STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024)

B. COM DEGREE EXAMINATION, NOVEMBER 2023
COMMERCE
FIRST SEMESTER

COURSE	**:**	**MAJOR CORE**	
PAPER	**:**	**FINANCIAL ACCOUNTING**	
SUBJECT CODE	**:**	**23CM /MC/FA13**	
TIME	**:**	**3 HOURS**	**MAX. MARKS: 100**

Q. No.	**SECTION A** **(5x2=10)** **Answer all the questions**	**CO**	**KL**
1.	State the importance of Accounting Standard 2.	1	K1
2.	Outline the accounting procedure for closing old book of amalgamating firms.	1	K1
3.	List any four reasons for inter-department transfer of goods at selling price.	1	K1
4.	Write a short note on: a. Goods in transit b. Cash in transit	1	K1
5.	State why Insurance is a contract of indemnity.	1	K1
Q. No.	**SECTION B** **(5x2=10)** **Answer all the questions**	**CO**	**KL**
6.	Find the provision for doubtful debts to be debited to Profit and Loss A/c: Opening provision for doubtful debts ₹. 2,400 Closing sundry debtors ₹. 42,000 Bad debts yet to be written off ₹ 2,000 Provide for doubtful debts at 10% on debtors	2	K 2
7.	Compute opening branch debtors: Credit Sales ₹. 1,51,000 Received from debtors by the branch ₹. 1,42,500 Closing branch debtors ₹. 70,700 Discount allowed ₹. 18,800	2	K 2
8.	Good transferred to Dept. M on selling price with the GP ratio of 25% on cost. Find the stock reserve of Dept. M from the following data: Opening stock of Dept. M ₹. 1,50,000 Closing stock of Dept. M ₹. 1,75,000	2	K 2
9.	Find the shortage of stock: Good sent from H.O. ₹ 75,000 Returns to H.O. ₹ 4,500 Cash sales ₹ 45,750 Credit Sales ₹ 12,500 Opening stock ₹ 20,500 Closing stock ₹ 24,500	2	K 2
10.	Calculate cash price of a bike from the following information: i. Down payment ₹ 80,000 ii. Four annual instalments at end of each year ₹ 80,000 iii. Rate of interest 5% p.a	2	K 2

<table>
<tr><th>Q. No.</th><th>SECTION C (2x10=20)
Answer any two questions</th><th>CO</th><th>KL</th></tr>
<tr><td>11.</td><td>Following purchases were made by a business house having three departments.
Department A 1,000 units
Department B 2,000 units
Department C 2,400 units
At the total of ₹ 1,00,000

Stock on 1st January were:
Department A 120 units
Department B 80 units
Department C 152 units
The sales were
Department A 1,020 units at ₹ 20.00 each
Department B 1,920 units at ₹ 22.50 each
Department C 2,496 units at ₹ 25.00 each
The rate of gross profit is the same in each case. Prepare department trading account.</td><td>3</td><td>K3</td></tr>
<tr><td>12</td><td>On 19th May, 2022, the premises of Mr. Das were destroyed by firm, but sufficient records were saved, wherefrom the following particulars were ascertained:
<table>
<tr><th>Particulars</th><th>₹</th></tr>
<tr><td>Stock at cost on 1.1.2021</td><td>36,750</td></tr>
<tr><td>Stock at Cost 31.12.2021</td><td>39,800</td></tr>
<tr><td>Purchases less return during 2021</td><td>1,99,000</td></tr>
<tr><td>Sales less returns during 2021</td><td>2,43,500</td></tr>
<tr><td>Purchases less returns during 1.1.2022 to 19.5.2022</td><td>81,000</td></tr>
<tr><td>Sales less returns during 1.1.2022 to 19.5.2022</td><td>1,15,600</td></tr>
</table>
In valuing the stock for the balance sheet as at 31st Dec. 2021, ₹1,150 had been written off on certain stock which was a poor selling line having the cost ₹ 3,450. A portion of these goods were sold in March 2022 at a loss of ₹ 125 on original cost of ₹ 1,725. The reminder of this stock was now estimated to be worth the original cost. Subject to the above exceptions, gross profit has remained at a uniform rate throughout. The stock salvaged was ₹ 2,900.
Show the amount of the claim of stock destroyed by fire. Memorandum trading account to be prepared for the period from 1.1.2022 to 19.5.2022 for normal and abnormal items.</td><td>3</td><td>K3</td></tr>
<tr><td>13.</td><td>The books of a firm had the following balance on January 1, 2022.
<table>
<tr><th>Particulars</th><th>₹</th></tr>
<tr><td>Sundry debtors</td><td>85,000</td></tr>
<tr><td>Sundry creditors</td><td>60,000</td></tr>
<tr><td>Provision for doubtful debts</td><td>1,700</td></tr>
<tr><td>Provision for discount on debtors</td><td>1,666</td></tr>
<tr><td>Provision for discount on creditors</td><td>600</td></tr>
</table>
The sundry debtors and creditors at December 31, 2022 stand at ₹ 1,25,000 and ₹ 83,000 respectively. Bad debts during the year were ₹ 1,500 and discounts allowed and earned were ₹ 166 and ₹ 500 respectively. You are required to show relevant ledger accounts and create provision for doubtful debts at 3% and provision for discount on debtors and creditors at 2%.</td><td>3</td><td>K3</td></tr>
</table>

