

2018

FINANCIAL ACCOUNTING II – HONOURS

Paper : CC 3.1 Ch

Full Marks : 80

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

Answer the following questions.

1. Tree Ltd. has a branch at Munnar to which it sends goods at a price which is 160% of cost price. All cash received are deposited by the branch to the head office bank account on the same day and all expenses of branch are paid by the head office directly except petty expenses which are paid by the branch out of cash sent by the head office for this purpose. From the following particulars, prepare the Munnar Branch A/c in the books of head office showing Profit or Loss on branch –

	₹.		₹.
Stock at I.P. (1.4.17)	48,000	Abnormal loss of goods (at IP)	8,000
Debtors (1.4.17)	40,000	Insurance claim received against abnormal loss	4,600
Petty Cash (1.4.17)	2,800	Return inward (out of credit sales)	6,500
Goods sent by H.O. (at cost)	3,25,000	Bad Debt	3,000
Sales by branch (of which 1/3 rd are in cash)	6,00,000	Expenses paid by the head office	44,400
Normal Loss (at cost) of goods	2,000	Petty Expenses paid by the branch	9,900
Cash sent by head office for petty expenses	9,000	Debtors (31.3.18)	92,000
		Stock at I.P. (31.3.18)	70,400

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Or,

Finex Pvt. Limited of Kolkata has a branch at Delhi. Goods are sent by the Head Office (H.O.) to the Branch at selling price which is cost plus 25%. All expenses of the branch are paid by H.O. All cash collected by the branch (from customers and from cash sales) is deposited to H.O account with the bank. From the following particulars, prepare Branch Stock Account, Branch Adjustment Account, Branch Debtors Account and Branch Profit & Loss Account in the books of Head Office.

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	₹	
Stock on 01.04.2017 (at I.P)	80,000	
Stock on 31.03.2018 (at I.P.)	1,00,000	
Debtors on 01.04.2017	60,000	
Debtors on 31.03.2018	?	
Cash Sales during the year	3,00,000	
Credit Sales during the year	7,50,000	
Total amount deposited in the H.O during the year	9,80,000	
Goods returned by Branch to H.O. (at I.P)	20,000	
Expenses paid	56,000	
Discount allowed to customers	13,000	
Bad Debts written off	7,000	
Spoilage (Abnormal) (at I.P.)	10,000	
Goods sent to Branch (at I.P)	?	3+3+2+2

2. Fast Ltd. purchased a car from Slow Ltd. on 1.4.15 on hire purchase system. Payment is to be made as below –

₹ 1,00,000 on signing the agreement and 3 annual instalments of ₹ 35,000, ₹ 43,500 & ₹ 31,500 payable on 31.03.16, 31.03.17 & 31.03.18 respectively, instalments include interest @ 5% p.a.

Fast Ltd. charges depreciation @ 40% p.a. on WDV and closes its books on 31.3. every year.

It failed to pay the instalment due on 31.03.17 and as a result Slow Ltd. repossessed the car in full settlement of their claim.

Show Car A/c and Slow Ltd. A/c. in the books of Fast Ltd. 10

Or,

Credit Ltd. sells goods on hire purchase basis at cost plus 50%. From the following particulars, you are required to prepare HP Stock A/c, HP Debtors A/c, Repossessed Stock A/c and HP Adjustment A/c to ascertain the profit made for the year ended 31.03.18: (in ₹.)

Stock on hire with customers at S.P. on 01.04.17	1,35,000	
Instalments due on 01.04.17	75,000	
Cash received from customers	9,00,000	
Instalments due on 31.03.18 from paying customers	1,35,000	
Goods repossessed (instalment due ₹ 6,000), valued at	1,800	
Purchase made during the year 2017-18	9,20,000	
Goods sent on hire purchase at S.P.	12,93,000	10

3. A firm has two departments – Clothing and Outfitting. Outfitting is made with clothes supplied by the Clothing Department at its usual selling price. From the following figures, prepare Departmental Trading and Profit & Loss Account for the year ended on 31.03.2018 and also the General Profit & Loss A/c for the same period.

