation
		F.	No matching statements found

[*Ref* : Q1. (c), June '11 / Paper-5] 1×5=5

Descriptive & Practical Questions :

Q1. Mention any five areas in which different accounting policies may be adopted by different enterprises. [*Ref* : Q3. (b), Dec. '08 / Paper-5] 5

Q2. Segment reporting. [*Ref* : Q8. (d), Dec. '08 / Paper-5] 5

Q3. State clearly the provisions contained in the Accounting Standard in respect of Revaluation of fixed Assets. [*Ref* : Q6. (b), June '09 / Paper-5] 5

Q4. Disclosure requirement in a case where the companies do not comply with Accounting standard. [*Ref* : Q8. (d), June '09 / Paper-5] 3

Q5. State whether the following statements are "True" or "False".

(i) A change in the accounting policy should be made when the status so requires.

(ii) In consignment sales, revenue should be recognised only the goods are sold to third party.

(iii) As per AS-10 when a fixed asset is revalued, other assets should not be revalued.

[*Ref* : Q5. (b)(i)(ii)(iii), June '10 / Paper-5] 5

Q6. Fill up the Blanks :

(i) As per AS-6 when there is a change in the method of providing depreciation, the differential amount of depreciation would have __________ effect.

(ii) As per AS-6 when there is a change in the estimated useful life of the asset the, differential would be calculated __________ . [*Ref* : Q5. (a)(i)(ii), June '10 / Paper-5] 5

Q7. What is sale & lease back? Enumerate accounting treatment of sale & lease back undr AS-19.

[*Ref* : Q3. (b), Dec. '09 / Paper-5] 5

Q8. As per AS-14 what are the conditions to be fulfilled in case of Amalgamation in the nature of merger? [*Ref* : Q2. (b), June '10 / Paper-5] 4

Q9. Correct the following Statement :

As per AS-19 in Finance Lease depreciation on the leased asset is followed to the lessor as he is the owner of the asset. [*Ref* : Q5. (c)(iv), June '10 / Paper-5] 5

Q10. Give the proforma entries of Cash Flow Statement as per AS-3.

[*Ref* : Q6. (b), June '10 / Paper-5] 5

Q11. Match the following :

(i)	AS-3	(1)	Accounting for Research and Development
(ii)	AS-7	(2)	Revenue Recognition
(iii)	AS-9	(3)	Accounting for Construction Contracts
(iv)	AS-8	(4)	Cash Flow Statements
(iv)	AS-5	(5)	Contingencies and Events Occuring after Balance Sheet date

[*Ref* : Q2. (b), Dec. '10 / Paper-5] 5

Q12. A limited company finds that the stock sheets as on 31.3.2010 had included an item twice, the cost of which was Rs. 50,000.

You are asked to suggest, how the error would be dealt with in the accounts for the year ended on 31.3.2010. [*Ref* : Q6. (b), Dec. '10 / Paper-5] 2

Q13. While preparing the financial statements of X Co. Ltd, for the year ended 31.12.2009, you came across the following information. State with reasons, how you would deal with them in the financial statements;

There was a major theft of stores valued at Rs. 20 lakhs in the preceding year which was detected only during the current accounting year ended on 31.12.2009.

[*Ref* : Q6. (c), Dec. '10 / Paper-5] 3

Q14. Write shor notes on :

Disclosures necessary under AS-7. [*Ref* : Q8. (b), Dec. '10 / Paper-5] 5

Q15. Define Computer Software and explain what should be the period of amortisation of the computer software. [*Ref* : Q7. (b), Dec. '10 / Paper-5] 5

Q16. What is geographical segment as per AS-17? [*Ref* : Q2. (b), June '11 / Paper-5] 4

Q17. Lakshmi Bank has followed the policies for retirement benefits as under :

(i) Contribution to pension fund is made based on actual valuation at the year end. In respect of employees who have opted for pension scheme.

(ii) Contribution to the gratuity fund is made based on actuarial valuation at the year end.

(iii) Leave encashment is accounted for on "PAY-AS-YOU-GO" method.

