Note: The question paper is divided into two sections A and B. Attempt all questions of Section A and any one question of Section B:

Section A

Note: All questions are compulsory

1. Give an example each of capital expenditure and revenue expenditure. 1

2. What is the legal provision of Profit sharing ratio if nothing is given in ‘Partnership Deed’? 1

3. A student of Accountancy feels that a Simple Cash Book always shows a credit balance. Give your opinion. 2

4. Define anyone of the following:
   i) Vouchers
   ii) Supporting Vouchers
   iii) Accounting Vouchers 2

5. What is Bank Reconciliation Statement? 2

6. Give the names of any four assets in liquidity order. 2

7. Give the formulae of ‘Sacrificing ratio’ and ‘Gaining Ratio’. 2

8. Explain in brief the term ‘Accounting’ and give any two differences between bookkeeping and Accounting. 3

9. What is ‘going-concern Assumption’? Explain briefly its significance. 3

10. The Capital of is a business concern is Rs. 1,00,000. The value of assets is Rs. 2,00,000. Complete the accounting equation with four suitable liabilities assuming imaginary figures. 4

11. Suppose the bank account in your ledger shows a credit balance. What will be the effect of following transactions in your pass book balance.
   (i) One of your customers deposit some amount directly into your bank account.
   (ii) Bank Charged interest on the amount overdrawn by you.
   (iii) A cheque deposited last week by you has been dishonoured. Bank charged some amount on account of it.
   (iv) Under your standing instructions Bank paid your insurance premium to the Insurance Company. 4

12. A, B and C are equal partners. B retires on March 1, 1997 and his share is taken over by A and C in the ratio of 3:5. Profits upto Dec.97 is Rs. 18,000. Total
Goodwill of the firm is Rs. 24,000. How much will B get from A and C for goodwill and how much will he get for profit for 1997? Pass necessary journal entries.

13. What is meant by the term ‘Forfeiture of Shares’? Can forfeited shares be reissued at discount? If so, to what extent? Where would you transfer the balance left in the shares forfeited account of the reissue of such shares?

14. A Ltd. Co. having a nominal capital of Rs. 20,00,000 divided into 2,00,000 equity shares of Rs. 10 each, offered to the public for subscription 1,00,000 equity shares at a premium of Rs. 2 per share payable as:

<table>
<thead>
<tr>
<th>On application</th>
<th>Rs.2 per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On allotment</td>
<td>Rs.5 per share (including premium)</td>
</tr>
<tr>
<td>On Ist Call</td>
<td>Rs. 2 per share</td>
</tr>
<tr>
<td>On final Call</td>
<td>Rs. 3 per share</td>
</tr>
</tbody>
</table>

All the shares offered were applied for and allotted. The allotment money was received in full. A shareholder holding 100 shares failed to pay the first call and his shares were forfeited. These shares were reissued at Rs. 6 per share, Rs. 7 per share paid up. Final call has not been made.

Give the necessary journal entries to record the above transactions.

15. The following Trial balance is extracted from the books as on 31st March 98.

<table>
<thead>
<tr>
<th>Name of Account</th>
<th>Dr. balances Rs.</th>
<th>Cr. balances Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Fittings</td>
<td>640</td>
<td>-</td>
</tr>
<tr>
<td>Motor Vehicle</td>
<td>6,250</td>
<td>-</td>
</tr>
<tr>
<td>Building</td>
<td>7,500</td>
<td>-</td>
</tr>
<tr>
<td>Capital</td>
<td>-</td>
<td>12,500</td>
</tr>
<tr>
<td>Bad debts</td>
<td>125</td>
<td>-</td>
</tr>
<tr>
<td>Commission Received</td>
<td>-</td>
<td>575</td>
</tr>
<tr>
<td>Sundry Debtors and Creditors</td>
<td>3,800</td>
<td>2,500</td>
</tr>
<tr>
<td>Stock on 1.4.97</td>
<td>3,460</td>
<td>-</td>
</tr>
<tr>
<td>Purchases and Sales</td>
<td>5,475</td>
<td>15,450</td>
</tr>
<tr>
<td>Bank Overdraft</td>
<td>-</td>
<td>2,850</td>
</tr>
<tr>
<td>Sales and Purchase Returns</td>
<td>200</td>
<td>125</td>
</tr>
<tr>
<td>Advertising</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>Interest Account</td>
<td>118</td>
<td>-</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>650</td>
<td>-</td>
</tr>
<tr>
<td>Taxes and Insurance</td>
<td>1,250</td>
<td>-</td>
</tr>
<tr>
<td>General Expenses</td>
<td>782</td>
<td>-</td>
</tr>
<tr>
<td>Salaries</td>
<td>3,300</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>34,000</td>
<td>34,000</td>
</tr>
</tbody>
</table>
Adjustments:
(a) Stock on hand on 31.3.98 was Rs. 3,250
(b) Depreciate Building at 5%, Furniture and fittings @ 10% and Motor Vehicle by Rs. 1250.
(c) Rs. 85 is due for interest on Bank Overdraft.
(d) Salaries Rs. 300 and Taxes Rs. 120 are outstanding.
(e) Insurance is prepaid to the extent of Rs. 100.
(f) One fifth of the commission received is in respect of the work to be done next year.

