ISC SPECIMEN QUESTION PAPER FOR 2012 EXAMINATION

ACCOUNTS

(Three hours)

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

They must NOT start writing during this time)

Answer **Question 1** *(compulsory)* and **Question 2** *(compulsory) from Part I and any other* **five** *questions from Part II.*

The intended marks for questions or parts of questions are given in brackets [ ].

Transactions should be recorded in the answer book.

All calculations should be shown clearly.

All working, including rough work, should be done on the same sheet as, and adjacent to, the rest of the answer.

PART I

Question 1 **[10 × 2]**

Answer each of the following questions briefly:

(i) Distinguish between authorized, issued, subscribed, called up and paid up capital by the means of a hypothetical example in the form of a problem.

(ii) What is the complete accounting treatment of interest on loan to the partner during the preparation of a profit and loss appropriation account of a partnership firm assuming that such interest has been paid in cash to the partner by the firm?

(iii) Why are abnormal losses ignored when calculating the profit of the joint venture?

(iv) Give two examples of selling overhead and two examples of distribution overhead in the context of a cost sheet.

(v) What are imputed costs? How will you deal with it during the preparation of a cost sheet?

(vi) What is the basis of accounting that is followed when preparing a cash flow statement?

(vii) State two differences between Debtors' turnover ratio and Creditors' turnover ratio.

(viii) What is the self-balancing entry for credit sales and credit purchases?

(ix) When should goodwill be recorded in the books of a firm as per AS – 10? Are there any exceptions? If so, under what circumstances?

(x) Under what heading will 'Premium on Redemption of Debentures' be recorded in a Horizontal balance sheet?

Question 2 **[10]**

Calculate net cash flows from operating activities:

Particulars	**31.3.09** Rs.	**31.3.10** Rs.
Profit and Loss Account	30,000	35,000
General Reserve	10,000	15,000
Provision for depreciation on plant	30,000	35,000
Outstanding expenses	5,000	3,000
Goodwill	20,000	10,000
Sundry debtors	40,000	35,000

An item of plant costing Rs. 20,000 having book value of Rs. 14,000 was sold for Rs. 18,000 during 2009 – 2010.

PART II

Question 3 **[14]**

(a) Current liabilities of a company are Rs. 3,00,000. Its current ratio is 3 : 1 and quick ratio is 1 : 1. Calculate the value of stock in trade.

(b) Calculate stock turnover ratio from the following information:
Opening stock Rs. 58,000; purchases Rs. 4,84,000; Gross profit rate 25% on sales.
Sales – Rs. 6,40,000

(c) From the following information, calculate operating Ratio:
Net sales Rs. 5,00,000; cost of goods sold Rs. 3,00,000 and operating expenses Rs. 1,00,000.

(d) X Ltd. has a current ratio of 4 : 1 and its liquid ratio is 3 : 1. If its inventory is Rs. 36,000, find out the value of total current assets, total quick assets and total current liabilities.

(e) From the following Balance Sheet of Spencer Ltd. as on 31.3.2010, calculate debt – equity ratio.

Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Building	5,00,000
10% Preference share capital	4,00,000	Plant	8,00,000
Securities premium	1,20,000	Machinery	4,00,000
General Reserve	1,00,000	Furniture	2,00,000
12% Debentures	4,00,000	Stock	1,00,000
Creditors	1,00,000	Debtors	50,000
Bills Payable	1,00,000	Bills Receivable	30,000
Outstanding expenses	50,000	Bank	1,00,000
Provision for tax	30,000	Cash	1,00,000
		Discount on issue of shares	20,000
	23,00,000		23,00,000

Question 4 **[14]**

A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1. On 31.3.10, B decides to retire and their capital accounts on that date are A – Rs. 60,000; B – Rs. 45,000 and C – Rs. 50,000. Their current accounts on that date are A – Rs. 5,000 (CR); B – Rs. 2,300 (DR) and C – Rs. 3,000 (CR).

The partnership deed provided that, in case of retirement, the retiring partner should be entitled to a share of the goodwill of the firm to be calculated on the average of the profits of last three years' ending on 31.3.2010 which comes to Rs. 12,000 and that the payment of the total interest of the retiring partner will be made by annual instalments of Rs.10,000 each. The retiring partner will be entitled to interest also at 6% on the unpaid balance.

The first instalment was paid on 31.3.2010. Show B's loan account until the whole payment due to him is made.

Question 5 **[14]**

Jacob and Company Ltd. issues one thousand, 14% debentures of Rs. 100 each at par on 1.1.01. Under the terms of issue:

(a) Debenture interest is annually payable on 31st December every year and

(b) $\frac{1}{5}^{th}$ of the debentures are annually redeemable by drawings; the first redemption occurring on 31.12.03.

Pass necessary journal entries for the year 2001 and 2002.

