STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004 – 2005 & thereafter)

SUBJECT CODE : **CM/MC/FA34**

B.Com. DEGREE EXAMINATION NOVEMBER 2008
COMMERCE
THIRD SEMESTER

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

SECTION – A

ANSWER ALL QUESTIONS: (10 x 3 = 30)

1. Write any three differences between 'departments' and 'Branches'.

2. What is meant by "Provision for unrealized profit" in relation to departmental accounting?

3. Write a note on "Graner Vs Murray".

4. List out any three features of "Sub Lease".

5. Prepare the Royalties table from the following information:-

Year	Sales (tonnes)	Closing Stock (tonnes)
2000	2200	300
2001	3500	500
2002	5100	400
2003	5800	600

a. Minimum Rent – Rs.5,000; b. Royalty – Re.1 per tonne of coal raised
b. Right to recoup the short workings within the first years of lease only.

6. Goods are transferred from Dept. A to Dept. B at normal selling price. Usually stock of Dept. B consists of 75% of goods received from Dept. A and balance 25% of other expenses. From the following particulars, Compute the profit included in the stock of Dept. B:
   G.P. Ratio of Dept. A : - 20% on Sales
   Opening stock of Dept. B : - Rs.40,000
   Closing stock of Dept. B : - Rs.90,000.

7. Pass Journal entries in the books of head office under debtors system for the following transactions:
   i. Goods sent to branch at cost Rs.50,000
   ii. Remittance received from branch Rs.61,000
   iii. Profit earned by the branch Rs.8,000.

8. X and Y are partners sharing profits in the ratio of 3:2. They admit Z into partnership, Z paying a premium of Rs.2,000 for ¼th share of profit. The new ratio is 3:3:2. Goodwill account appears in the books at Rs.2,000. It was decided that goodwill should continue to appear in books at Rs.1,600. Journalise this transaction.

9. P,Q and R share profits in proportion of ½, ¼ and ¼. On the date of dissolution, their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Sundry Assets	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
	40,000		40,000

The assets realized Rs.35,500. Creditors were paid in full. Realisation expenses amounted to Rs.1,500. Prepare the realization account.

10. A, B and C are partners sharing profits and losses in the ratio of 2:2:1. On the 1st January 2000, they took out a joint life policy of Rs.2,00,000. Annual premium of Rs.10,000 was payable on 1st January each year. Last premium was paid on 1st January 2003. B died on 1st March 2003, and policy money was received on 31st March 2003. The surrender value of policy as on 31st December each year were as follows:

2000 – Nil; 2001 – Rs.2,000; 2002 – Rs.5,000

Show the joint life policy account for the years from 1990 to 1993 assuming that the premium is debited to joint life policy account and the balance of the joint life policy account is adjusted every year to its surrender value.

SECTION – B

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

11. The following purchases were made by a business house having three departments:
(Department A – 1000 units, Department B – 2000 units and Department C – 2400 units) at a total cost of Rs.1,00,000.

Stock on 1st January were : Department A 120 units, Department B 80 units and Department C 152 units.

The sales were : Department A 1,020 units @ Rs.20 each, Department B 1,920 units @ Rs.22.50 each, Department C 2,496 units @ 25.00 each.
The rate of gross profit is the same in each case. Prepare Departmental Trading Account.

12. Bauxite Industries, Mumbai has a branch in Chennai to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch expenses are paid direct from Head Office and the Branch has to remit all cash received into the Head Office Bank Account at Chennai.

From the following details, relating to year 2006-07, prepare Branch Account in the Head Office Ledger and ascertain the Branch profit. Branch does not maintain any books of account but sends weekly returns to the Head Office.

