

## ACCOUNTS

(Three hours and a quarter)

(The first fifteen minutes of the examination are for reading the paper only. Candidates must NOT start writing during this time).

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Answer *Question I (compulsory) from PART I and any SIX questions from PART II. All working, including rough work should be done on the same sheet as adjacent to the rest of the answer.*

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### PART I (Compulsory)

#### Question 1

(2 X 10)

Answer the following questions very briefly and to the point:

- i) Give two circumstances in which fixed capitals of a partner can change.
- ii) How does Profit & Loss account differs from Profit & Loss Appropriation account
- iii) Distinguish between sacrificing ratio and gaining ratio.
- iv) Name the four methods of valuing the goodwill.
- v) X,Y and Z are partners sharing profits and losses in the ratio of 6:5:3 respectively. They admit P into the partnership and to give him  $\frac{1}{8}$ <sup>th</sup> share of future profits. Calculate new profit ratio.
- vi) Differentiate between Revaluation Account and Realisation Account
- vii) What is the object of preparing realization account in dissolution of partnership.
- viii) Give two similarity between joint venture and partnership
- ix) Why the word 'memorandum' is affixed to the memorandum joint venture account?
- x) State two ways in which the total amount due to the retiring partner can be paid off.

**PART II**  
(Answer any six questions)

**Question 2**

**(10 marks)**

- a) Rinchen, Tashi and Thinley were partners sharing profit & loss in the ratio of 3:2:1. Their capital contribution were Nu. 1,00,000, Nu. 70,000 and Nu. 50,000 respectively. Their Partnership deed provides the following:
- i) Interest on capital is allowed at 10% per annum
  - ii) Rinchen is entitled to a commission @ 5% on net divisible profit after charging such commission.
  - iii) Tashi and Thinley are entitled to a monthly salary of Nu. 500 and Nu. 600 respectively.
  - iv) Partners are charged 6% per annum as interest on drawings.  
Partners' drawings were:  
Rinchen Nu. 2,000 beginning of each month  
Tashi Nu. 2,500 in the middle of each month  
Thinley Nu. 3,000 at the end of each month
  - v) There was a rent of Nu. 2,000 for the building hired from Thinley. The net profit for the year before charging above adjustments was Nu. 92,030.

**Prepare the Profit & Loss Appropriation Account, Capital Accounts of the partners**

**Question 3**

**(10 marks)**

Following is the Balance Sheet of P, Q and R for the period ended 31<sup>st</sup> Dec. 2014

Balance Sheet

Liabilities	Nu.	Assets	Nu.
Capital Accounts		Fixed Assets	95,000
P : 50,000		Debtors	15,000
Q: 40,000		Cash in hand	8,000
R: <u>30,000</u>	1,20,000	Cash at Bank	20,000
General Reserve	33,000	Profit & Loss Account	30,000
Revaluation account	15,000		
	1,68,000		1,68,000

Q retired from the above date. Out of the total amount due from Q on his retirement, Nu. 6,000 is paid immediately and the balance transferred to his loan account. Prepare Q's loan account, if it is paid in four equal instalments together with interest @ 10% per annum on the outstanding balance, the first instalment being paid on 31<sup>st</sup> December 2015.

**Question 4****(10 marks)**

Kinga and Chogyal are partners in a firm sharing profit & loss in the ratio of 2:1. Their Balance Sheet as on 30 June 2015 is given below.

Balance Sheet

Liabilities		Nu.	Assets		Nu.
Capital			Plant & Machinery		25,000
	Kinga 50,000		Building		50,000
	Chogyal <u>30,000</u>	80,000	Debtors	11,000	
General Reserve		9,000	Less: Provision	<u>1,000</u>	10,000
Workmen Compensation Fund		3,000	Bills Receivable		5,000
Creditors		5,000	Cash		6,000
Outstanding rent		<u>2,000</u>	Profit & Loss Account		<u>3,000</u>
		99,000			99,000

Rinzin was admitted with 1/4<sup>th</sup> share of the profit under the following conditions:

- Rinzin is to bring Nu. 25,000 as his share of capital
- Rinzin shall bring goodwill in cash valued at 2 years purchase of the average profit of the past three years. The Profits of the past 3 years were I – Nu. 21,000, II – Nu. 18,000, III – Nu. 15,000.
- Plant & Machinery is revalued at Nu. 20,000, building is appreciated by Nu. 10,000. Create 10% provisions for bad and doubtful debt on debtors.
- Creditors of Nu. 400 is not likely to be claimed.
- There was an accrued income of Nu. 1,000 which was not shown in the books.

Prepare the Revaluation Account, Capital Accounts and the Balance Sheet of the new firm.

**Question 5****(10 marks)**

Following is the Balance Sheet of ABC as on 30<sup>th</sup> June 2015.