	Clothing (₹)	Outfitting (₹)
Stock on April 01, 2017	6,00,000	1,00,000
Stock Reserve as on April 01, 2017	---	9,000
Sales	44,00,000	9,00,000
Purchases	36,00,000	30,000
Supply to Outfitting Department	6,00,000	---
Selling Expenses	1,40,000	42,000
Wages	4,00,000	1,20,000
Stock on March 31.2018	4,00,000	1,20,000

The value of stock on 31.03.2018 in the Outfitting Department includes clothes worth ₹ 80,000 out of those transferred by the Clothing Department. General Expenses of the business as a whole came to ₹ 1,80,000. 10

4. Ess Ltd. was dealing in 9% Government Stock. They furnished the following details about their transactions :-

01.04.17	- Opening balance – Face Value ₹ 30,000, Cost ₹ 27,000
01.08.17	- Purchased ₹ 20,000 stock @ 91% cum-interest.
31.10.17	- Sold ₹ 36,000 stock @ 93% cum-interest.
01.12.17	- Bought ₹ 26,000 stock @ 90% ex-interest.
01.02.18	- Sold ₹ 20,000 stock @ 94% ex-interest.

Interests are payable on March 31 and September 30 each year.

The company follows weighted average method (after each transaction) for stock valuation.

Prepare Investment Account for the year ended 31.03.18 (Assume that the prices given above are after adjustment for appropriate Brokerage). 10

5. Calculate the ratio of sales between pre-incorporation period and post-incorporation period for each of the following independent cases :

(a) P. Ltd. was incorporated on 1.7.2017 and took over the business of S. Co. with retrospective effect from 1.4.2017; it closes its books on 31st March every year. Sales for the year 2017-18 were ₹ 24,00,000 of which ₹ 9,00,000 were sold during the first 6 months of the year. 10

(b) Q. Ltd. was incorporated on 1.8.2017 and took over the business of A & Co. with retrospective effect from 1.4.2017; it closes its books on 31st March every year.

Sales for the year 2017-18 were ₹ 56,00,000. It is ascertained that monthly sales for June and July is double the monthly sales of other months.

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- (c) R. Ltd. was incorporated on 1.9.2017 and took over the business of C.Bros. with retrospective effect from 1.4.2017; it closes its books on 31st March every year.

Sales for the year 2017-18 were ₹ 24,00,000 and monthly sales after the date of certificate of incorporation recorded an increase of $\frac{2}{3}$ over monthly sales during period before incorporation.

- (d) S. Ltd. was incorporated on 1.8.2017 and took over the business of Mr. A with retrospective effect from 1.4.2017; it closes its books on 31st March every year.

Sales for the year 2017-18 were ₹ 12,00,000. It is ascertained that monthly sales for September and October is double the average monthly sales for the year. 10

Or,

Zed Stores is owned by Mr. Ketu. On 31.03.2018, the business is acquired by a limited company called PQR Ltd. on the below mentioned terms –

- (a) Land & Building and Plant & Machinery to be valued at 150% and 140% of book value.
(b) Stock is to be written off by 10%.
(c) Other assets and liabilities will be taken at their book values.
(d) The proprietor will receive 13,000 equity shares of ₹ 10 each at 20% premium, 700, 8% Preference shares of ₹ 100 each at par and ₹ 24,000 in cash.

Balance Sheet of Zed Stores as on 31.03.2018

Liabilities	₹	Assets	₹
Capital Account	1,60,000	Land & Building	1,00,000
Bank Loan	4,80,000	Plant & Machinery	2,00,000
Creditors	90,000	Stock	3,00,000
		Debtors	1,00,000
		Cash & Bank	30,000
	7,30,000		7,30,000

Calculate purchase consideration. Show necessary journal entries in the books of PQR Ltd. for the acquisition. 10

Group - B

Answer the following questions.

