

PART I (Compulsory)

Question 1

[20 marks]

i) Pema who is a partner of a firm has a capital balance of Nu 100,000 in the beginning of the accounting year. What is the interest on capital payable to him in the absence of partnership deed? **[2]**

ii) Why are the partners' current accounts opened under the fixed capital method? **[2]**

iii) How is memorandum joint venture account similar to joint venture account? Give **TWO** reasons. **[2]**

iv) A company forfeited 100 shares of Nu 50 each for the non-payment of final call of Nu 25. Of the forfeited shares, 80 shares were re-issued at Nu 45 each. Calculate the amount to be transferred to Capital Reserve. [2]

v) “Debenture is a permanent burden to the company”. Justify with **TWO** points. [2]

vi)

	Phub Ltd		Gyem Ltd	
	Amount	% of Total	Amount	% of Total
Equity share capital	100,000	80%	111,000	89%
Current Liabilities	25,000	20%	14,000	11%
	125,000	100	125,000	100
Fixed Assets	150,000	79%	140,000	74%
Current Assets	40,000	21%	50,000	26%
	190,000	100	190,000	100

Analyze above common size balance sheet and comment on the short term financial position of Phub Ltd and Gyem Ltd. [2]

vii) Revaluation account and realization account are both nominal account yet they are different.
Justify with **TWO** points.

[2]

viii) The debt equity ratio of the company is 1:1, which is not a good indication of long term sound financial position. The manager of the company requests you to suggest at least **FOUR** ways to improve the debt equity ratio.

[2]

ix) State whether the following transactions will result into cash inflow, outflow or no flow of cash: [2]

- i. Cash deposited into bank
- ii. Good purchased for cash
- iii. Sale of furniture
- iv. Issue of bonus share

x) a). Write one formula to get the **AVERAGE** for the following spreadsheet. [1]

	A
1	500
2	600
3	1900

b). How would you connect multiple tables to generate results in Microsoft Access. [1]

PART II

Question 2

[10]

The Kuenphen Company Limited was registered with an authorized capital of Nu 200,000. Out of which 10,000 shares were issued at Nu 10 per share. The following balances appeared in the books of the company as on 31st December, 2016:

Particulars	Amount
10,000 shares of Nu 10 each fully paid	100,000
Plant and Machinery	260,000
Sundry Debtors	20,000
Cash in hand	130,000
Net profit as per profit and loss A/c	500,000
8% debenture	10,000
Sundry Creditors	22,000
Unsecured loan	10,000
Investments	200,000
Bill Receivable	52,000

Prepare the company's Profit and Loss Appropriation Account and Balance Sheet in the prescribed form as per Companies Act of Kingdom of Bhutan 2000 as on 31st March 2016 after taking into account the following adjustments:

1. The director proposed a dividend @ 10 % of net profit
2. Nu 10,000 to be transferred to General Reserve
3. 10% of profit to be transferred to provision for income tax.

Question 3

[10]

Singye and Tashi were partners with the capital balance in the beginning of the accounting year of Nu 50,000 and Nu 40,000 respectively. The profit of their firm for the year ending 31st December, 2016 was Nu 325,000. They do not have clear idea on sharing the profits among themselves. They present to you their partnership deed. Render your expertise on how to share the profits among themselves. Find out their equity at the end.

Their partnership deed provides the following:

- i. They are to share the profits and losses in the ratio 3:2.
- ii. Interest on capital is to be allowed @ 10%.
- iii. Interest on drawing is to be charged @ 8%.
- iv. Singye is entitled to a salary of Nu 1,500 per month.
- v. Tashi is entitled to a commission of 5% on net divisible profit after charging such commission.
- vi. Tashi is also entitled for Rent of Nu 5,000 for his machinery used for partnership firm which was not charged from the profit.

During the year, Singye has withdrawn Nu 1,000 in the beginning of every month and Tashi has withdrawn Nu 800 at the end of every month.

Prepare Profit and Loss Appropriation Account and Partner's capital Account.

Question 4

[10]

You and your friend Rangdrol entered into Joint Venture for the purchase and sale of goods and to share the profits or losses in the ratio 3:2.

You purchased goods for Nu 120,000 and paid freight charges of Nu 7,000. Rangdrol purchased goods for Nu 50,000 and paid carriages Nu 3,000. You drew a bill upon Rangdrol for Nu 20,000. You later discounted the bill at 2%.

