PART A : ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS, PARTNERSHIP FIRMS AND COMPANY ACCOUNTS

1. List any two features of the Income and Expenditure Account. **(1)**

2. R, S and T entered into a partnership for manufacturing and distributing educational CDs on April 1, 2006. R looked after the business development, S content development and T financed the project. At the end of the year (31-3-2007) R wanted a salary of Rs. 5,000 per month for the additional work he did. The other partners were not inclined to this. How would you resolve this within the ambit of the Indian Partnership Act,1932? **(1)**

3. A and B are partners sharing profits in the ratio of 5 : 4. They admit C for 1/9th share, which he acquires, from A. Find the new profit sharing ratio. **(1)**

4. A, B and C are partners sharing profits in the ratio of 4:3:2. B retires and the goodwill of the firm is valued at Rs. 18,000. Pass journal entry for the treatment of goodwill on B's retirement. **(1)**

5. When does a company forfeit its shares? **(1)**

6. Calculate the amount to be debited to Income and Expenditure Account under the heading Stationery for the year 2006--2007 in respect of the Netaji Club:

Stock of Stationery on 1-4-2006 Rs. 14,300
Stock of Stationery on 3 1-3-2007 Rs. 9,500
Paid for Stationery during the year Rs. 27,900
Creditors for supplies of Stationery 3 1-3-22007 Rs. 6,500 **(3)**

7. Somaly Ltd. bought the business of Romaly Ltd. on 1-4-2007 consisting of Sundry Assets of Rs. 5,60,000 and creditors Rs. 1,00,000. Rs. 1,00,000 was paid in cash on 3-4-2007 and for the balance 6% Debentures were issued at a premium of 20% on 5-4-2007. Pass necessary journal entries in the books of Somaly Ltd. for the above mentioned transactions. **(3)**

8. On 1-4-2005 Jhankar Ltd. had made an issue of 2000, 6% debentures of Rs. 100 each. The company during the year 2006-07 purchased for cancellation 500 of these debentures. The company paid Rs. 95 per debenture for 400 debentures and Rs. 98 per debenture for the rest. The expenses on purchase amounted to Rs. 200. Pass journal entries in the books of the company for the period 2006 — 07. **(3)**

9. A, B and C were partners in a firm having capitals of Rs. 60,000, Rs. 60,000 and Rs. 80,000 respectively. Their current account balances were A : Rs. 10,000; B Rs. 5,000 and C : Rs. 2,000 (Dr.) According to the partnership deed the partners were entitled to an interest on capital @ 5%p.a. C being the working partner was also entitled to a salary of Rs. 6,000 p.a. The profits were to be divided as follows:

a). The first Rs. 20,000 in proportion to their capitals;
b). Next Rs. 30,000 in the ratio of5 : 3 :2;
c). Remaining profits to be shared equally.

During the year the firm made a profit of Rs. 1,56,000 before charging any of the above items. Prepare the Profit and Loss Appropriation A/c. **(4)**

10. **(a)**. What is meant by Goodwill?
(b). Explain any two methods of valuation of Goodwill. **(2+2=4)**

11. Rajkumar and Co. forfeited 1000 shares of Rs. 10 each issued at a discount of Re. 1 per share for the nonpayment of the first call of Rs. 3 per share. The final call of Rs. 3 per share has not yet been made. 300 of these shares are reissued at Rs. 6 per share Rs. 7 paid up and 400 reissued at Rs. 8 per share fully paid. Pass journal entries to record the forfeiture and reissue of these shares. **(4)**

12. Prepare an Income and Expenditure Account from the following particulars of Young Achiever's Club: **(6)**

Receipts	Rs.	Payments	Rs.
Balance b/d (1.4.2004)	32,500	Salary	31,500
Subscriptions:		Postage	1,250
2003-04 1,500		Rent	9,000
2004-05 60,000		Printing and Stationery	14,000
2005-06 1,800	63,300	Sports materials	11,500
Donations(Billiards Table)	90,000	Miscellaneous Expenses	3,100
Entrance Fees	1,100	Furniture (1.10.2004)	20,000
Sale of old magazines	450	10% Investments	70,000
		Balance c/d	27,000
	1,87,350		**1,87,350**