6. (a) X, Y and Z are partners sharing profits and losses in the ratio of 3 : 2 : 1 and their capitals are ₹ 1,80,000, ₹ 1,20,000 and ₹ 60,000 respectively. It is decided that with effect from April 1, 2018, the profit sharing ratio will be 2 : 2 : 1.

The partnership deed states that goodwill is to be valued at 2 years purchase of average of 3 years profits and capitals of the partners should be proportionate to the profit-sharing ratio.

The profits for the last three years 2015-16, 2016-17 and 2017-18 were ₹ 1,20,000, ₹ 1,00,000 and ₹ 1,40,000 respectively.

Make necessary journal entries in the books of the firm.

- (b) P and Q are partners in a firm sharing profits equally. Their capital accounts as on 31.3.2018 showed balances of ₹ 70,000 and ₹ 60,000 respectively after distribution of profit for the year 2017-18 of ₹ 40,000 and drawings of ₹ 10,000 and ₹ 6,000 respectively during the year. Subsequently, it was found that the following items have not been considered while preparing the final accounts for the year ended 31st March, 2018 :

- (i) Interest on partners' opening capital @ 6% p.a.
- (ii) Interest on drawings @ 8% p.a.
- (iii) P was entitled to salary of ₹ 18,000 for the year 2017-18.

Give a single adjusting entry in the books of the firm through partners' capital account.

9+6

Or,

Following is the Balance Sheet of A, B and C sharing profits and losses in 5:3:2. Balance Sheet as on 01.04.2018 (in ₹) was as below :

Liabilities	₹	Assets	₹
Capital : A	2,40,000	Fixed Assets	3,00,000
B	1,80,000	Stock	1,20,000
C	90,000	Investment	90,000
Reserve	1,80,000	Debtors	2,40,000
Creditors	90,000	Cash & Bank	30,000
	7,80,000		7,80,000

On 01.04.2018 C retired from the business on the following terms :

- Goodwill is to be valued at ₹ 80,000.
- New profit sharing ratio will be 3 : 2.
- Fixed assets are to be valued at ₹ 4,20,000 and Stock is to be reduced by ₹ 30,000. Market value of Investment is ₹ 84,000.
- C is to be paid in full and for this purpose sufficient cash is to be introduced by A and B in such a manner that their capital is retained in the business in profit sharing ratio and a cash balance of ₹ 15,000 is retained as working capital of the business.

Prepare necessary accounts and show the Balance Sheet of A and B as on 01.04.2018 (just after the retirement of C).

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7. Arun, Barun and Kiran are partners in A & Company sharing profits and losses in the ratio of 2 : 2 : 1 respectively. The Balance Sheet of A & Company as at 31st March, 2018 is as follows :

Liabilities	₹	Assets	₹
Capital :		Fixed Assets	3,00,000
Arun	3,52,000	Current Assets :	
Barun	68,000	Stocks	2,50,000
Kiran	1,00,000	Debtors	2,60,000
Mrs. K's Loan Account	25,000	Less : Provision	30,000
Reserves	1,00,000	Cash	50,000
Sundry Creditors	1,85,000		
	8,30,000		8,30,000

The partners decided to dissolve the firm on the date of Balance Sheet.

Kiran is assigned with the work of dissolution and will be allowed to a commission @ 3% on the amount realized; however, he is to bear all expenses relating to dissolution.

Fixed Assets realized ₹ 1,00,000, Stock ₹ 1,05,000 and Debtors ₹ 1,52,500. Creditors were paid after deduction of discount @10%. The expenses of dissolution came to ₹ 5,400 and paid by the firm. Kiran agreed to take over the loan of Mrs. K.

Barun is insolvent and his private estate realized ₹ 50,000, whereas his private liabilities are ₹ 32,000. The partnership deed stated that deficiency due to insolvency of partner should be borne by the solvent partners equally.

Prepare the relevant accounts to close the books of A & Company.