Prepare Trading and Profit and Loss Account for the year ended 31\textsuperscript{st} March 98 and Balance Sheet as on that date.

16. A and B Sharing profits in the ratio of 5:3 admit C as a partner with 1/5\textsuperscript{th} share in profits. He has to contribute Rs. 20,000 as his capital. The Balance Sheet of A and B before admission was as follows:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry Creditors</td>
<td>21,000</td>
<td>Goodwill</td>
<td>10,000</td>
</tr>
<tr>
<td>Bills Payable</td>
<td>6,000</td>
<td>Land and Buildings</td>
<td>25,000</td>
</tr>
<tr>
<td>Capitals</td>
<td></td>
<td>Plant and Machinery</td>
<td>30,000</td>
</tr>
<tr>
<td>A 50,000</td>
<td></td>
<td>Stock</td>
<td>15,000</td>
</tr>
<tr>
<td>B 35,000</td>
<td>85,000</td>
<td>Sundry Debtors</td>
<td>20,000</td>
</tr>
<tr>
<td>General Reserve</td>
<td>16,000</td>
<td>Less Reserve</td>
<td>1,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investments</td>
<td>18,500</td>
</tr>
<tr>
<td>Cash 1,28,000</td>
<td></td>
<td>Less Reserve</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investments</td>
<td>9,500</td>
</tr>
</tbody>
</table>

Other terms agreed upon were:
   i) Goodwill of the firm was valued at Rs. 22,000
   ii) Land and Building were valued to be at Rs. 35,000 and Plant and Machinery at Rs. 25,000.
   iii) The provision of bad debts was found to be in Excess by Rs. 400.
   iv) A Liability for Rs. 1,000 included in Sundry Creditors was not likely to arise.
   v) Rs. 12,000 of investments were to be taken over by A and B in their profit sharing ratio.
   vi) B is to withdraw Rs. 3,400 in cash.


OR
A, B and C are partners in a business sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet on 31\textsuperscript{st} March 97 was as follows:

\begin{tabular}{lrr}
\hline
Liabilities & Rs. & Assets & Rs. \\
\hline
Sundry Creditors & 1600 & Cash in hand & 600 \\
General Reserve & 6,000 & Cash at bank & 1,000 \\
Capitals & & Sundry Debtors & 9,000 \\
A & 10,000 & Stock & 7,000 \\
B & 10,000 & Machinery & 6,000 \\
C & 10,000 & Factory Building & 14,000 \\
37,600 & & 37,600 & \\
\hline
\end{tabular}

On that date C retires from business.

It is agreed to adjust the value of assets as follows:

i) To provided a reserve of 5% on Sundry Debtors for doubtful debts.

ii) To depreciate Machinery by 10%.

iii) To revalue Factory Building at Rs. 15,100.

iv) To create a liability for Rs. 350 against bills discounted.

v) To value C’s share of goodwill at Rs. 10,000 and adjust it in Capital Accounts of A and B who are going to share profits and losses equally.