<table>
<tr><th>Q. No.</th><th>SECTION D (2x10=20)
Answer any two questions</th><th>CO</th><th>KL</th></tr>
<tr><td>14.</td><td>From the following particulars, prepare the Department Trading and Profit & Loss A/c for the year ending 31.12.2022.
<table>
<tr><th></th><th>Dept. X
₹</th><th>Dept. Y
₹</th></tr>
<tr><td>Stock (1.1.2022)</td><td>9,000</td><td>8,400</td></tr>
<tr><td>Sales</td><td>42,000</td><td>36,000</td></tr>
<tr><td>Purchases</td><td>27,000</td><td>21,600</td></tr>
<tr><td>Direct expenses</td><td>5,490</td><td>8,520</td></tr>
<tr><td>Postage</td><td>360</td><td>360</td></tr>
<tr><td>Stock (31.12.2022)</td><td>10,800</td><td>4800</td></tr>
</table>
Indirect expenses for the entire business was ₹ 3,900 which are to be divided in the proportion of sales of the two departments.</td><td>4</td><td>K4</td></tr>
<tr><td>15.</td><td>A Head office in Delhi sends good to its branch at Chennai marked 20% above cost. From the following particulars, show how the Branch Account will appear in the Head Office books. Also give the journal entries necessary for the Head Office to adjust the branch account.
<table>
<tr><th>Particulars</th><th></th><th>₹</th><th>Particulars</th><th></th><th>₹</th></tr>
<tr><td>Stock on 1-7-22 at the branch</td><td></td><td>3,600</td><td><u>Cheques sent to branch:</u></td><td></td><td></td></tr>
<tr><td>Debtor on 1-7-22 at the branch</td><td></td><td>6,000</td><td>Salary</td><td>₹ 1,800</td><td></td></tr>
<tr><td>Petty cash on 1-7-22 at the branch</td><td></td><td>60</td><td>Rent & tax</td><td>₹ 300</td><td></td></tr>
<tr><td>Goods supplied to branch</td><td></td><td>60,000</td><td>Petty cash</td><td>₹ <u>220</u></td><td>2,320</td></tr>
<tr><td><u>Remittances from Branch:</u></td><td></td><td></td><td>Stock at Branch on 31.12.22</td><td></td><td>6,000</td></tr>
<tr><td>Cash sales</td><td>₹ 12,000</td><td></td><td>Debtors at branch on 31.12.22</td><td></td><td>9,600</td></tr>
<tr><td>Received from debtors</td><td>₹ 42,000</td><td>54,000</td><td>Branch Petty cash on 31.12.22</td><td></td><td>40</td></tr>
</table></td><td>4</td><td>K4</td></tr>
<tr><td>16.</td><td>From the following information, compute the amount of claim under loss of profit policy:
a. Indemnity period 13 months.
b. Sum insured ₹ 2,00,000
c. Turnover, last financial year ended Dec. 31, 2021 ₹ 12,00,000
d. Gross profit (net profit + insured standing charges) ₹ 2,40,000 giving a gross profit are of 20%
e. Net profit plus all standing charges ₹ 2,90,000 (₹ 50,000 of the standing charges are not insured).
f. Fire occurs on 31st March, 2022 and affects business for 6 months.
g. Turnover for 12 months ended 31st March, 2022 ₹ 11,70,000
h. Turnover:
<table>
<tr><td>1.4.2021 to 30.9.2021</td><td>₹ 5,00,000</td></tr>
<tr><td>1.4.2022 to 30.9.2022</td><td><u>₹ 3,00,000</u></td></tr>
<tr><td>Reduction in turnover</td><td>₹ 2,00,000</td></tr>
</table>
i. Sales amounting ₹ 1,60,000 generated in period 1.4.2022 to 30.9.2022 by incurring additional expenses of ₹ 30,000
j. Saving in insured standing charges in the indemnity period ₹ 10,000.</td><td>4</td><td>K4</td></tr>
</table>

