

B.Com. DEGREE EXAMINATION NOVEMBER 2019

COMMERCE

FIRST SEMESTER

COURSE : MAJOR – CORE
PAPER : FINANCIAL ACCOUNTING
TIME : 3 HOURS

MAX. MARKS: 100

SECTION – A

ANSWER ALL QUESTIONS:

(10 x 2 = 20)

1. What do you mean by Amalgamation?
2. Write a note on 'Independent Branch'.
3. Mention the objectives of Accounting Standards.
4. Give the meaning of Hire purchase agreement.
5. What is meant by under insurance?
6. A manager gets 5% commission on net profit after charging such commission. What shall be his commission if gross profit is Rs.96,000 and expenses of indirect nature other than manager's commission are Rs.12,000?
7. There are two departments in a firm X and Y. Goods are transferred from Department X to Department Y at usual selling price. You are required to compute stock reserve on stocks of Department Y from the following data:
G.P. Ratio of Department X: 25% on cost
Opening stock of Department Y: Rs. 50,000
Closing stock of Department Y: Rs. 75,000
8. The Kanpur shoe company opened a branch at Delhi in 2017. From the following particulars prepare Delhi Branch A/c for the year 2017.

| | | | |
|-------------------------------|-----------|----------------------------------|----------|
| Goods sent to branch | Rs.15,000 | Cash sent to branch for expenses | Rs.6,000 |
| Cash received from the branch | Rs.24,000 | Stock on 31-12-2017 | Rs.2,300 |
| Petty cash in hand | Rs.40 | | |
9. X purchased machinery under hire purchase agreement from Y. The cash price of the machinery was Rs.15,500. The payment was to be made as follows:

| | |
|--------------------------|----------|
| On signing the agreement | Rs.3,000 |
| First year end | Rs.5,000 |
| Second year end | Rs.5,000 |
| Third year end | Rs.5,000 |

Calculate interest for each year.
10. Calculate insurance claim from the following facts assuming that the insurers met their liability under the policy on 'average basis'.
A trader's stock valued at Rs.40,000 was totally destroyed. The stock in the godown was insured for Rs.30,000 subject to average clause. The balance of stock, left after fire, appeared in the books at Rs.24,000.

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. From the following balances of Arvind, prepare Trading A/c, Profit & Loss A/c and Balance sheet as at 31st December 2018.

| | | | |
|-------------------------|----------|------------------|----------|
| Credit balances: | | Postage | 546 |
| Capital | 72,000 | Bad debts | 574 |
| Creditors | 17,440 | Interest | 2,590 |
| Bills payable | 5,054 | Insurance | 834 |
| Sales | 1,56,364 | Machinery | 20,000 |
| Loan | 24,000 | Stock (1-1-2018) | 19,890 |
| Debit balances: | | Purchases | 1,24,184 |
| Debtors | 7,770 | Wages | 8,600 |
| Salaries | 8,000 | Buildings | 47,560 |
| Discount | 2,000 | Furniture | 32,310 |

Value of goods on hand on 31-12-2018 Rs.28,600.

12. Premnath, Ramnath and Loknath were partners in M/s Lok Pran & Co. sharing profits and losses in the ratio of 2:1:2. They decided to convert their business into private limited company with effect from September 1, 2017, on which date their balance sheet stood as under:

Balance sheet

| Liabilities | Rs. | Assets | Rs. |
|-----------------------------|--------|-----------------------|--------|
| Partners' capital accounts: | | Goodwill | 8,000 |
| Premnath 2,500 | | Motor car | 5,000 |
| Loknath 8,500 | 11,000 | Commission receivable | 1,000 |
| Loan from Loknath | 5,000 | Stock | 4,000 |
| Bank overdraft | 3,000 | Debtors | 8,000 |
| Creditors | 6,000 | Cash | 1,000 |
| Bills payable | 5,000 | Ramnath's account | 3,000 |
| | 30,000 | | 30,000 |

All assets (except cash and commission receivable which is irrecoverable) and all outside liabilities are taken over by the company for a consideration of Rs.20,000 to be discharged through allotment of 2,000 equity shares of Rs.10 each, treated as fully paid in the limited company. Show ledger accounts to close the books of the firm.

13. The following information relates to Madurai branch:

| | |
|----------------------------|---------------|
| Stock on 1.1.2018 | Rs.11,200 |
| Branch debtors on 1.1.2018 | Rs.6,300 |
| Goods sent to Branch | Rs.51,000 |
| Cash sent to Branch for:- | |
| Rent | 1,500 |
| Salaries | 3,000 |
| Petty cash | <u>500</u> |
| | Rs.5,000 |
| Sales at Branch: | |
| Cash | 25,000 |
| Credit | <u>39,000</u> |
| | Rs.64,000 |
| Cash received from Debtors | Rs.41,200 |
| Stock on 31.12.2018 | Rs.13,600 |

Prepare Branch Account for the year 2018.

