

2023

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. BBX Ltd. with its Head Office (H.O.) at Kolkata has a branch at Kanpur. Goods are invoiced to the branch at cost plus 50%. Branch sells goods at the maximum retail price (M.R.P.) which is 20% above invoice price. Branch expenses are paid by H.O. All cash collected by the branch (from customer and from cash sales) is remitted to head office.

From the following information, prepare Kanpur Branch Account in the books of head office for the year ended 31st March, 2023 : 10

Particulars	₹	Particulars	₹
Stock at branch at invoice price on 01.04.2022	81,000	Branch Debtors on 01.04.2022	52,500
Invoice price of goods sent to branch during 2022-23	3,90,000	Branch Debtors on 31.03.2023	27,500
Goods returned by branch to head office (at I.P.)	6,000	Petty cash at branch on 01.04.2022	3,600
Cash sales (at M.R.P.)	2,41,000	Cash sent by head office to meet petty expenses at the branch	3,000
Credit sales (at M.R.P.)	2,00,000	Petty expenses incurred by branch during the year	3,900
Branch expenses paid by head office by cheque	38,000	Stock at branch at invoice price on 31.03.2023	?

Working Notes should form part of your answer.

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Or,

SK Traders of Kolkata opened a branch at Durgapur on 01.01.2023. Goods were sent by the head office to the branch and invoiced at selling price to the branch which was 140% of the cost price of the head office. The following are the particulars relating to transactions with Durgapur Branch for the year ending on 31.12.2023 :

Particulars	₹	Particulars	₹
Goods sent to branch (at invoice price)	5,60,000	Goods lost by fire at branch (at invoice price)	18,900
Cash Sales	2,25,000	Insurance claim recovered by head office	12,000
Credit Sales	2,56,000	Cash received from debtors	2,23,000
Goods returned by credit customer to branch	5,000	Cash sent to branch for : Salaries 60,000 Freight & Insurance 11,000 Other Expenses 5,000	76,000
Discount allowed to debtors	3,000	Spoiled goods written off at invoice price (considered normal loss)	700

Prepare Branch Stock A/c, Goods Lost by Fire A/c, Branch Adjustment A/c and Branch Profit & Loss A/c in the books of head office.

3+2+3+2

2. Basu Transport Agency purchased 2 Tata Starbus costing ₹ 24,00,000 each from Bhadra Auto Company Ltd. on April 1, 2020 on the hire purchase system. The terms of payment were as follows :

Payment of ₹ 6,00,000 was made for each Tata Starbus on delivery and the remainder in three equal instalments together with interest of 10% p.a. to be paid at the end of each year.

Basu Transport Agency writes off depreciation @20% p.a. each year on the diminishing balance method. The hire purchaser paid two instalments due on 31.03.2021 and 31.03.2022, but could not pay the final instalment. Bhadra Auto Company Ltd. repossessed one Bus adjusting its value against the amount due. The repossession was done based on 25% depreciation following the Fixed Instalment Method.

Write up Tata Starbus Account and Bhadra Auto Company Ltd. Account in the books of Basu Transport Agency for the year 2020-21 to 2022-23.

Or,

PKG Products sells goods on hire purchase system at cost plus 40%. From the following particulars for the year ending December 2023, prepare H.P. Trading Account to reveal the amount of profit earned for the year 2023 :

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	₹
Stock at shop at cost (on 01.01.2023)	1,08,000
Stock with H.P. customers at selling price (on 01.01.2023)	56,000
Instalments overdue (on 01.01.2023)	30,000
Cash received from H.P. customers during 2023	3,63,600
Goods purchased during the year 2023	3,60,000
Goods repossessed (Instalments due ₹ 17,000) valued at	4,000
Instalments overdue from customers on 31.12.2023	54,000
Stock at shop at cost on 31.12.2023 (including goods repossessed at ₹ 4,000)	1,24,000

3. AB & Co. has two departments A and B. Information relating to inter-departmental transfer of goods and closing stock for the year ended 31st December, 2023 is made available to you :

	Dept. A	Dept. B
Sales	2,80,000	2,24,000
Purchased goods transferred :		
– By Department B to Department A	20,000	–
– By Department A to Department B	–	16,000
Finished goods transferred :		
– By Department B to Department A	56,000	–
– By Department A to Department B	–	60,000
Closing Stock :		
– Purchased goods	9,000	12,000
– Finished goods	48,000	28,000

Purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market selling price. Stock of Dept. A and Dept. B at the beginning of the year does not include any goods transferred from other department. But 20% of the closing stock of finished goods at each department represented finished goods received from other department.

