

2022

FINANCIAL ACCOUNTING-II — HONOURS

Paper : CC-3.1Ch

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

1. ZMX Ltd. with its Head Office (H.O.) at Mumbai has a branch at New Delhi. Goods are invoiced to the branch at cost plus 28%. Branch sells goods at invoice price. Branch expenses are paid by H.O. All cash collected by the branch (from customer and from cash sales) is deposited to H.O. account with the bank.

From the following information in respect of the branch for the year ended December 31, 2022 prepare Branch Stock Account, Branch Debtors Account, Branch Adjustment Account and Branch Profit & Loss Account in the books of Head Office.

Particulars	₹	Particulars	₹
Goods sent to Branch (at invoice price)	4,80,000	Discount allowed	1,000
Stock at branch at invoice price (on 01.01.2022)	24,000	Bad debts	1,500
Cash sales	1,78,160	Stock at branch at invoice price (on 31.12.2022)	48,000
Returns from debtors	6,000	Branch debtors balance (on 31.12.2022)	36,500
Branch expenses paid for cash	33,410	Collection from debtors	2,70,000
Branch debtors balance (on 01.01.2022)	30,000	Branch debtors' cheques Returned dishonoured	5,000

3+3+2+2

Please Turn Over

Or,

A merchant of Kolkata has a branch in Chennai. The goods are sent to the branch at cost plus 25%. The Chennai branch keeps its own Sales ledger and transmits all cash received to the Head Office. All expenses are paid from the Head Office. The transactions of the branch were as follows :

	₹
Stock as on 01.04.2020	2,20,000
Debtors as on 01.04.2020	20,000
Petty cash on 01.04.2020	2,000
Goods sent to the branch during the year	4,00,000
Collection from Debtors	4,20,000
Cash Sales during the year	53,000
Credit Sales during the year	4,61,000
Goods returned to Head Office	6,000
Bad Debts	6,000
Allowances to customers	5,000
Return Inward	10,000
Cheque sent to the Branch for:	
Rent	12,000
Wages	4,000
Salaries and other Expenses	18,000
Stock on 31.12.2021	2,60,000
Debtors on 31.12.2021	?
Petty Cash on 31.12.2021	2,500

Prepare Branch Account for the year ended 31.12.2021 in the books of Head Office. 10

2. On 01.01.2021 Mahal Car Rental purchased 3 motor cars costing ₹ 4,25,000 each on hire purchase system from M/S Bhandari Automobiles. Payment was to be made ₹ 50,000 as down money for each motor car and the balance in 3 equal annual instalments together with interest @10% per annum. Mahal Car Rental charges depreciation @20% per annum under diminishing balance method. It paid the first instalment on 31.12.2021, but could not pay the second instalment on 31.12.2022.

M/S Bhandari Automobiles repossessed 2 motor cars at an agreed valuation of cost less 30% depreciation per annum under written down value method.

Calculate loss on repossession of 2 motor cars, show Motor car A/c and M/S Bhandari Automobiles A/c in the books of Mahal Car Rental for the year 2021 and 2022. 2+4+4

(3)

W(3rd Sm.)-Financial Accounting-II-H/CC-3.1Ch/CBCS

Or,

P. Ltd. sells goods on hire purchase basis at cost plus 50%. From the following particulars, you are required to prepare H.P. Trading Account for the year ended 31.03.2021 : 10

₹	
Stock on hire with customers on 01.04.2020 : (at selling price)	2,70,000
Installments due on 01.04.2020	1,50,000
Cash received from customers	18,00,000
Installments due from customers on 31.03.2021	2,70,000
Value of goods repossessed (installment due ₹ 12,000)	3,600
Purchase during the year 2020-21	18,40,000
Goods sent on Hire purchase at selling price	25,86,000

Show all necessary calculations.

3. Southern Stores Ltd. has two departments A and B. From the following particulars, prepare Departmental Trading A/c for the year ended 31st March, 2022 and calculate the amount of Provision for unrealised profit on closing stock to be created : 7+3

Particulars	Dept. A (₹)	Dept. B (₹)
Opening Stock (Purchased goods at cost)	60,000	46,000
Purchases	3,11,000	2,62,400
Sales	4,85,000	4,32,000
Wages	48,000	32,000
Carriage inward	7,000	4,000
Closing Stock :		
Purchased goods	20,000	24,000
Finished goods	80,000	42,000

Following inter departmental transfer of goods took place during the year 2021-2022:

Purchased goods transferred:	by Dept. A to B	₹ 28,000
	by Dept. B to A	₹ 42,000
Finished goods transferred:	by Dept. A to B	₹ 1,60,000
	by Dept. B to A	₹ 1,40,000
Return of Finished goods:	by Dept. A to B	₹ 30,000
	by Dept. B to A	₹ 45,000

During the year purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price. 20% of the closing stock of finished goods of each department represents finished goods received from other department.

