

**Credit Based IV Semester B.Com. Examination, April/May 2018****(2015 – 16 Batch Onwards Scheme)****FINANCIAL ACCOUNTING – IV****Commerce**

Time : 3 Hours

Max. Marks : 120

**Instruction** : Provide working notes **wherever** necessary.**SECTION – A**Answer **any four** questions :**(4×6=24)**

1. Write a note on Royalty and short workings ?
2. What do you mean by invoice price ? Give adjusting entries in the books of Head Office under debtors system in branch accounts.
3. How do you allocate the following items in departmental accounts ?
  - a) Bad debts
  - b) Labour welfare expenses
  - c) Factory rent
  - d) Carriage inwards
  - e) Repairs to machinery
  - f) Expenses on power.

4. A Ltd. offered to the public 50,000 shares of ₹ 10 each. The entire issue was underwritten as follows :

M/s X – 30,000 shares

M/s Y – 15,000 shares

M/s Z – 5,000 shares

Out of the total issue, 45,000 shares including firm underwriting were subscribed. The following were the marked forms : M/s X – 16,000 shares, M/s Y – 10,000 shares and M/s Z – 4,000 shares.

Firm underwriting: M/s X – 5,000 shares, M/s Y – 2,000 shares and M/s Z – 1,000 shares.

Compute the liability of underwriters.





5. Shama Ltd. invoices goods to Hospet branch at cost. The branch sells goods only for cash. From the following information prepare Branch A/c for the year ending 31-12-2017.

Stock on 01-01-2017		14,500
Stock on 31-12-2017		16,500
Goods sent to branch		47,400
Goods returned by branch		2,600
Petty cash on 01-01-2017		2,150
Petty cash on 31-12-2017		2,320
Cash Remitted to branch for :		
Salaries	6,500	
Rent	3,200	
Petty cash	<u>3,000</u>	
Cash sales		12,700
		<b>83,300</b>

6. From the following information prepare minimum rent account

Year	Royalty in Rs.
2012	50,000
2013	70,000
2014	90,000

Minimum Rent is ₹ 1,00,000.

**SECTION - B**

Answer **any four** questions :

(4×12=48)

7. What is dependent branch ? Explain its features.

8. A company leased a colliery on 01-01-2013 at a minimum rent of ₹ 20,000 p.a. merging into a royalty of ₹ 1.50 per ton with a power to recoup short workings over the first three years of the lease. The output for the first four years :

2013	-	9,000 Tons
2014	-	12,000 Tons
2015	-	16,000 Tons
2016	-	20,000 Tons

Show : Royalty A/c, Short workings A/c and Lessors A/c in the Books of Company.

9. Following is the Trial Balance of Mangaluru branch as at 31<sup>st</sup> March 2017 :

Particulars	Debit	Credit
Udupi Head Office A/c	32,400	
Stock on 01-04-2016	60,000	





Purchases	1,78,000	
Goods received from H.O.	90,000	
Sales		3,80,000
Goods supplied to H.O.		60,000
Salaries	15,000	
Debtors	37,000	
Creditors		18,500
Rent	9,600	
General expenses	4,700	
Cash at Bank	17,800	
Furniture	14,000	
	<b>4,58,500</b>	<b>4,58,500</b>

The stock on 31-03-2017 was valued at ₹ 27,000. The Branch A/c in the Head Office Books on 31-03-2017 stood at ₹ 4,600 (debit). On 28-03-2017 Head Office forwarded goods to the value of ₹ 25,000 to the branch which were received by the branch on 03-04-2017.

Prepare Branch Trading and Profit and Loss A/c and Branch A/c in the Books of Head Office.

10. Sharanya Ltd., operates a branch at Mysore. Goods are invoiced to the branch at cost plus 25%. From the following particulars prepare Mysore Branch A/c in the books of Head Office :

**Balances on 01-04-2016**

Branch Stock	1,50,000
Petty cash	5,000
Branch debtors	85,000
Furniture	20,000
Cash sales	5,60,000
Total sales	8,80,000
Cash from debtors	2,85,000
Goods sent to branch	8,00,000
Discount allowed	2,500
Goods returned by branch	10,000
Goods returned by debtors	4,000





Expenses paid by Head Office :

Rent	24,000	
Salary	<u>42,000</u>	66,000
Branch stock on 31-03-2017		1,20,000
Petty expenses		3,600

It is required to write off depreciation on furniture at 10% P.A.

11. X Ltd., issued 15,00,000 equity shares of ₹ 10 each. 30% of the issue was reserved for promoters and the balance was offered to the public. Sita, Gita and Mita have come forward to underwrite the public issue in the ratio of 3:1:1 and also agreed for firm underwriting of 30,000, 20,000 and 10,000 shares respectively. The underwriting commission was fixed at 4%. The details of subscriptions are :

Marked forms of Sita – 5,50,000 shares, Gita – 2,00,000 shares and Mita – 1,50,000 shares. Unmarked forms 50,000 shares.