Please Turn Over

The accountant of AB & Co. has prepared a Departmental Trading Account disclosing Gross Profit of ₹ 89,000 and ₹ 80,000 respectively for Dept. A and Dept. B.

However, it was ascertained that the accountant has not considered inter-departmental transfer of purchased goods, on the argument that since these goods were transferred at their respective departmental purchase cost, this would not affect departmental gross profit.

Other Revenue items shall be apportioned between the departments A and B in the following proportion :

	₹	Proportion
Salaries	36,000	2 : 1
Rent	25,000	1 : 1
Discount Received	1,500	3 : 2
Depreciation	12,000	5 : 3
Advertising	12,600	Sales excluding inter-departmental transfers

Prepare Departmental Profit & Loss Account and General Profit & Loss Account for the year ended 31st December, 2023.

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4. On 1st April 2022, Mr. P. K. Jha has 5,000 equity shares of Simtex Ltd. at a book value of ₹ 15 per share (nominal value ₹ 10 each). He provides you the following further information :

- On 20.06.2022, purchased another 1,000 shares of Simtex Ltd. at ₹ 16 per share.
- On 01.08.2022, Simtex Ltd. issued 1 bonus share for every 6 shares held.
- On 30.09.2022, Mr. P. K. Jha received dividend from Simtex Ltd. at the rate of 20% for the year ended 31.03.2021.
- On 31.10.2022, the directors of Simtex Ltd. announced a right issue which entitles the holders to subscribe 3 shares for every 7 shares at ₹ 15 per share. Shareholders can transfer their rights in full or in part.

Mr P. K. Jha sold two third of his right entitlement to Mr. S. Das for a consideration of ₹ 2 per share and subscribed the remaining one third of his right entitlement on 05.11.2022.

- On 31.03.2023, sold 8,000 shares at ₹ 18 per share.

Show 'Investment in Equity Shares of Simtex Ltd. A/c' in the books of Mr. P. K. Jha assuming investments are current investments. Assume that the books are closed on 31.03.2023. Ignore brokerage and securities transaction tax.

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5. Suvha Udyog Limited was incorporated on August 1, 2022. It had acquired a running business of R & Co. with effect from April 1, 2022. During the year 2022-23, the total sales were ₹ 72,00,000. The sales per month in the first half of the year were half of what they were in the later half of the year. The net profit of the company was worked out ₹ 4,00,000 after charging the following expenses :

(i) Depreciation : ₹ 2,16,000, (ii) Audit fees : ₹ 30,000, (iii) Directors' fees : ₹ 1,00,000, (iv) Preliminary expenses : ₹ 24,000, (v) Office expenses : ₹ 1,56,000, (vi) Selling expenses : ₹ 1,44,000 and (vii) Interest to vendors up to August 31, 2022 : ₹ 10,000.

You are required to ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2023.

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Or,

KR Ltd. was formed on 01.04.2023 to takeover the partnership business of Keshab and Raghav with effect from 01.04.2023 on which date the balance sheet of the firm was as follows :

Liabilities	₹	Assets	₹
Capital Accounts :		Land & Buildings	1,00,000
Keshab	1,60,000	Plant & Machinery	80,000
Raghav	1,50,000	Furniture	34,000
Bills Payable	32,000	Stock	36,000
Sundry Creditors	60,000	Sundry Debtors	96,000
General Reserve	28,000	Bills Receivable	26,000
		Cash at Bank	58,000
	4,30,000		4,30,000

The following revaluations of assets and liabilities were agreed upon :

- Plant & Machinery to be valued at ₹ 75,000.
- Land & Buildings are to be appreciated by 40%.
- A provision to be made for bad debts of ₹ 6,000.
- Furniture to be depreciated by 20%.
- Creditors of ₹ 4,000 are no longer required to be paid.

