STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

COURSE CODE: 19CM/MC/FA13

B.COM DEGREE EXAMINATION – NOVEMBER 2021

COMMERCE – SHIFT II

COURSE : MAJOR – CORE
PAPER : FINANCIAL ACCOUNTING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A
Answer all the questions: **(3 x 4 = 12)**

1. A manager gets 10% commission on net profit. Compute his commission if gross profit is Rs.3,92,000 and expenses of indirect nature other than managers commission are Rs. 30,000.
(a) after charging such commission and
(b) before charging such commission.

2. A fire occurred on 15th September 2019 in the godown of Ms. Amit. From the following ascertain the claim to be lodged.

	Rs.
Stock on 1.4.2019	1,03,000
Purchases from 1.4.2000 to the date of fire	3,50,200
Manufacturing expenses and wages	2,59,000
Sales from 1.4.2019 to date of fire	6,75,000
Goods drawn by the proprietor	10,300

The rate of Gross Profit is 20 % on cost. The Stock salvaged was valued at Rs. 35,000.

3. A machine costing Rs. 1,00,000 was purchased on hire purchase basis. Rs.20,000 was paid on signing the agreement and the balance in four equal instalments of Rs. 20,000 each annually with interest @ 10 % per annum. Calculate interest and show the amount payable on all the four instalments.

SECTION – B
Answer any THREE questions: **(3 x 16 = 48)**

4. Show the necessary adjustments in the Trading and Profit and Loss Account and Balance Sheet for following eight adjustments:

   a. Goods worth Rs. 2,460 distributed as free samples.

b. Outstanding salaries Rs.12,000.
c. The proprietor has withdrawn goods worth Rs. 2,300 from stock.
d. Goods in stock Rs.9,630 have been destroyed by fire and there is a claim of Rs.3,300 from the insurance company.
e. Plant which stood at Rs.75,000 in the books on the first day was disposed of for Rs. 30,000 in part exchange for a new machine costing Rs. 60,000. A net invoice for Rs.30,000 was passed through the purchases book.
f. Goods costing Rs.5,000 were sent to a customer on sale or return for Rs.6000 on 30th December 2020 and had been recorded in the books as actual sales.
g. Rs.2,000 paid for machinery erection was debited to wages account.
h. Provide 2% for discount on debtors and a bad debt provision at 5% of Debtors. (Debtors Rs.40,000)

5. On July 1st, 2020, the godown of M/s. A Ltd was destroyed by fire. The records of the company revealed the following particulars:

   Stock (1.1.2019) – Rs. 95,000

   Stock (31.12.2019) – Rs. 80,000

   Purchase during 2019 – Rs. 3,10,000

   Sales during 2019 – Rs. 4,00,000

   Purchases from January 1st, 2020 to the date of fire – Rs. 75,000

   Sales from January 1st, 2020 to the date of fire – Rs. 1,00,000

   In valuing the closing stock of 2019, Rs. 1000 was written off where cost was Rs 4,800. Part of this stock was sold in 2020 at a loss of Rs. 400 whose cost was Rs. 2,400. Stock Salvaged was Rs. 5,000. The godown was fully insured. Compute (a) Gross Profit Ratio (b) Memorandum Trading Account for the normal and abnormal goods (c) Statement of Insurance Claim

6. Ashok and Arjun were independent contractors. They undertook a Joint Venture to construct a commercial complex for a company. They opened a joint bank account and deposited Rs. 60,000 by Ashok and Rs. 40,000 by Arjun. The contract price was Rs.4,00,000 which was to be discharged Rs. 3,50,000 in cash (in instalments) and Rs.

50,000 in shares. Ashok paid Architect fees Rs.20,000. Arjun paid wages Rs. 30,000. Ashok supplied a Truck for Rs. 30,000 into the venture. Arjun was entitled to a commission of Rs.20,000. Materials purchased totalled Rs. 2,00,000 and other expenses totalled Rs. 85,000. Materials costing Rs 6000 was lost in an accident. The venture was completed and the contract price was duly discharged. Ashok took shares at a value of Rs. 65,000 and took back the truck at Rs. 26,000. Prepare (a) Joint Venture Account (b) Joint Bank Account (c) Co Venturer's Account – Ashok and Arjun.