<table>
<tr><th>Q. No.</th><th>SECTION E (2x20=40)
Answer any two questions</th><th>CO</th><th>KL</th></tr>
<tr><td>17.</td><td>From the following Trial Balance of Thiru. Mukesh on 31 March 2023, Prepare Trading & Profit & Loss A/cand Balance Sheet taking into account the adjustments:
<table>
<tr><th>Debit Balances</th><th>Amount (₹)</th><th>Credit Balances</th><th>Amount (₹)</th></tr>
<tr><td>Land & building</td><td>42,000</td><td>Capital</td><td>62,000</td></tr>
<tr><td>Machinery</td><td>20,000</td><td>Sales</td><td>98,780</td></tr>
<tr><td>Patents</td><td>7,500</td><td>Return outwards</td><td>500</td></tr>
<tr><td>Stock (1/4/2022)</td><td>5,760</td><td>Sundry creditors</td><td>6,300</td></tr>
<tr><td>Sudsy debtors</td><td>14,500</td><td>Bills payable</td><td>9,000</td></tr>
<tr><td>Purchases</td><td>40,675</td><td></td><td></td></tr>
<tr><td>Cash in hand</td><td>540</td><td></td><td></td></tr>
<tr><td>Cash at Bank</td><td>2,630</td><td></td><td></td></tr>
<tr><td>Return Inwards</td><td>680</td><td></td><td></td></tr>
<tr><td>Wages</td><td>8,480</td><td></td><td></td></tr>
<tr><td>Fuel & power</td><td>4,730</td><td></td><td></td></tr>
<tr><td>Carriage on sales</td><td>3,200</td><td></td><td></td></tr>
<tr><td>Carriage on Purchases</td><td>2,040</td><td></td><td></td></tr>
<tr><td>Salaries</td><td>15,000</td><td></td><td></td></tr>
<tr><td>General expenses</td><td>3,000</td><td></td><td></td></tr>
<tr><td>Insurance</td><td>600</td><td></td><td></td></tr>
<tr><td>Drawings</td><td>5,245</td><td></td><td></td></tr>
<tr><th>Total</th><th>1,76,580</th><th>Total</th><th>1,76,580</th></tr>
</table>
Adjustments
a. Stock on 31/03/2023 was ₹ 60,800.
b. Salary outstanding ₹ 1,500.
c. Insurance prepaid ₹ 150.
d. Depreciation Machinery @ 10% and patents @ 20%.
e. Create a provision of 2% on debtors for bad debts.</td><td>5</td><td>K5</td></tr>
<tr><td>18.</td><td>T. Nagar head office supplies to its branch at Tambaram at invoice price which is cost plus 50%. From the following particulars related to Tambaram Branch for the year 2022, prepare Branch Stock A/c, Branch Debtors A/c, Branch Expenses A/c and Branch adjustment A/c.
<table>
<tr><th>Particulars</th><th>₹</th><th>Particulars</th><th>₹</th></tr>
<tr><td>Opening stock (at invoice price)</td><td>1,20,000</td><td>Discount allowed to debtors</td><td>4,800</td></tr>
<tr><td>Opening Debtor</td><td>24,000</td><td>Expenses
(paid by head office)</td><td></td></tr>
<tr><td>Opening Petty Cash</td><td>200</td><td>Rent ₹ 4,800</td><td></td></tr>
<tr><td>Good received from Head Office (at invoice price)</td><td>3,92,000</td><td>Salaries ₹ 48,000</td><td></td></tr>
<tr><td>Goods Return to head office</td><td>6,000</td><td>Petty cash ₹ 2,000</td><td>54,800</td></tr>
<tr><td>Credit sales less return</td><td>1,68,000</td><td>Cash sales</td><td>2,40,000</td></tr>
<tr><td>Allowance to customer off selling price (already adjusted while invoicing)</td><td>4,000</td><td>Closing stock (at invoice price)</td><td>1,08,000</td></tr>
<tr><td>Cash received from debtor</td><td>1,80,000</td><td>Closing petty cash</td><td>200</td></tr>
</table></td><td>5</td><td>K5</td></tr>
</table>

