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**D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**

**SEMESTER EXAMINATIONS**

**APRIL – 2017 15CACO4B**

**ALLIED: FINANCIAL ACCOUNTING - II**

Time : 3 Hrs Max.Marks : 75

SECTION-A (10 x 2 =20)

**Answer ALL the questions.**

1. What do you mean by Departmental Accounting?
2. What is dissolution of partnership?
3. Layal shoe company opened a branch at Madras on 1.1.89. From the following particulars prepare, the Madras Branch account for the year 1989.

|  |  |
| --- | --- |
|  | 1989  Rs. |
| Goods sent to Madras Branch | 15,000 |
| Cash sent to Branch for Rent | 1,800 |
| Salaries | 3,000 |
| Other expenses | 1,200 |
| Cash received from the branch | 24,000 |
| Stock on 31st December | 2,300 |
| Petty cash in hand on 31st December | 40 |

1. Give Journal entries in the books of Head office for the following transactions.
   1. Depreciation on fixed assets whose account if maintained by the H.O. and which is used by the branch Rs. 5,000.
   2. Goods in transit Rs.1,000.
2. From the following information calculate the closing stock of Dept. A and Dept. B.

Purchases:

Dept. A: 1,000 units Dept. B: 2,000 units.

Opening stock:

Dept. A: 400 Units Dept. B: 600 units.

Sales:

Dept. A: 900 Units Dept. B:2,100 units.

1. On 1.1.86, X purchased machinery on hire purchase system. The payment is to be made Rs.4,000 down (on signing of the contract) and Rs. 4,000 annually for three years. The cash price of the machinery is Rs. 14,900 and the rate of interest is 5%. Calculate the interest in each year’s instalment.
2. On 1.1.90 X bought some tracks under hire – purchase system for Rs. 51,000 payable by three equal instalments combining principal and interest, the latter being a normal rate of 5% per annum. Calculate the cash prince. (The present value of an annuity of one rupee for three years at 5% is Rs. 2.72325).
3. A and B are partners in a business sharing profits in the ratio of 5:3. They decide to admit C into the firm giving him 1/6 th share. Calculate the new profit sharing ratio.
4. P, J and R are partners sharing profits in the ratio of 2:2:1. J died on 31st March 2011. Accounts are closed on 31st December. Sales for the year 2010 amounted to Rs. 2,40,000. Sales of Rs. 80,000 amounted between the period from 1st January 2011 to 31st March 2011. The profits for the year 2010 amounted to Rs. 24,000. Calculate the deceased partner’s share in the profits of the firm.
5. 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 asset realized Rs. 35,500. Creditors were paid in full. Realisation expenses amounted to Rs. 1,500. Prepare realisation A/c.

SECTION-B (5 x 5 =25)

**Answer any FIVE of the following questions.**

1. Briefly explain the salient features of dependent branches?
2. Distinguish between hire purchase system and instalment purchase system.
3. The following information relates to Madras Branch.

|  |  |  |
| --- | --- | --- |
|  | Rs. | Rs. |
| Stock on 1.1.94 |  | 11,200 |
| Branch debtors on 1.1.94 |  | 6,300 |
| Goods sent to Branch |  | 51,000 |
| Cash sent to Branch for : |  |  |
| Rent | 1,500 |  |
| Salaries | 3,000 |  |
| Petty cash | 500 | 5000 |
| Sales at branch |  |  |
| Cash | 25,000 |  |
| Credit | 39,000 | 64,000 |
| Cash received from Debtors |  | 41,200 |
| Stock on 31.12.94 |  | 13,600 |

Prepare Branch account of the year 1994.

1. Trading and profit and loss account of Janaki Radio and Gramophone Equipment Co., for the six months ended 31.03.93 is presented to you in the following form:

|  |  |  |  |
| --- | --- | --- | --- |
| Purchases | Rs. | Sales | Rs. |
| Radios (A) | 1,40,700 | Radios (A) | 1,50,000 |
| Gramophones (B) | 90,600 | Gramophones (B) | 1,00,000 |
| Spare parts (C) | 64,400 | Spare parts (C) | 25,000 |
| Salaries and Wages | 48,000 | Stock as on 31.03.93 |  |
| Rent | 10,800 | Radios (A) | 60,100 |
| Sundry Expenses | 11,000 | Gramophones (B) | 20,300 |
| Profit | 34,500 | Spare parts (C) | 44,600 |
|  | 4,00,000 |  | 4,00,000 |

Prepare Departmental Accounts for each of the three departments A, B and C mentioned above after taking into account the following:

1. Radios and Gramophones are sold at the showroom and spare parts at workshop.
2. Salaries and wages comprise as follows:

Show rooms ¾ and workshop ¼

It was decided to allocate the show room salaries and wages in the ratio of 1:2 between the departments A and B.