Comment whether the policy followed by Bank in the above cases are in accordance with AS-15. [*Ref* : Q6. (b), June '11 / Paper-5] 3

JOINT STOCK COMPANIES

Objective -Type Questions :

Q1. Distinguish between shares and stock. [*Ref* : Q1. (a), Dec. '08 / Paper-5] 3

Q2. What is meant by Revesionary Bonus? [*Ref* : Q1. (e), Dec. '08 / Paper-5] 3

Q3. Choose the correct answer :
The excess amount received over the face value of shares, should be credited to
(i) Current Liabilities;
(ii) Currents Assets;
(iii) Reserves & Surplus;
(iv) Securities Premium Account. [*Ref* : Q1. (b), June '09 / Paper-5] 3

Q4. Can dividend be declared out of Security Premium Account?
[*Ref* : Q1. (e), June '09 / Paper-5] 3

Q5. State whether the following statements are true or false :
(i) Capital Redemption Reserve Account is created to meet legal requirements.
(ii) Partly paid-up preference shares can be redeemed.
(iii) Capital Redemption Reserve Account cannot be utilised for issuing fully paid bonus shares.
[*Ref* : Q1. (h), June '09 / Paper-5] 3

Q6. Fill in the blanks :
Final Accounts of a company are prepared according to __________ of the Companies Act, 1956. [*Ref* : Q1. (c) (ii), Dec. '09 / Paper-5] 1

Q7. Can dividend be declared out of profit on :
(i) revaluation of Fixed assets, and
(ii) on re-issue of forfeited shares? [*Ref* : Q1. (d) , Dec. '09 / Paper-5] 3

Q8. Answer the following :
(i) When interest on own debtntures becomes due it will be credited to
(A) Profit & Loss Account
(B) Own Debentures Account
(C) Debentures Interest Account
(D) Interest on own Debentures Account

(ii) Profit prior to incorporation is transferred to
(A) General Reserve
(B) Capital Reserve
(C) Profit & Loss Account

(D) Development Reserve

(iii) Free Reserves include

(A) Securities Premium

(B) Revaluation Reserve

(C) Capital Reserve

(D) All of the above [*Ref* : Q1. (a), June '10 / Paper-5] 1×3=3

Q9. Fill up the blanks :

A company cannot redeem preference shares unless the are __________ paid up.

[*Ref* : Q1. (d)(i), June '10 / Paper-5] 1

Q10. State any four purposes for which the Securities Premium Account balance may be applied by a company. [*Ref* : Q1. (g), June '10 / Paper-5] 4

Q11. What are the rates of interest in respect of the following :

(i) Calls in advance

(ii) Calls in arrear [*Ref* : Q1. (f), June '10 / Paper-5] 1

Q12. State whether the following statements are "True" or "False" :

Bonus shares can be issued out of **Capital Redemption Reserve** even before the redemption of Preference Shares. [*Ref* : Q5. (b), June '10 / Paper-5] 1

Q13. State whether the following statement are True (T) or False (F) :

(i) Preference shares may be redeemed from the securities premium.

(ii) Life membership fee may be capitalized and shown in Balane Sheet in liabilities side.

[*Ref* : Q1. (a), Dec. '10 / Paper-5] 1+1

Q14. Fill up the blank :

Turnover ratios are also known as __________ ratios.

[*Ref* : Q1. (b), Dec. '10 / Paper-5] 1

Q15. Explain the following in single sentences :

Buy Back of shares. [*Ref* : Q1. (c), Dec. '10 / Paper-5] 1

Q16. State whether the following statements are 'TRUE' (T) or 'FALSE' (F) :

(i) The issue of shares at a discount must be authorized by a special resolution of the company.

[*Ref* : Q1. (a), June '11 / Paper-5] 1

Q17. From the four alternative answers given against each statement indicate the correct alternative :

(i) Transfer to Capital Redemption Reserve is not allowed from

(A) General Reserve

(B) Profit prior to incorporation

(C) Reserve Fund

(D) None of the above. [*Ref* : Q1. (b), June '11 / Paper-5] 1

(ii) Goodwill in case of joint stock company is shown under asset side under the heading
(A) Fixed Assets
(B) Investments
(C) Current Assets
(D) None of the above [*Ref* : Q1. (b), June '11 / Paper-5] 1

Q18. State the conditions to be satisfied for payment of dividend out of capital profits.
[*Ref* : Q1. (e), June '11 / Paper-5] 2