14. From the following details of a businessman who sells goods of small value at cost plus 50%. Prepare Hire Purchase Trading A/c.

| | | |
|------------|---|-----------|
| 1.1.2018 | Stock out with the customers at H.P. Price | Rs.9,000 |
| | Stock at shop at cost price | Rs.18,000 |
| | Instalments due but not received | Rs.5,000 |
| 31.12.2018 | Goods worth Rs.500 repossessed (Inst. not due Rs2,000) | |
| | Cash received cash received from customers | Rs.60,000 |
| | Purchases made during the year | Rs.60,000 |
| | Stock at cost at shop (excluding the goods repossessed) | Rs.20,000 |
| | Installments due but not received | Rs.9,000 |
| | Stock out at Hire-Purchase price with the customers | Rs.30,000 |

15. The premises of a trading firm caught fire on 22.10.2018 and the stock was damaged. The firm had made up accounts to 31st December.

| | |
|--|-----------|
| Stock on 31.12.2017 | Rs.13,272 |
| Stock on 31.12.2016 | Rs. 9,614 |
| Purchase during 2017 | Rs.45,258 |
| Purchase from 1.1.2018 to the date of fire | Rs.34,827 |
| Sales during 2017 | Rs.52,000 |
| Sales from 1.1.2018 to the date of fire | Rs.49,170 |

Additional information:

- In April 2018 goods which cost Rs.1,000 were given away for advertising purposes, no entries being made in the books.
- During 2018, a clerk had misappropriated unrecorded cash sales. It is estimated that the defalcation amounted to Rs.400
- The rate of gross profit is constant.

From the above information, make an estimate of the stock on the date of fire.

16. From the following information, find the claim under a loss of profit policy.

| | |
|--|--------------|
| Sales in 1991 | Rs.2,00,000 |
| Sales in 1992 | Rs.2,40,000 |
| Sales in 1993 | Rs.2,88,000 |
| Sales in 1994 | Rs.3,45,600 |
| Net profit in 1994 | Rs.20,000 |
| Standing charges (all insured) in 1994 | Rs.14,560 |
| Date of dislocation by fire 1.1.1995; period of dislocation 3 months | |
| Sales from 1.1.1994 to 31.3.1994 | Rs.86,400 |
| Sales from 1.1.1995 to 31.3.1995 | Rs.23,680 |
| Indemnity period | 9 months |
| Policy value | Rs.1,00,000. |

There was no reduction in standing charges during the dislocation period nor were there any additional costs.

17. A firm had two departments, cloth and readymade garments. The garments were made by the firm itself out of cloth supplied by the cloth department at its usual selling price. From the following figures, prepare departmental trading and profit and loss account for the year ended 31.3.2018.

| | Cloth dept. (Rs.) | Readymade dept. (Rs.) |
|--------------------------------------|----------------------|--------------------------|
| Opening stock on 1.4.2017 | 3,00,000 | 50,000 |
| Purchases | 20,00,000 | 15,000 |
| Sales | 22,00,000 | 4,50,000 |
| Transfer to readymade garments dept. | 3,00,000 | - |
| Expenses – manufacturing | - | 60,000 |
| – selling | 20,000 | 6,000 |
| Stock 31.3.2018 | 2,00,000 | 60,000 |

The stock in the readymade garments department may be considered as consisting of 75% cloth and 25% other expenses. The cloth department earned gross profit @ 15% in 2016-17. General expenses of the business as a whole came to Rs.1,10,000.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. The following are the ledger balances extracted from the books of Ramani as on 31-12-2018.

| Debit balances: | | | |
|-------------------------------------|--------|------------------------------------|---------------|
| Drawings | 3,000 | Cash at Bank | 5,000 |
| Goodwill | 6,000 | Cash in Hand | 80 |
| Land & Buildings | 12,000 | Sundry debtors | 9,000 |
| Plant and Machinery | 8,000 | Repairs | 360 |
| Loose tools | 600 | Printing and Stationery | 110 |
| Bills receivable | 1,600 | Bad Debts | 640 |
| Stock, 1 st Jan. 2018 | 8,000 | Advertisement: (Special) | 6,000 |
| Purchases | 10,200 | (Normal) | <u>700</u> |
| Wages | 4,000 | | <u>80,720</u> |
| Carriage inwards | 200 | Credit Balance: | |
| Carriage outwards | 80 | Sales | 24,000 |
| Coal, Gas & Coke | 1,160 | Provision for Bad & Doubtful debts | 900 |
| Sales returns | 400 | Provision for discount on Debtors | 342 |
| Furniture and fixtures | 240 | Loan at 6% | 4,000 |
| General expenses | 1,050 | Capital | 40,000 |
| Provision for Discount on creditors | 320 | Sundry Creditors | 8,000 |
| Interest on loan | 120 | Purchase returns | 500 |
| Salaries | 1,000 | Discount received | 300 |
| Rent, rates & taxes | 560 | Commission received | 400 |
| Discount allowed | 300 | Bills payable | <u>2,278</u> |
| | | | <u>80,720</u> |

