Reg No: | | | | | | | |

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

## SEMESTER EXAMINATIONS

**APRIL - 2016**

**15CCO2A/CCO2A**

## FINANCIAL ACCOUNTING - II

**Time : 3 Hrs**

**Max.Marks : 75**

## SECTION-A (10 x 2 =20)

**Answer ALL the questions.**

1. What are Departmental Accounts?
2. What do you understand by hire purchase system?
3. What is dissolution of firm?
4. 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 branch | 24,000 |
| Stock on 31st December | 2,300 |
| Petty cash in hand on 31st December | 40 |

5. Pass necessary journal entries in the books of Head office and branch:
   The Bombay branch collected Rs.3,000 from a Bombay customer of head office.
6. The following are the figures for the departments:

| | X Rs. | Y Rs. |
|---|---|---|
| Opening stock (1.1.96) | 10,000 | 14,000 |
| Purchases | 12,000 | 13,500 |
| Sales | 20,000 | 18,000 |
| Closing Stock | 10,000 | 14,900 |

   Prepare departmental Trading Account.
7. What is meant by down payment?

8. A and B are partners in a business sharing profit in the ratio of 5:3. They decide to admit C into the firm giving him 1/6th share. Calculate the new profit sharing ratio and sacrificing ratio of the partners.
9. A, B and C were partners in a firm, sharing profits and losses in the ratio of 3:2:5. 'C' retires and on that date the firm's goodwill is valued at Rs.80,000. Pass necessary journal entry to adjust goodwill at the time of retirement.
10. Write any two differences between Revaluation a/c and Realisation a/c.

## SECTION-B (5 x 5 =25)

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

11. What is hire purchase system? Explain its features.
12. What are the different modes of dissolution? Explain them briefly.
13. Show what entries would be passed by head office to record the following transactions in the books on 31st December, the date of annual closing?
    - (i) Goods amounting Rs. 1,500 transferred from Chennai branch to Trichy branch under instructions from head office.
    - (ii) Depreciation of Rs.1,000 on Chennai branch fixed assets when such accounts are opened in the head office books.
    - (iii) A remittance of Rs.9,000 made by the Trichy branch to head office on 26th December and received by the head office on 4th January.
    - (iv) Goods amounting to Rs.15,000 sent by head office to Trichy branch on 20th December and received by the latter on 15th January.
14. The following purchases were made by a business house having three departments:

    Dept. A – 1,000 units
    Dept. B – 2,000 units } at a total cost of Rs.1,00,000
    Dept. C – 2,400 units

    Stocks on 1st January were:

    Dept. A – 120 units
    Dept. B – 80 units.

Dept. C – 152 units.

Sales were:

Dept. A – 1,020 units at Rs. 20/- each.

Dept. B – 1,920 units at Rs. 22.50/- each.

Dept. C – 2,496 units at Rs. 25/- each.

The rate of gross profit is same in each case. Prepare

Departmental Trading account.

15. On 1st January 1996 Babu & 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 the date of purchase and balance in three half 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 interests.

    Babu and 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.

16. A firm earned net profits during the last three years as follows:

| | Rs. |
|---|---|
| I year | 36,000 |
| II year | 40,000 |
| III year | 44,000 |

    The capital investment of the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profits.

17. A and B were partners. The partnership dead provided interalia that.
    (i) The accounts be made upto March 31, each year
    (ii) The profits divided as follows: A: 1/2, B = 1/3 and Reserve 1/6.
    (iii) In the event of death of a partner, his representative be entitled to
        a) The capital to his credit at the death date.

b) His proportion of profits to date of death based on the average profits of the last three completed years.

c) By way of goodwill his proportion of the total profits for the three preceding years.

On 31.03.2006 the ledger balances were.

| Particulars | Amount Debit Rs. | Amount Credit Rs. |
|---|---|---|
| A's capital | - | 90,000 |
| B's capital | - | 60,000 |
| Reserve | - | 30,000 |
| Creditors | - | 30,000 |
| Bills Receivable | 20,000 | - |
| Investments | 50,000 | - |
| Cash | 1,40,000 | - |
| | 2,10,000 | 2,10,000 |

The profits for the three years were:

| Year | Net Profits Rs. |
|---|---|
| 2003-04 | 42,000 |
| 2004-05 | 39,000 |
| 2005-06 | 45,000 |

Mr. B died on 1.7.2006. Show the account of B's executors.

