

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2022  
(Second Semester)

Branch- COMMERCE (BUSINESS PROCESS SERVICES)  
FINANCIAL ACCOUNTING - II

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (5 x 1 = 5)

1. Branch account is prepared to ascertain \_\_\_\_\_  
(i) Profit and loss of the branch (ii) Financial statement of the  
(iii) Assets and liability of the head office (iv) None of the above
2. Depreciation is charged by the purchaser on \_\_\_\_\_  
(i) Cash Price (ii) Interest (iii) Hire Purchase (iv) Vendor Account
3. The proportion in which old partners make a sacrifice is called \_\_\_\_\_ ratio.  
(i) Capital (ii) gaining (iii) sacrifice (iv) new
4. Accrued losses are \_\_\_\_\_ to capitals accounts of the partner.  
(i) Credited (ii) Debited (iii) Not recorded (iv) Distributed
5. On dissolution, if a partner pays firm's liability which of the following account is debited.  
(i) Profit and Loss Account (ii) Realisation Account  
(iii) Partner's Capital Account (iv) Cash Account

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

6. a. What are the objectives of branch accounting?

(OR)

b. Hindustan Ltd. has a branch at Bhopal. Branch has to remit daily cash receipts to the head office and all expenses of the branch are paid by the Head Office directly. Following are the transactions between Head office and branch for the year ended 31st March, 2016 : Stock at Branch on 1 April 2015 Rs.6,000 , Goods supplied to Branch during the year Rs 1,20,000, Cash sent to Branch for :Rent Rs 1,100, Salaries Rs 9,000, Insurance Rs 300 ,Goods returned by branch Rs 3,000 , Cash sent to Branch for Petty expenses Rs 500, Cash received from the branch during the year Rs 1,20,000 Cash sent by branch on 29 March 2016 Rs 5,000, Stock at Branch on 31st March 2016 Rs 10,000, Balance of Petty Cash on 31st March 2016 50, Outstanding Rent on 31st March 2016 Rs 100. Give Journal entries and show the Branch Account in the books of Head Office.

7. a. A Ltd. purchased a Machine on hire purchase from Z Ltd. on January 1, 2016, paying Rs. 8,000 immediately and agreeing to pay three annual instalments of Rs. 8,000 each on December 31, every year. The cash price of the machine is Rs. 29,800 and the vendors charge interest @ 5% per annum. Calculate the amount of interest paid by the buyer to the seller every year.

(OR)

- b. Renuka purchased a Machine on January 1, 2015 on hire purchase basis for Rs. 5,000 payable as under :

	Rs.
Down Payment	930
At the end of 1st year (1st instalment)	1,426
At the end of 2nd year (2nd instalment)	1804
At the end of 3rd year (3rd instalment)	840

Rate of interest 5% p.a. Calculate the Cash Price of the Machine and interest paid with each instalment.

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8.a. A and B are partners sharing profits in the ratio 3:2 with capital of Rs.12,000 and Rs 5,400 respectively. C is admitted as a new partner for 1/3 share of profits with a capital of Rs.7,500. Adjust the capitals of them in the new profit sharing ratio. Give the necessary journal entries.

(OR)

b. A and B are partners with the capital of Rs 10,000 and Rs 20,000 respectively and sharing profit and losses equally. C admitted into partnership with 1/4 in profit and contributed Rs 12,000 as his capital. Calculate goodwill.

9. a. Arun, Tarun and Neha are partners sharing profits in the ratio of 3 : 2 : 1 Neha dies on 31st May 2014. Sales for the year 2013-2014 amounted to Rs 4,00,000 and the profit on sales is Rs 60,000. Accounts are closed on 31 March every year. Sales from 1st April 2014 to 31st May 2014 is Rs 1,00,000. Calculate the deceased partner's share in the profit up to the date of death.