Descriptive & Practical Questions :

Q1. Mention any five purposes for which share premium account can be utilised.
[*Ref* : Q3. (a), Dec. '08 / Paper-5] 5

Q2. The summarized balance sheet of A Co. Ltd. as on 30th June 2008 is as under :

Share Capital :	
10% redeemable preference shares of Rs. 100 each	10,00,000
Equity shares of Rs. 10 each	15,00,000
12% Debentures	7,00,000
Revenue reserves	40,00,000
Total	72,00,000
Represented by Net assets	72,00,000

The redeemable preference shares were due for redemption on 31st August 2008 and were redeemed and duly paid off. The company is permitted to redeem the debentures at any time at a premium of 10% and did so on 30th September 2008.

The company was in a reasonably liquid position but to assist in providing funds for redemption of the redeemable preference shares, a rights issue of equity shares was made. 20000 equity shares were issued for cash at a premium of Rs. 20 per share, Rs. 12.50 payable on application on 15th July 2008 and the balance on allotment on 31st July 2008. All cash due was received on the due dates.

During the three months ended 30th September 2008, the company traded at a profit of Rs. 2,50,000.

Required :

(i) Pass journal entries (including cash transactions) showing the relevant entries in respect of the above.

(ii) Prepare summarized balance sheet of the company as on 30th September 2008.
[*Ref* : Q7. (a), Dec. '08 / Paper-5] 10

Q3. Reserve Capital. [*Ref* : Q8. (e), June '09 / Paper-5] 3

Q4. Bonus shares. [*Ref* : Q8. (c), Dec. '08 / Paper-5] 3

Q5. Discuss the conditions of Companies Act with regard to buy-back of shares.
[*Ref* : Q7. (b), June '09 / Paper-5] 5

Q6. (a) The following is the balance sheet of Sachin Ltd. as on 31..03.2008 :

Liabilities	Rs.	Assets		Rs.
Share Capital :		**Fixed Assets :**		
Authorised		Gross Block	6,00,000	
20,000 10% redeemable preference		*Less* : Depreciation	2,00,000	4,00,000
share of Rs. 10 each	2,00,000	Investments		2,00,000
1,80,000 Equity Shares of		**Current Assets,**		
Rs. 10 each	18,00,000	**Loans & Advances :**		
	20,00,000	Inventory	50,000	
Issued, Subscribed and		Debtors	50,000	
paid up capital ;		Cash & Bank balances	1,00,000	2,00,000
20,000, 10% redeemable		**Miscellaneous Expenditure**		
preference share of Rs. 10 each	2,00,000	to the extent not written off		40,000
20,000 equity shares of Rs. 10 each	2,00,000			
Reserve and Surplus :				
General Reserve	2,40,000			
Securities premium	1,40,000			
Profit and Loss Account	37,000			
Current Liabilities & Provision :	23,000			
Total	**8,40,000**	**Total**		**8,40,000**

For the year ended 31.3.2009, the company made a net profit of Rs. 30,000 after providing for Rs. 40,000 depreciation and writing off miscellaneous expenditure of Rs. 40,000. The following additional information is available with regard to company's operation.

(1) The preference dividend for the year ended 31.3.2009 was paid before 31.3.2009.

(2) Except cash & balances, other current assets and current liabilities on 31.3.2009, was the same as on 31.3.2008.

(3) The company redeemed the preference share at a premium of 10%.

(4) The company issued bonus shares in the ratio of 1 share of every two equity shares held as on 31.3.2009.

(5) To meet the cash requirements of redemption, the company sold a portion of the investments, so as to leave a minimum balance of Rs. 60,000 after such redemption.

(6) Investments were sold at 90% cost as on 31.3.2009.

Prepare :

(i) Necessary Journal entries to record redemption and issue of shares.

(ii) Cash & Bank Account.

