

PART I (20 MARKS)
ANSWER ALL QUESTIONS

Question 1

a) When does fixed capital of a partner change? Give **TWO** points.

[2]

b) What do you understand by premium on redemption of debenture?

[2]

c) List down **TWO** items under contingent liability in the preparation of a company's balance sheet.

[2]

d) Dorji argues that Joint Venture and Partnership are the same forms of business. Do [2] you agree? Justify with **TWO** points.

e) Jor-Den Ltd. applied for a loan of Nu. 1 Million from the Bank of Bhutan Limited. [2] The bank asked the company to submit its financial statements. Why is the bank interested in assessing the financial statement of Jor-Den Ltd.?

f) Jigme and Wangmo are partners in a business. Jigme contributed a capital of Nu. 100,000, while Wangmo devoted time to the business. As Wangmo had not made any contribution, is she entitled to an equal share of the profit in the business? [2]

g) An entity may have a high net profit without having cash and vice versa. But in reality, investors and other stakeholders analyze cash flow statement for financial decision-making. Why is increase in cash flow not an indicator of high net profit? [2]

h) Is it necessary to prepare Joint Bank Account under Separate Sets of Book method? [2]
Why?

i) If the Quick Ratio is 2:1, calculate the Current Ratio from the following [2] information.

Particulars	Amount (Nu.)
Cash	18,000
Un-expired Insurance	10,000
Stock	5,000
Debtor	12,000

j) Under what conditions can a company issue shares at a discount? Explain any TWO. [2]

PART II (60 MARKS)
ANSWER ANY SIX QUESTIONS

Question 2

a) Prepare capital accounts of Kumar and Dorji to show how the following transactions affect their capital account. [5]

- On 1st January 2019, Kumar and Dorji have capital balances of Nu. 50,000 and Nu. 100,000 respectively and the current account balances of Nu. 10,000 (Cr.) for Dorji and Nu. 5,000 (Dr.) for Kumar.
- On 1st July 2019, they decided to increase the capital of Kumar to Nu. 80,000 and decrease Dorji's capital to Nu. 80,000 by bringing in or withdrawing the cash for the purpose.
- Interest on capital is allowed @ 10% per annum and the books of accounts are closed on 31st December every year.
- Their share of loss for the year is Nu. 20,000. Profit and loss is to be distributed in the ratio of fixed closing capital.

b) "The changes in absolute data in monetary values and percentages can be determined to analyze the profitability of the business."

[5]

Prepare a comparative income statement from the following data and comment to justify the above statement.

Statement of Income of United Incorporation Ltd

Particulars	31st March 2019 (Nu.)	31st March 2018 (Nu.)
Net sales	500,000	400,000
Less: Cost of goods sold	(280,000)	(200,000)
??	220,000	200,000
Less: Administration Expenses:	(50,000)	(50,000)
Finance Expenses:	(5,000)	(10,000)
Selling Expenses:	(20,000)	(15,000)
??	145,000	125,000

Question 3

a) After graduation from the college, Hingten and Tenzin agreed to start a temporary partnership to procure Personal Protective Equipment (PPE) from Bangkok and supply it to hospitals in Bhutan during the pandemic. The following are the transactions:

- i. They contributed Nu. 1,000,000 and Nu. 800,000 respectively, sharing profit & loss in the ratio of their capital contribution.
- ii. Hingten purchased PPE worth Nu. 800,000 (including Nu. 100,000 on credit from Pema) and paid Nu. 100,000 for freight and Nu.50,000 for insurance.
- iii. Tenzin purchased goods for Nu. 700,000 and spent Nu. 80,000 for rent and Nu. 40,000 for distribution.
- iv. Purchases were made from Joint Bank Account while expenses were paid privately.
- v. Hingten sold 90% of goods at a profit of 35% on cost and Tenzin sold 85% of goods at 40% profit on cost.
- vi. Both are entitled for 5% commission on their respective sales.
- vii. They agreed to take up the respective closing stock lying with them at the same rate of gross profit made on the goods sold, excluding the unsold goods and any other expenses. Later, Pema agreed to the payment of Nu. 95,000 in full settlement of his debt.

Prepare a Joint Venture account and Co-venturers' account to make the final settlement.

Question 4

a) Dawa, Nima and Karma are partners, who have contributed Nu. 80,000, Nu. 140,000 and Nu. 180,000 as their respective capitals. The partnership deed provides for the following:

- Interest on capital is allowed @ 10% per annum.
- Interest on drawing will be charged @ 5% per annum.
- Dawa is entitled to a salary of Nu. 4,000 per month, while Karma is entitled to an annual bonus of Nu. 26,400.
- Nima is entitled to a commission of 20 % on the divisible profit after charging such commission.
- 10% of the net profit is to be transferred to General Reserve.

Karma has advanced a loan of Nu. 100,000 in the beginning of the year to the firm. The net profit for the year ending 31st December 2019 before providing for the above, but after charging interest on capital is Nu. 166,000. Dawa withdrew a sum of Nu. 48,000 during the year, while Nima and Karma withdrew Nu. 40,000 each.

Show the distribution of profit among the partners by preparing profit and loss appropriation account and capital accounts of the partners.