18. The following information relates to Madurai 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 rent to Branch: | | |
| Rent | 1,500 | |
| Salaries | 3,000 | |
| Petty cash | 500 | |
| | | 5,000 |
| Sales at branch: | | |

| | | |
|---|---|---|
| Cash | 25,000 | |
| Credit | 39,000 | |
| | | 64,000 |
| Cash received form Debtors | | 41,200 |
| Stock on 31.12.94 | | 13,600 |

Prepare Branch account for the year 1994.

## SECTION-C (3 x 10 =30)

**Answer ALL the questions.**

19. (a) A head office invoices goods to its branch at cost plus 50 %. Branch remits all cash received to the head office and all expenses are met by the H.O. From the following particulars, prepare the necessary accounts on the stock and debtors system to show the profit or loss at the branch.

| | Rs. | | Rs. |
|---|---|---|---|
| Stock on 1.1.89 (invoice price) | 27,900 | Goods returned by debtors | 3,600 |
| Debtors on 1.1.89 | 20,400 | Goods returned to H.O. by branch | 4,500 |
| Goods invoiced to the branch (invoice price) | 1,53,000 | Shortage of stock | 1,350 |
| Cash sales | 75,000 | Discount allowed | 600 |
| Credit sales | 93,000 | Expenses at the branch | 16,200 |
| Cash collected from debtors | 91,200 | Bad debts | 600 |

(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 31.03.94.

| | 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 31.03.94 | 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.

20. (a) Knight purchases 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 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, after 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 asset, sold it away for Rs.91,500.

Prepare ledger accounts in the books of both the parties.

(Or)

(b) Ravi and Muthu share profits in the proportion of 3/4 and 1/4. The Balance sheet on 31.3.2011 was as follows:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Sundry creditors | 83,000 | Cash at Bank | 45,000 |
| Capital A/c: | | Bills Receivable | 6,000 |
| Ravi | 60,000 | Debtors | 32,000 |
| Muthu | 32,000 | Stock | 40,000 |
| | | Fixtures | 2,000 |
| | | Land & Buildings | 50,000 |
| | 1,75,000 | | 1,75,000 |

On 1st April 2011, Rajini was admitted into partnership on the following terms:

(i) That Rajini pays Rs.20,000 as her capital for a fifth share.

(ii) That Rajini pays Rs.10,000 for goodwill. Half of this sum is to be withdrawn by Ravi and Muthu.

(iii) That stock and fixtures be reduced by 10% and a 5% reserve for doubtful debts be created on sundry debtors and bills receivable.

(iv) That the value of Land and Buildings be appreciated by 20%.

(v) There being a claim against the firm for damages, a liability to the extent of Rs.2000 should be created.

(vi) An item of Rs.1,300 included in sundry creditors is not likely to be claimed and hence should be written back.

Prepare Revaluation A/c, capital A/c and Balance sheet assuming the profit sharing ratio between Ravi and Muthu has not changed.

21. (a) 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. |
|---|---|---|---|
| Capital: | | 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 assets 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 is to be adjusted to continuing partner's accounts.

Prepare necessary ledger accounts and new balance sheet.

(Or)

(b) A and B are in equal partnership. Their Balance sheet stood as follows:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Capital A | 600 | Plant & Machinery | 1,475 |
| Sundry creditors | 3,900 | Furniture | 400 |
| | | Debtors | 500 |
| | | Stock | 625 |
| | | Bank | 300 |
| | | B's Capital | 1,200 |
| | 4,500 | | 4,500 |

The assets were realised as follows:

Stock Rs.350, Furniture Rs.200, Debtors Rs.500 and Plant & Machinery Rs.700. The cost of collecting and distributing the estate amounted to Rs.150. A's private estate is not, sufficient to pay his private liabilities, where as in B's private estate, there is a surplus of Rs.50.

Prepare Realisation A/c, Cash A/c, Creditors A/c, Capital A/c and Deficiency A/c of the partners.

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