

B.Com. (A & F) DEGREE EXAMINATION NOVEMBER 2018
ACCOUNTING AND FINANCE
THIRD SEMESTER

COURSE : MAJOR CORE
PAPER : ACCOUNTING- II
TIME : 3 HOURS

MAX. MARKS: 100

SECTION A

Answer ALL questions.

(10 x 2 = 20 marks)

1. What is stock reserve?
2. State the objectives of providing Depreciation.
3. Explain the term down payment and default.
4. What do you mean by red ink interest?
5. How will you prepare the realization account?
6. A machine was purchased on hire purchase system. The down payment was Rs. 1,20,000. The annual instalment was Rs. 2,00,000 for 5 years at the end of each and the rate of interest was 10% per annum. Calculate the cash price of the machine.
7. X owes Y the following sum of money due on the dates stated

Due Date	Amount (Rs.)
5.1.16	400
20.1.16	200
4.2.16	800
26.2.16	100
10.3.16	50

Find out the Average Due Date.
8. R and K decided to dissolve their firm and convert it into a Limited company. Their assets were Rs. 90,000 and trade Liabilities Rs. 30,000. Purchase price is agree at Rs. 78,999. Expenses amounted to Rs. 5,000 paid by the firm. Prepare Realizations account.
9. Compute the net load on goods sent to branch:
Goods sent to branch (cost to H.O) Rs. 1,80,000
Goods returned by branch to H.O Rs. 25,000
Goods are invoiced to the branch at cost plus 25%.
10. Prepare Machinery Disposal account from the following information.
Machinery cost Rs. 30,000; Accumulated Depreciation Rs. 22,500; Machinery sold for Rs. 12,000.

SECTION B

Answer any FIVE questions.

(5 x 8 =40 marks)

11. The following information relates to Madurai Branch.

	Rs.
Stock on 1.1.2016	11,200
Branch debtors on 1.1.2016	6,300
Cash sent to branch for:	
Rent	1,500
Salaries	3,000
Petty cash	500
Goods sent to branch	51,000
Sales at branch	
Cash	25,000
Credit	39,000
Cash received from debtors	41,200
Stock on 31.12.2016	13,600

Prepare Branch account for the year 2016.

12. H Ltd purchased 5 machines for Rs. 25,00,000 on 1st April 2006. The company also purchased a machine for Rs. 11,00,000 on 1st April 2007. Out of the 5 machines bought on 1st April 2006, two machines were sold for Rs. 9,00,000 on 1st July 2008 and on 1st October 2008, the machine purchased on 1st April 2007 was sold for Rs. 9,20,000. Prepare the Machinery account with the assumption that depreciation is provided on diminishing balance method @ 10% per annum.

13. The balance of S Ltd with Indian Bank in the current account is Rs. 70,000 as on 1st January 2017. The transactions with the bank till 30th June 2017 are stated as follows:

Deposits: 17th January Rs. 40,000; 10th February Rs. 1,00,000;
5th March Rs. 30,000; 4th April Rs. 1,10,000

Withdrawals: 22nd January Rs. 1,30,000; 20th February Rs. 44,000;
12th March Rs. 90,000; 10th May Rs. 25,000.

Calculate the balance as on 30th June 2017 if the interest charged for the debit balance is @ 15% per annum and for credit balance is @ 3% per annum.

14. Prepare Departmental Trading and Profit and Loss Account as on 31st March 2018 from the following:

	Dept. X (Rs.)	Dept. Y (Rs.)
Stock as on 1st April 2017	1,20,000	1,50,000
Purchases	7,55,000	5,35,000
Wages	99,000	79,000
Sales	11,20,000	9,90,000
Stock as on 31st March 2018	1,90,000	1,70,000

Adjustments:

- Administration expenses amounted to Rs. 2,00,000; selling expenses amounted to Rs. 1,20,000. Administration expenses should be shared equally and selling expenses in the ratio 2:1 for Department X and Y respectively.
- Rs. 70,000 worth of closing stock in Department X goods received from Department Y and Rs. 60,000 worth of closing stock in Department Y represents goods received from Department X.
- The opening stock in Department X represents Rs. 40,000 worth of goods received from Department Y and opening stock in Department Y represents Rs. 25,000 worth of goods received from Department X.
- Assume the rate of gross profit for previous year is same like current year.

15. Kishore has accepted the following bills drawn by Santhosh on:

	Rs.
8.3.2017	8,000 for 4 months
16.3.2017	10,000 for 3 months
7.4.2017	12,000 for 5 months
17.5.2017	10,000 for 3 months

He wants to pay all the bills on a single day. Find out this date. Interest is charged at 18% p.a. and Kishore wants to save Rs. 300 by way of interest. Find out the date on which he has to effect the payment to save interest of Rs. 300.

