

Reg. No.

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BCMCMC 260

Credit Based IV Semester B.Com. Degree Examination, May/June 2016
(2015 – 16 Batch Onwards)
COMMERCE
Financial Accounting – IV

Time : 3 Hours

Max. Marks : 120

SECTION – AAnswer **any four** of the following :**(4×6=24)**

1. What is royalty ? Briefly explain different forms of royalty.
2. What do you mean by invoice price ? Give adjusting entries in the books of Head Office under debtor system in branch accounts.
3. A company leased a colliery on 1 January 2013 at a minimum rent of Rs. 40,000 per year, merging into a royalty of Rs. 10 per ton with a right to recoup short working over the first three years of the lease. The outputs of the colliery for the first three years were :

| | | | |
|-----------------|-------|-------|-------|
| Year : | 2013 | 2014 | 2015 |
| Output : | 3,000 | 3,500 | 5,000 |

Show Minimum rent A/c, short working A/c in the books of company.

4. Krishna Ltd. Mangalore, invoices goods to its Navunda branch at cost. The branch sells the goods only for cash. From the following information, prepare Branch Account for the year ending 31-03-2016.

| | | | |
|--------------------------|--------|-------------------------------|---------------------|
| Stock on 1/04/2015 | 15,500 | Cash sales | 96,000 |
| Petty cash 1/04/2015 | 1,500 | Cash remitted to branch for : | |
| Stock on 31/03/2016 | 21,000 | Salary | 6,000 |
| Petty cash 31/03/2016 | 3,200 | Rent | 3,600 |
| Goods sent to branch | 64,400 | Petty cash | <u>2,400</u> 12,000 |
| Goods returned to branch | 5,600 | | |

P.T.O.



5. From the following particulars of Sagar Ltd., prepare Departmental Trading and Profit and Loss Account for the year ending 31-03-2015.

| | Dept. A | Dept. B |
|---------------|----------|-----------|
| | Rs. | Rs. |
| Opening stock | 30,000 | 40,000 |
| Purchases | 5,50,000 | 6,60,000 |
| Wages | 1,50,000 | 1,80,000 |
| Sales | 8,00,000 | 10,00,000 |
| Closing stock | 40,000 | 50,000 |

General expenses incurred for both departments were Rs. 90,000. Provide depreciation at 10% on Machinery (Book value on 01.04.2014 Rs. 75,000) used in Department B only.

6. Rakesh underwrites the new issues of SONATA Ltd., to the extent of 20,000 shares of Rs. 10 each. The agreed commission was 5% payable as to 60% in cash and the rest in fully paid share. The public subscribed 8,000 shares and the balance had to be taken up by Rakesh.

Show journal entries for the above.

SECTION – B

Answer **any four** of the following :

(4×12=48)

7. Mr. Pramod is a Scientist. He holds the patent of a new type of electronic watch. Hind Watch Co., obtained a license from him to manufacture and sell the watch on following terms :

- i) Hind Watch Co., to pay a royalty of Rs. 10 for every watch produced with a minimum payment of Rs. 30,000 per year.
- ii) Excess of minimum payment over actual royalty is recoverable during the two years, subsequent to the year in which excess is paid. The details of sale and stock are as follows :

| Year | Watches Sold | Watches in Stock at the end |
|------|--------------|-----------------------------|
| 2012 | 900 | 200 |
| 2013 | 2,500 | 500 |
| 2014 | 5,200 | 1,000 |
| 2015 | 5,400 | 600 |

Prepare analytical table, Royalty A/c and Short working Account in the books of Hind Watch Co.



8. From the following particulars of Shubha Ltd., prepare Departmental Trading and Profit and Loss Account for the year ending 31-03-2015, after adjusting the unrealized profits, if any.

| | Dept. X | Dept. Y |
|---------------|----------|----------|
| | Rs. | Rs. |
| Opening stock | 25,000 | 20,000 |
| Purchases | 4,50,000 | 7,78,000 |
| Sales | 6,40,000 | 9,60,000 |

General expenses incurred for both departments were Rs. 75,000.

Other information :

- i) Closing stock of Dept. X is Rs. 27,000 (including goods received from Dept. Y for Rs. 9,000 at cost)
- ii) Closing stock of Dept. Y is Rs. 30,000 (including goods received from Dept. X for Rs. 8,000 at cost)
- iii) Opening stock of Dept. X and Dept. Y includes goods of the value of Rs. 3,000 and Rs. 2,000 received from Dept. Y and Dept. X respectively at cost.