Pass journal entries, prepare Revaluation A/c and Capital A/cs of Partners

17. Prepare Accounting Vouchers:

i) Transfer of Share Application money to share capital A/c Rs. 20,000 and share Allotment money received Rs. 40,000

ii) Prepare Transfer Voucher from the supporting voucher based on 1998 May I Purchased goods from M/s Ajay Brothers vide Bill No. 100/- Rs. 3,000

iii) Prepare a Debit voucher from the supporting voucher based on 1998 May 10 Wages paid vide wage sheet No. 21 Rs. 1,000

iv) Prepare a credit voucher from the following

1998
May 15 Withdraw cash from bank for office use vide cheque No. 1785 Rs. 1,500
Section B

Attempt any one question of section B:

18. a) i. Calculate current Ratio from the Balance Sheet given below:

Balance Sheet

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount Rs.</th>
<th>Assets</th>
<th>Amount Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Reserves</td>
<td>2,00,000</td>
<td>Goodwill</td>
<td>2,40,000</td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>22,000</td>
<td>Cash</td>
<td>2,000</td>
</tr>
<tr>
<td>B/P</td>
<td>18,000</td>
<td>Stock</td>
<td>20,000</td>
</tr>
<tr>
<td>Bank Overdraft</td>
<td>16,000</td>
<td>B/R</td>
<td>40,000</td>
</tr>
<tr>
<td>Outstanding Expendes</td>
<td>60,000</td>
<td>Goodwill</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investments</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>3,42,000</td>
<td></td>
<td>3,42,000</td>
</tr>
</tbody>
</table>

ii) How will you interpret the ratio calculated in the above question?  5

iii) Calculate the funds from operation from the information given below:

Net Profit for the year Rs. 65,000
Profit on sale of Building Rs. 3,550
Goodwill written off Rs. 18,000
Depreciation provided during the year Rs. 65,000
Machinery Costing Rs. 800 sold for Rs. 650

c) Prepare Schedule of changes in working capital and funds flow statement from the information given below:

<table>
<thead>
<tr>
<th>Assets</th>
<th>31.12.96</th>
<th>31.2.97</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>10,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Cash</td>
<td>1,23,000</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Closing Stock</td>
<td>87,000</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>15,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>5,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Land</td>
<td>15,000</td>
<td>27,000</td>
</tr>
<tr>
<td></td>
<td>2,55,000</td>
<td>3,25,000</td>
</tr>
</tbody>
</table>
Liabilities
Creditors 50,000 45,000
B/P 20,000 35,000
Loans (Long-term) 20,000
Capital 1,25,000 1,50,000
P and L A/c 60,000 75,000

\[
\begin{array}{ll}
2,55,000 & 3,25000 \\
\end{array}
\]

19. a) Write short notes on:
   i) Donations
   ii) Entrance fees

   b) i) Calculate what amount of subscription will be posted to Income and Expenditure A/c for the year ending 31\(^{st}\) December 1997: 

   Subscription received during the year
   
   For 1996-Rs.80
   For 1997-Rs.4,220
   For 1998-Rs. 160

   There are 450 members, each paying Rs. 4,460 as annual subscription of Rs. 10, Rs. 90 were in arrears for 1996 at the beginning of 1997.
   
   ii) Why do we prepare Income & Expenditure A/c in place of P&L A/c for Non Trading organization

   c) From the information given below, prepare Income and Expenditure A/c for the year ended Dec. 31, 1997

   Receipts and Payment A/c

   \[
   \begin{array}{lll}
   \hline
   \text{Receipts} & \text{Amounts} & \text{Payments} & \text{Amount} \\
   \text{To bal. b/d} & 2,500 & \text{By General Expenses} & 1,100 \\
   \text{To Entertainment fee} & 1,000 & \text{By Salaries} & 2,500 \\
   \text{To sale of old furniture} & 60 & \text{By Stationery} & 200 \\
   \text{To sale of old newspaper} & 40 & \text{By Newspapers} & 300 \\
   \text{To Donations to Sports Fund} & 4,200 & \text{By Furniture and fittings} & 1,300 \\
   \text{To Subscription} & 2,000 & \text{By maintenance of garden} & 200 \\
   & & \text{By sports Expenses} & 1,000 \\
   & & \text{By sports Investments} & 3,000 \\
   & & \text{By bal. c/d} & 500 \\
   \hline
   \end{array}
   \]

   10,100 10,100
Additional Information:

i) There are 250 members in the club, each paying Rs. 10 as subscription.
ii) Salaries include Rs. 100 for 1996 and Rs. 1.50 for 1998 Salaries outstanding for 1997 Rs. 200.