1. The workshop rent is Rs. 500 per month. The rent of show room is to be divided equally between the departments A and B.
2. Sundry expenses are to be allocated on the basis of the turnover of each department.
3. On 1st January 1996 Baba & Co. purchased a machine on hire purchase basis, the total amount payable being Rs. 42,700. Payment was to be made Rs. 12,000 on that date and balance in yearly instalments of Rs. 11,400, Rs. 10,900 and Rs. 8,400 commencing from 30th June 1996. The vendor charged interest @ 10 p.a., calculated on half – yearly rests.

Baba & Co., close their books annually on 30th June and provide depreciation @ 10% p.a.

on reducing balance method.

Determine the cash price of the machine and show the relevant ledger accounts in the books of Baba & Co.,

1. From the following information, calculate the value of goodwill, at 3 years purchase of super profit.
2. Average capital employed in the business Rs. 6,00,000.
3. Net trading profits of the firm for the past there years were Rs. 1,07,600 Rs. 90,700 and Rs. 1,12,500
4. Rate of interest expected form capital having regard to the risk involved is 12%.
5. Fair remuneration to the partners for their services Rs. 12,000 p.a.
6. The following is the Balance sheet of A, B and C on 31st March 2011.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| Sundry creditors | 4,500 | Cash in hand | 300 |
| Reserve fund | 4,800 | Cash at bank | 7,500 |
| Capital Accounts |  | Stock | 9,000 |
| A 15,000 |  | Sundry debtors | 9,000 |
| B 7,500 |  | Furniture | 12,000 |
| C 7,500 | 30,000 | Tools | 1,500 |
|  | 39,300 |  | 39,300 |

C died on 31st March 2011. Under the terms of the partnership deed the executors of a deceased partner were entitled to:

1. Amount standing to the credit of the partners capital A/c.
2. Interest on Capital @ 5% p.a.
3. Share of Goodwill on the on the basis of twice the Average of the past three year’s profits.
4. Share of profits from the closing of the last financial year to the date of death on the basis of the last year’s profits. Profits for 2008 Rs. 9,000; for 2009 Rs. 12,000; for 2010 Rs. 10,500. Profits were shared in the ratio of capitals.

Find out the amount payable to the heir of C and prepare C’s Executors’ A/c.

1. P,Q and R are partners in a firm. They share profits and losses equally. Their Balance Sheet on 31.12.92 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 relaised Rs. 30,000 and furniture Rs. 6,400. Only Rs. 24,000 was recovered from debtors. 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.

SECTION-C (3 x 10 =30)

**Answer ALL the questions.**

1. (a) A branch sent the following Trail Balance to its H.O:

|  |  |  |
| --- | --- | --- |
|  | Rs. | Rs. |
| Head office Account | - | 57,840 |
| Sundry Creditors |  | 14,000 |
| Sales | - | 2,20,000 |
| Balance at Bank | 9,000 | - |
| Cash in hand | 140 | - |
| Sundry Debtors | 54,000 | - |
| Purchases | 1,60,000 | - |
| Rent and Rates | 4,000 | - |
| General Expenses | 7,000 | - |
| Salaries | 12,000 | - |
| Bad debts | 700 | - |
| Fixture and Fittings | 2,400 | - |
| Machinery | 4,600 | - |
| Stock, 1st January | 38,000 | - |
|  | 2,91,840 | 2,91,840 |

The proportion of head office expenses to be charged to the branch is Rs.4,500. The

salaries include a sum of Rs. 2,600 paid to branch manager who is further entitled to 15% commission on the net profit of the branch before charging such commission.