(iii) Balance Sheet as on 31.3.2009. [*Ref* : Q4. (a), Dec. '09 / Paper-5] 10

(b) Enumerate the objectives of Buy back of shares. [*Ref* : Q4. (b), Dec. '09 / Paper-5] 5

Q7. State the respective heads of the following items in the Balance sheet of a company :

(i) Loose Tools, (ii) Discount of issue of shares, (iii) Mortgage loan, (iv) Interest Accrued but not due on loans, (v) Public Deposit. [*Ref* : Q7. (b), Dec. '09 / Paper-5] 5

Q8. Adarsh Ltd., was formed with an authorized capital of Rs. 30,00,000 divided into equity shares of Rs. 10/- each. The company invited applications for 2,00,000 equity shares of Rs. 10 each at a premium of 20%. The money was payable as follows :

On application Rs. 5, on allotment Rs. 4 (including premium of Rs. 2), Rs. 2 on first call and rest on the final call.

Applications were received for 2,40,000 shares and allotment was made as under :

(a) To applicants for 1,00,000 shares in full;

(b) To applicants for 80,000 shares — 60,000 shares were allotted;

(c) To the applicants for 60,000 shares, the rest of the shares were allotted.

Applicants for 1,000 shares in the (a) category and applicants for 1,200 shares falling in category (b) failed to pay the allotment monies. These shares were forfeited on their failure to pay the first call. Holders of 1,200 shares in category (c) failed to pay the first and final call and these shares were also forfeited after the final call. Of the shares forfeited 1,300 shares were re-issued @ of Rs. 8/- per share as fully paid up. The re-issued shares included 1,000 shars of category (a).

Journalise the above transactions and also show the Cash Book.

[*Ref* : Q6. (a), June. '10 / Paper-5] 10

Q9. Write short notes on :

(a) Capital Redemption Reserve;

(b) Cum-interest and ex-interest price. [*Ref* : Q8. (b)(c), June. '10 / Paper-5] 5×2

Q10. State any four purposes for which the Securities Premium Account balance may be applied by a company. [*Ref* : Q1. (g), June '10 / Paper-5] 4

Q11. KC Limited has declared 15 percent dividend 'on equity-share capital of Rs. 20,00,000 (dividend into shares of Rs. 100 each) for the year ending 31st March, 2010 and despatched dividend warrants on 18th July, 2010 by opening a separate bank account on the day. A person holding 800 equity shares did not claim the amount of his share of dividend.

What journal entries will be passed in the books of the company for declaration and the despatch of dividend warrents and transferring the unclaimed amount to Unclaimed Dividend Account? What further journal entry will be passed in the books of the company when the unclaimed amount is not claimed by the claiment within stipulated time U/s 205(A)(5) of 7 years. Corporate dividend tax may be taken at 17 percent (gross). [*Ref* : Q3. (a), Dec. '10 / Paper-5] 8

Q12. Following is the Balance Sheet of Madox Ltd. as at 31.3.2011 ;

(Fig. in Rs.)

Liabilities		*Assets*	
1 lakh Equity shares of Rs. 10 each fully paid	10,00,000	Fixed Assets	12,80,000
		Current Assets	10,20,000
5,000, 12% Redeemable Preference Shares of Rs. 100 each	5,00,000	Bank	3,30,000
Securities Premium	1,00,000		
Profit & Loss A / c	5,50,000		
	26,30,000		26,30,000

On 1.4.2011, the company issued further 30,000 equity shares @ Rs. 10 per share at a premium of Rs. 5 per share. The amount payable was Rs. 6 on application, Rs. 7 on allotment including premium and the balance on first and Final Call. Application were received for 45,000 shares. Application money of 5,000 shares were refunded. Pro-rata allotment was made. The excess application money were adjusted towards allotment. Mr. X holding 3,000 shares failed to pay the allotment money and his shares were forfeited after final call and thereafter, out of these shares 2,000 shares were re-issued at a discount of Rs. 3 per share.

Preference shares were redeemed at a premium of 10%.