Please Turn Over

4. Mr. P. Sen furnishes the following detail of his holding in 6% Debentures of ₹ 100 each of PK Ltd. for the year 2021:

01.01.2021 : Opening Balance: 400, 6% Debentures of ₹ 100 each—cost ₹ 36,400

On 01.04.2021: 180, 6% Debentures worth ₹ 8,000 were purchased by Mr. Sen @ ₹ 98 each cum-interest.

On 01.09.2021: 120 such Debentures were sold @ ₹ 96 ex-interest.

On 01.12.2021: 160 such Debentures were sold again @ ₹ 99 cum-interest.

On 31.12.2021: 200 such 6% Debentures were sold @ ₹ 95 cum-interest.

Interest is payable on December, 31 every year.

Prepare the Investment Account for 6% Debentures of PK Ltd. in the books of Mr. P Sen. (Ignore Income tax)

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5. SB Ltd. was incorporated on 01.09.2021 to take over the business of M/s S Enterprise with effect from 01.04.2021. Sales for the year 2021-22 totalled ₹ 22,50,000 out of which ₹ 15,00,000 relates to the period from 01.09.2021 to 31.03.2022. Gross Profit for the year is directly related to the sales achieved. The accountant of the company has prepared the following statement to determine pre and post acquisition profit :

Statement showing Pre-incorporation and Post-incorporation Profit.

Particulars	Basis	Total (₹)	Pre-Inc. (₹)	Post-Inc. (₹)
Gross Profit (A)	1 : 1	8,40,000	4,20,000	4,20,000
EXPENSES :				
Salaries and Wages	1 : 1	1,20,000	60,000	60,000
Depreciation	1 : 1	24,000	12,000	12,000
Selling Commission	1 : 2	1,20,000	40,000	80,000
Interest on purchase	—	1,08,000	—	1,08,000
Consideration (up to 30.09.21)				
Debenture Interest	1 : 1	50,000	25,000	25,000
Directors' Fees	—	8,000	—	8,000
Preliminary Expenses	1 : 1	10,000	5,000	5,000
Office Rent	1 : 1	60,000	30,000	30,000
Interest on Capital	1 : 2	45,000	15,000	30,000
Total Expenses (B)		5,45,000	1,87,000	3,58,000
Balance (A – B)		2,95,000	2,33,000	62,000
Balance transferred to			Capital Reserve	Statement of Profit & Loss

Do you consider that the amounts of pre and post incorporation profit as calculated by the accountant are correct? If not, redraft the statement.

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(5)

W(3rd Sm.)-Financial Accounting-II-H/CC-3.1Ch/CBCS

Or,

Tarun and Barun were partners in a firm sharing profits & losses in the ratio of 3 : 2. The following is the Balance Sheet of the firm as on 31.03.2021 :

Liabilities	Amount ₹	Assets	Amount ₹
Partners' Capital:		Goodwill	60,000
Tarun	4,80,000	Land & Building	2,00,000
Barun	4,36,000	Plant & Machinery	4,20,000
Bills Payable	70,000	Furniture & Fittings	2,00,000
Sundry Creditors	50,000	Stock-in-trade	1,30,000
Outstanding Expenses	80,000	Sundry Debtors	50,000
	—	Cash & Bank	56,000
	<u>11,16,000</u>		<u>11,16,000</u>

On 01.04.2022 a new company BT Ltd. was formed to take over the business of the firm on the following conditions:

- The company would not take over outstanding expenses to the extent of ₹ 34,000.
- Assets are to be revalued as follows: Goodwill ₹ 1,00,000; Land & Building ₹ 3,36,000; Plant & Machinery ₹ 5,20,000; Furniture & Fittings to be depreciated by 10%; ₹ 10,000 to be treated as bad and of the balance 5% to be treated as doubtful debt. Cash & Bank balance to be taken over in full except to meet the outstanding expenses not taken over by the company.
- The purchase consideration is to be satisfied by issuing 40,000 Equity shares of ₹ 10 each at a premium of 20% ; ₹ 3,00,000 by issue of 5% preference shares of ₹ 100 each at par and the balance in the form of 6% Debentures at par .