…5

19. M/s. Arun Ltd. purchased 2 machines Costing ₹ 1,20,000 each from M/s. Joe Ltd. on 1st January, 2021 on the Hire Purchase system. The terms were. — 5 — K5

- Payment on delivery ₹ 30,000 for each machine. Reminder in 3 equal instalments together with interest at 10% p.a to be paid at the end of each year.
- M/s. Arun Ltd. writes off 25% depreciation each year on the diminishing balance method.
- M/s. Arun Ltd. paid the instalment due on 31st December, 2021 and on 31st December, 2022 but could not pay the final instalment.
- M/s. Joe Ltd. repossessed one machine adjusting its value against the amount due. The repossession was done on the basis of 30% depreciation on the diminishing balance method. The vendor spent ₹ 12,840 for the repairs and overhauling of the machine and sold it for ₹ 60,000.

You are required to prepare ledger account in the books of both the parties.

20. X & Y are partners of Zudu & Co. sharing profits and losses in the ratio of 3:1 and Y & Z are partners in Rely & Co. sharing profits and losses in the ratio of 2:1. On 31st March, 2023, they decide to amalgamate and form a new firm M/s. Venture & Co., wherein X, Y & Z would be partners sharing profits and losses in the ration of 3:2:1. The balance sheets of two firms on the above date are as under: — 5 — K5

Liabilities	**Zudu & Co.**	**Rely & Co.**	**Assets**	**Zudu & Co.**	**Rely & Co.**
Capital			**Fixed Assets:**		
X	2,40,000	----	Building	50,000	60,000
Y	1,60,000	2,00,000	Plant and machinery	1,50,000	1,60,000
Z	----	1,00,000	Office equipment	20,000	6,000
Reserve	50,000	1,50,000	**Current Assets:**		
Sundry Creditors	1,20,000	1,16,000	Stock-in-trade	1,20,000	1,40,000
Due to Zudu & Co	----	1,00,000	Sundry debtors	1,60,000	2,00,000
Bank overdraft	80,000	----	Bank balance	30,000	90,000
			Cash in hand	20,000	10,000
			Due from Rely & Co	1,00,000	----
	6,50,000	6,66,000		6,50,000	6,66,000

The amalgamated firm took over the business on the following terms:

i. Building of Zudu & Co was valued at ₹1,00,000
ii. Plant and machinery of Zudu & Co. was valued at ₹2,50,000 and that of Rely & Co. at ₹2,00,000.
iii. All stock in trade is to be appreciated by 20%.
iv. Goodwill valued of Zudu & Co. at ₹ 1,20,000 and Rely & Co. at ₹ 60,000, but the same will not appear in the books of Venture & Co.
v. Provisions for doubtful debts has to be carried forward at ₹ 12,000 in respect of debtors of Zudu & Co. and ₹ 26,000 in respect of debtors of Rely & Co.

You are required to prepare the balance of new firm and capital accounts of the partners in the books of old firms.

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