The gross profit is uniform year to year.

9. Ambika Ltd. Operates a branch at Mandya. Goods are invoiced to the branch at cost plus 25%. From the following particulars, prepare Mandya Branch A/c in the books of Head Office :

| | Rs. |
|-------------------------------|----------|
| Balances on 1-04-2014 : | |
| Branch Stock at invoice price | 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 |
| Goods returned by branch | 10,000 |
| Goods returned by debtors | 4,000 |
| Discount allowed | 2,500 |
| Petty expenses | 3,600 |



Expenses paid by Head Office :

| | | |
|--------|---------------|--------|
| Rent | 24,000 | |
| Salary | <u>42,000</u> | 66,000 |

Branch stock on 31-03-2015

(at invoice price) 1,20,000

It is required to write of depreciation at 10% p.a.

10. Mumbai branch sent the following trial balance to its head office at Delhi as on 31-03-2015 :

| Particulars | Debit | Credit |
|-------------------------------|-----------------|-----------------|
| Stock on 01-04-2015 | 2,050 | - |
| Debtors and Creditor | 11,600 | 9,000 |
| Cash in hand | 6,650 | - |
| Furniture | 2,100 | - |
| Goods from head office | 39,000 | - |
| Purchases and sales | 61,450 | 1,15,000 |
| Wages | 5,900 | - |
| Trade expenses | 5,250 | - |
| Goods returned to head office | - | 1,850 |
| Head office account | - | 7,750 |
| Discuss received | - | 400 |
| | 1,34,000 | 1,34,000 |

The stock on 31-03-2015 was Rs. 5,800.

Pass journal entries to incorporate the above figures in the head office books.

11. Visaka Industries Ltd., issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 1 per share. The whole issue was underwritten by underwriters M, N and O as follows :

M – 5000 shares (Firm underwriting 2000 shares)

N – 3000 shares (Firm underwriting 1000 shares)

O – 2000 shares (Firm underwriting 500 shares)

Applications were received for 7500 shares of which marked applications were :

M – 2500 shares

N – 1500 shares

O – 1000 shares

The underwriters were entitled to a commission of 5%. Calculate each underwriter's liability and pass journal entries.



12. Konkan traders, Mangaluru, opened a branch at Pune to which goods are sent at selling price which is cost plus $33 \frac{1}{3} \%$. The following relate to the branch for the year 2015. Prepare ledger accounts under stock and debtors system :

| | | | |
|--------------------------------------|------------|----------|--|
| Goods sent to branch (selling price) | | 1,00,000 | |
| Cash sales during the year | | 45,000 | |
| Credit sales during the year | | 35,000 | |
| Cash received from debtors | | 27,500 | |
| Discount allowed to debtors | | 1,000 | |
| Bad debts written off | | 250 | |
| Remittance to branch for : | | | |
| Rent | 2,000 | | |
| Salary | 2,500 | | |
| Other Expense | <u>500</u> | 5,000 | |

SECTION – C

Answer **any two** of the following :

(2x24=48)

13. Hanuman Ltd., patentees of a new type of electrical stoves, on 1-1-2012 issued license to Ram Traders for the manufacture and sale of stoves. On the same day Ram Traders issued a sub license to Lakshman Traders for the same purpose.

The license provides for a royalty of Rs. 10 per stove sold subject to minimum rent of Rs. 75,000 p.a. with a right to recoup the short workings of any year within two subsequent years only. The sub license provided a royalty of Rs. 15 per stove manufactured subject to a minimum rent of Rs. 30,000 p.a. with the right to recoup the short workings of any year in the following year only.

The following information is available

| Year | Ram Traders | Lakshman Traders | |
|------|---------------|------------------|-----------------|
| | [Sales Units] | [Sales Units] | [Closing Stock] |
| 2012 | 5,000 | 1,200 | 400 |
| 2013 | 6,000 | 1,600 | 600 |
| 2014 | 7,000 | 2,700 | 300 |
| 2015 | 8,000 | 3,000 | 200 |

Prepare necessary account in the books of Ram Traders.