Calculate the purchase consideration and necessary journal entries in the books of BT Ltd. Narrations not required. 4+6

Group - B

6. (a) On 01.04.2021 the capital accounts of A, B and C stood at ₹ 60,000, ₹ 40,000 and ₹ 20,000 respectively. They shared profits and losses equally. Profit and Loss account for the year ended 31 March, 2022 revealed a net profit of ₹ 1,20,000 which was transferred to capital accounts of the partners equally. In 2022-23 they agreed to change the profit sharing ratio to 3:2:1 with retrospective effect from 01.04.2021. It is now discovered that—
- During 2021-22 interest on capital @ 6% per annum was not considered while distributing profits among the partners.
 - During 2021-22 repair charges of A's personal Laptop amounting to ₹ 19,200 had been charged to 'Repair account'.

You are required to pass a single journal entry to rectify and give effect of the above decision.

Please Turn Over

- (b) Ram and Shyam were partners of a firm sharing profits & losses in the ratio of 3:2. Tapan joined them as a new partner for 1/4th share. As between themselves Ram and Shyam decided to share the balance of profits equally. The agreed value of goodwill was Rs. 80,000 but Goodwill account as per Balance Sheet was ₹ 32,000. Tapan paid ₹ 70,000 as capital and necessary amount of premium in cash. Ram and Shyam withdrew half of their premium money and decided to maintain Goodwill Account undisturbed.

Show necessary journal Entries on admission of new partner.

8+7

Or,

Anoy and Binoy are partners in a firm sharing profits and losses in proportion of three-fourth and one-fourth. Their Balance Sheet as on 31st March, 2022 stood as below:

Balance Sheet as on 31st March, 2022

Liabilities	₹	Assets	₹
Capital Account:		Land & Buildings	2,50,000
Anoy 3,00,000		Office Furniture	10,000
Binoy 1,60,000		Stock	2,00,000
	4,60,000	Debtors	1,60,000
Creditors	3,75,000	Bills Receivable	30,000
General Reserve	40,000	Cash at Bank	2,25,000
	8,75,000		8,75,000

They admit Chinmoy into partnership on 01.04.2022 on the following terms that:

- Chinmoy pays ₹ 1,00,000 as his capital for one-fifth share in future profits.
- Goodwill of the new firm be valued at ₹ 2,00,000 and Chinmoy brings his share of premium for goodwill in cash.
- Stock and Furniture be reduced by 10% each and a 5% provision for doubtful debts be created on debtors.
- Value of the Land and Buildings be appreciated by 20%.
- General Reserves to the extent of ₹ 15,000 will continue to appear in the books of accounts even after admission of Chinmoy.
- Capital accounts of Anoy and Binoy will be re-adjusted on the basis of their profit sharing arrangements based on the closing capital of Chinmoy and any additional amount be immediately withdrawn by them.

You are required to calculate new profit sharing ratio and prepare Revaluation A/c, Partners' Capital A/c and the Balance Sheet of the new firm.

2+3+6+4

(7)

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7. Tapan, Manu, Jagat and Rana were partners in a firm sharing profits & losses in the ratio of 3 : 3 : 2 : 2. The Balance Sheet of the firm as on 31.03.2021 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts:		Furniture	1,20,000
Tapan	4,62,000	Trademark	2,10,000
Manu	3,00,000	Stock	3,00,000
Rana	<u>1,21,000</u>	Debtors	4,80,000
	8,83,000	Less: Provision for	
Creditors	4,65,000	Bad debt	<u>15,000</u>
Reserve	3,00,000		4,65,000
Workmen Compensation		Cash at Bank	1,73,000
Fund	1,00,000	Capital Account :	
		Jagat	<u>4,80,000</u>
	<u>17,48,000</u>		<u>17,48,000</u>

On the same date, the firm was dissolved due to difference of opinion and Manu was appointed to realize the assets and pay off the liabilities. He was entitled to receive 5% commission on the amounts finally paid to other partners and to bear the Realisation expenses of ₹ 15,000. The assets realized were as follows:

Debtors ₹ 4,30,000; Furniture ₹ 80,000; Stock - ₹ 2,40,000 and Trademark - ₹ 1,20,000. Creditors were paid in full and an unrecorded liability for ₹ 65,000 was also paid. Actual liability for Workmen Compensation amounted to ₹ 40,000. There was a Joint Life Policy for ₹ 9,00,000 and it was surrendered for ₹ 90,000.

Jagat was declared insolvent and a sum of ₹ 1,78,000 was realized from his estate. As per the partnership deed, any deficiency on account of insolvency of a partner is required to be borne by solvent partners equally.

Prepare Realisation Account, Partners' Capital Account and Bank Account in the books of the firm.