7. A machinery was purchased on Hire Purchase basis by agreeing to pay four annual instalments of Rs 4,230 at the end of each year commencing from the date of the agreement. Interest is charged@5% and is included in annual payments of Rs. 4,230. He commits a default in paying third instalment and the asset was repossessed. Hire Purchaser provides depreciation on the machinery @ 10% p.a on Straight line method. (a) Compute interest. (b) Open the Hire Vendor Account and Repossessed stock account in the books of Hire purchaser. (c) Open machinery account and hire purchaser account in the books of Hire Vendor.

SECTION – C

Answer any ONE question: **(1 x 40 = 40)**

8. (a) A head office invoices goods to its branch at cost plus 50%. Branch remits all cash received to the head office and all expenses are met by the H.O. From the following particulars, prepare necessary accounts on the stock and debtors system to show the profit or loss at the branch.

	Rs.		Rs.
Stock on 1.1.2020 (invoice price)	28,000	Goods returned by debtors	3,700
Debtors on 1.1.89	20,500	Goods returned to H.O by branch	4,600
Goods invoiced to the branch	1,53,100	Shortage of stock	1,450
Cash sales	75,100	Discount allowed	700
Credit sales	93,100	Expenses at the branch	16,300
Cash collected from Debtors	91,300	Bad debts	700

Prepare

1) Branch Stock Account

2) Branch Debtors Account
3) Branch Expenses Account
4) Branch Adjustment Account
5) Branch Profit and Loss Account
6) Goods Sent to Branch Account

(b) Fill in the blanks:

i. Expenses which can be directly identified with or incurred for particular departments are called ___________________.

ii. Expenses which cannot be apportioned must be shown in ______________ account.

iii. Salaries, Rent, depreciation are examples of ______________ Expenses.

iv. From accounting point of view, branches are classified as ________________, ______________________, ______________________ .

v. __________________ system is adopted in respect of branches of small size.

vi. The head office may send the goods to the branch at _____________ price or ___________ price.

vii. The Branch account is ______________ account in nature.

viii. Match the following expenses with the basis of apportionment.

a. Lighting	1. Horsepower of machine
b. Carriage inwards	2. Light points
c. Power	3. Purchase Value
d. Repairs of Building	4. Sales Turnover
e. Depreciation	5. Floor Area
f. Sales Commission	6. Value of asset

9. (a) The following are the balance sheets of Ms. A &B and Ms.C&D as on 31.3.2019 on which date they decided to amalgamate their business:

Liabilities	A &B Rs.	C&D Rs.	Assets	A &B Rs	C&D Rs
Capitals			Machinery	18,000	20,000
A	40,000		Furniture	24,000	6,000
B	20,000		Investments	8,000	-
C		30000	Stock	16,000	30,000
D		30000	Debtors	32,000	14,000
Reserve	12,000		Cash in hand	2,000	6,000
Creditors	28,000	16,000			
	1,00,000	76,000		1,00,000	76,000

A& B were sharing profits and losses in the ratio of 3:2 and R&S equally. The terms of amalgamation were as follows:

1) The new firm was to take over all the assets and liabilities of both the firms.
2) The Assets of A &B were valued as follows: Machinery Rs. 20,000, stock Rs. 12,000, Provision for doubtful debts to be made Rs.2000, Furniture and Investments at book value and Goodwill Rs. 10,000.
3) The Assets of C&D were valued at Machinery Rs. 24,000, Furniture Rs.9000, Stock Rs, 28,000, Debtors Rs 13,000 and Goodwill Rs.12,000. Show the necessary ledger accounts in the books of the old firms and also pass the opening entries in the book of the new firm.

(b) Write a short note on:

i. Purchase consideration
ii. Methods of discharge of purchase consideration
iii. Forms of amalgamation

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