

BACHELOR'S DEGREE PROGRAMME

Term-End Examination

December, 2007

ELECTIVE COURSE : COMMERCE

ECO-14 : ACCOUNTANCY-II

Time : 2 hours

Maximum Marks : 50

Note : Attempt any **four** questions including question no. 1 which is **compulsory**.

1. Attempt any **three** of the following questions : 14

- (a) Distinguish between Hire Purchase System and Instalment Payment System.
- (b) Why is it necessary to keep Branch Account ?
- (c) Differentiate between fixed and fluctuating capitals.
- (d) Explain any two methods of calculating purchase consideration, with examples.
- (e) List the various sources and uses of funds as shown in Cash Flow Statement.

2. Prakash purchased a machine on 1-1-2003 for Rs. 56,000, payment to be made Rs. 15,000 down and 3 instalments of Rs. 15,000 each at the end of each year. Rate of interest charged is 5% p.a. which is included in instalments. Prakash depreciates machine at 10% p.a. on diminishing balance method. Prakash after having paid the down payment and first instalment, could not pay second instalment. Hire vendor took possession of the machine. Hire vendor after spending Rs. 350 on repairs of the machine, sold it for Rs. 30,110.

Show the necessary ledger accounts in the books of Prakash and Goods Repossessed A/c in the books of the hire vendor.

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3. (a) Tarun and Varun are equal partners in a firm. The Balance Sheet of the firm as on 31-3-2005 is given below :

	Rs.		Rs.
Capital :		Machinery	50,000
Tarun	50,000	Furniture	25,000
Varun	50,000	Stock	20,000
Sundry Creditors	20,000	Debtors	5,000
Bills Payable	5,000	Cash at Bank	25,000
	1,25,000		1,25,000

On 1-4-2005, Tarun-Varun admitted Waseem as $\frac{1}{3}^{\text{rd}}$ partner who brings in Rs. 50,000 as capital and Rs. 25,000 as goodwill. Pass the necessary journal entries and show the capital accounts of the partners.

- (b) State the rules to be observed in settlement of accounts of a firm after dissolution, in the absence of any agreement between the partners in this regard.

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4. (a) How does a Debenture differ from a Share ?

- (b) How will you pass journal entries at the time of the issue of debentures in the following situations ? 2, 10

- (i) Debentures issued at par and redeemable at par

- (ii) Debentures issued at a premium and redeemable at par
- (iii) Debentures issued at a discount and redeemable at par
- (iv) Debentures issued at par and redeemable at a premium
- (v) Debentures issued at a discount and redeemable at a premium

5. From the Balance Sheet given below, calculate
 (i) Current ratio, (ii) Quick ratio, (iii) Debt-Equity ratio and
 (iv) Proprietary ratio.

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	Rs.		Rs.
Equity Share Capital (60,000 shares of Rs. 10 each)	6,00,000	Buildings	4,00,000
Reserves & Surpluses	50,000	Plant	3,20,000
Profit & Loss A/c	1,60,000	Stock	1,50,000
10% Debentures	3,00,000	Cash at Bank	1,20,000
Creditors	1,80,000	Debtors	3,00,000
	12,90,000		12,90,000

6. (a) Why and how is a Schedule of Changes in Working Capital prepared ?
 (b) What are the limitations of ratio analysis from the point of view of shareholders ? Explain.

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