The purchase consideration was to be discharged as below :

- Allotment of 20,000 Equity Shares of ₹ 10 each at ₹ 12 per share.
- Allotment of 1,000, 9% Preference Shares of ₹ 100 each at par.
- Balance in Cash.

Calculate purchase consideration. Give necessary journal entries in the books of KR Ltd. Narration not required.

4+6

Please Turn Over

Group - B

6. (a) Amal, Bimal and Kamal are partners in a firm. Their capital accounts on 01.04.2022 stood at ₹ 1,00,000; ₹ 80,000 and ₹ 60,000 respectively.

Each partner withdrew ₹ 5,000 on 01.10.2022. As per the provisions of their partnership deed :

- (i) Bimal was entitled to a salary of ₹ 1,000 per month.
- (ii) Interest on capital was to be allowed @ 10% per annum.
- (iii) Interest on drawings was to be charged @ 4% per annum.
- (iv) Profits and losses were to be shared in the ratio of their capital.

The net profit of ₹ 75,000 for the year ended 31st March, 2023, was distributed equally amongst the partners without providing for the terms of the deed.

Instead of altering the signed balance sheet, it was decided to make an adjustment entry at the beginning of the new financial year.

You are required to pass a single adjusting journal entry to rectify the error giving appropriate workings.

- (b) X, Y and Z were equal partners in a firm. From 01.01.2024 they decided to share profits and losses in the ratio of 2 : 3 : 5. On this date the Balance Sheet of the firm showed a balance of ₹ 60,000 in General Reserve and ₹ 90,000 in Profit & Loss A/c (Dr.). The Goodwill of the firm is valued at ₹ 3,60,000.

Pass necessary journal entry for the above transactions in the books of the firm without affecting the balance sheet. Show your workings clearly. 10+5

Or,

The following is the Balance Sheet of P, Q and R who were sharing profits and losses in the ratio of 5 : 3 : 2 as at 31st December, 2023 :

Liabilities	₹	Assets	₹
Capital Accounts :		Fixed Assets	60,000
P 40,000		Stock	80,000
Q 62,000		Sundry Debtors	1,00,000
R <u>33,000</u>		Cash at Bank	40,000
	1,35,000		
Profit & Loss A/c	85,000		
Employee's Provident Fund	10,000		
Creditors	50,000		
	2,80,000		2,80,000

P retired on 31.12.2023, Q and R decided to share future profits and losses in the ratio of 2 : 3. The other terms of retirement were as follows :

- (i) Goodwill of the firm is valued at ₹ 80,000. Goodwill A/c should not be shown in the books.
- (ii) Fixed assets are to be reduced to ₹ 57,500.

- (iii) Make a provision for doubtful debts at 5% on debtors.
 (iv) A liability for claim, included in creditors for ₹ 10,000, is settled at ₹ 8,000 and paid in cash.
 (v) P is to be paid in full on his retirement.

Sufficient cash is to be introduced by Q and R in such a manner that their Capitals are proportionate to their profit sharing ratio and a cash balance of ₹ 25,000 is retained in the bank account.

Prepare Revaluation A/c, Partner's Capital Accounts and Bank A/c and show the Balance Sheet of Q and R as on 1st January, 2024.

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7. Anil, Bikash and Chotu are partners of a firm and share profits and losses in the ratio of 4 : 3 : 3. Their Balance Sheet as on March 31, 2022 was as under :

Liabilities	₹	Assets	₹
Capital Accounts :		Cash in hand	40,000
Anil 4,00,000		Bank	60,000
Bikash 2,40,000		Other Assets	13,00,000
Chotu <u>1,60,000</u>			
	8,00,000		
Reserve Fund	1,60,000		
Contingency Reserve	80,000		
Anil's Loan	1,00,000		
Bikash's Loan	60,000		
Sundry Creditors	2,00,000		
	14,00,000		14,00,000

The partnership is dissolved and the assets are realised as follows :

1st Realisation : ₹ 2,40,000

2nd Realisation : ₹ 6,00,000

3rd Realisation : ₹ 3,00,000

Realisation expenses were estimated at ₹ 60,000, but actual expenses was ₹ 50,000 and paid on 3rd Realisation. Chotu took stock worth ₹ 14,000 at the time of 2nd Realisation.

Prepare a statement showing the distribution of fund following 'Surplus Capital' Method.

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