The branch stock on 31st December was Rs. 22,000. Prepare the Branch Trading and P & L

A/c and balance sheet allowing 10% depreciation on the fixed assets.

(Or)

(b) A firm had two departments, cloth and readymade garments. The garments 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 and loss account for the year ended

31.3.94.

|  |  |  |
| --- | --- | --- |
|  | Cloth dept.  Rs. | Readymade dept.  Rs. |
| Opening stock on 1.4.93 | 3,00,000 | 50,000 |
| Purchases | 20,00,000 | 15,000 |
| Sales | 22,00,000 | 4,50,000 |
| Transfer to readymade garments dept. | 3,00,000 | - |
| Expenses – Manufacturing | - | 60,000 |
| – Selling | 20,000 | 6,000 |
| Stock 31.3.94 | 2,00,000 | 60,000 |

The stock in the readymade garments department may be considered as consisting of 75% cloth and 25% other expenses. The cloth department earned gross profit @ 15% in 1992 – 93. General expenses of the business as a whole came to Rs. 1,10,000.

1. (a) Knight purchased a truck for Rs.1,60,000 from S.Waugh on 1.1.93 payment to be made

Rs.40,000 down and Rs. 46,000 at the end of first year, Rs. 44,000 at the end of the second year

and Rs.42,000 at the end of third year. Interest was charged at 5%. Knight depreciates the truck

at 10% per annum on written down value method.

Knight, having paid down payment and first instalment at the end of the first year, could not

pay second instalment. The seller took possession of the truck, and after spending Rs. 4,000 on

repairs of the assets, sold it away for Rs. 91,500.

Prepare the ledger accounts in the books of both the parties.

(Or)

(b) Sunil, Devan and Ravi are equal partners in a firm and their balance sheet as on 31.12.90 is

given below.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| Capitals |  | Machinery | 43,500 |
| Sunil | 15,000 | Furniture | 1,500 |
| Devan | 12,000 | Debtors | 30,000 |
| Ravi | 18,000 | Stock | 15,000 |
| Reserve | 4,500 |  |  |
| Creditors | 40,500 |  |  |
|  | 90,000 |  | 90,000 |

Ravi retired on 31.12.90 and asses were revalued as under:

Machinery Rs. 51,000, Furniture Rs. 1,200, Debtors Rs. 28,500, Stock Rs. 14,700. Goodwill of the firm is valued at Rs. 9,000 and Ravi’s share of goodwill of the firm is valued at Rs. 9,000 and Ravi’s share of goodwill is to be adjusted to continuing partners capital accounts.

Prepare necessary ledger accounts and new balance sheet.

1. (a) R, S and P were partners. Their Balance sheet stood as under on the date when the firm was

dissolved.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| Sundry creditors | 1,20,000 | Sundry Assets | 1,10,000 |
| Capital A/cs |  | Profit & Loss A/c | 24,000 |
| R | 44,000 | S’s capital A/c | 50,000 |
| P | 20,000 |  |  |
|  | 1,84,000 |  | 1,84,000 |

The assets realized Rs.80,000. The expenses of realization amounted to Rs. 2,000. The position of the partners was as follows:

|  |  |  |
| --- | --- | --- |
|  | Private Estate | Private Liabilities |
| R | 36,000 | 40,000 |
| S | 24,000 | 42,000 |
| P | 24,000 | 20,000 |

Prepare the necessary ledger accounts to close the books of the firm.

(Or)

(b) Red, white and Blue are in partnership. The following is their Balance Sheet as at 31.12.85 on

which date, they dissolved partnership. They share profits in the ratio of 5:3:2.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| Capitals |  | Premises | 40,000 |
| Red | 50,000 | Plant | 30,000 |
| White | 15,000 | Stock | 30,000 |
| Blue | 45,000 | Debtors | 60,000 |
| Creditors | 40,000 |  |  |
| Red’s loan | 10,000 |  |  |
|  | 1,60,000 |  | 1,60,000 |

It was agreed to repay the amounts due to the partners as and when the assets were

realised , Viz:

|  |  |
| --- | --- |
|  | Rs. |
| 1.2.86 | 30,000 |
| 1.4.86 | 73,000 |
| 1.6.86 | 47,000 |

Prepare a statement showing how the distribution to the partners should be made.

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