

**PART I (20 MARKS)**  
**ANSWER ALL QUESTIONS**

**Question 1**

a) State any **TWO** conditions to issue shares at discount.

[2]


b) What do you understand by reconstitution of firm?

[2]


c) Why is it important to calculate proprietary ratio?

[2]


d) A, B and C were partners on 1<sup>st</sup> January 2018. On 30<sup>th</sup> June 2018, B died and the sales for the period till his death was Nu. 75,000. Calculate B's share of profit based on total sales of 2017 amounting to Nu. 200,000 and profit of Nu. 100,000. Pass journal entry to record his share of profit. [2]

e) The current ratio of a company is 5:3 when its current assets are Nu. 80,000. What would be its current liabilities? [2]

f) Study the following Profit & Loss Account and Profit & Loss Appropriation Account of Tashi and Sonam who were equal partners. Identify **TWO** items that are treated wrong in the given statements. [2]

## Profit and Loss Account

Particulars	Amount (Nu.)	Particulars	Amount (Nu.)
To Salaries to Employees	20,000	By Gross Profits	50,000
To Salary A/c (Tashi)	7,000		
To Net Profits c/d	23,000		
	<b>50,000</b>		<b>50,000</b>

## Profit and Loss Appropriation Account

Particulars	Amount (Nu.)	Particulars	Amount (Nu.)
To Interest on Capital	5,000	By Net Profits b/d	23,000
To Rent for the use of Sonam's machinery	6,000		
To Net Divisible Profits:			
Tashi's Capital: 6,000			
Sonam's Capital: 6,000	12,000		
	<b>23,000</b>		<b>23,000</b>

g) In case of over- subscription and pro-rata allotment of shares, how would the company utilize the excess application money if it is not refunded? [2]


h) The operating profit before change in working capital is Nu. 65,000. How will the following items change operating profit? [2]

Particulars	2017 (Nu.)	2018 (Nu.)
Stock	4,000	5,000
Creditor	3,000	7,000
Debtors	8,000	6,000
Bills Payable	2,500	2,000


i) The profit of Joint Venture is ascertained at the end of a particular venture while the profit of Partnership is ascertained at the end of the accounting period. Why is profit ascertained at different periods in these entities? [2]


j) Closely observe the following Comparative Income Statement of Sonam. Suggest any **TWO** ways to increase the net profit of the firm. [2]

Comparative Income Statement of Sonam for 2017 and 2018				
Particulars	2017 (Nu.)	2018 (Nu.)	Increase/ Decrease	Proportionate Change (%)
Sales	10,00,000	11,00,000	1,00,000	10.0
<u>Less:</u> Direct Expenses	4,00,000	6,00,000	2,00,000	50.0
Gross Profit	6,00,000	5,00,000	(1,00,000)	(16.7)
<u>Less:</u> Indirect Expenses	1,00,000	1,50,000	50,000	50.0
Net Profits	5,00,000	3,50,000	(1,50,000)	(30.0)


**PART II (60 MARKS)**  
**ANSWER ANY SIX QUESTIONS**

## Question 2

a) How will you record the entries for the issue of debentures in the following cases:

i. X Ltd. issued 5,000 10% debentures of Nu. 10 each at 10% premium redeemable at par. [2]

ii. Y Ltd. issued 5,000 12% debenture of Nu. 100 each at a discount of 10 % and [3] redeemable at a premium of 5%.

b) The summarized Income Statement of Karma Trading Company as on 31<sup>st</sup> December, 2018 is presented to you.

**Trading and Profit and Loss Account**

Particulars	Amount (Nu.)	Particulars	Amount (Nu.)
To Opening Stock	1,50,000	By Sales	10,00,000
To Purchase	5,00,000	By Closing Stock	2,00,000
To Wages	30,000		
To Carriage inward	20,000		
To Gross Profit	5,00,000		
	<b>12,00,000</b>		<b>12,00,000</b>
To Administration Expenses	1,00,000	By Gross Profit	5,00,000
To Selling and distribution Expenses	1,10,000		
To Financial Expenses	1,20,000		
To Loss on sale of Machinery	40,000		
To Net Profit	1,30,000		
	<b>5,00,000</b>		<b>5,00,000</b>

You are asked to calculate the following ratios with clear working notes:

i. Stock turnover ratio. What does it signify? [3]  
 ii. Operating ratio. [2]




### Question 3

Gawa Zangpo and Kiba Zangmo are partners sharing profit and loss in the ratio of 2:1. The balances standing to the credit of their capital account as on 31<sup>st</sup> December, 2018 were Nu. 1,00,000 and Nu. 80,000 respectively. Their partnership deed provides for the following:

[10]

- i. That the partners shall be entitled for interest on capital @ 10% p.a.
- ii. That the partners shall be charged for interest on drawings @ 6% p.a.
- iii. That Nu. 20,000 to be transferred to reserves account.
- iv. That Gawa Zangpo shall be entitled for a monthly salary of Nu. 2,000.
- v. That Kiba Zangmo shall be entitled for a 5% commission on net divisible profit before such commission.
- vi. The drawings for the year were Nu. 10,000 and Nu. 9,000 for Gawa Zangpo and Kiba Zangmo respectively.