Additional informations:

a). There are 250 members each paying an annual subscription of Rs. 300.
b). Rs. 1,200 is still in arrears for the year 2003-2004 for subscription.
c). Value of sports material at the beginning and the end of the year was Rs. 3,000 and Rs. 4,500 respectively.
d). Depreciation to be provided @ 10% p.a. on Furniture. **[Surplus Rs. 11,950]**

13. Pass necessary journal entries for the redemption of 10,000, 12% debentures of Rs. 50 each issued at par to be redeemed as follows: **(6)**

a). Redeemable at a premium of 10%, by conversion into equity shares issued at par.
b). Redeemable at a premium of 10%, by conversion into 8% preference shares issued at a premium of 25%.
c). Redeemable at a premium of 8%, by conversion into 8% preference shares issued at a discount of 10%.
d). 50% of the redemption to be made in cash, and the balance to be redeemed at a premium of 20% through the issue of fresh 12% debentures.

14. Babul and Vinay were partners. The partnership deed provided for:

a). Profits to be divided as Babul 1/2, Vinay 1/3 and 1/6th to be transferred to reserves.
b). The accounts are closed on March 31st each year.
c). In the event of the death of a partner the executors will be entitled to the following:
i). Capital to the credit on the date of the death.
ii). Interest on capital at 12% p.a.
iii). Proportion of profit to the date of death based on the average profits credited for the last 3 years.
iv). Share of goodwill based on three years purchase of the average profits of the preceding 3 years.

The following information is provided to you:
Babul's Capital Rs. 90,000; Vinay's Capital Rs. 60,000; Reserves Rs. 30,000; Cash Rs. 1,10,000, Investments Rs. 70,000.
Prepare Vinay's A/c to be presented to his Executor, as he died on April 30th, 2007. The profits for the three preceding years were Rs. 48,000, Rs. 42,000 and Rs. 45,000. **(6) [amount trf. to executor's A/c Rs. 1,28,400]**

15. Prakash Engineering issued for public subscription 40,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share,payable as under:
On application Rs. 2 per share; On allotment Rs. 5 per share (including premium);
On first call Rs. 2 per share; and On final call Rs. 3 per share
Applications were received for 75,000 equity shares. The shares were allotted pro-rata to the applicants of 60,000 sharesonly, the remaining applications being rejected. Money overpaid on application was utilised towards the sum due onallotment.
'Ashok' to whom 3,000 shares were allotted failed to pay the allotment money and the two calls. 'Bineet' who applied for3,000 shares paid the calls money along with 'J1otment money. Pass journal entries to record the above transactions.

Or

Moneywell Company issued for public subscription 50,000 equity shares of the value of Rs. 10 each at a discount of 10%payable as follows
Rs. 2 on application; Rs. 3 on allotment; Rs. 2 on the first call; and Rs. 2 on the final call
The company received applications for 1,25,000 shares. The allotment was done as follows:

a). Applicants of 15,000 shares were refunded the application money.
b). Applicants of 60,000 shares were allotted 30,000 shares.
c). The remaining applicants were allotted 20,000 shares.

The excess application money to be adjusted against allotment and calls, if any. Mohan, a shareholder, who had applied for 3,000 shares (group b) failed to pay the allotment money and both the calls. Ramesh a shareholder (group c) who was allotted 1,500 shares paid the calls money along with the allotment money. Pass necessary journal entries to record the above. **(8)**

16. A and B are partners sharing profits in the ratio of 4 : 3. Their Balance Sheet on March 31st 2007 was as follows:

Liabilities			**₹**	**Assets**		**₹**
Sundry Creditors			25,000	Cash		1,300
Bills Payable			5,000	Bank		13,000
Capitals A/cs:				Debtors	30,500	
	A	80,000		Less: PDD	300	30,200
	B	60,000	1,40,000	Stock		25,000
				Plant		40,000
				Buildings		60,000
Total			**1,70,000**	**Total**		**1,70,000**

They agreed to admit C into the partnership with effect from April 1st, 2007 on the following terms:

a). C to bring capital equal to 1/8th of the total capital of the new firm after all adjustments.
b). Buildings to be appreciated by Rs. 7,000 and Plant depreciated by Rs. 3,500.
c). The provision on debtors to be raised to Rs. 650.

d). The Goodwill of the firm to be valued at Rs. 28,000 and C to bring his share of premium in cash.
Prepare Revaluation A/c, Partners' Capital Accounts and the Balance Sheet on C's admission.

