

PART I (Compulsory)

Question 1

[20 marks]

i) Mention the purpose of preparing Joint Bank account when separate set of books are maintained in joint venture account.

[2]

ii) Where does the premium on the issue of shares appear in the Joint Stock company's balance sheet?

[2]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

iii) Kesang, Dawa and Rinzin are partners in a firm sharing profits and losses in the ratio of 3:2:1. Dawa has advanced a loan amounting to Nu 10,000 in the beginning of the accounting year. Calculate the interest payable to Dawa on his loan at the end of the year in absence of the partnership deed.

[2]

.....
.....
.....
.....

iv) The following details are provided by Lamla Enterprise.

Particulars	Amount(Nu)
Equity share capital	400,000
Reserve & surplus	100,000
Debtors	1,20,000
Bank loan	20,000
Creditors	20,000

Find out the Debt Equity Ratio of the Enterprise.

[2]

v) Write the steps to change numeric value in the spread sheet cell to currency value as Ngultrum.

[2]

vi) Tshering, Gyem and Dorji are partners sharing profit and loss in the ratio of 3:2:1. Ugyen is admitted as a new partner for $\frac{1}{6}$ th share which she entirely acquires from Tshering. What is the new ratio of the firm?

[2]

vii) Why an increase in the absolute figure of gross profit not an indication of increase in the profitability of a firm? Give **TWO** reasons.

[2]

.....
.....
.....
.....

viii) Is it necessary to prepare balance sheet at the time of dissolution of a partnership firm? [2]

ix) Do you think the net increase in cash and cash equivalent is always equal to closing cash balance of a firm in cash flow statement? Why? [2]

x) Bhutan Polymers Ltd. forfeited 500 shares of Nu 10 each fully called up which was held by Mr. Gyeltshen for non payment of allotment of Nu 3 per share and call money of Nu 5 per share. Pass the journal entries for forfeiture of the shares. [2]

PART II

Answer any **SIX** questions

Question 2

[10]

Jimba and Nidup entered into a business agreement to jointly construct a private college for a contract price of Nu 10,00,000 payable as Nu 800,000 by cash and Nu 200,000 as fully paid up shares of the company. A bank account is opened in their joint names. Jimba deposited Nu 3,00,000 and Nidup Nu 2,00,000 respectively. They are to share profits and losses in the ratio of 2:1.

The details of their transactions are as follows:

Wages and salaries	Nu 3,10,000
Purchased raw materials	Nu 6,50,000
Raw materials supplied by Jimba	Nu 40,000
Raw materials supplied by Nidup	Nu 45,000
Expenses paid by Nidup	Nu 20,000

The contract was completed and the price was duly received. The joint venture was closed by Jimba taking up all the shares of the company at an agreed value of Nu 1,50,000 and Nidup taking up the stock of materials at an agreed valuation of Nu 22,000.

Prepare the following accounts:

- i) Joint venture Account
- ii) Co-venturer's personal Accounts

.....
.....

Question 3

[10]

Lungten, Zangmo and Rinchen are partners sharing profit and losses in the ratio of 6:4:2.

Their capital balance on 1st January 2016 were:

Lungten	Nu 4,00,000 (credit)
Zangmo	Nu 3,00,000 (credit)
Rinchen	Nu 20,000 (debit)

Their partnership deed provides the following:

- i) Lungten is entitled to a salary of Nu 2,500 per month.
- ii) They are entitled for interest on capital @ 10% P.a.
- iii) Interest on drawings to be charged @ 12% P.a.
- iv) Rinchen is entitled to a commission of 20% on net divisible profit after charging such commission.
- v) Zangmo is to get a rent of Nu 16,000 p.a for allowing the business to use her private premises.

The drawings of the partners are as follows:

Lungten	Nu 2,000 (drawn in the beginning of each month).
Zangmo	Nu 1,600 (drawn in the middle of each month).
Rinchen	Nu 1,800 (drawn at the end of each month).

The net profit for the year ended 31.12.2016 was Nu 2,04,400 before providing the above adjustments.

Prepare Profit and Loss Appropriation Account and Partners' Capital Accounts.

Question 4

[10]

The following is the balance sheet of Agay and Angay who have been sharing profit in the proportion of $\frac{3}{4}$ and $\frac{1}{4}$ on 31.12.2015.

Liabilities	Amount	Assets	Amount
Creditors	30,000	Goodwill	4,000
Employee's PF	7,500	Cash at Bank	22,500
Workmen Compensation fund	4,000	Bills receivable	3,000
General Reserve	2,000	Debtors	16,000
Capital A/C		Stock	20,000
Agay: 33,000		Office furniture	1,000
Angay: 17,000	50,000	Land & building	25,000
		Advertisement Suspenses	2000
	93,500		93,500

They agreed to take Lhato into the partnership on 1st January, 2016 on the following terms:

- a) Lhato pays Nu 10,000 as capital for $\frac{1}{5}$ th share in future profits.
- b) The goodwill of the firm is valued at Nu 20,000 but no goodwill is to appear in the books.
- c) Stock and furniture be reduced by 10% and 5% provision for doubtful debts be created on debtors.
- d) Land and building are appreciated by 20%.
- e) Capital accounts of the partners are re-adjusted on the basis of their new profit sharing ratio and excess or deficiency will be transferred to their current accounts.

You are required to prepare Revaluation and Partners' capital accounts.

Question 5

[10]

Wangchuk, Seday and Phuntsho were partners sharing profits and losses equally. Following was their balance sheet as on 31st December, 2015.