The net profit for the year ended 31<sup>st</sup> December, 2018 after charging Gawa Zangpo's salaries but before the appropriation of other items were Nu. 1,25,000.

You are required to complete the accounting procedure to appropriate the profits and calculate the closing capital of partners under fluctuating capital method.





## Question 4

Pema and Kuenzang entered into a Joint Venture to purchase goods from Thimphu and to sell them in Trongsa market. They agreed to share their profit and loss equally.

[10]

The cost of goods purchased by Pema was Nu. 32,000 while Kuenzang purchased for Nu.23,000. Pema drew upon Kuenzang a bill of Nu. 10,000 which was discounted at a cost of Nu. 500, and it is to be charged against the venture. The other transactions were as follows:

- i. Transportation charges of Nu. 1,000 paid by Pema.
- ii. Sales made by Pema Nu. 40,000 (costing Nu. 30,000) and paid selling expenses of Nu.300.
- iii. Sales made by Kuenzang Nu. 30,000 (costing Nu. 20,000) and paid selling expenses of Nu. 200.
- iv. Both of them were entitled for a commission @ 5% on their respective sales. At the end of the venture, respective unsold goods were retained by Pema and Kuenzang which were to be charged at the same rate of gross profit (without charging any expenses) as that made on total sales.

You are required to show how the joint venture account and personal account of Kuenzang will appear in the books of Pema.





## Question 5

a) Following data is extracted based on the information of Ningkhar Ltd. for the year 2017 and 2018. [5]

<b>Particulars</b>	<b>2017 (Nu.)</b>	<b>2018 (Nu.)</b>
Gross Sales	5,00,000	6,00,000
Sales return	20,000	25,000
Net Sales	4,80,000	5,75,000
Cost of goods sold	3,20,000	4,25,000
	1,60,000	1,50,000
Expenses:		
Selling and distribution Expenses	10,000	25,000
Financial Expenses	12,000	15,000
General Expenses	8,000	10,000
Total Expenses	30,000	50,000
	<b>1,30,000</b>	<b>1,00,000</b>

Prepare common size income statement of Ningkhar Ltd.

- i. Comment on the change in the profitability of the firm in 2018 over 2017.
- ii. Why do you think the profitability has changed?

b) Yarab Ltd. forfeited 500 shares of Nu. 10 each originally issued at 10% premium to Sonam on which he failed to pay allotment money of Nu. 4 (including premium) and call money of Nu. 2. The board of directors decided to reissue 70% of these shares @ Nu. 7 per share fully paid up. [5]

Pass journal entries in the books of Yarab Ltd. for forfeiture and reissue of shares.




### Question 6

Rigsel and Yangsel are partners in a firm sharing profits and losses in the ratio 2:1. Their balance sheet as on 31<sup>st</sup> December, 2018 was as under:

**Balance sheet**

<b>Liabilities</b>	<b>Amount (Nu.)</b>	<b>Assets</b>	<b>Amount (Nu.)</b>
Capital A/c:		Cash in hand	4,000
Rigsel	48,000	Stock	30,000
Yangsel	40,000	Sundry Debtors	28,800
Sundry Creditors	16,000	<u>Less:</u> Provision for doubtful debt	800
Bank Loan	56,000	Plant and Machinery	48,000
Bills Payable	2,000	Land and Buildings	50,000
General Reserve	6,000	Furniture	10,000
Employees Provident Fund	5,000	Preliminary Expenses	3,000
	<b>173,000</b>		<b>173,000</b>

On the above date, the partners decided to admit Zumsel as a new partner on the following terms:

- i. The new profit sharing ratio of Rigsel, Yangsel and Zumsel will be 1:1:1.
- ii. Zumsel shall bring Nu. 32,000 as her capital and Nu. 9,000 as her share of goodwill in cash.
- iii. Plant and machinery is to be valued at Nu. 60,000, stock to be increased by Nu. 8,000 and reserves for doubtful debts is to be maintained at 5%. Value of land and building to be appreciated by Nu. 10,000 and furniture to be depreciated by Nu. 1,000.
- iv. Bill payable is to be paid at book value.
- v. There is a liability against outstanding salary to be recorded in the reconstituted firm of Nu. 7,360.

