

**BCMCMC 159**

**Credit Based Second Semester B.Com. Examination, April/May 2018  
(2016-17 Batch Onwards)  
FINANCIAL ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 120

**Instruction :** Provide working notes **wherever** necessary.

## SECTION – A

Answer **any four** questions :

(4×6=24)

1. Explain the concept of :
  - i) Retirement of a bill
  - ii) Renewal of a bill.
2. State the differences between hire purchase system and instalment purchase system.
3. On 1.1.2014, Mr. Vinaya purchased from Mr. Vijaya a machine on the hire purchase system for Rs. 2,730 to be paid as follows :

On delivery Rs. 800, at the end of the first year Rs. 760, second year Rs. 600, third year Rs. 350 and fourth year Rs. 220. Interest included in Rs. 2,730 is charged on the cash value of the machine at 10% per annum. Ascertain the interest for each instalment and also the cash price of the machine.

4. From the following particulars, find out credit sales by preparing total debtors' account :

	Rs.
Opening debtors	24,000
Cash received from debtors	3,80,000
Cheques received from debtors	30,000
B/R received during the year	10,000
B/R honoured during the year	25,000
Cheques from debtors dishonoured	2,000
Bad debt written off	5,000
Sales returns	4,000
B/R dishonoured	1,000
Provision for doubtful debts	500
Closing debtors	28,000

5. On 1<sup>st</sup> January 2018, Reema drew a 3 months bill on Neema for Rs. 10,000 and the latter accepted the same. On the due date, the bill was dishonoured and noting charges of Rs. 100 were paid.

Pass journal entries in the books of both the parties.



6. A fire occurred on 31<sup>st</sup> August 2017 in the warehouse of Mr. Agni Malhotra. From the following particulars, ascertain the loss suffered by the trader :
- Stock on 1<sup>st</sup> January 2017 Rs. 28,000
  - Purchases from 1<sup>st</sup> January 2017 to the date of fire Rs. 1,71,500
  - Wages and other manufacturing expenses to the date of fire Rs. 20,000
  - Sales from 1<sup>st</sup> January 2017 to the date of fire Rs. 2,50,000
  - The rate of gross profit is 25% on sales. The stock salvaged was Rs. 7,000

## SECTION – B

Answer **any four** questions :

(4×12=48)

7. What is consignment ? Distinguish between sale and consignment.
8. From the following particulars, prepare total debtors account and total creditors account and find out credit sales and credit purchases :

	Rs.
Debtors on 1.1.2017	5,000
Debtors on 31.12.2017	8,000
Creditors on 1.1.2017	4,000
Creditors on 31.12.2017	12,000
B/P issued during the year	8,000
Cash received from customers	30,000
Cash paid to suppliers	20,700
Cash returned to customers	270
Discount allowed to customers	150
Bad debts written off	1,200
B/R endorsed to creditors	4,000
B/R dishonoured by customers	1,000
Endorsed B/R dishonoured	500
Discounted B/R dishonoured	700
Sales returns	500
Purchase returns	200

9. On 1.4.2017, Dilip draws a 3 months bill on Kapil for Rs. 40,000 and Kapil accepted the same. Dilip got the bill discounted at his bank at 10% p.a. On 1.7.2017, just before the due date, Kapil approached Dilip for renewal of the bill. Dilip agreed to the proposal on the condition that Rs. 20,000 be paid immediately and for the remaining balance a new bill shall be accepted by Kapil for 2 months together with interest at 12% p.a. These arrangements were carried through. On the due date of the new bill, Kapil honours the bill. Give journal entries in the books of both the parties.
10. A fire occurred in the premises of the Burner Ltd. on 30<sup>th</sup> April 2017. All the stocks with the exception of Rs. 13,000 were destroyed by fire. From the following figures, ascertain the loss suffered by the company :
- Stock on 1.1.2016 Rs. 36,000
  - Stock on 31.12.2016 Rs. 66,000
  - Purchases during 2016 Rs. 4,80,000
  - Sales during 2016 Rs. 6,00,000



Sales from 1<sup>st</sup> January 2017 to the date of fire Rs. 3,00,000

Purchases from 1<sup>st</sup> January 2017 to the date of fire Rs. 2,30,000

There was a practice in the firm to value stock at cost less 10%. But all of a sudden, they changed this practice and valued stock on 31<sup>st</sup> December 2016 at cost plus 10%. The amount of policy was Rs.40,000 and the claim was subject to an average clause. Prepare statement of fire insurance claim.