You sold $\frac{4}{5}$ th of the goods purchased by you at a profit of 20% on cost and paid Nu 2,500 as selling expenses. Rangdrol sold 80% of the goods purchased by him at a profit of 15% on sales and paid Nu 1,000 as selling expenses.

Both of you are entitled to 7% commission on your respective sales. You and your friend also agreed to take up your respective closing stock lying with you. It is to be charged at the same gross profit that is made on the goods sold excluding the unsold goods and expenses.

Your friend Rangdrol, having no accounting background requests you to:

- i) Prepare Joint Venture Account
- ii) Rangdol's Account to be maintained by you to close your venture and to make the final settlement.

Question 5**[10]**

Yangki and Lhamo are partners in a firm sharing profit and loss in the ratio of 3:2. Their balance sheet as on 31st December, 2016 was as follows.

Liabilities	Amount	Assets	Amount
Sundry Creditors	295,000	Bank	1,70,000
Employees provident fund	25,000	Bill Receivable	30,000
Reserve for contingencies	40,000	Sundry Debtors	105,000
Workmen Compensation Fund	20,000	Less: provision	<u>5000</u>
Yangki' Capital	3,00,000	Stock	2,00,000
Lhamo's Capital	1,40,000	Fixture	1,00,000
		Land and Building	2,00,000
		Profit & loss A/c	20,000
	8,20,000		8,20,000

On the above date, they decided to admit Dema as new partner who is one of the famous actresses. The terms of Dema's admission were as follows:

- i. Dema was to bring in cash Nu 150,000 as capital and Nu 80,000 for her share of goodwill for 1/5th future profit. Half of the goodwill was to be withdrawn by Yangki and Lhamo.
- ii. Stock and Fixture are to be depreciated by 10%
- iii. The value of land and building is decreased to Nu 190,000
- iv. Provision for doubtful debt to be created @ 4%
- v. There was accrued income of Nu 5,000 which was not recorded
- vi. The liability against legal charges of Nu 2,000 needs to be paid
- vii. The capital of the new firm were to be adjusted based on Dema's Capital and any excess or deficiency to be withdrawn in cash or to be brought in cash.

1. You were hired by the firm to prepare Revaluation Account, Partner's Capital and Balance Sheet of the new firm as at 31st December, 2016.
2. Why do you think Yangki and Lhamo were interested to admit Dema as their new partner?

Question 6

[10]

Nima, Dawa and Karma are partners sharing profits and losses in the ratio 3:2:1. Their Balance Sheet as at 31.6.2016 was as follows.

Liabilities	Amount	Assets	Amount
Sundry Creditors	30,000	Cash at Bank	100,000
Bills Payable	25,000	Sundry Debtors	32,000
General Reserve	18,000	Less: Provision	2,000
Workmen Compensation Fund	4,500	Land & Building	124,500
Provident Fund	20,000	Plant & Machinery	17,800
Dawa's Loan	8,000	Goodwill	15,000
Nima's wife loan	15,000	Profit & Loss Account	7,200
Current A/c:		Karma's Current A/c	3,000
Nima	7,000		
Dawa	5,000		
Capitals A/c:			
Nima	70,000		
Dawa	50,000		
Karma	45,000		
	297,500		297,500

There were some disputes among them on the above date and they decided to dissolve their firm. They called upon you as accounting expert to close their books of account under the following conditions:

1. Nima to pay his wife's loan and to take away plant & machinery at 5% less than book value.
2. Land & building is to be realized at Nu 150,500.
3. Sundry Debtors to be realized at Nu 28,500.
4. Sundry Creditors is paid 10% less than book value.
5. Unrecorded Furniture of Nu 10,000 to be sold at Nu 5,000.
6. Realization expenses are Nu 22,500.

Prepare Realization Account, Partner's Capital Account and Bank Account.

Question 7

a) Sangay Ltd issues 10,000 shares of Nu 10 each payable as:

[5]

- Nu 4 on application
- Nu 4 on allotment
- Nu 2 on final call

The company received applications for 15,000 shares. The allotment was made as follows:

Category	Share applied	Share allotted
1	5,000	5,000
2	8,000	5,000
3	2,000	Nil

Excess application money was to be adjusted towards the sum due on allotment and call. The application money of the applicants who are not allotted with any share is to be refunded immediately.

