STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019–20 and thereafter)
SUBJECT CODE: 19CM/MC/FA13

B.Com. DEGREE EXAMINATION NOVEMBER 2022
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 are the benefits of Limited Liability Partnership?
2) What is the point of distinction between branch and department?
3) What is Joint Venture?
4) Write a brief note on "Repossession of Goods".
5) What is Consequential Loss?
6) Goods invoiced ₹10,000 was sent to customers on sale or return basis. The customers still have the right to return the goods. The rate of gross profit was 1/5 of sale. How will this adjustment be treated in the final accounts?
7) Mr. X purchased a machine on hire purchase system, ₹ 3,000 being paid on delivery and the balance in five installments of ₹ 6,000 each, payable annually on 31st December. The cash price of the machine was ₹ 30,000. Calculate the amount of interest for each year.
8) Appropriate the following expenses on the basis of cost of goods sold ratio among the four departments A, B, C and D: Sales: 2,00,000; 1,50,000; 1,00,000; 50,000
GP Ratio: 20% on sales. Expenses: Salaries : 6,000; Rent: 1,500; Insurance: 1,300.
9) Give journal entries in the books of H.O. with independent branch for the following transactions.
a. Goods sent to branch on 26th December for Rs.2, 500 to its Kolkata branch were not received by branch up to 31st December.
b. 10% depreciation on plant is to be provided (cost Rs.50, 000) when the branch account is maintained in Head office books.
10) Goods worth ₹80,000 of M/s Raju & Sons are insured for ₹70,000 subject to average clause. Loss due to fire is assessed at ₹16,000. Calculate what claim the insured will get from the insurers.

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

11) Pass necessary adjustment entries to the following adjustments while preparing the final accounts.
    a. Stock at end on 31st March, 2018 of Rs. 26,800
    b. Machinery is to be depreciated by Rs. 2,000 and Patents is to be depreciated by Rs. 1,500.
    c. Salaries for the month of March, 2018 amounting to Rs. 1,500 were not paid.
    d. Insurance premium of Rs.170 on a policy paid during the year, expiring on 31st September, 2018.
    e. Wages include a sum of Rs.2000 spent on the installation of a machine.
    f. A provision for bad and doubtful debts is to be created to the extent of 5% on sundry debtors of Rs. 14,500.

12) A, B, and C carry on business in partnership sharing profits and losses in the proportions of 1/2, 3/8 and 1/8 respectively. On 31st March, 2018. They agreed to sell their businesses

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to a limited company. Their position on that date was as follows:

Liabilities	Rs.	Assets	Rs.
A's Capital	40,000	Freehold Property	48,000
B's Capital	30,000	Machinery	42,000
C's Capital	26,000	Book Debts	15,000
Loan on Mortgage	16,000	Stock	23,000
Creditors	18,000	Cash	2,000
	1,30,000		1,30,000

The company took the following assets at the valuation shown below:
Freehold Property Rs.61,000; Machinery Rs.31,800; Book Debts Rs. 14,000;
Stock Rs.22,000 and Goodwill Rs.10,000.
The company also agreed to pay the creditors which agreed at Rs.17,700. The company paid Rs.67,000 in fully paid shares of Rs.10 each and the balance in cash. The expenses amounted to Rs.1,500.
Prepare ledger accounts in the books of the firm.

13) The Chennai Ltd invoiced goods to its Delhi Branch at cost. The head office paid all the branch expenses from its bank except petty cash expenses which were paid by the branch. From the following details relating to the branch, prepare, Branch A/c, Branch Debtors A/c, Branch Expenses A/c and Branch P&L A/c.

Particulars	Rs.	Particulars	Rs.
Stock (Opening)	21,000	Credit Sales	85,200
Debtors (Opening)	37,800	Bad debts	1,800
Petty Cash (Opening)	600	Discount to customers	4,200
Goods sent from H.O.	78,000	Goods returned by customers to branch	1,500
Goods returned to H.O.	3,000	Salaries and Wages	18,600
Cash Sales	52,500	Rent & Rates	3,600
Advertisement	2,400	Debtors (Closing)	29,400
Cash received from debtors	85,500	Petty Cash (Closing)	300
Stock (Closing)	19,500		
Allowances to customers	600		

14) A firm had two departments, X and Y. The final products were made by the firm itself out of processed materials supplied by the X department at its usual selling price. From the following, prepare departmental trading and profit and loss account for the year ended 31st March 2017.

Particulars	Department X Rs.	Department Y Rs.
Opening Stock on 1/4/16	3,00,000	50,000
Purchases	20,00,000	15,000
Sales	22,00,000	4,50,000
Transfer to Department Y	3,00,000	----------
Expenses - Manufacturing	------------	60,000
Expenses – Selling	20,000	6,000
Stock 31/03/17	2,00,000	60,000

The stock in the Y department may be considered as consisting of 75% of processed materials from X department and 25% other expenses. The X department earned gross profit @ 15% in 2015-2016. General Expenses of the business as a whole came to Rs.1,10,000.

15) X purchased a truck for Rs.1,60,000 from JK 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%. X depreciates the truck at 10% per annum on written down value method.

X 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 in the books of both the parties.