Question 6 **[14]**

Arther and Barry entered into a joint venture on 1.10.2009 for sale of goods paying Rs. 60,000 and Rs. 40,000 respectively in a joint bank account and sharing profits and losses in the ratio of 3 : 5. It was agreed that the joint bank account is to be used for purchases and sales and each venturer is to meet his joint venture expenses out of private funds. Each venturer is to charge a commission @ 5% on sales made by him. The transactions for the period ended 31.3.2010 were as follows:

Arther purchased goods costing Rs. 40,000 and incurred carriage amounting to Rs. 6,000. He sold 90% of these goods at 30% over this cost price and selling expenses amounted to Rs. 2,500. Barry purchased goods costing Rs. 50,000 and incurred carriage amounting to Rs. 6,500. He sold 80% of these goods at 25% over the cost price and selling expenses amounted to Rs. 3,000.

$\frac{1}{5}^{th}$ of the remaining goods purchased by Arther was destroyed by fire on 28.2.2010 and the insurance company paid a claim of Rs. 2,000.

Write up Joint Venture account, Joint Bank account and Ventures' account.

Question 7 **[14]**

From the following information prepare a Cost Sheet of Jackson and Company Ltd. showing the total cost for the month of January 2010:

	Rs.
Opening stock of raw materials	60,600
Opening stock of finished goods	35,900
Closing stock of raw materials	75,000
Closing stock of finished goods	30,900
Opening stock of work-in-progress	1,25,600
Closing stock of work-in-progress	1,42,200
Purchase of raw materials	2,85,700
Sale of finished goods	13,50,000
Direct wages	3,50,000
Factory expenses	2,00,000
Office and administration expenses	1,05,000
Selling and distribution expenses	75,000
Abnormal loss of materials	10,000
Cost of idle time in the factory	1,000
Cost of rectification of defective work	5,000

Question 8 **[14]**

The following information has been extracted from the books of Mathew and Company Ltd. for the three months ended 31.12.2008:

1.10.08	Stock	1500 units @ Rs. 2 per unit
12.10.08	Goods received note	2000 units @ Rs. 2.25 per unit
18.10.08	Requisition	1100 units
10.11.08	Requisition	800 units
16.11.08	Requisition	1000 units
18.11.08	Goods received note	2400 units @ Rs. 2.50 per unit
20.12.08	Requisition	900 units

At the physical stock taking on 31.12.08, 2000 units were in stock.

You are required to prepare a stores ledger based on LIFO method of pricing. Also prepare a Trading account using this method on the basis of the following sales figures:

18.10.08	1100 units @ Rs. 3.50 per unit
10.11.08	800 units @ Rs. 4 per unit
16.11.08	1000 units @ Rs. 2.75 per unit
20.12.08	900 units @ Rs. 4.50 per unit

Question 9 **[14]**

Prepare the General Ledger Adjustment Accounts as will appear in the Debtors and Creditors ledgers from the information given below:

Balance on 1.4.2009	(DR) Rs.	(CR) Rs.
Debtors Ledger	47,200	240
Creditors Ledger	280	26,300

Transactions for the year ended 31.3.2010

	Rs.
Total Sales	1,20,100
Cash sales	8,100
Bills accepted by customers	20,100
Bills receivable dishonoured	1,500
Total purchase	89,500
Credit purchases	67,000
Creditors paid in full settlement of Rs. 40,000	39,500
Received from debtors in full settlement of Rs. 59,000	58,200
Returns inwards	2,600
Returns outwards	1,800
Bills accepted for creditors	5,500
Bills payable matured	8,000
Bills receivable discounted	5,000
Bills receivable endorsed to creditors	4,000
Endorsed Bills dishonoured	1,000
Bad debts written off (after deducting bad debts recovered Rs. 300)	2,200
Provision for doubtful debts	550
Set offs	1,100
Mutual indebtedness	1,900

Balance on 31.3.2010:

Debtors Ledger (CR) Rs. 380.

Creditors Ledger (DR) Rs. 420.

Question 10 **[14]**

From the list of following assets and liabilities, prepare the Balance Sheet of Burn and Company Limited in vertical form as per Schedule VI, Part I of the Companies Act, 1956:

Assets	Rs.	Rs.
Cash at Bank		79,800
Cash I hand		1,500
Investment		95,000
Preliminary expenses		9,000
Loans and advances		95,000
Goodwill		50,000
Building		6,00,000
Plant and machinery	6,60,000	
Less depreciation	66000	5,94,000
Stock		10,000
Debtors	1,74,000	
Less provision for doubtful debts	8700	1,65,300
Furniture		14,400

Liabilities	Rs.	Rs.
Creditors		1,00,000
General Reserve		50,000
Interest on debentures accured and due		28,000
Authorised share capital: 120000 shares of Rs. 10 each		12,00,000
Called up and paid up capital: 80000 shares of Rs. 10 each	8,00,000	
Less calls in arrear	15,000	7,85,000
Profit and loss account		75,000
6% debentures		6,00,000
Bills payable		76,000