

C.A. IPCC

First Study Exam

Subject: Accounting

Instructions :

- (i) Attempt any four questions from the first five questions and question no.6 is compulsory.*
- (ii) Paper Code : ACCAA*
- (iii) Date of Examination : 11-02-2012*
- (iv) Total Number of Questions : 6*
- (v) Total marks : 100*
- (vi) Total duration : 3 Hours*
- (vii) Use of two colour pens (black & blue or Black or Pink etc) is NOT allowed. Use only single colour pen.*
- (viii) Begin answer of the next question in new page.*
- (ix) Answer all the questions serially.*

Question 1. Mr. Ashok keeps his books in Single Entry System. From the information, prepare Trading and Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date:

Assets and Liabilities	31.3.2005 (Rs.)	31.3.2006 (Rs.)
Sundry Creditors	30,000	25,000
Outstanding Expenses	1,000	500
Fixed assets	23,000	22,000
Stock	16,000	22,500
Cash in Hand and at Bank	14,000	16,000
Sundry Debtors	?	36,000

Following further details are available for the current year:

Particulars	Rs.	Particulars	Rs.
Total receipts from debtors*	1,30,000	Cash Purchases	2,000
Returns inward	3,000	Fixed Assets purchased and paid by cheques	1,000
Bad Debts	1,000	Drawings by cheques	6,500
Total Sales	1,50,000	Deposited into the bank	10,000
Discount received	1,500	Withdrawn from bank	18,500
Return outwards	1,000	Cash in hand at the end	2,500
Capital introduced (paid into bank)	15,000	Paid to creditors by cheques	1,20,000
Cheques received from Debtors	1,25,000	Expenses paid	20,000

(20 Marks)

Question 2. Fairweather Limited ran into a patch of bad financial management and its affairs were handed over to a Receiver appointed by the debenture-holders. Its statement of affairs was as given below:

Assets	Rs.	Rs.
Land and Building	8,00,000	10,00,000
Plant and Machinery	12,00,000	7,00,000
Stock in trade	8,00,000	5,50,000
Trade Debtors	9,50,000	4,75,000
Cash	<u>1,50,000</u>	<u>1,50,000</u>
	39,00,000	28,75,000
Deduct: 7% first Mortgage Debentures		<u>12,50,000</u>
		16,25,000
Deduct: 8% Second Mortgage debentures		<u>20,00,000</u>
Deficiency regarding Second debentures		3,75,000
Unsecured Creditors		<u>4,50,000</u>
Deficiency regarding unsecured creditors		8,25,000
<u>Contributories:</u>		

40,000 equity shares of Rs.10 each fully paid up	4,00,000	
60,000 equity shares of Rs.10, Rs.5 per share paid up	<u>3,00,000</u>	<u>7,00,000</u>
Deficiency regarding contributories		<u>15,25,000</u>

All the mortgage debentures are held between two groups of individuals x and y as indicated below:

	X and his friends	Y and his friends
	Rs.	Rs.
First Mortgage Debentures	7,50,000	5,00,000
Second Mortgage Debentures	12,50,000	7,50,000

In addition, X and Y rank as unsecured creditors to the extent of Rs.1,50,000 and Rs.1,00,000 respectively. Each of X and Y also hold 10,000 fully paid equity shares and 4,000 partly paid equity shares in the company.

The following scheme of reconstruction was agreed upon:

- (1) The partly paid up equity shares would be fully paid up by making a call; after the shares are fully paid all equity shares except to the extent indicated otherwise below would be reduced to shares of Re.1 each fully paid up.
- (2) X will give up all his claims regarding debentures and other credits, surrender all his equity shares and would receive in return 10% mortgage debentures of Rs.18 lakhs and cash of Rs.89,000.
- (3) Y will give up all his claims on debentures and credits. He will bring in cash of Rs.75,000 and in consideration would be issued with 10% mortgage debentures of Rs.10 lakhs.
- (4) The rest of the sundry creditors agree to give up 12-1/2% of their claims get equity shares of Re.1 each fully paid up allowed to them for 50% of their claims and await discharge of the balance in due course.

Pass journal entries (narrations need not be given) to give effect to the above proposal and prepare the Balance Sheet after reconstruction.

Working should form part of your answer.

(20 Marks)

Question 3. On 31st March 2006, Sri Raman acquire on payment of Rs.80,000 the business of M/s Gupta and Singh taking over at book value the following assets and liabilities:

	Rs.
Debtors	35,000
Furniture	3,000
Stock	46,000
Creditors	10,000

There was no change between 1st Jan. 2006, and 31st March, 2006 in the book value of the assets and liabilities not taken over.

The same set of books has been continued but no entries are passed except for the payment of Rs.80,000 made by Sri. Raman.

From the following Balance Sheet and trial balance prepare Business Purchase Account, Profit and Loss Account for the year 31st December 2006 and Balance Sheet as on that date.

BALANCE SHEET AS AT 31ST DECEMBER, 2005

Liabilities	Rs.	Assets	Rs.
Capital Account :		Furniture	3,000
Sri Gupta 30,000		Investments	5,000
Sri Singh 20,000	50,000	Insurance Policy	2,000
Bank Loan	18,000	Stock	40,000
Creditors	12,000	Debtors	30,000
Total	80,000	Total	80,000

On 31st December 2006 the trial balance is :

Particulars	Rs.	Rs.
Stock	40,000	
Furniture	3,000	
Investments	5,000	
Insurance Policy	2,000	
Business Purchase Account	80,000	
Bank Loan		18,000
Capital: Gupta		30,000
Singh		20,000
Raman		30,000
Bank	3,000	
Debtors	48,000	
Creditors		15,000
Purchases	3,20,000	
Expenses	12,000	
Sales		4,00,000
Total	5,13,000	5,13,000

Closing stock Rs.50,000.