- (i) Closing stock on 31-12-2018 amounted to Rs.15,654
- (ii) Depreciate Plant & Machinery at 5%, Loose tools at 15% and Furniture & Fixture at 20%.
- (iii) Provide for Bad & Doubtful Debt at 5% and for Discount on Debtors and Creditors at 2%
- (iv) Outstanding: Wages Rs.200; and Rent , rates and taxes Rs.100.
- (v) Write off one – third of advertisement (Special).
- (vi) Interest on loan has been paid for six months only.
- (vii) A bill for Rs.1,000 included in Bills Receivable has been dishonoured.
- (viii) The manager is entitled to a commission of 5% on net profits after charging such commission.

Prepare final accounts for the year 31-12-2018.

19. Following were the balance sheet as on March 31, 2018 of two firms M/s A&B and C&D.

Balance Sheet

| Liabilities | A&B | C&D | Assets | A&B | C&D |
|-----------------------------|----------|--------|--------------------------|----------|--------|
| Sundry creditors | 20,000 | 10,000 | Cash at bank | 15,000 | 8,000 |
| Bills payable | 5,000 | - | Investment at cost | 10,000 | 8,000 |
| Bank overdraft | 2,000 | 10,000 | Debtors 10,000 | | |
| A's Loan | 6,000 | - | Less: Prov. <u>1,000</u> | 9,000 | 8,000 |
| Capitals: | | | Furniture | 12,000 | 6,000 |
| A | 35,000 | | Premises | 30,000 | - |
| B | 22,000 | | Land | - | 50,000 |
| C | | 36,000 | Machinery | 15,000 | - |
| D | | 20,000 | Goodwill | 9,000 | - |
| General reserve | 8,000 | 3,000 | | | |
| Investment fluctuation fund | | | | | |
| | 2,000 | 1,000 | | | |
| | 1,00,000 | 80,000 | | 1,00,000 | 80,000 |

The two firms decided to amalgamate their business on 1st April 2018. For this purpose it was decided that the new firm shall not take furniture of both the firms and shall take over investments at 10% less, land at Rs.80,000, Premises at Rs.45,000, Machinery at Rs.9,000. New firm agreed to take over only trade liabilities of both the firms and to pay Rs.12,000 to each firm for goodwill. Unrecorded typewriter with C and D, valued at Rs.800, was not taken over by the new firm. The capital of the new firm was agreed at Rs.1,60,000 to be divided among partners equally. You are required to pass Journal entries and prepare balance sheet of the new firm.

20. Knight purchased a truck for Rs.1,60,000 from S.Waugh on 1-1-2018 payment to be made Rs.40,000 down and Rs.46,000 at the end of first year, Rs.44,000 at the end of second year and Rs.42,000 at the end of third year. Interest was charged at 5%. Knight depreciates the truck at 10% per annum on written down value method. Knight, after having paid down payment and first instalment at the end of the first year, could not pay second instalment. The seller took possession of the truck, and after spending Rs.4,000 on repairs of the asset, sold it away for Rs.91,500. Give Journal entries and ledger accounts in the books of both the parties.

21. A Limited company with its head office at Madras has a branch office in Kanchipuram which obtains supplies partly from head office at cost and partly from outside suppliers. The branch keeps a separate set of books. On 30-06-2018, the following Trial Balance was extracted.

| | Head office | | Branch office | |
|----------------------------------|-------------|----------|---------------|----------|
| | Dr (Rs.) | Cr (Rs.) | Dr (Rs.) | Cr (Rs.) |
| Share capital | - | 30,000 | - | - |
| Fixed assets | 16,000 | - | 8,000 | - |
| Profit & Loss A/c on 1-7-2017 | - | 4,000 | - | - |
| Opening stock at cost | 14,000 | - | 1,900 | - |
| Debtors and creditors | 17,000 | 10,000 | 1,500 | 2,050 |
| Cash | 3,000 | - | 1,000 | - |
| Purchases and sales | 1,20,000 | 1,40,000 | 6,750 | 20,500 |
| Sundry expenses | 15,000 | - | 2,250 | - |
| Goods from head office to Branch | - | 12,000 | 11,500 | - |
| Current A/c on 30-6-2018 | 11,000 | - | - | 10,350 |
| | 1,96,000 | 1,96,000 | 32,900 | 32,900 |

The difference between the balances in the head office and branch current A/c is due to goods and cash being in transit at the close of the year. Fixed assets are to be depreciated at 10%. Stocks on 30-6-2018 were: Head office Rs.10,000; and Branch Rs.2,100. Prepare Kanchipuram Branch Trading and Profit & loss A/c. and Company's Trading and P&L A/c and its combined Balance sheet, P&L A/c.