16) Carol and Sindhuja were partners in a joint venture sharing profits and losses in the proportion of 4/5 and 1/5 respectively. Carol supplies goods to the value of Rs.50,000 incurs expenses amounting to Rs.5,400. Sindhuja supplies goods to the value of Rs.14,000 and her expenses amount to Rs.800. Sindhuja sells goods on behalf of the joint venture and realises Rs.92,000. Sindhuja is entitled to a commission of 5% on sales. Sindhuja settles her account by bank draft. Prepare the necessary ledger accounts in the books of Carol and Sindhuja.

17) A fire occurred in the business premises of Parveen on 19th July 2019. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 1.1.2019	36,720
Stock on 31.12.2019	32,400
Sales for 2018	2,16,000
Purchases for 2018	1,46,400
Purchases from 1.1.2019 to 19.7.2019	1,76,400
Sales from 1.1.2019 to 19.7.2019	1,80,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.21,600. The amount of the policy was Rs.75,600. There was an average clause in the policy.

SECTION – C

ANSWER ANY TWO QUESTIONS: (2 x 20 = 40)

18) On 1.1.2019 National Company purchased from Metro Motors five trucks costing Rs.40,000 each on the hire purchase system. It was agreed that Rs.50,000 should be paid immediately and the balance in three instalments of Rs.60,000 each at the end of each year. The Metro charges interest @10% p.a. The buyer depreciates truck at 20% p.a on the diminishing balance method. The buyer paid cash down and two instalments but failed to pay the last instalment. Consequently, the Metro Motors repossessed three trucks leaving two trucks with the buyer and adjusting the value of 3 trucks against the amount due. The trucks repossessed were valued on the basis of 30% depreciation p.a. on the written down value. The trucks repossessed were sold by Metro Motors for Rs.60,000 after necessary repairs amounting to Rs.10,000. Prepare necessary ledger accounts in the books of both the parties.

19) Trading and Profit and loss account of J &Co., for the six months ended 31st March, 2020 is presented to you in the following form.

Purchases	Rs.	Sales	Rs.
Smart TV -Dept A	1,40,700	Smart TV -Dept A	1,50,000
Smart Phones – Dept B	90,600	Smart Phones – Dept B	1,00,000
Mobile Accessories – Dept C	64,400	Mobile Accessories – Dept C	25,000
Salaries and wages	48,000	Stock as on 31.03.2020:	
Rent	10,800	Smart TV -Dept A	60,100
Sundry Expenses	11,000	Smart Phones – Dept B	20,300
Profit	34,500	Mobile Accessories – Dept C	44,600
	4,00,000		4,00,000

Prepare Departmental Accounts for each of the three departments, A, B and C mentioned above after considering the following:

a) Smart TV and Smart Phones are sold at the show room and Mobile Accessories at the service centre.
b) Salaries and wages comprise as follows:
Show rooms 3/4 and Service centre 1/4
c) It was decided to allocate the show room salaries and wages in the ratio of 1:2 between the departments A and B.
d) The service centre rent is Rs.500 per month. The rent of show room is to be divided equally between the departments of A and B.
e) Sundry expenses are to be allocated based on the turnover of each department.

20) From the following information you are required to workout claim under the loss of profit insurance policy.
a) Cover Gross Profit - Rs.2,00,000.
b) Indemnity Period – Six Months.
c) Damage due to a free accident on 28th December accounting year ends on 31st December.
d) Net Profit plus all standing charges in the prior accounting year Rs.3,00,000.
e) Standing charges uninsured Rs.50,000
f) Turnover of the last accounting year was Rs.10,00,000, the rate of gross profit being 25%
g) The annual turnover, namely the turnover for 12 months immediately preceding the fire Rs.10,40,000
h) Because of fire, there was a reduction in certain insured standing charges at the rate of Rs. 50,000 per annum.
i) The standard turnover Rs.5,20,000
j) Increased cost of working during the period of indemnity was Rs.40,000.
k) Turnover during the period of indemnity was Rs.2,00,000 and out of this, turnover of Rs.1,60,000 was maintained due to increased cost of working.

21) The following were the Balance Sheets as on March 31, 2019 of two firms M/s. A & B and M/s. X and & Y :

Liabilities	A & B	X & Y	Assets	A & B	X & Y
Creditors	20,000	25,000	Cash at Bank	5,600	6,700
Mrs. A's Loan	5,000	-------	Stock	20,400	18,300
A - Capital	40,000	-------	Debtors	15,000	20,000
B - Capital	20,000	-------	Investments	--------	15,000
X - Capital		24,000	Furniture	4,000	5,000
Y - Capital		16,000	Premises	40,000	-------
	85,000	65,000		85,000	65,000

The two firms decided to amalgamate their businesses as from 1st April 2019. For this purpose, it was agreed that Mrs. A's Loan should be repaid and that the investments of M/s. X and Y be not taken over by the new firm. Goodwill of M/s. A and B was fixed at Rs.8,000 and that of M/s X and Y at Rs.10,000. Premises were revalued at Rs.50,000 but the stock of M/s. A and B was found over valued by Rs.4,000. The stock of M/s. X and Y was under valued by Rs.2,000. A provision of 5% was created for bad debts of both the firms. The total capital of the new firm was to be Rs.80,000 and the capital of each partner was to be in their profit-sharing ratio of 3:2:3:2 respectively. Goodwill account in the new firm was to be written off.
Close the books of the two firms and pass opening entries of M/s A, B, X and Y. Also give the balance sheet of the newly constituted firm.

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