

Seat No. : \_\_\_\_\_

# FC-17

## Advanced Accounting and Auditing Paper – I

(Subsidiary)

(Old & New)

Time : 3 Hours]

[Total Marks : 70

- Instructions :** (1) Figures to the right indicate full marks.  
(2) Show necessary calculations as a part of your answer.  
(3) Show in the margin the respective question number as shown in the question paper.

1. Mital and Hetal are the partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively. The Balance Sheet of their firm as on 31-3-2004 is as under : **14**

### Balance Sheet

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Building	1,20,000
Mital 1,80,000		Machinery	1,00,000
Hetal <u>1,20,000</u>	3,00,000	Furniture	50,000
General Reserve	25,000	Stock	50,000
Creditors	20,000	Debtors 10,000	
Bills Payable	5,000	Less : BDR <u>500</u>	9,500
		Bills Receivable	3,500
		Cash	17,000
	<b>3,50,000</b>		<b>3,50,000</b>

On 1-4-2004 Sita was admitted in the firm with the following conditions.

1. In the new firm Sita's share will be  $\frac{1}{5}$ <sup>th</sup>. This share she gets from Mital and Hetal in the ratio of 5 : 4.
2. Sita will bring in cash Rs. 27,000 for her share of Goodwill, half of this amount is to be retained in the business.
3. Sita brings Rs. 1,00,000 in cash as her capital.
4. Firm's assets and liabilities should be revalued as follows :
  - (a) Machinery to be depreciated by 10%.
  - (b) Building to be appreciated by 20 %.
  - (c) Stock to be revalued at Rs. 48,000.
  - (d) Reserve for Bad debts to be raised to 10%.

From the above information, prepare following accounts in the books of the firm.

1. Profit and Loss Adjustment Account.
  2. Partners' Capital Account.
  3. Cash and Bank Account.
  4. Balance Sheet of the firm after admission of Sita.
2. Keyur, Nirav and Dharal are the partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2 respectively. The Balance Sheet of their firm as on 31-3-2004 is as under.

14

**Balance Sheet**

Liabilities	Rs.	Assets	Rs.
<b>Capital Accounts :</b>		Goodwill	70,000
Keyur 1,20,000		Leased Building	50,000
Nirav 20,000		Machinery	80,000
Dharal <u>60,000</u>	2,00,000	Investments	60,000
General Reserve	48,000	Joint Life Policy	14,000
Abhi's loan	26,000	Stock	42,000
Bank Loan	70,000	Debtors 22,000	
Joint life policy reserve	14,000	Less : BDR <u>2,000</u>	20,000
Creditors	42,000	Cash Balance	64,000
	<b>4,00,000</b>		<b>4,00,000</b>

The firm was dissolved on the above date. The information relating to dissolution are given below :

1. Nirav has taken investments for Rs. 62,000.
2. Keyur agreed to pay off Abhi's loan.
3. Rs. 12,000 realised towards surrender value of joint life policy.
4. Debtors are realised by Rs. 19,000. Bad debts recovered Rs. 1,000 which is not included in the amount realised from debtors.
5. Dissolution expenses amounted to Rs. 6,800.
6. Creditors of Rs. 28,000 were taken over by Dharal, who has agreed to settle account with them at Rs. 26,200. Remaining Creditors were paid Rs. 12,000.
7. Remaining assets realised for Rs. 3,78,000.

From the above information, prepare the following to close the books of the firm :

1. Realisation Account.
2. Partners' Capital Account.
3. Cash Account.

**OR**

Kanu, Manu and Tanu are the partners in a firm sharing profits and losses equally. The Balance Sheet of their firm as on 31-3-2004 is as under : 14

**Balance Sheet**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
<b>Capital Accounts :</b>		Building	80,000
Kanu 1,60,000		Machinery	85,000
Manu 80,000		Motor Car	75,000
Tanu <u>80,000</u>	3,20,000	Debtors 40,000	
General Reserve	9,000	Less : BDR <u>1,000</u>	39,000
Creditors	11,000	Stock	40,000
		Cash	21,000
	<b>3,40,000</b>		<b>3,40,000</b>

On 1-4-2004 Tanu retired with the following terms and conditions :

1. Machinery and motor car to be depreciated by 10%. Building to be appreciated by 15%.
2. Reserve for doubtful debts was to be raised to 10%.
3. Stock to be revalued at Rs. 44,000.
4. The goodwill of the firm was to be valued at three times the average profits of the last five years. Total profit of the last five years was Rs. 2,00,000. Only the share of the retiring partner in the goodwill is to be shown in the books.
5. Balance due to Tanu on his capital account, is to be retained as a loan for one year at 12% interest per annum.