Question 5

a) Pass the journal entry for issue of debenture. [5]

- i. ABC Ltd issues 5000, 10% Debenture of Nu. 100 each at 5% discount, redeemable at par.
- ii. XYZ Ltd issues Nu 500,000, 15% debenture of Nu. 100 each at 10% premium, redeemable at par.
- iii. Drin-chen Ltd issues Nu 500,000, 12% debenture of Nu. 100 each at 10% discount, redeemable at 5% premium.

b) The following is the Balance sheet of Phen-Dey Ltd as at 31st March 2019. [5]

Balance Sheet of Phen-Dey Motors Ltd as at 31st March 2019

Particulars	Amount (Nu.)	Particulars	Amount (Nu.)
Equity Share capital	200,000	Good Will	50,000
10% Preference share capital	150,000	Land and Building	200,000
Reserve fund	40,000	Plant and Machinery	150,000
Security Premium	25,000	Stock	110,000
15% Debenture	100,000	Debtors	70,000
Public Deposit	60,000	Bills Receivable	30,000
BNB loan	40,000	Cash	50,000
Creditors	40,000	Discount on issue of shares	10,000
Provision for tax	20,000	Profit and loss a/c	5,000
	675,000		675,000

Evaluate the solvency of the company by computing:

- Debt Equity Ratio and
- Proprietary Ratio.
- If the average Debt Equity Ratio in a similar type of business is 0.3: 1, what can be done to improve the ratio of Phen-Dey Ltd?

Question 6

a) Spring Water Limited having an authorized capital of Nu.250,000 has issued 10,000 equity shares of Nu.15 each issued at a premium of Nu. 5 per share for subscription to the general public, payable as follows:

[10]

Nu. 5 on share application	Nu. 9 on share allotment (including premium)	Nu. 3 on share first call	Nu.3 on share final call
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Applications were received for 15,000 shares and the directors decided to adjust the excess application money towards allotment and refund the balance money. Share first call money was duly received, except on 100 equity shares. However, the directors decided not to make the final call and expenses on issue of equity shares were Nu. 1,700. Pass the necessary journal entries and prepare the cash/bank account.

Question 7

a) The cash flow statement measures how well a company manages its cash position, meaning how well the company generates cash to pay its debt obligation and fund its operating expenses. The following is the comparative balance sheet of Ka-Kha Ltd as at December 2018 and 2019. You are required to prepare a cash flow statement to support the above statement. [10]

Particulars	2018 (Nu.)	2019 (Nu.)	Particulars	2018 (Nu.)	2019 (Nu.)
Eq. share capital	50,000	90,000	Good will	10,000	4,000
Pref. share capital	40,000	----	Fixed Assets	91,000	98,000
Securities premium	-----	15,000	Less:		
Profit and loss a/c	-----	30,000	Depreciation	(1,000)	(2,000)
10% Debenture	50,000	50,000	Stock	10,000	10,000
Bank Loan	15,000	8,000	Debtors	30,000	65,000
Sundry creditors	1,000	10,000	Marketable		
Provision for Tax	4,000	7,000	Securities	6,000	5,000
			Cash	-----	30,000
			Discount on issue		
			of debenture	4,000	-----
			Profit and loss a/c	10,000	-----
	160,000	210,000		160,000	210,000

Question 8

a) You are asked to prepare a Balance Sheet as per the schedule XIII, part I of the Company Act of Kingdom of Bhutan, 2000 of Sunshine Trading Limited from the following details:

[10]

Particulars	Amount (Nu.)
Authorized Share Capital: 20,000 share of Nu.100 each	2,000,000
Subscribed Capital of 18,000 shares of Nu.100	1,800,000
Calls in arrears	29,000
Delivery Van	780,000
Unexpired insurance	6,600
Securities premium	17,000
Share forfeited	35,000
Sundry creditors	23,000
Sundry debtors	75000
Provision for doubtful debts	5200
9% debenture	425,000
Outstanding wages	4,500
Bills receivable	34,000
Cash in hand and bank	75,000
Proposed dividend	21,900
Public Deposits	10,000
Land and Building	1,050,000
Work in progress	67300
Under writing commission	36,400
Profit and Loss a/c (Dr)	8,300
Investment in Sherza Ltd	180,000

Question 9

a) Jimmy is a sole trader and runs a small gift shop. He is curious about the financial performance of his shop and has provided an extract of his trial balance. Analyze the accounts to assess the profitability of the firm. The following are the details:

[5]

Particulars	Amount (Nu.)
Sales	850,000
Purchase	520,000
Wages	15,000
Sales returns	3,500
Opening Stock	45,000
Salaries	120,000
Shop rent	60,000
Electricity bill	6,700
Interest received	2,500

Additional information: Closing Stock of Nu. 50,000.

- i. Calculate the Gross Profit ratio and Net profit ratio.
- ii. Provide a solution to increase the net profit of the business.

b) You are presented with the Balance sheet of Keyang Ltd. and Yangtsho Ltd. for the year 2019. [5]
Create the Common Size Balance sheet (Vertical method) and provide interpretation after carefully analyzing it.

Balance Sheet as on 31st December 2019

Particulars	Keyang Ltd (Nu.)	Yangtsho Ltd (Nu.)
Liabilities		
Equity Capital	1,400,000	2,000,000
8% Debenture	200,000	150,000
General Reserve	50,000	250,000
Sundry Creditors	120,000	100,000
Total	1,770,000	2,500,000
Assets		
Building	570,000	800,000
Plant	1,050,000	1,500,000
Sundry Debtors	150,000	200,000
Total	1,770,000	2,500,000