You are required to show the necessary account to complete the accounting procedure for Zumsel's admission considering the above adjustments.







### Question 7

Sangay Limited Company has an authorized capital of Nu. 20,00,000 divided into equity shares of Nu. 10 each. The company issued Nu. 18,00,000 worth of equity shares of Nu.10 each to public for subscription. From the following particulars, you are required to prepare Balance sheet of a company as per schedule XIII of Companies Act of the Kingdom of Bhutan 2000 as at 31<sup>st</sup> December 2018.

[10]

**Trial Balance (31<sup>st</sup> December, 2018)**

Particulars	Debit (Nu.)	Credit (Nu.)
Subscribed, called-up and paid-up Capital:		
1,50,000 Equity shares @Nu. 10 each		15,00,000
5,000 5% Debentures of Nu. 100 each		5,00,000
Debtors and Creditors	15,000	11,500
Machinery	6,00,000	
Cash in hand	73,000	
Fixed deposit	2,50,000	
Bills Receivable & Bills Payable	12,000	13,500
Investment in Y Ltd.	3,50,000	
Land & Building	4,00,000	
Provision for tax		50,000
Stock	80,000	
Bank Loan (unsecured)		3,00,000
Cash at bank	4,20,000	
Goodwill	75,000	
General Reserve		1,00,000
Preliminary Expenses	1,60,000	
Store & spares	25,000	
Profit & Loss A/c (Dr.)	15,000	
	<b>24,75,000</b>	<b>24,75,000</b>







### Question 8

Following is the Balance sheet as on 31<sup>st</sup> December, 2016 of Jiwan, Anju and Novin sharing profit and loss in 3:2:1. [10]

Liabilities	Amount (Nu.)	Assets	Amount (Nu.)
Capital:			
Jiwan	20,000	Plant and Machinery	84,800
Anju	40,000	Patents	5,500
Novin	<u>30,000</u>	Advertisement suspense	
Reserve Fund	21,000	Account	15,000
Sundry Creditors	7,000	Stock	4,500
Profit and Loss Account	12,000	Debtors	20,000
Bank overdraft	11,000	<u>Less: Provision for doubtful debt</u> <u>1,500</u>	18,500
		Cash in hand	12,700
	<b>1,41,000</b>		<b>1,41,000</b>

On the above date, Anju retires under the following terms:

- i. Jiwan and Novin shall share profits in the ratio 2:1 in the new firm.
- ii. Goodwill of the firm to be valued at Nu. 9,000.
- iii. Plant and Machinery will increase to Nu. 90,000, patents will decrease by 10% and provision for doubtful debt to be maintained at 5%.
- iv. That Nu. 800 included in the sundry creditors is not likely to be claimed but there was increased liability against outstanding rent of Nu. 6,550.
- v. Anju is paid off Nu.800 immediately and balance is to be paid in two equal annual installments together with interest on outstanding balance @ 5% p.a.

You are required to prepare Revaluation account, Partners capital account and also show Anju's loan account.








## Question 9

Following is the comparative balance sheet of Tobden Ltd. as at 31<sup>st</sup> December, 2017 and 2018.

[10]

<b>Liabilities</b>	<b>2017</b> <b>(Nu.)</b>	<b>2018</b> <b>(Nu.)</b>	<b>Assets</b>	<b>2017</b> <b>(Nu.)</b>	<b>2018</b> <b>(Nu.)</b>
Share capital	5,60,000	8,50,000	Goodwill	1,50,000	1,40,000
Profit and			Buildings	2,00,000	3,50,000
Loss Account	3,00,000	3,57,000	Land	2,50,000	2,30,000
Creditors	30,000	50,000	Debtors	1,10,000	1,45,000
Bills Payable	20,000	18,000	Prepaid		
Dividend			Expenses	50,000	1,00,000
proposed	50,000	1,00,000	Cash in hand	2,00,000	4,10,000
	<b>9,60,000</b>	<b>13,75,000</b>			
	<b>9,60,000</b>	<b>13,75,000</b>			

#### Additional information:

- i. Income tax paid during the year amounted to Nu. 70,000.
- ii. Dividend paid for the year was Nu. 60,000.
- iii. Building was depreciated by Nu. 50,000.

Prepare cash flow statement showing inflow and outflow of cash from all the activities of Tobden Ltd.