Pass journal entries in the book of Sangay Ltd. All the money receivable was duly received.

b) Kumar Company Limited presents you with their Balance Sheet as at 31st June, 2016. You are requested by the company to advise them on their short term and long term financial position as at 31st June, 2016. [5]

Balance Sheet as at 31st June, 2016

Liabilities	Amount	Assets	Amount
Share Capital		Fixed Assets	
Authorized & Subscribed Capital		Land & Building	5,74,000
2,000 equity share of Nu 100 each	2,00,000	Machinery	6,00,000
1,000 6% preference share of Nu 100 each.	1,00,000	Furniture	40,000
			Nil
Reserves & Surplus:		Investment	
General Reserves	20,000		
Profit & Loss a/c	1,48,000		
Secured Loan		Current assets and loan & advances:	
10% Debentures	2,00,000	a. Current assets	
Unsecured Loan	Nil	Stocks	9,000
Current Liabilities & Provisions:		Sundry Debtors	4,00,000
a. Current Liabilities		Bill Receivable	1,20,000
Creditors	1,80,000	Prepaid expenses	20,000
Bills Payable	60,000		Nil
Outstanding Expenses	15,000	b. Loan and advances	
b. Provision		Miscellaneous expenditure	
Proposed dividend	2,65,000	Preliminary expenses	1,25,000
	13,88,000		13,88,000

Calculate and interpret each of the following short term and long term solvency ratios:

- a) current ratio
- b) quick ratio
- c) debt equity ratio
- d) total assets to debt ratio
- e) proprietary ratio

Question 8

a) How will you record the entries relating to the issue of debentures in following cases: [5]

- i) Kezang Ltd issued 7,000 10% Debenture of Nu 100 each at 5% discount redeemable at par.
- ii) Phuntsho Ltd issued 5,000 10% debenture of Nu 100 each at par redeemable at 5% premium.

b) From the following information, prepare Cash Flow Statement of Dorji Ltd for the year ending 31st December, 2016. [5]

Opening cash balance	Nu 50,000
Closing cash balance	Nu 2,83,000
Net profit for the year	Nu 1,50,000
Decrease in debtors	Nu 10,000
Increase in creditors	Nu 8,000
Increase in bill receivable	Nu 15,000
Issue of shares	Nu 1,60,000
Purchase of Machinery	Nu 80,000

Question 9

a) Following are the Income Statement of Namgay Ltd as on 31st December , 2016 and 31st December, 2015. [5]

Particulars	2016	2015
Revenue from Operations (sales)	6,00,000	5,00,000
Purchases	30% of sales	40% of sales
Employee benefit expenses	20,000	10,000
Other Income	30,000	20,000
Other expenses	12,000	10,000
Depreciation	10,000	8,000
Income tax	30%	20%

You are required to prepare a Comparative Income Statement on the basis of information given in the above statement and comment on your findings on the profitability of the firm over the two years.

b) Given below is a calculation of interest on capital prepared in electronic Spreadsheet. The capital and interest are denominated in terms of Ngultrum. [5]

	A	B	C	D	E	F	G	H
1	Calaculation of interest on capital							
2	A							B
3	Capital	Interest Rate	Interest			Capital	Interest Rate	Interest
4	10,000.00	6%	600.00			10000	9%	900.00
5	8,000.00	8%	640.00			8000		720.00
6	6,000.00	7%	420.00			6000		540.00
7	7,000.00	5%				7000		630.00
8	5,500.00	6%	330.00			5500		495.00
9	6,000.00	9%	540.00			6000		540.00
10	6,600.00	7%	462.00			6600		594.00
11	5,000.00	8%	400.00			5000		450.00
12	8,000.00	7%	560.00			8000		720.00
13	Total							

i) Write down the formula for calculation of interest on capital in Cell C7 by using relative referencing.

ii) Write down the excel function for cell H4 to obtain interest on capital by using absolute referencing.

iii) Write down the formula for generating the value in Cell C13 to obtain total interest on capital from table A.

c) When you create a database, Access offers you Tables, Queries, Forms, Reports, Macros, and Modules. State **TWO** functions of query in Microsoft Access.
