2020

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 ***any four*** questions.

1. PKT Limited has a branch at Mumbai. Goods are invoiced from head office at cost plus $33^1/_3$%. Branch expenses are paid by the head office and all cash received by the branch is remitted to the head office. Branch does not maintain complete set of books of accounts.

From the following particulars relating to Mumbai branch, find out profit at the branch preparing Mumbai Branch Account in the books of head office :

Opening Balances :		₹.	
	Debtors	10,000	
	Petty cash	1,000	
	Furniture	2,000	
	Stock at I.P.	8,000	
Cash sent by head office for petty expenses		2,000	
Branch Expenses :			
	Freight and Advertisement	3,200	
	Bad debts	500	
	Depreciation on furniture	200	
	Petty expenses	1,800	
Sales :	Cash	50,000	
	Credit	40,000	
Goods returned by Branch to Head-office		2,000	
Cash received from debtors		18,000	
Goods invoiced by Head Office to branch during the year at I.P.		88,000	
Goods returned by Debtors		1,000	
Stock at the end of the year at I.P.		7,800	10

2. On April 1, 2018 Ray & Co. purchased a delivery van from Mohan Automobiles Ltd. on hire purchase basis for ₹ 6,00,000; payment to be made ₹ 1,00,000 as cash down and three instalments of ₹ 2,08,000 (including interest) each at the end of each financial year. Rate of interest charged is 12% per annum.

Ray & Co. depreciates the delivery van at 20% p.a. on written down value method. The buyer, having paid the down money and the first instalment, could not pay the second instalment and as a result, Mohan Automobiles Ltd. took possession of the delivery van. Ray & Co. closes its books of accounts every year on March 31.

Show Delivery Van A/C and Mohan Automobiles Ltd. A/C in the books of Ray & Co. 5+5

3. From the following particulars, ascertain (a) rate of gross profit, (b) cost price per unit and (c) value of closing stock of each department, assuming that the rate of gross profit is same in each case :

	Dept. A	Dept. B	Dept. C
Purchase of total cost of ₹ 1,00,000	1000 units	2000 units	2400 units
Closing stock	120 units	80 units	152 units
Sales	1020 units	1920 units	2496 units

5+3+2

4. On 15th March 2020, PQ Ltd. purchased ₹ 2,00,000, 9% Govt. Stock (interest payable on 31st March and 30th September) at ₹ 88.50 cum-interest (face value ₹ 100 each).

On 1st August, 2020, ₹ 40,000 stock is sold at ₹ 89 cum-interest and on 1st September, 2020, ₹ 60,000 stock is sold at ₹ 89.25 ex-interest. On 31st December, 2020, the date of the Balance Sheet, the market price was ₹ 90.

Show 9% Govt. Stock Account assuming investments are current investments. 10

5. Caltex Limited was incorporated on 01.07.2019 to acquire a running business with effect from 01.04.2019. The accounts for the year ended 31st March, 2020 disclosed the following :

(a) Gross profit for the year 2019-20 was ₹ 4,00,000.

(b) The sales for the year 2019-20 amounted to ₹ 12,00,000 of which ₹ 2,40,000 was for the first six months.

(c) The expenses debited to Profit and Loss account included :

(i) Director's fees ₹ 18,000

(ii) Bad Debts ₹ 5,000

(iii) Advertising ₹ 15,000 [@ ₹ 1,000 per month for first six months, thereafter @ ₹ 1,500 per month].

(iv) Salaries and General expenses ₹ 72,000

(v) Debenture interest ₹ 13,500

Prepare a statement showing pre-incorporation and post-ioncorporation profit for the year ended 31st March, 2020. 10

6. (a) Write a note on profit prior to incorporation.

(b) How is profit prior to incorporation treated in accounts? 5+5

7. (a) State the objectives of maintaining Investment Ledger.