14. Elegant Enterprises invoices goods to its branch at Navunda at a profit of 20% on invoice price. From the following information, give journal entries and ledger accounts in the books of Head office under stock and debtor system.

| | Rs. |
|---|--------------|
| Stock on 1.04.2014 (at invoice price) | 1,20,000 |
| Stock on 31.03.2015 (at invoice price) | 1,50,000 |
| Debtors on 01.04.2014 | 60,000 |
| Goods sent to branch at invoice price | 6,00,000 |
| Goods returned to branch at invoice price | 30,000 |
| Goods returned from debtors | 20,000 |
| Cash received from debtors | 2,92,000 |
| Discount allowed to debtors | 8,000 |
| Cash sales | 2,14,000 |
| Credit sales | 3,40,000 |
| Deficit in goods at branch at invoice price | 6,000 |
| Cash sent to branch for : | |
| Salary | 40,000 |
| Rent | 20,000 |
| Sundry expenses | <u>6,000</u> |
| | 66,000 |

15. The following trial balances has been extracted from the books of M/s Samrudhi Traders Mangaluru. You are required to prepare Departmental Trading and Profit and Loss Account and Balance Sheet for the year ended 31-03-2015.

Trial Balance as on 31-03-2015

| | Dr. Rs. | Cr. Rs. |
|---------------------|------------|------------|
| Stock on 01-04-2014 | | |
| 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 |



| | | |
|------------------------------|-----------------|-----------------|
| Interdepartmental transfers | | |
| A Dept. | — | 2,500 |
| B Dept. | 2,500 | — |
| Return Inwards | | |
| A Dept. | 3,500 | — |
| B Dept. | 2,800 | — |
| Rent and rates | 18,300 | — |
| Sundry expenses | 7,400 | — |
| Wages and Salaries | 16,500 | — |
| Advertising and catalogue | 8,700 | — |
| Dividend on shares in B Ltd. | — | 1,050 |
| Shares in B Ltd. | 23,000 | — |
| Carriage inward | 2,400 | — |
| Furniture | 15,000 | — |
| Provision for bad debts | — | 750 |
| Debtors | 49,200 | — |
| Creditors | — | 29,740 |
| Capital | — | 1,00,000 |
| Drawings | 20,000 | — |
| Cash at Bank | 6,840 | — |
| | 2,74,340 | 2,74,340 |

Additional information :

- i) Write off bad debts Rs. 1,200 and increase the provision for bad debts to 5% of book debts.
- ii) Sundry Expenses outstanding Rs. 400.
- iii) The catalogues in hand were valued at Rs. 600.
- iv) Interdepartmental transfers were made at cost price.
- v) Depreciation at 10% per annum on furniture.
- vi) The stock at 31-03-2015 Dept. A Rs. 29,600, Dept. B Rs. 17,000.
- vii) The expenses to be allocated as follows : Dept. A 2/3, Dept. B 1/3.



16. Following is the Trial Balance of Chennai Branch of Madhura Ltd., as on 31st March 2015 :

| Particulars | Debit Rs. | Credit Rs. |
|------------------------|------------------|------------------|
| Stock on 1-4-2014 | 1,64,000 | — |
| Purchases | 2,56,600 | — |
| Wages | 1,30,700 | — |
| Manufacturing Expenses | 68,300 | — |
| Rent (11 months) | 33,000 | — |
| Salaries | 1,20,000 | — |
| General Expenses | 31,000 | — |
| Sales Returns | 5,000 | — |
| Goods from Head Office | 1,44,000 | — |
| Cash in Hand | 10,000 | — |
| Debtors | 80,100 | — |
| Creditors | — | 54,100 |
| Sales | — | 6,99,000 |
| Head Office A/c | — | 2,80,000 |
| Discount earned | — | 3,000 |
| Purchases Returns | — | 6,600 |
| | 10,42,700 | 10,42,700 |

Closing stock at branch is valued at Rs. 2,87,000. The head office maintained Machinery A/c and furniture A/c of branch. In head office books branch machinery stood at Rs. 5,00,000 and branch furniture stood at Rs. 30,000. Depreciation is to be allowed at 15% on machinery and 10% on furniture.

Outstanding rent for the month of March 2015 at branch is Rs. 3,000. The branch has remitted Rs. 80,000 on 31-3-2015 to head office but it was not received by the head office till the date.

Prepare Chennai Branch Trading and Profit and Loss A/c, Chennai Branch A/c and pass journal entries to incorporate above items in the books of head office.