(OR)

b. M. N. & P are partners in a firm P retires & the goodwill of firm is valued at Rs 30000. M & N decide to share future profits in the ratio of pass necessary adjustment entries.

1. If goodwill A/c already appears in books at Rs 18000
2. When no goodwill A/c appears in the books.

10. a. Sonya and Mayank are partners, who shared profit as 3:2. Following is the balance sheet as on December 31, 2014.

Balance Sheet as on December 31, 2014			
Liabilities	Amount (Rs)	Assets	Amount(Rs)
Creditors	28,000	Cash in hand	10,500
Bills payable	20,000	Cash at Bank	30,000
Profit & Loss A/c	13,500	Stock	7,500
Sonya's Capital	32,500	Sundry debtors	21,500
Mayank's Capital	11,500	Less : Provision for bad debt 500	21,000
		Land & Building	<u>36,500</u>
	<u>1,05,500</u>		<u>1,05,500</u>

The firm was dissolved on December 31, 2014. Close the books of the firm with the following information:

- (i) Debtors realised at a discount of 5%.
  - (ii) Stock realised at Rs 7,000.
  - (iii) Building realised at Rs 42,000.
  - (iv) Realisation expenses amounted to Rs 1,500 .
  - (v) Creditors and bills payable are paid in full.
- Prepare necessary ledger accounts.

(OR)

b. Under what circumstances can the court dissolve the partnership firm? Explain.

**SECTION - C**

Answer ALL the Questions

All Questions Carry EQUAL Marks

(5x6=30)

11. a. P.O. Ltd. Calcutta, started a branch in Bombay on 1st April, 1983 to which goods were sent at 20% above cost. The branch does not maintain double entry books of account and necessary accounts relating to branch are maintained in H.O. Following further details are given for year ended on 31st March, 1984

Cost of goods sent to Branch	Rs 50,000
Goods received by Branch till 31st March, 1984 at invoice price	54,000
Credit sales for the year	58,000
Debtors as on 31st March, 1984	20,800
Bad Debts and Discount written off	200
Cash remitted to H. O.	43,000
Cash in hand at Branch on 31st March, 1984	2,000
Cash remitted by H.O. to Branch during the year	3,000
Closing stock at Branch (at invoice price)	6,000
Expenses incurred at Branch	12,000

Determine the Profit or Loss of the Branch for the year ended on 31st March, 1984, according to Stock and Debtors system in the books of the Head Office.

(OR)

b. A Patna based merchant has a branch at Gaya to which it charges out goods at cost plus 25%. The Gaya branch keeps its own sales ledger and remits all cash received to Patna head office every day. The transactions for the Gaya branch are as follows:

	Rs
Stock on 1.1.2014	Rs. 11000
Debtors on 1.1.2014	Rs. 1700
Petty cash on 1.1.2014	Rs. 100
Cash sales	Rs. 2650
Goods sent to branch	Rs. 20000
Collection from debtors	Rs. 21000
Goods returned to H.O.	Rs. 400
Bad debts	Rs.300
Allowances to customers	Rs. 250
Return in ward	Rs. 500
Cheques sent to branch:	
Rent	Rs. 600
Wages	Rs. 200
Salary & Expenses	Rs. 900
Stock on 31.12.2014	Rs. 13000
Debtors on 31.12.2014	Rs. 2000
Petty cash on 31.12.2014	Rs. 100

Prepare Gaya branch account in the books of Patna Head Office.

12. a. Kareem Restaurant purchased from E.C. Ltd. a colour T.V. set on 1st October 2010 on the hire-purchase system. The cash price of the set was Rs 15,000. Terms of payment were Rs 1,500 down and Rs 4 000 half yearly over two years, the first instalment was to be paid on 31st March, 2011. Rate of interest was 12% per annum. Kareem Restaurant wrote off 15% depreciation per annum on reducing instalments basis and closed its books every year on 31st March. It could not pay the second instalment due on 30th September 2011 and as a consequence, EC Ltd. repossessed the T.V. set. Prepare T'V Set Account and the hire vendor's account in Kareem Restaurant's ledger.