16. A purchased on instalment basis, a machine from B on 1st January 2013 for a sum of Rs. 80,000. Rs. 20,000 is to be paid on signing of the contract and rest in three instalments of Rs. 20,000 each. The cash price of the machine is Rs. 74,500 and interest is charged by the vendor at 5% p.a. The buyer charges depreciation at 10% p.a. on the diminishing balance. Prepare ledger accounts in the books of A.

17. S,D and B are partners in a fir, sharing profits and losses in the ratio of 3:2:1 respectively. The Balance Sheet of the firm as on 31st December 2016, in given below:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		30,000	Cash		5,000
Capital			Sundry Debtors		50,000
S	60,000		Stock		25,000
D	40,000		Plant and Machinery		60,000
B	20,000	1,20,000	Bills Receivable		8,000
			Cash in Hand		2,000
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		1,50,000			1,50,000
		-----			-----

The partners agree to sell the business to a limited company which was incorporated with 65,000 shares of Rs. 10 each. The purchasing company agrees to take over the assets and liabilities and discharge the purchase consideration by the issue of 8,250 shares of Rs. 10 each and cash Rs. 56,000. The cost of dissolution Rs. 2,500 is paid by the firm and balance amount of cash is distributed among the partners. Pass journal entries in the books of the firm and the new Company.

SECTION C

Answer any TWO questions.

(2 x 20 =40 marks)

18. X purchased three motor cars on hire purchase system from Y of Chennai on 1st January 2016. The hire purchase price was @ Rs. 4,50,000 per car. The down payment was Rs. 50,000 per car. Cash price was Rs. 3,81,580 per car. X has to pay the balance amount after the down payment in 3 annual installments at the end of each year at Rs. 4,00,000 for the three cars. The rate of interest was 10% per annum. The depreciation for the cars was provided at 10% per annum on diminishing balance method.

X paid the down payment and also the first installment and could not pay the next installments. Hence, it was agreed that Y has to take possession of two cars at an agreed value to be calculated after depreciating the cars @ 20% per annum on diminishing balance method and to leave one car for X. the vendor spend Rs. 20,000 for repairing the cars and sold it for Rs. 5,50,000.

19. C Ltd. Nagercoilhas a branch at New Delhi. The goods are sent to Branch at cost plus 30% on cost. The transactions between the branch and Head office as on 31st March 2018 are as follows:

	Rs.
Stock at Branch as on 1 st April 2017 at invoice price	2,30,000
Branch Debtors as on 1 st April 2017	2,25,000
Goods sent to branch at cost price	14,50,000
Sales at Branch –	
Cash sales	11,16,000
Credit sales	7,50,000
Expenses at Branch	1,70,000
Cash received from Debtors	7,00,000
Discount allowed to customers	50,000
Bad debts	30,000
Shortage of stock	29,000
Goods returned by Branch at Invoice price	90,000
Goods returned by Debtors	70,000

Prepare necessary accounts as on 31st March 2018 under Stock and Debtors system.

20. A and B are in partnership sharing profits and losses as to two-thirds and one-third respectively. Their Balancesheet on 31st December 2015 on which date they have agreed to convert their business into a private limited company is as follows:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		30,000	Cash		7,000
Mortgage on Freehold premises		10,000	Sundry Debtors		26,000
Capital	A	20,000	Stock		16,000
	B	10,000	Plant and Machinery		5,000
		30,000	Freehold Premises		16,000
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		70,000			70,000
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The company takes over all the assets and liabilities with the exception of the mortgage on freehold premises, the purchase price being Rs. 60,000 payable as to Rs. 12,000 in cash, Rs.24,000 in Debentures and the balance in equity shares of the company.

Close the books of the firm after the above transactions have been carried out including the payment of mortgage. The partners agree to share the debentures and shares in proportions of their capitals.

21. From the following transactions extracted from three ledgers viz. Debtors Ledgers, Creditors Ledgers and Nominal Ledgers, which are kept on sectional system of balancing, prepare the adjustment accounts as they would appear in each of these ledgers.

	Rs.
July 1 Balance of Sundry Debtors	48,500
Balance of Sundry Creditors	36,900
July 31 Credit Purchases	11,520
Credit Sales	26,400
Payment to creditors	20,120
Received from debtors	48,675
Discount allowed	1,250
Discount received	825
B/P accepted	12,000
B/R received	10,000
B/R dishonored	4,000
Goods returned from debtors	1,800
Goods returned to creditors	1,440
Bad debts	625