You are required to :

- 1) Compute liability of each underwriter.
  - 2) Pass entries for underwriting.
12. From the following trial balance of AJ Rao Ltd., prepare departmental accounts and a Balance Sheet as on 31-03-2017 :

Particulars	Debit	Credit
Share capital		3,00,000
Buildings	1,25,000	
Machinery	25,000	
<u>Stock on 01-04-2016 :</u>		
A Dept.	30,000	
B Dept.	40,000	
<u>Purchases and Sales :</u>		
A Dept.	10,00,000	20,00,000
B Dept.	15,00,000	32,00,000
General expenses	14,00,000	
Debtors and creditors	2,00,000	1,00,000
Cash at Bank	12,80,000	
	<b>56,00,000</b>	<b>56,00,000</b>



**Additional information :**

- 1) Closing stock of Dept. A is ₹ 1,30,000 including goods from Dept. B ₹ 40,000. Closing stock in Dept. B is ₹ 2,60,000 including goods from Dept. A ₹ 90,000. Both departments supplied goods at its usual selling price.
- 2) Sales of Dept. A includes ₹ 2,00,000 transferred to Dept. B and sales of Dept. B includes ₹ 3,00,000 transferred to Dept. A both at selling price.
- 3) Depreciate buildings by 5% and machinery by 10%.
- 4) Create 5% reserve for doubtful debts and 7½% reserve for discount on debtors.

**SECTION – C**Answer **any two** questions :**(24×2=48)**

13. On 01-01-2014 G Ltd., issued a license to D Ltd., which provided for a Royalty of ₹ 10 per Razor sold, subject to a minimum sum of ₹ 75,000 p.a. On the same date a sub-license was issued by D Ltd. to S Ltd. for a Royalty of ₹ 15 per Razor manufactured, subject to a minimum sum of ₹ 30,000 p.a.

Both the license and sub license provided that, should the Royalties for any calendar year be less than the specified minimum rent, the short workings could be recouped out of Royalties in excess of the minimum rent in the two subsequent years. You are given the following information :

Year	Sales by D Ltd. (Razors)	Sales by S Ltd. (Razors)	Stock Held by S Ltd. (Razors)
2014	4,520	1,220	340
2015	6,180	2,790	60
2016	5,675	1,940	400

Prepare necessary accounts (without Min. rent A/c) in the books of D Ltd.

14. The Head Office of a Company at Mumbai sends goods to Coorg Branch at selling price which is cost plus 25%. The following relate to the branch for the year ended 31-03-2017 :

Opening stock (Invoice Price)	45,000
Opening Debtors	20,000
Opening fixed assets	25,000





Goods sent to Branch (Invoice Price)	1,25,000
Returns to Head Office	6,000
Remittance to Branch for expenses	14,000
Total sales	1,57,500
Credit sales	1,05,000
Received from debtors	95,000
Discount Allowed	6,500
Bad Debts written off	2,000
Depreciation on fixed assets	3,750
Surplus in stock	1,500

Prepare : Branch stock A/c, Branch debtor A/c, Branch expenses A/c, Branch adjustment A/c, Branch profit and loss A/c.

15. The following is the trial balance of Kamath Branch of Hubli Head Office as on 31-03-2016 :

Particulars	Debit	Credit
Stock on 01-04-2015	6,000	
Goods received from H.O.	12,000	
Purchases	30,000	
Cash in Hand	1,500	
Cash at Bank	2,000	
Sales		55,000
Commission received		1,000





Bank interest		100
Wages	2,000	
Salaries	3,000	
Rent	1,000	
Furniture	3,000	
Debtors and Creditors	10,000	7,500
Sales returns	1,500	
Bills receivable	3,000	
Head Office A/c		11,400
	<b>75,000</b>	<b>75,000</b>

- 1) Branch A/c in the H.O. Books shows a debit Balance of ₹ 11,400.
- 2) The stock on 31-03-2016 is ₹ 9,000.
- 3) Wages outstanding are ₹ 250.
- 4) Depreciation on furniture @ 10%.

Give incorporation entries, prepare Branch A/c and Branch Trading and Profit and Loss A/c in the books of Head Office.

16. The following trial balance was extracted from the books of Ganesh Ltd., as on 31<sup>st</sup> March 2017 :

Particulars	Debit	Credit
Capital		1,00,000
Drawings	20,000	
Stock on 01-04-2016 :		
A Dept.	11,400	
B Dept.	9,800	
Purchases :		
A Dept.	39,600	
B Dept.	37,400	





Sales :		
A Dept.		74,000
B Dept.		66,300
Inter departmental Transfers :		
A Dept.		2,500
B Dept.	2,500	
Returns inwards :		
A Dept.	3,500	
B Dept.	2,800	
Wages and Salaries	16,500	
Advertising	8,700	
Dividend on shares in B Ltd.		1,050
Shares in B Ltd.	23,000	
Debtors	49,200	
Creditors		29,740
Carriage inwards	2,400	
Rent & Rates	18,300	
Furniture	15,000	
Sundry expenses	7,400	
Bank	6,840	
Provision for bad debts		750
	<b>2,74,340</b>	<b>2,74,340</b>

Prepare departmental Trading and Profit and Loss A/c and a Balance Sheet as at 31-03-2017 after making the following adjustments :

- 1) The inter departmental transfers were made at cost price.
- 2) The stock on 31-03-2017 :
  - A Dept. – 29,600
  - B Dept. – 17,000
- 3) Depreciate furniture by 10%.
- 4) Advertising to be apportioned equally.
- 5) Other expenses to be allocated as A Dept.  $\frac{2}{3}$  and B Dept.  $\frac{1}{3}$ .





Sales :		
A Dept.		74,000
B Dept.		66,300
Inter departmental Transfers :		
A Dept.		2,500
B Dept.	2,500	
Returns inwards :		
A Dept.	3,500	
B Dept.	2,800	
Wages and Salaries	16,500	
Advertising	8,700	
Dividend on shares in B Ltd.		1,050
Shares in B Ltd.	23,000	
Debtors	49,200	
Creditors		29,740
Carriage inwards	2,400	
Rent & Rates	18,300	
Furniture	15,000	
Sundry expenses	7,400	
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