(OR)

b. Easy Payment Ltd. sells goods on hire purchase basis at a profit of 50% on cost; the following particulars are given for the year ending December 31, 2018. Prepare the Hire Purchase Trading Account.

	Rs.
Hire Purchase Stock (opening)	18,000
Instalments due, customers paying (opening)	10,000
Goods sold on hire purchase during the year (at hire purchase price)	1,74,000
Cash received from customers	1,20,000
Goods repossessed valued at (instalments due Rs. 6,000)	3,000
Hire Purchase Stock at the end	60,000
Instalments due (at the end), customers paying	16,000
Expenses	19,000

13. a. Following in Balance Sheet of A and B who share profits in the ratio of 3:2. Balance Sheet of A and B as on April 1, 2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	20,000	Cash in hand	3,000
Captials		Debtors	12,000
A 30,000		Stock	15,000
B 20,000	50,000	Furniture	10,000
		Plant and Machinery	<u>30,000</u>
	<u>70,000</u>		<u>70,000</u>

On that date C is admitted into the partnership on the following terms:

1. C is to bring in Rs. 15,000 as capital and Rs. 5,000 as premium for goodwill for 1/6 share.
2. The value of stock is reduced by 10% while plant and machinery is appreciated by 10%.
3. Furniture is revalued at Rs. 9,000.
4. A provision for doubtful debts is to be created on sundry debtors at 5% and Rs. 200 is to be provided for an electricity bill.
5. Investment worth Rs. 1,000 (not mentioned in the balance sheet) is to be taken into account.

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6. A creditor of Rs. 100 is not likely to claim his money and is to be written off. Record journal entries and prepare revaluation account and capital account of partners.

(OR)

b. Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of 3:2:1. On March 31, 2017, Naman retires. The various assets and liabilities of the firm on the date were as follows:

Cash Rs 10,000, Building Rs 1,00,000, Plant and Machinery Rs 40,000, Stock Rs 20,000, Debtors Rs 20,000 and Investments Rs 30,000.

The following was agreed upon between the partners on Naman's retirement:

(i) Building to be appreciated by 20%. (ii) Plant and Machinery to be depreciated by 10%. (iii)

A provision of 5% on debtors to be created for bad and doubtful debts. (iv) Stock was to be valued at Rs 18,000 and Investment at Rs 35,000. Record the necessary journal entries to the above effect and prepare the Revaluation Account.

14. a. Vilas, Mangal, Guru were partners in a business sharing profits and losses in the ratio of 2:1:1 respectively. Their Balance sheet as on 31st March, 2012 was as follows:

Liabilities	Amount	Assets	Amount(Rs)
Capital	Rs	Land and Building	6,000
Vilas	6,000	Debtors	5,000
Mangal	7,000	Stock	3,000
Guru	3,400	Cash	6,000
Creditors	2,000		
General Reserve	1,600		
	<u>20,000</u>		<u>20,000</u>

Guru died on 1st July, 2012

1) Land and Building was to be revalued to Rs 7,000 and RDD was to be created of Rs 200.

2) The drawings of Guru upto the date of his death amounted to Rs 1,000/-

3) Charge interest on drawings Rs 100/-

4) His share of goodwill should be calculated at 'Three' years purchase of the profits for the last four years which were Rs 15,000, Rs 13,000/-, Rs 7,000, Rs 5,000

5) The deceased partners share of profit upto the date of his death to be calculated on the basis of average profit of last two years.