(20 Marks)

Question 4. Answer the following :

(a) A fire occurred in the godown of a firm on 31st January, 2007. The stock on 1st January, 2007 was valued at Rs.67,460. The Transactions and the information of the period between 1st January were as follows from which you are required to ascertain the value of goods destroyed:

Purchases from 1-1-2007 to 31-1-2007 amounted to Rs.4,820 of which goods worth Rs.1,900 were received on 2-2-2007.

Sales from 1-1-2007 to 31-1-2007 amounted to Rs.56,800 of which sales on the basis of sales or return amounted to Rs.3,600. No information has been received from the customers about half the goods sold on sale or return. Other half of the goods were already approved.

Some of the goods costing Rs.2,800 were defective and were sold for Rs.1,200. The same was included in the stock at cost on 1st January.

On 31st January, 2007 goods worth Rs.3,200 were lying unsold with the consignee sent to them on 25-1-2007.

Information regarding cost of goods sold and gross profit of the last three years was as follows:

Year	Cost of goods Sold Rs.	Gross Profit Rs.
2004	80,000	20,000
2005	1,23,000	27,000
2006	1,40,400	39,600

(b) A firm which was carrying on business from 1st January, 2009 gets itself incorporated as a company on 1st May, 2009. The first accounts are drawn up to 30th September, 2009. The gross profit for the period is Rs.56,000. The general expenses are Rs.14,220, directors' fee Rs.12,000 p.a.; formation expenses Rs.1,500. Rent up to 30th June is Rs.1,200 p.a., after which it is increased to Rs.3,000 per annum. Salary of the manager, who upon incorporation of the company was made a director, is Rs.6,000 p.a. His remuneration thereafter is included in the above figure of fee to directors. Give Profit and Loss Account showing pre-and post-incorporation profits. The net sales are Rs.8,20,000, the monthly average of which, for the first four months of 2009 is half of that of the remaining period, the company earned a uniform profit. Interest and tax may be ignored.

(12+8=20 Marks)

Question 5. Answer the following :

(a) Ramesh drew upon Vinod several bills of exchange due for payment on different dates as under :

Date of the Bill	Amount Rs.	Tenure of the Bill
1st June	1,200	3 Months
19th June	1,600	2 Months
10th July	2,000	3 Months
27th July	1,500	3 Months
7th August	1,800	1 Month
15th August	2,400	2 Months

Find out average due date on which payment may be made in one single amount.

(b) Following transactions took place between X and Y during the month of April, 2009:

Date	Particulars	Rs.
1.4.2009	Amount payable by X to Y	10,000
7.4.2009	Received acceptance of X to Y for 2 months	5,000
10.4.2009	Bills receivable (accepted by Y) on 7.2.2009 is honoured on this due date	10,000
10.4.2009	X sold goods to Y (due date 10.5.2009)	15,000
12.4.2009	X received cheque from Y (due date 15.5.2009)	7,500
15.4.2009	Y sold goods to X (due date 15.5.2009)	6,000
20.4.2009	X returned goods sold by Y on 15.4.2009	1,000
20.4.2009	Bill accepted by Y is dishonoured on this due date	5,000

Prepare the Y's account in the books of X for the month of April, 2009.

(10+10=20 Marks)

Question 6. Answer any **FOUR** of the following:

(a) What are the advantages of outsourcing the accounting functions? Explain in brief.

(b) What are the advantages of self-balancing ledger system?

(c) X, Y and Z were partners sharing profits and losses in the ratio of 3:2:1 respectively. X died on 31st March, 2009. Calculate his share of profit during the accounting year 2009, when the partnership deed provided that the share of profit till the date of death be estimated at the sum calculated on the sales till the date of death by applying the ratio of Net Profit to Sales for the last accounting year. Sales from 1.1.2009 to 31.3.2009 amounted to Rs.30,000. Sales and Net Profit for the year 2008 amounted to Rs.3,60,000 and Rs.54,000 respectively.

(d) Calculate the managerial remuneration from the following particulars of Astha Ltd. due to the managing director of the company at the rate of 5% of the profits. Also determine the excess remuneration paid, if any:

Net Profit	2,00,000
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Net Profit is calculated after considering the following:

Depreciation	40,000
Preliminary expenses	10,000
Tax provision	3,10,000
Director's fee	8,000
Bonus	15,000
Profit on sale of fixed assets (original cost: Rs.20,000 wdvalue:Rs.11,000)	15,500
Provision for doubtful debts	9,000
Scientific research expenditure (for new machinery)	20,000
Managing Director's remuneration paid	30,000

Other information:

Depreciation allowable under Schedule XIV of the Companies Act 35,000 and Bonus liability as per Payment of Bonus Act, 1965 18,000

(e) The Articles of Association of S Ltd. provide the following:

- (i) That 20% of the net profit of each year shall be transferred to reserve fund.
- (ii) That an amount equal to 10% of equity dividend shall be set aside for staff bonus.
- (iii) That the balance available for distribution shall be applied:
 - (a) in paying 14% on cumulative preference shares.
 - (b) in paying 20% dividend on equity shares.
 - (c) one-third of the balance available as additional dividend on preference shares and 2/3 as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 12% on preference shares after making provisions (i), (ii) and (iii) mentioned above. The company has issued 13,000, 14% cumulative participating preference shares of Rs. 100 each fully paid and 70,000 equity shares of Rs. 10 each fully paid up. The profit for the year 2008 was Rs. 10,00,000 and balance brought from previous year Rs. 80,000. Provide Rs. 31,200 for depreciation and Rs. 80,000 for taxation before making other appropriations. Prepare Profit and Loss Account –below the line.

(4X5=20 Marks)