(b) What do you mean by cum-interest and ex-interest price in debentures? 6+4

8. K. Som and D. Som are partners sharing profits and losses in the ratio of 3 : 2. The Balance Sheet of the firm as on 31.03.2020 is given below :

Balance Sheet as on 31.03.2020

Liabilities	₹	Assets	₹
Capital Accounts :		Land and Building	75,000
K. Som	1,20,000	Plant and Machinery	1,05,600
D. Som	80,000	Bills Receivable	12,000
Bank Overdraft	65,000	Stock	31,400
Creditors	44,800	Book Debt	80,500
		Cash in hand	5,300
	3,09,800		3,09,800

The partners agree to convert the partnership firm into limited company on the date of the Balance Sheet on the following terms and conditions :

(a) The authorised capital of the company will be ₹ 5,00,000 consisting of 30,000 Equity Shares of ₹ 10 each and 2,000 Preference Shares of ₹ 100 each.

(b) All assets and liabilities to be taken over by the company at the following revalued figures :

Land and Building – ₹ 95,000; Plant and Machinery – ₹ 92,000; Bills Receivable – ₹ 12,000; Stock – ₹ 36,000; Book Debt – ₹ 80,500 less a provision @10%. Creditors – ₹ 40,000 and Goodwill is to be valued at ₹ 15,000.

(c) The purchase consideration is to be discharged by the issue of 12,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 each and 750 Preference Shares of ₹ 100 each and the balance, if any, in Cash.

Calculate purchase consideration and prepare the opening Balance Sheet in the books of the new company. 3+7

Group - B

Answer ***any two*** questions.

9. A, B and C are partners in a firm. Net profit of the firm for the year ended 31st March, 2020 was ₹ 30,000 which had been duly distributed amongst the partners, in the profit sharing ratio of 3 : 1 : 1. It is discovered on 10th May, 2020 that the undermentioned transactions were not passed through the books of account of the firm for the year ended 31st March, 2020.

(a) Interest on capital @6% per annum, the capital of A, B and C being ₹ 50,000, ₹ 40,000 and ₹ 30,000 respectively as on 01.04.2019.

(b) Interest on drawings : A ₹ 350; B ₹ 250; C ₹ 150

(c) Partner's salaries : A ₹ 5,000; B ₹ 7,500

(d) Commission due to A (for some special transaction) ₹ 3,000

You are required to show necessary calculations and pass a journal entry to rectify the above. 15+5

10. P and Q are partners in a firm sharing profits and losses in the ratio of 4 : 1. Their Balance Sheet as on 31.03.2020 is as under :

Liabilities	₹	Assets	₹
Capital Accounts :		Furniture	50,000
P	60,000	Stock	1,00,000
Q	1,40,000	Bills Receivable	24,000
Reserves	50,000	Debtors	80,000
Creditors	60,000	Cash at Bank	76,000
Bills Payable	20,000		
	3,30,000		3,30,000

They agreed to take R as a partner with effect from 01.04.2020 on the following terms :

(a) P, Q and R will share profits and losses in the ratio of 5 : 3 : 2

(b) R will bring ₹ 30,000 as premium for goodwill and ₹ 70,000 as capital.

(c) The assets will be revalued as follows : Furniture ₹ 70,000, Stock ₹ 97,000 and Debtors ₹ 77,000.

(d) A creditor has agreed to forgo his claim by ₹ 8,000.

(e) After making the above adjustments, the capital accounts of P and Q should be adjusted on the basis of R's capital by bringing in cash or withdrawing cash as the case may be.

Show Revaluation Account, Partners' Capital Account and prepare the Balance Sheet of the new firm on 01.04.2020. 6+8+6

11. (a) Explain circumstances under which a partnership firm is dissolved.

(b) State the order of priority of distribution of assets realised when a partnership firm is dissolved. 10+10

12. The following is the Balance Sheet of X, Y and Z sharing profits in the ratio of 2 : 2 : 1.

Liabilities	₹	Assets	₹
Creditors	64,000	Sundry Assets	1,96,000
Capital : X	90,000	Cash at Bank	8,000
Capital : Y	60,000	Capital : Z	10,000
	2,14,000		2,14,000

The firm is dissolved. Sundry assets realised ₹ 1,88,000 and creditors accepted ₹ 62,000 in full settlement. Expenses amounted to ₹ 4,000. Z was insolvent and final dividend of 60% was received from his estate.

Prepare Realisation Account, Bank Account and Partners' Capital Account. [Apply Garner vs. Murray Principle]. 5+5+10