Prepare:

1) Profit and Loss Adjustment A/c

2) Partners Capital A/c

3) Balance Sheet of the continuing firm

4) Give working or share of profit and goodwill

(OR)

b. Vijay, Vivek and Vinay are partners in a firm sharing profits in 2:2:1 ratio, On 31.3.2015 Vivek retires from the firm. On the date of Vivek's retirement the balance sheet of the firm was as follows:

Particulars	(Rs.)	Assets	(Rs.)
Creditors	54000	Bank	55,000
Bill Payable	24000	Debtor 12,000 Less: Provision for Doubtful	8,00
			11,200
Outstanding Rent	4400	Stock	18,000
Provision for Legal Claim	12000	Furniture	8,200
Capital :		Premises	194000
Vijay	92,000		
Vivek	60,000		
Vinay	40,000		
	<u>192000</u>		
	<u>2,86,400</u>		<u>2,86,400</u>

Cont...

On Vivek's retirement it was agreed that :

i. Premises will be appreciated by 5% and furniture will be appreciated by Rs. 2,000 Stock will be depreciated by 10%, ii. Provision for bad debts was to be made at 5% on debtors and provision legal damages to be made for Rs. 14,400. iii. Goodwill of the firm is valued at Rs. 48,000. iv. Rs. 50,000 from Vivek's Capital A/c will be transferred to his Loan A/c and balance will be paid by cheque. Prepare revaluation a/c, partners Capital A/cs and Balance Sheet of Vijay Vinay after Vivek's retirement.

15. a. The following is the balance sheet of a partnership firm of A, B and C who are sharing Profit and losses in 3:2:1 as on March 31, 2020.

Balance Sheet as on March 31, 2020

Liabilities	Amount(Rs)	Assets	Amount(Rs)
Creditors	5,000	Cash	8,000
Bank Loan	15,000	Other Current Assets	22,000
A's Capital	45,000	GoodWill	18,000
B's Capital	30,000	Other Fixed Assets	62,000
C's Capital	15,000		
	<u>1,10,000</u>		<u>1,10,000</u>

On the above date partners have decided to dissolve the firm.

- 1) Included in Current assets, stock of Rs 7,000 is taken by A.
- 2) Remaining current Assets is realised at 10% Discount.
- 3) Machinery of Rs. 28,000 is sold for Rs. 20,000 and Building with book value 40,000 is sold for Rs. 75,000.
- 4) There was an un-recoded typewriter which was sold for Rs. 7,000.
- 5) Bank loan is paid in full but creditors are paid only Rs. 4,000.
- 6) There is claim or liability for damage of a customer against the firm for Rs 3,000 in a lawsuit and it is taken over by B to be paid by him.
- 7) The realisation expenses for selling assets amounts Rs. 1,200 and is paid by firm.

Prepare Realization Account to determined realisation Profit or loss.

Prepare Cash Account before settlement of partners account.

Prepare Balance Sheet and show the realisation profit or loss in Balance sheet.

Prepare Partners' Capital Account or Close Realization Profit and Partners capital and Prepare Cash account.

(OR)

b. Sita, Rita and Meeta are partners sharing profit and losses in the ratio of 2:2:1 Their balance sheet as on March 31, 2017 is as follows:

Balance Sheet of Sita, Rita and Meeta as on March 31, 2017

Liabilities	Amount (Rs)	Assets	Amount(Rs)
General Reserve	2,500	Cash at bank	2,500
Creditors	2,000	Stock	2,500
Capitals:		Furniture	1,000
Sita	5,000	Debtors	2,000
Rita	2,000	Plant and Machinery	4,500
Meeta	1,000		
	<u>8,000</u>		
	<u>12,500</u>		<u>12,500</u>

They decided to dissolve the business. The following amounts were realised:

Plant and Machinery Rs.4,250, Stock Rs.3,500, Debtors Rs.1850, Furniture 750. Sita agreed to bear all realisation paid by the firm expenses. For the service Sita is paid Rs.60. Actual expenses on realisation paid by the firm amounted to Rs.450. Creditors paid 2% less. There was an unrecorded assets of Rs.250, which was taken over by Rita at Rs.200. Prepare the necessary accounts to close the books of the firm.

Z-Z-Z END