Considering the above transactions, show journal entries and the Balance Sheet in the books of Madox Ltd. [*Ref* : Q6. (a), June '11 / Paper-5] 12

Q13. Write short notes on :

(a) Treatment of past losses of limited companies;

(b) Source of Buy-back of shares;

(c) Rebate on Bills discounted. [*Ref* : Q8. (b, c, d), June '11 / Paper-5] 5×3

PREPARATION OF COMPANY ACCOUNTS

Objective -Type Questions :

Q1. Answer the following :

Profit prior to incorporation is transferred to

(A) General Reserve

(B) Capital Reserve

(C) Profit & Loss Account

(D) Development Reserve [*Ref* : Q1. (a)(iii), June, '10 / Paper-5] 1

Q2. Answer the following :

Free Reserves include

(A) Securities Premium

(B) Revaluation Reserve

(C) Capital Reserve

(D) All of the above [*Ref* : Q1. (a)(v), June, '10 / Paper-5] 1

Q3. Fill in the blank :

Tax deducted at source, from interest on investment is shown under __________ in Schedule VI. [*Ref* : Q1. (d)(iii), June, '10 / Paper-5] 1

Q4. State whether the following statements are true or false :

(i) The valuation balance sheet is preapred every year.

(ii) Calls in arrear is shown in the balance sheet under the heading current assets.

[*Ref* : Q1. (e)(ii)(iv), Dec. '09 / Paper-5] 1+1

Q5. Fill up the blank :

Tax deducted at source, from interest on investment is shown under __________ in Schedule VI. [*Ref* : Q1. (d)(iii), Dec. '10 / Paper-5] 1

Q6. Choose the appropriate anser in each case from the given alternative answers (= 1 mark) and also give reason for your choice (= 1 mark) :

The net tangible assets of a business is worth Rs. 1,50,000. The average expected profit to be earned in future is Rs. 30,000 p.a. If the market rate of return is 15%, the value of goodwill is

(A) Rs. 2,00,000 (B) Rs. 2,25,000 (C) Rs. 50,000 (D) None of these.

[*Ref* : Q1. (d)(iii), June '11 / Paper-5] 2

Descriptive & Practical Questions :

Q1. Preparation the Balance Sheet as at 31st March, 2008 from the particulars furnished by Vision Ltd., as per Schedule VI of Companies Act.

		Rs.
Equity Share Capital (Rs. 10 each fully paid)		8,00,000
Calls in arrear		800
Land		1,60,000
Building		2,80,000
Plant & Machinery		4,20,000
Furniture		40,000
General Reserve		1,68,000
Loan from IDBI		1,20,000
Loans (Unsecured)		96,800
Provision for Taxation		54,400
Sundry Debtors		1,60,000
Advances (Dr.)		34,160
Proposed dividend		48,000
Profit & Loss A / c.		80,000
Cash balance		24,000
Cast at Bank		1,97,000
Preliminary Expenses		10,640
Sundry Creditors (For goods & expenses)		1,60,000
Stock :		
Finished goods	1,60,000	
Raw material	40,000	2,00,000

Adjustment :

(i) 1500 equity shares were issued for consideration other than cash.

(ii) Loan of Rs. 1,20,000 fro IDBI is inclusive of Rs. 6,000 for interest accrued but not due. The loan is hypothecated by plant & machinery.

(iii) Debtors of Rs. 50,000 are due for more than six months.

(iv) The cost of assets :

	Rs.
Building	3,20,000
Plant & Machinery	5,60,000
Furniture	50,000

(v) Bank balance includes Rs. 2,000 with Trust Bank Ltd., which is not a schedule Bank.

(vi) Bills receivable for Rs. 2,20,000 maturing on 30th June, 2008 have been discounted.

(viii) The company had contract for the erection of machinery at Rs. 1,50,000 which is still incomplete. [*Ref* : Q2. (a), June '09 / Paper-5] 10

Q2. State the respective heads of the following items in the Balance sheet of a company :
(i) Loose Tools, (ii) Discount of issue of shares, (iii) Mortgage loan, (iv) Interest Accrued but not due on loans, (v) public Deposit. [*Ref* : Q7. (a), Dec. '09 / Paper-5] 5

Q3. Write note on :
Memorandum revaluation account. [*Ref* : Q8. (a), Dec. '09 / Paper-5] 3

ACCOUNTING SERVICES IN ORGANIZATIONS

Objective -Type Questions :

Q1. Match the following items shown below :

I	Cash Reserve	I	Electric Supply Co.
II	Clear Profit	II	Construction Company
III	Escalation clause	III	Banking Company

[*Ref* : Q1. (b), Dec. '08 / Paper-5] 3

Q2. Choose the correct answer :

The amortization of amount of software commences from the date when it is

(i) available for use

(ii) put to use

(iii) developed upto 75%. [*Ref* : Q1. (c), Dec. '08 / Paper-5] 3

Q3. What are the various activities classified as per AS-3 (Revised) related to Cash Flow Statement?