[Rev. Profit Rs. 3,150; B/S Total Rs. 1,97,600]

Or

The Balance Sheet of A, B and C on 31-03-2007 was as follows:

Liabilities	₹	Assets	₹
Creditors	50,000	Profit & Loss A/c	30,000
Capitals A/cs:		Land & Buildings	80,000
A 80,000		Plant & Machinery	56,000
B 80,000		Motor Car	54,000
C 60,000	2,00,000	Debtors	48,000
		Cash	2,000
Total	**2,70,000**	**Total**	**2,70,000**

The following terms were agreed upon for A's retirement:

a). Goodwill to be valued at Rs. 42,000 and not to be shown in the books of the firm after A's retirement.
b). Land and Building to be appreciated by Rs. 20,000.
c). Plant and Machinery to be reduced to Rs. 46,000.
d). Provision for doubtful debts to be created at 5% on Debtors.
e). Create a provision of Rs. 1,400 for discount on Creditors.
f). The sum payable to A to be brought in by B and C in such a manner that their capitals are in proportion to their new profit sharing ratio.

Prepare the Revaluation Account. Partners Capital Accounts and the Balance Sheet of the new firm to give effect to the above terms. **[Rev. Profit Rs. 9,000; Amt. paid to A's Rs. 87,000; B/S Rs. 2,47,600]**

Part B (Analysis of Financial Statements)

17. Why are the creditors interested in analysing Financial Statements? **(1)**

18. What are Cash Equivalents? **(1)**

19. List any two items of operating activities, that are typical of and pertaining to Hotel Industry. **(1)**

20. Prepare a common size statement from the following for the year ended 31St March, 2007:
Sales Rs. 17,00,000
Cost of Goods sold Rs. 9,20,000
Operating expenses Rs. 3,40,000
Interest on investments Rs. 90,000
Taxes payable @ 50% **(3)**

21. The following information is provided:
Debtors turnover ratio : 4 times, Stock turnover ratio : 8 times, Current ratio : 3, Average debtors: Rs. 1,80,000, Working capital turnover ratio: 8 times, Cash sales 25% of Total sales, Gross profit ratio 33 -1/3 %. Closing stock Rs.10,000 in excess of Opening stock.
Based on the given information calculate any two (a) Sales; (b) Cost of goods sold; (c) Closing stock. **(4)**

22. **(a).** Calculate Return, on investment from the following information:
Net Profit after Tax : Rs. 6,50,000; 12.5% Convertible Debentures : Rs. 8,00,000; Income tax : 50%; Fixed Assets at cost 24,60,000; Depreciation reserve : Rs. 4,60,000; Current Assets : Rs. 15,00,000; Current Liabilities : Rs. 7,00,000.
(b). Profit Before Interest and Tax (PBIT) : Rs. 2,00,000; 10% Preference Shares of Rs, 100 each : Rs. 2.00,000; 20,000 equity shares of Rs. 10 each; Rate of tax @ 50%. Calculate earnings per share (EPS). **(2+2=4)**

23. Calculate Cash Flow from operating activities with the following information of X Ltd.:

	1st April, 2006 (Rs)	31st March, 2007 (Rs.)
P & L Account	40,000	30,000
Bills Receivable	21,000	27,000
Rent Payable	1,600	4,000
Prepaid Insurance	2,800	2,400
Stock	28,000	36,000
Creditors	20,000	30,000

X Ltd. had provided for the following items while arriving at the profit for the year:

a). Depreciation on fixed assets Rs. 20,000
b). Writing off preliminary expenses Rs. 10,000
c). Loss on sale of furniture Rs. 1,000
d). Profit on sale of machinery Rs. 6,000 **[CFOA Rs. 49,800]**

Guys don't be crammer, accountancy is a very easy subject, it just need good English & basic concept…

All the best for exams.