11. Samay Ltd., sent 100 wrist watches costing Rs. 2,100 each to Times Ltd., to be sold at its risk. Times Ltd. was to get a commission at 7% on watches sold. Samay Ltd. paid Rs. 5,000 towards freight and insurance. Times Ltd. took delivery of consignment by paying Rs. 2,000 for carriage and unloading and also paid Rs. 4,000 for salesmen's salaries and godown rent. Times Ltd. sold 75 watches at Rs. 2,500 each for cash and 25 watches on credit at Rs. 2,600 each. Times Ltd. settled their account with Samay Ltd. Prepare consignment A/c and Times Ltd. A/c in the books of Samay Ltd.
12. The Riders Ltd. sold a Motor Cycle on instalment system to Mr. Amruth on 1.1.2015. The cash price was Rs. 74,500, Rs. 20,000 was to be paid on delivery and the balance in three instalments of Rs. 20,000 each at the end of each year. The Riders Ltd. charge interest at the rate of 5% p.a. Amruth depreciates the asset at 10% p.a. on the reducing balance method. Prepare Motor Cycle A/c, Riders Ltd. A/c and Interest Suspense A/c in the books of Amruth.

### SECTION – C

Answer **any two** questions :

(2×24=48)

13. On 1<sup>st</sup> April 2017, Manikya draws a 3 months bill on Chanakya for Rs. 60,000 and the latter accepted the same. On 4<sup>th</sup> May 2017, Manikya discounts the bill with his bankers at 8% p.a. On 20<sup>th</sup> June 2017, Chanakya being unable to meet the bill, approaches Manikya with Rs. 20,000 cash and asks him to draw a new bill for 3 months for the balance plus interest at 9% p.a. Manikya agrees to this arrangement and draws a new bill on Chanakya on 20<sup>th</sup> June, 2017. Manikya discounts the bill with his bankers at 8% per annum on 24<sup>th</sup> June, 2017. Before the maturity of the second bill, Chanakya becomes bankrupt and a final dividend of 50 paise in the rupee was received from the estate of Manikya. Give journal entries in the books of Manikya and Chanakya.
14. On 1.1.2016, Mr. Bhaktha purchased a machine on hire purchase system from Bharath and Co. The cash price of the machine was Rs. 11,17,500 and the payment was agreed to be made as follows :  
Rs. 3,00,000 was to be paid on signing the agreement and the balance in three annual instalments of Rs. 3,00,000 each. Bharath and Co. charged interest at 5% p.a. on the unpaid cash price. Mr. Bhaktha decided to write off depreciation at 10% p.a. on the diminishing balance method. Because of financial difficulties, Mr. Bhaktha having paid down payment and first instalment at the end of first year could not pay the second instalment and Bharath and Co. took possession of the machine. They sold it away for Rs. 7,00,000 after spending Rs. 50,000 on repairs of the machine. Both the parties close their books on 31<sup>st</sup> December every year.



Prepare :

- 1) Machinery A/c, Bharath and Co. A/c, Interest A/c and Depreciation A/c in the books of Bhaktha.
- 2) Bhaktha's A/c and Repossessed Machinery A/c in the books of Bharath and Co.

15. Prabhu Cycle Mart Mangaluru forwarded 200 bicycles to Mahadeva Cycle Shop Mysuru, to be sold on consignment basis. The cost of one cycle was Rs. 4,500 but the invoice price was Rs. 6,000. The Prabhu Cycle Mart incurred Rs. 50,000 towards freight and insurance. Mahadeva Cycle shop gave an acceptance for Rs. 6,00,000 in favour of Prabhu Cycle Mart.

4 cycles were destroyed in transit and an amount of Rs. 12,000 was received by the consignor from the insurance company. Mahadeva Cycle Shop had spent Rs. 20,000 as rent and Rs. 15,000 as insurance and had sold 160 bicycles at Rs. 6,300 each. The consignee is entitled to a commission of 6% on sales including a del-credere commission of 1%. Mahadeva Cycle Shop were not able to recover the sale proceeds of 5 bicycles because of insolvency of a debtor.

Prepare :

- 1) Consignment A/c, Mahadeva Cycle Shop A/c, Goods sent on Consignment A/c and Abnormal Loss A/c in the books of Prabhu Cycle Mart.
- 2) Prabhu Cycle Mart A/c and Commission A/c in the books of Mahadeva Cycle Shop.

16. Prasanna keeps his books on single entry system. He gives you the following information :

	31.12.2016	31.12.2017
	Rs.	Rs.
Furniture and fittings	5,000	6,000
Stock of goods	3,000	1,000
Sundry debtors	6,000	7,000
Sundry creditors	2,000	4,200
Prepaid expenses	-	200
Unpaid expenses	600	1,000
Cash in hand	1,100	300

Receipts and payments during the year :

	Rs.
Receipts from debtors	21,000
Paid to creditors	10,000
Carriage on purchases	2,000
Drawings	12,000
Sundry expenses	16,000
Furniture purchased for cash	1,000

Prepare a trading and profit and loss A/c for the year ended 31.12.2017 and a Balance Sheet as on that date after providing for doubtful debts at 10%.