(i) Calls in advance

(ii) Calls in arrear [*Ref* : Q1. (f), June. '10 / Paper-5] 1

Q4. State whether the following statements are true or false :

(i) All Insurance contracts are contracts of indemnity.

(ii) A banking company cannot grant any loan or advances on the security of its own shares.

[*Ref* : Q1. (e), Dec. '09 / Paper-5] 1+1

Q5. Fill up the blank :

Unclaimed dividend is shown under __________ head in the Balance Sheet of a banking company. [*Ref* : Q1. (d), June '10 / Paper-5] 1

Q6. Correct the following Statements :

(i) Depreciation Accounting is the process of valuation of the asset and not the proces of allocation.

(ii) In the Profit and Loss Account of a Banking Company Provisions and Contingencies are shown in Schedule 17. [*Ref* : Q5. (c), June '10 / Paper-5] 1+1

Q7. State whether the following statements are True (T) or False (F) :

The Contract of insurance is a contract of guarantee. [*Ref* : Q1. (a), Dec. '10 / Paper-5] 1

Q8. Fill up the blanks :

The "Average Clause" is applicable when the actual loss is __________ than the sum assured.

[*Ref* : Q1. (b), Dec. '10 / Paper-5] 1

Q9. From the four alternatives given against each statement, choose the correct alternative :

As per Section 17 of Banking Companies Act, an Indian Banking company prior to declaration of dividend must transfer to reserve fund the following percentage of profit.

(A) 10% (B) 20% (C) 25% (D) 30% [*Ref* : Q1. (f), Dec. '10 / Paper-5] 1

Q10. State whether the following statements are 'TRUE' (T) or 'FALSE' (F) :

(i) For life business premium income is to be recognized on receipt basis.

(ii) A Banking company cannot grant any loans on securities of its own shares.

[*Ref* : Q1. (a), June '11 / Paper-5] 1

Q11. From the four alternative answers given against each statement indicate the correct alternative :

(i) Survey expenses for marine insurance claims must be

(A) added to claim

(B) added to Legal charges

(C) added to Administrative expenses

(D) None of the above

(ii) A non-performing asset is

(A) Money at call and short notice

(B) An asset that ceases to generate income

(C) Cash balance in till

(D) None of the above [*Ref* : Q1. (b), June '11 / Paper-5] 1+1

Descriptive & Practical Questions :

Q1. Distinguish between Statutory Reserve and Cash Reserve in respect of Banking Companies.

[*Ref* : Q5. (b), Dec. '08 / Paper-5] 5

Q2. Escrow Account. [*Ref* : Q8. (a), June '08 / Paper-5] 3

Q3. Statutory Reserve in case of Bank. [*Ref* : Q8. (c), June '08 / Paper-5] 3

Q4. Kanpur Electric Supply Company rebuild and reequipped one of their plant at a cost of Rs. 80,00,000. The old plant thus, superceded, cost of Rs. 30,00,000. The capacity of new plant is thrice of the old plant. Rs. 1,00,000 realised from sale of old materials. Four old motors valued at Rs. 2,00,000 salvaged from old plant, were used in the construction. The cost of labour and material was respectively 20% and 25% lower than now.

The proportion of labour to material in the plant then and now in 2 : 1. Show the journal entries for recording the above transactions if accounts are maintained under double entry system.
[*Ref* : Q3. (a), Dec. '08 / Paper-5] 10

Q5. Double Accounting system. [*Ref* : Q8. (b), Dec. '08 / Paper-5] 3

Q6. Following balance have been extracted from the books of an electricity company at the end of 2007 :

	(Figures in '000)
Share Capital	1,00,000
Reserve fund (investment in 4.5% Govt. securities at par)	50,00
Contingencies reserve investment in 5% State Loan	10,00
8% debenture	20,00
Loan from State Electricity Board	40,00
Development Reserve	10,00
Fixed Assets	2,00,00
Depreciation reserve on fixed assets	50,00
Consumer deposit	55,00
Amount contributed by consumer for fixed assets	1,00
Intangible assets	5,00
Tariffs and dividend control reserve	5,00
Current Assets (monthly average)	20,00