Balance Sheet

Liabilities		Nu.	Assets		Nu.
Capital Accounts:			Investment		12,000
	A 20,000		Plant		13,000
	B 15,000		Furniture		15,000
	C <u>10,000</u>	45,000	Debtor		7,000
Current Accounts:			Stock		5,000
	A 3,000		Cash		2,000
	B <u>2,000</u>	5,000	Bank		1,000
Creditors		4,000	C's Current Account		3,000
A's Wife's Loan		10,000	Profit & Loss Account		12,000
C's Loan		<u>6,000</u>			
		70,000			<u>70,000</u>

They decided to dissolve the firm under the following conditions:

- i) Investment and Plant were sold at a consolidated price of Nu. 20,000
- ii) Debtors realized Nu. 10,000, furniture and stock were taken over by A and C respectively at the book value.
- iii) A agreed to pay his wife's loan.
- iv) Creditors accepted only Nu. 3,500 as full payment.
- v) Expenses on realization amounted to Nu. 1,500.

Prepare i) Realisation Account ii) Capital Accounts of the partners iii) Bank Account.

### Question 6

(10 marks)

Nima and Ugyen entered into a Joint Venture for the purchase and a sale of plastic goods during Thimphu. Profits & losses to be shared equally. Nima was to purchase plastic good from Phuntsholing and send them to Ugyen of Thimphu who would sell them. Nima purchased goods worth Nu. 80,000 and sent them to Ugyen incurring the following expenses:

- Loading Charges Nu. 2,500
- Packing Charges Nu. 600
- Transport Charges Nu. 3,000

He immediately drew upon Ugyen Nu. 80,000 for 3 months. The acceptance was discounted at 18% p.a.

Ugyen took delivery of the goods and incurred the following expenses:

- Cartage Charges Nu. 1,800
- Unloading charges Nu. 2,000
- Agent's Commission Nu. 2,500

Ugyen sold the entire goods on behalf of the Joint Venture and realized Nu. 1,50,000.

- Prepare
- a) Memorandum Joint Venture
  - b) Joint Venture with Ugyen account in the books of Nima
  - c) Joint Venture with Nima account in the books of Ugyen

### Question 7

(10 marks)

Low, High and Broad are partners sharing profits and losses  $\frac{4}{7}$ <sup>th</sup>,  $\frac{2}{7}$ <sup>th</sup> and  $\frac{1}{7}$ <sup>th</sup> respectively. Their Balance Sheet on 31<sup>st</sup> December 2001, was as follows:

Liabilities		Nu.	Assets		Nu.
Capital	Low	48,429	Goodwill		21,000
	High	31,714	Stock		22,500
	Broad	25,857	Debtors		16,500
				Land & Buildings	
Bills Payable		3,000	Machinery		39,750
General Reserve		10,500	Motor Van		7,750
Creditors		22,500	Cash		4,500
		<u>1,42,000</u>			<u>1,42,000</u>

On 1<sup>st</sup> January 2002, Low retired from the business and the following adjustments were made:

- i) Firm's goodwill was valued at Nu. 42,000 .
- ii) Assets and Liabilities are to be valued as under:  
Stock Nu. 18,000, Land & Buildings Nu. 33,900, Debtors Nu. 15,750, Machinery Nu. 37,500  
Creditors Nu. 21,000.
- iii) High to bring in Nu. 30,000 and Broad Nu. 7,500 as additional capital
- iv) Low was to be paid Nu. 24,300 in cash and the balance of his capital account to be transferred to his loan account.

Prepare Revaluation Account, Partners' Capital Accounts, Cash Account and Balance Sheet of the new firm after Low's retirement.

**Question 8**

**(10 marks)**

The following is the Balance Sheet as on 31<sup>st</sup> March 2013 of A and B, who share profits and losses in the ratio 3:2.

Liabilities		Nu.	Assets		Nu.
Capital Accounts	A	10,000	Plant & Machinery		10,000
	B	10,000	Land & Buildings		8,000
			Debtors	12,000	
General Reserve		15,000	Less: Provision	<u>1,000</u>	11,000
Workmen Compensation Fund		5,000	Stock		12,000
Creditors		<u>10,000</u>	Cash		<u>9,000</u>
		50,000			50,000

On 1<sup>st</sup> April, 2013 they agreed to admit C into partnership on the following terms:

- i) Provision for doubtful debts would be increased by Nu. 2,000.
- ii) The value of land and building would be increased to Nu. 18,000
- iii) The value of stock would be increased by Nu. 4,000.
- iv) The liability against Workmen's Compensation Fund is determined at Nu. 2,000
- v) C brought in his share of goodwill Nu. 10,000 in cash
- vi) C would bring further cash as would make his capital equal to 1/5<sup>th</sup> of the total capital of the new firm after the above revaluation and adjustments are to be carried out.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm,

**Question 9**

**(10 marks)**

Penjor and Tshering entered into a joint venture for purchase and sale of goods during one of the local festivals in Trongsa. They contributed Nu. 80,000 and Nu. 60,000 respectively sharing profit & loss in the ratio of their capital contribution.

Penjor purchased goods worth Nu. 40,000 and paid Nu. 500 for carriage and Nu. 1,000 for insurance.

Tshering purchased goods for Nu. 30,000 and spent Nu. 10,000 for rent and Nu. 2,000 for distribution.

Purchases are made from their Joint Bank account, while expenses are paid privately. 95% of the available goods were sold at a profit of 50% on cost, which was banked. The unsold goods were taken by Penjor and Tshering at an agreed value of Nu. 2,000 and Nu. 1000 respectively.

- Prepare
- i) Joint Venture Account
  - ii) Co-venturers' Account
  - iii) Joint Bank Account.