	Rs.
Goods received from Head Office at invoice price	6,00,000
Returns to Head Office at invoice price	12,000
Stock at Chennai as on 1-4-2006	60,000
Sales in the year (Cash)	2,00,000
Sales in the year (Credit)	3,60,000
Sundry Debtors at Chennai as on 1-4-2006	72,000
Cash received from Debtors	3,20,000
Discount allowed to Debtors	6,000
Bad debts in the year	4,000
Sales return at Chennai branch	8,000
Rent, Rates, Taxes at Branch	18,000
Salaries, Wages and Bonus at Branch	60,000
Office Expenses	6,000
Stock at Branch on 31st March, 2007 at invoice price	1,20,000

13. Madras Ltd. Invoices goods to its branch at cost plus 33.33%. From the following particulars, prepare the Branch Stock account, the Branch Adjustment account and Branch Profit and Loss account as they would appear in the books of Head Office:

	Rs.
Stock at Commencement at Branch at invoice price	1,50,000
Stock at Close at Branch at Invoice price	1,20,000
Goods sent to branch during the year at invoice price (including goods invoiced at Rs.20,000 to branch on 31-3-05 but not received by branch before close of the year)	10,00,000
Return of goods to Head Office (invoice price)	50,000
Cash Sales at Branch	9,00,000
Credit Sales at Branch	50,000
Invoice value of goods pilfered	10,000
Normal loss at Branch due to shortage and deterioration of stock (at invoice price)	15,000

14. The Bihar Coal company Ltd. Undertook lease of a mine on a royalty payable of 50 paise per ton of coal raised, with a dead rent of Rs.30,000 per annum, and power to recoup short workings during the first five years of lease. The output for the first three years was as follows:
1st Year 15,000 tonnes; 2nd year 50,000 tonnes; 3rd year 75,000 tonnes
Prepare the necessary ledger accounts in the books of the company, assuming that Minimum rent account is maintained by the Bihar Coal Ltd.

15. The Balance Sheet of P and R on 31st Dec. 2006 is set out below:

Liabilities	Rs.	Assets	Rs.
Capitals:		Land & Buildings	30,000
P	40,000	Furniture	2,000
R	30,000	Stock	8,000
General Reserve	20,000	Sundry Debtors	60,000
Sundry Creditors	20,000	Cash	4,000
		Profit & Loss A/c	6,000
	1,10,000		1,10,000

P and R share profits and losses in the ratio of 3:1. They agreed to admit K into the firm, subject to the following terms and conditions:

i) She will be entitled to one-fourth share of the profits.

ii) She will bring in Rs.21,000 of which Rs.10,000 will be treated as her share goodwill to be retained in the business.

iii) Depreciation is to be provided on furniture @ 15%

iv) Stock to be revalued at Rs.6,500

v) 50% of the General reserve is to remain as a provision for bad and doubtful debts.

Give journal entries to give effect to these arrangements and construct the Balance sheet of the new firm.

16. P, Q and R are partners in a firm. They share profits and losses equally. Their Balance sheet on 31.12.2007, is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals:		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve Fund	18,000	Cash at Bank	8,000
Creditors	64,000	Q's Capital	6,000
	1,10,000		1,10,000

The partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debt to the firm. Machinery realized Rs.30,000 and Furniture Rs.6,400. Debtors realized Rs.24,000 only. Creditors were paid at a discount of 5%. Prepare the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner Vs Murray rule.

17. P, Q and R share profits and losses of a firm in the proportion of ½ : ¼ : ¼ respectively. On the date of dissolution, their Balance Sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	10,000	Sundry Assets	60,000
P's Loan	5,000	Cash in Hand	1,000
Q's Loan	3,000		
P's Capital	20,000		
Q's Capital	15,000		
R's Capital	8,000		
	61,000		61,000

The assets realised Rs.45,000 which were received in instalments of Rs.15,000, Rs.16,000 and Rs.14,000. Show how the proceeds should be distributed as and when received by following the proportionate Capital Method.

SECTION – C

ANSWER ANY TWO QUESTIONS: (2 x 15 = 30)

18. A firm had two departments, cloth and Ready-made clothes. The clothes 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 & Loss Account for the year 2007.