From the above information, prepare :

1. Profit and Loss Adjustment Account.
  2. Partners' Capital Account.
  3. Balance Sheet of the new firm.
3. A and B were partners in a firm sharing profits and losses in the ratio of 3 : 2. The Balance Sheet of their firm was as under on 31-3-2004. 14

**Balance Sheet**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
<b>Capital Accounts :</b>		Land	600
A 700		Plant	700
B <u>800</u>	1,500	Stock	500
General Reserve	1,000	Debtors	650
Creditors	500	Investments	450
Bills payable	200	Cash & Bank Balance	400
Dena Bank Loan	100		
	<b>3,300</b>		<b>3,300</b>

On above date firm was sold to AB Ltd. under the following terms :

1. Goodwill of the firm was valued at Rs. 300.
2. Company took over all the assets and liabilities except investment, cash and Dena Bank loan.
3. All the fixed assets were revalued at double price of the balance price.
4. Investments were sold for Rs. 600.
5. Against purchase price, company issued 250 equity shares of Rs. 10 each fully paid and 6% 10 debentures of Rs. 50 each and balance in cash.
6. Dissolution expenses amounted to Rs. 10 paid by the firm.
7. Dena Bank loan was paid by 'A'.
8. Shares and debentures were shared by the partners in their profit and losses ratio.

Prepare the following accounts in the books of firm.

1. Realisation Account.
2. AB Ltd's Account.
3. AB Ltd's Shares Account.
4. AB Ltd's 6% Debentures Account.
5. Partners' Capital Accounts.
6. Cash Account.

**OR**

Diwane, Mastane and Parvane were the partners sharing profit and losses in the ratio of 2 : 2 : 1 respectively. The firm was dissolved on 30-6-2004. The Balance Sheet of the firm as on that date was as under :

**14**

**Balance Sheet**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
<b>Capital Accounts :</b>		Fixed Assets	50,000
Diwane     38,000		Stock	30,000
Mastane    24,000		Debtors	14,600
Parvane <u>18,000</u>	80,000	Cash Balance	5,400
Loan A/c Mastane	5,000		
Creditors	15,000		
	<b>1,00,000</b>		<b>1,00,000</b>

The assets were realised in instalments and the payments were made on the proportionate capital basis. Creditors were paid Rs. 14,500 in full settlement of their account. Rs. 2,700 were set aside as reserve for dissolution expenses, while actual dissolution expenses amounted to Rs. 2,000 paid on 30-9-2004.

Realisation of assets were as under :

1. 10-7-2004       Rs. 12,600
2. 20-8-2004       Rs. 30,000
3. 30-9-2004       Rs. 40,000

Prepare a statement showing piecemeal distribution of cash as per "Surplus Capital Method."

4. Shri Kanu keeps his firm's accounts as per single entry system. Particulars of the firm's assets and liabilities are as under. 14

Particulars	31-3-2003	31-3-2004
	Rs.	Rs.
Land	1,00,000	(?)
Plant and Machinery	2,00,000	2,30,000
Investments	30,000	40,000
Furniture	60,000	(?)
Stock	80,000	98,000
Bills Payable	10,000	9,000
Bills Receivable	20,000	32,000
Prepaid Insurance	1,000	2,000
Debtors	56,000	86,000
Creditors	30,000	18,000
Bank Loan	40,000	(?)
Cash Balance	5,000	15,000
Bad Debts Reserve	3,000	3,000

During the year Rs. 12,000 were paid to the bank for loan out of which Rs. 2,000 were included for interest on loan.

His drawings in cash and goods were Rs. 12,000 and Rs. 3,000 respectively.

His Life Insurance Premium of Rs. 5,000 was paid from his business.

He sold his personal investments of Rs. 5,000 for Rs. 12,000 and Rs. 8,000 were brought in the business on 31-3-2004.

He brought in the business his personal furniture of Rs. 3,000 on 1-10-2003. Additional plant and machinery were purchased on 1-10-2003.

Provide interest on capital at 10 % per year and depreciation on plant and furniture at 20% per year.

From the above information, prepare :

- (i) A statement showing Profit or Loss for the year ended 31-3-2004 and
- (ii) Balance Sheet as on 31-3-2004.

**OR**

From the information given below, prepare 12% Gujarat Government Loan account in the books of Mital Finance Corporation. 14

1. Opening Balance on 1-4-2003.

	Rs.
Face value of loan	1,00,000
Cost price of loan	1,05,000

2. Dates of Interest :  
31<sup>st</sup> December and 30<sup>th</sup> June

3. Transactions during the year :

Date	Face value Rs.	Price Rs.	Remarks
1-5-2003	20,000	98	Cum-Interest purchase
1-6-2003	10,000	96	Ex-Interest purchase
1-8-2003	40,000	102	Cum-Interest Sale
1-3-2004	60,000	105	Ex-Interest sale

Valuation of closing (stock) of investments is to be calculated as per FIFO method.

5. Keyur purchased a motor car from Raj Traders on hire purchase basis on 1-1-2002 and Rs. 50,000 was paid at the time of delivery. The remaining amount was paid in the following three instalments. 14

Date of Payment	Amount Rs.
On 31-12-2002	60,000
On 31-12-2003	60,000
On 31-12-2004	30,000

Keyur is computing the depreciation every year at 10% by written down value. Following journal entry was found from his books of account at the end of the second year.

31-12-2003 Depreciation A/c Dr. 15,300  
To Motor car A/c 15,300

From the above information prepare :

1. Machine Account, Raj Traders Account, Interest Account and Depreciation Account in the books of Keyur.

**OR**

- (A) Write short notes on (any one) : 7
- (i) Financial Lease
  - (ii) Advantage of Lease
  - (iii) Operating Lease
- (B) Give difference between (any one) : 7
- (i) Hire Purchase and Lease
  - (ii) Hire Purchase and Operating Lease.