Liabilities	Amount	Assets	Amount
General Reserve	4,500	Buildings	20,000
Capitals:		Plant & Machinery	8,000
Wangchuk : 14,500		Stock	3,500
Seday : 14,500		Debtors	4,000
Phuntsho : 14,500	43,500	cash	12,500
	48,000		48,000

Phuntsho died on 1st May 2016. The partnership deed provided that the executor of a deceased partner was entitled to:

- i) Balance of partners' capital account.
- ii) Share of accumulated reserve.
- iii) Share of goodwill calculated on the basis of three times the average profits of last four years. Goodwill account is not to be raised.
- iv) Share of profit from the closure of last accounting year till the date of death based on the profit of the preceding completed years.
- v) Interest on deceased's capital is @ 6% P.a.
- vi) Nu 4290 would be paid to the deceased partner's executor immediately and the balance would be paid in three annual equal instalments with interest @ 5%.

Profits and losses for the preceding years were:

2012 - Nu 8,000 (profit)
 2013 - Nu 10,000 (loss)
 2014 - Nu 12,000 (profit)
 2015 - Nu 18,000 (profit)

Prepare Phuntsho's capital account and his executor's loan account.

Question 6**[10]**

From the following list of assets and liabilities of Namsay Company Limited, prepare a balance sheet as per schedule XIII, part I of the Company Act of Kingdom of Bhutan, 2000.

Particulars	Amount
Authorized Share Capital: 15,000 shares of Nu 100 each	15,00,000
Subscribed Capital of 12,000 shares @ 100	12,00,000
Calls in arrears	40,000
Goodwill	25,000
Patents	25,000
Securities premium	20,000
Sinking fund	50,000
Live stock	88,000
Sundry creditors	23,000
Sundry debtors	1,50,000
Less: Provision for doubtful debts	<u>20,000</u>
5% debenture	4,40,000
Outstanding wages	6,880
Land and buildings	5,22,000
Cash in hand and bank	55,000
Proposed dividend	20,000
Provision for depreciation	10,000
Bills receivable	53,000
Work in progress	2,17,000
Under writing commission	34,880
Establishment expenses	30,000
Investment in Dungsam Cement Co. Ltd	5,50,000
Bills discounted but yet not matured	70,000

Question 7

a) Phunsum Company Limited issued 10,000 equity shares to the general public of Nu 10 each payable as:

[5]

Nu 3 on application
Nu 5 on allotment
Nu 2 on final call

However, the company has received application for 15,000 shares and board of directors decided to allot shares as follows:

Applied	Allotted
8000 shares	8000 shares
3000 shares	2000 shares
2000 shares	Rejected

Pass journal entries assuming that the company has not called the final call.

b) Write the journal entries in the following cases of issue and redemption of debentures:

i) Khorlo Company Ltd. has issued 1000, 12% debenture at Nu 100 and it was redeemable at Nu 105. Assume that the face value of shares is Nu 100.

[2½]

ii) Damcho Company Ltd. issued 200 debentures of face value 200 at a discount of 5% and redeemable at par. [2½]

Question 8

a) Prepare a Common Size balance sheet and comment on the long term financial position of Kartshog limited and Lhatshog limited.

[5]

Their balance sheet as on 31.12.16 is given below:

	Kartshog limited	Lhatshog limited
<u>ASSETS</u>		
Fixed assets	5,00,000	3,00,000
Current assets	1,50,000	1,00,000
	6,50,000	4,00,000
<u>LIABILITIES</u>		
Share capital	4,00,000	2,50,000
Reserve & Surplus	1,00,000	1,00,000
Current liabilities	1,50,000	50,000
	6,50,000	4,00,000

b) Following is the balance sheet of Dungkar Limited as on 31.12.2016.

[5]

Calculate:

- i) Current ratio
- ii) Debtors turnover ratio
- iii) Average collection period

Liabilities	Amount	Assets	Amount
Equity share capital	3,00,000	Land & building	3,50,000
Preference share capital	2,00,000	Investment	2,00,000
General reserve	1,00,000	Debtors	50,000
Debentures	1,50,000	Bank	50,000
Creditors	50,000	Cash	1,50,000
	8,00,000		8,00,000

Additional Information:

Debtors on 1.1.2016 Nu 50,000.
Sales Nu 6,50,000 (including cash sales of Nu 50,000).

Question 9

a) Calculate cash from operating activities from the profit made during the year
Nu 2,50,000 after considering the following items:

[5]

Depreciation	Nu 10,000
Purchase of goodwill	Nu 20,000
Profit on sale of land	Nu 3,000
Transfer to general reserve	Nu 7,000

The position of current assets & current liabilities are as follows:

	Opening balance	Closing balance
Debtors	12,000	15,000
Creditors	15,000	10,000
Bills receivable	10,000	8,000
Prepaid expenses	6,000	4,000

b) A comparative study of balance sheet is given below. Write the steps required to arrive at the answer 'Increased', 'Decreased', or 'No change' in the spreadsheet under column D.

[3]

Cell No. Sl.No.	A	B	C	D
1	Balance sheet as on 31 st December 2015 & 2016		Change	
2			2015	2016
3	Assets			
4	Fixed Assets	1,50,000	2,00,000	Increased
5	Current Assets	50,000	50,000	No Change
6		2,00,000	2,50,000	
7	Liabilities			
8	Share capital	1,80,000	2,40,000	Increased
9	Current Liabilities	20,000	10,000	Decreased
10		2,00,000	2,50,000	

c) Write the purpose of input mask in DBMS with an example.

[2]