The compnay earns a profit of Rs. 8,50,000 (after tax) in 2007. Show how the profit is to be dealt with by the company, assuming bank rate is 5%. [*Ref* : Q5. (a), Dec. '08 / Paper-5] 10

Q7. Re-insurance. [*Ref* : Q8. (a), Dec. '08 / Paper-5] 3

Q8. From the following information, prepare the Profit and Loss Account of German Bank Ltd. for the year 31st March, 2009 :

	Rs.
Interest on Loans	2,56,000
Interest on Fixed Deposits	2,75,000
Commission	5,200
Establishment	54,000
Discount on Bills discounted	1,46,000
Interest on Cash Credit	2,23,000
Interest on Current Accounts	42,000
Rates and taxes	18,000

Interest on Overdrafts	1,54,000
Directors' Fees	3,000
Auditors' Fees	1,200
Interest on Savings Bank Deposits	68,000
Postage and Telegrams	1,400
Printing and Stationary	2,900
Sundry Charges	1,700
Income from Investments	2,000
Profit on Sale of Investment	4,000

Bad Debts to be written off amounted to Rs. 40,000 provision for taxation may be made @ 55%.
[*Ref* : Q2. (a), Dec. '09 / Paper-5] 10

Q9. Explain the accounting treatment to be made with regard to Interest on Doubtful Debts regarding Banking Companies. [*Ref* : Q5. (b), Dec. '09 / Paper-5] 5

Q10. Write note on :
Valuation balance sheet. [*Ref* : Q8. (c), Dec. '09 / Paper-5] 5

Q11. CESC Ltd. laid down a main at a cost of Rs. 25,00,000. Some years later, the company laid down an auxiliary main for one-fifth of the length of the old main at a cost of Rs. 7,50,000. At the same time, it also replaced the rest of the length of the old main at a cost of Rs. 30,00,000 using in addition the materials of the old main amounting to Rs. 50,000. The cost of materials and labour having gone up by 15%. Sale of old materials realized Rs. 40,000. Materials of the old main valued at Rs. 25,000 were used in the construction of the auxiliary main.

Give journal entries for recording the above transactions and also draw up the Replacement A/c. [*Ref* : Q2. (a), June '10 / Paper-5] 11

Q12. Write short note on :
Capital Adequacy Ratio. [*Ref* : Q8. (a), June '10 / Paper-5] 5

Q13. Describes how the classification of investments is done by a Banking Company.
[*Ref* : Q4. (b), Dec. '10 / Paper-5] 5

Q14. Credential General Insurance Co. supplies you the following information. You are asked to show the amount of claim as it would appear in the Revenue Account for the year ended 31.3.2010.

		Direct business Rs.	Indirect business Rs.
Claims paid during the year :		90,10,000	12,40,000
Claims payable -	1.4.09	15,08,500	1,55,000
	31.3.10	17,25,000	65,500
Claims received :		—	3,60,000
Claims receivable-	1.04.09	—	95,000
	31.3.10	—	1,90,500
Expenses of the management - (included Rs. 61,500 as Surveyo's fees and Rs. 78,300 as legal expenses for settlement of claims)		4,10,000	

[*Ref* : Q6. (a), June '10 / Paper-5] 10

Q15. Write short note on :

Non-Banking Assets. [*Ref* : Q8. (a), June '10 / Paper-5] 5

Q16. State the main characteristics of the Book Keeping system of Banks.

[*Ref* : Q4. (d), June '11 / Paper-5] 4

Q17. The Revenue Account of Sunlife Insurance Company shows the Life Insurance Fund on 31.3.2011 at Rs. 75,20,400 before taking into account the following items :

(i) Claim covered under re-insurnace — Rs. 17,000

(ii) Bonus utilized in reduction of life insurance premium — Rs. 6,300

(iii) Interest accrued on securities — Rs. 13,240

(iv) Outstanding premium — Rs. 10,180

(v) Claim intimated but not admitted — Rs. 32,400

Calculate the assurance fund considering the above omissions.