	Cloth department Rs.	Ready-made department Rs.
Opening Stock of January 1, 2007	3,00,000	50,000
Purchases	20,00,000	15,000
Sales	22,00,000	4,50,000
Transfer to ready-made clothes dept.	3,00,000	
Expenses-Manufacturing	-	60,000
Expenses-Selling	20,000	6,000
Stock on December 31, 2007	2,00,000	60,000

The stock in the ready-made clothes department may be considered as consisting of 75% cloth and 25% other expenses. The Cloth Dept. earned gross profit at the rate of 18% in 2007. General expenses of the business as a whole came to Rs.1,10,000.

19. Give journal entries for incorporation of Delhi Branch accounts in the Head Office books and show the Branch account in Head Office Books after incorporating therein the assets and liabilities. The Trial Balance as on 31.3.2006 is as under

	Dr.	Cr.
	Rs.	Rs.
Manufacturing expenses	10,000	
Salaries	10,000	
Wages	40,000	
Cash in Hand	2,000	
Purchases	80,000	
Goods received from H.O.	15,000	
Rent	4,000	
General expenses	5,000	
Sales		1,50,000
Purchase returns		1,000
Opening Stock	30,000	
Discount earned		1,000
Debtors	15,000	
Creditors		5,000
H.O. Account		54,000
	2,11,000	2,11,000

Closing Stock at Branch Rs.30,000. Depreciation is to be provided on Branch Machinery of Rs.50,000 @ 20 percent and Branch Furniture of Rs.3,000 @ 15 percent. Rent outstanding is Rs.500.

20. On 31st December, 2002, the Balance Sheet of A, B and C who were sharing profits and losses in proportion of their capitals, stood as follows:

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors		10,800	Cash at bank		8,000
Capital Accounts:			Debtors	10,000	
A	45,000				
			Less: Provision	200	9,800
B	30,000				
			Stock		9,000
C	15,000	90,000			
			Machinery		24,000
			Land and Buildings		50,000
		1,00,800			1,00,800

B retires and the following readjustment of assets and liabilities has been agreed upon before ascertainment of the amount payable to B:

i) That out of the amount of insurance which was debited entirely to profit and loss account, Rs.1,000 be carried forward as unexpired insurance. (ii) That the Land and Buildings be appreciated by 10%. (iii) That the provision of doubtful debts be brought up to 5% on Debtors. (iv) That Machinery be depreciated by 5%. (v) That a provision of Rs.1,500 be made in respect of an outstanding bill for repairs. (vi) That the Goodwill of the entire firm be fixed at Rs.18,000 and B's share of the same be adjusted into the accounts of A and C who are going to share future profits in the proportion of ¾ and ¼ respectively (no goodwill account being raised). (vii) That the entire capital of the firm as newly constituted be fixed at Rs.60,000 between A and C in the proportion of ¾ and ¼ after passing entries in their accounts for adjustments i.e., actual cash to be paid of or to be brought in by the continuing partners as the case may be. (viii) That B be paid Rs.5,000 in cash and balance be transferred to his loan account.

Prepare Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the firm of A and C.

21. On 1st January, 2002, Bright Limited, patentees of a new type of gas-burner, issued a license to Popular Ltd for the manufacture and sale of burners for five years on the following terms:

a) Popular Ltd to pay royalty of Rs.100 for every burner manufactured subject to a minimum rent of Rs.50,000 per annum.

b) If, for any year, the royalties calculated on burners manufactured amount to less than the minimum rent, Popular Ltd, may recoup the short workings against royalties payable in excess of the minimum rent in the next year only, but not afterwards.

c) Payment to be made on 31st December.

d) the sales and closing stock of burners for five years were:

Year	Sales	Closing Stock on 31st Dec
2002	200 Units	50 Units
2003	400 Units	100 Units
2004	600 Units	70 Units
2005	550 Units	150 Units
2006	230 Units	20 Units

You are required to show the (i) Royalty (ii) Short working and (iii) Bright Ltd's Accounts in the books of Popular Ltd. who close their accounts on 31st December in each year.

✖✖✖✖✖✖✖