[*Ref* : Q7. (b), June '11 / Paper-5] 5

Q18. Write short note on :

'Capital Base' of Electric Supply companies. [*Ref* : Q8. (a), June '11 / Paper-5] 5

ACCOUNTING INTERPRETATION OF FINANCIAL STATEMENTS

Objective -Type Questions :

Q1. Solvency Ratio. [*Ref* : Q8. (b), June '08 / Paper-5] 3

Q2. Fill up the blank :

Turnover ratios are also known as ________ ratios.

[*Ref* : Q1. (b)(v), Dec. '10 / Paper-5] 1

Q3. Explain the following in single sentences.

(i) Stock Turnover ratio

(ii) Price Earning ratio [*Ref* : Q1. (c)(i), (v), Dec. '10 / Paper-5] 1+1

Q4. Choose the appropriate answer in each case from the given alternative answers (= 1 mark) and also give reason for your choice (= 1 mark) :

(i) If the current ratio is 2.4 : 1 and net working capital is Rs. 3,50,000, the amount of current assets will be

(A) Rs. 4,90,000 (B) Rs. 8,40,000 (C) Rs. 6,00,000 (D) None of these.

[*Ref* : Q1. (d)(i), June '11 / Paper-5] 3

Descriptive & Practical Questions :

Q1. From the following information relating to ND Ltd, prepare a Balance Sheet as on 31.12.2007.

Current Ratio — 2

Fixed Assets / Shareholders' net worth — .60

Reserve & Surplus / share capital — .25

Average Debt collection period — 2 months

G. P. Ratio — 25%

Cost of sales / closing stock — 9 times

Net working Capital — Rs. 4,00,000

Liquid Ratio — 1.5 [*Ref* : Q2. (a), Dec. '09 / Paper-5] 10

Q2. The following extracts of financial information relate to Complex Ltd. :

	(Rs. in lakhs)	
Balance Sheet as at 31st March	2008-09	2007-08
	Rs.	Rs.
Share Capital	10	10
Reserves and Surplus	30	10
Loan Funds	60	70
	100	90
Fixed Assets (Net)	30	30

	(Rs. in lakhs)	
Balance Sheet as at 31st March	2008-09	2007-08
	Rs.	Rs.
Current Assets :		
Stock	30	20
Debtors	30	30
Cash at Bank	10	20
Others Current Asset	30	10
	100	80
Less : Current Liabilities	30	20
Net	70	60
Total Assets	100	90
Sales (Rs. lakhs)	270	300

(i) Calculate for the two yers Debt Equity Ratio, Quick Ratio and Working Capital Turnover Ratio.

(ii) Find the Sales volume that should have been generated in 2008-09 if the company were to have maintained its Working Capital Turnover Ratio.

Note : All Current Liabilities are quick liabilities. [*Ref* : Q6. (a), June '08 / Paper-5] 10

Q3. From the following details, prepare the balance sheet of XYZ company :

Stock velocity	6
Capital turnover ratio	2
Fixed asset turnover ratio	4
Gross profit	0.2 months
Debt collection period	2
Creditors turnover ratio	5

The gross profit is Rs. 60,000. Closing Stock is Rs. 5,000 in excess of opening stock.

[*Ref* : Q3. (a), Dec. '09 / Paper-5] 10

Q4. From the following information prepare a statement of Proprietor's Fund :

(i) current ratio 2.5; (ii) Liquid ratio 1.5; (iii) Proprietory ratio (Fixed Assets / Proprietory Fund) 9.75; (iv) Working capital Rs. 90,000; (v) Reserves and Surplus Rs. 60,000; (vi) Bank Overdraft Rs. 20,000; (vii) There is no long term loan or fictitious assets.

[*Ref* : Q3. (b), Dec. '10 / Paper-5] 8

Q5. From the following information, you are required to calculate the amount of net worth, current liabilities, long-term debt, fixed assets, current assets, inventory and debtors :

Current ratio — 2.5 : 1

Sales / Net worth — 4 times

Sales to Inventory — 20 times

Annual sales — Rs. 40,00,000

Reserves and surplus – Rs. 3,50,000

Net worth / current liabilities — 5 times

Fixed assets to net worth — 75%

Total debts to Proporietors' ratio — 50%

Debtors velocity – 12 times

Fictitious assets — Rs. 50,000

75% of sales were on credit. [*Ref* : Q7. (a), June '11 / Paper-5] 7