



IV Semester B.Com. Degree Examination, April/May 2019

(Credit Based Semester Scheme)

(Common to all Batches)

COMMERCE

Financial Accounting – IV

Time : 3 Hours]

[Max. Marks : 120

Instructions : Provide working notes wherever necessary.

SECTION – A

Answer **any four** questions :

(4 × 6 = 24)

1. Write a note on royalty and short workings.
2. Pass necessary journal entries in the books of lessee to record the following transactions with minimum rent account.

Minimum rent Rs. 4,00,000

Royalties Rs. 3,20,000

Short workings not recouped 40,000

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3. What do you mean by independent branches and state its features.
4. From the following information prepare branch account in the books of head office when goods are supplied at cost price.

	Rs.
Stock on 1.1.2018	2,00,000
Stock on 31.12.2018	2,40,000
Petty cash on 1.1.2018	4,000
Petty cash on 31.12.2018	6,000
Furniture on 1.1.2018	1,00,000
Goods sent to branch	6,00,000



	Rs.
Goods returned by branch	20,000
Cash sent to branch	80,000
Cash remitted by branch to head office	6,40,000

Charge depreciation on branch furniture at 10% per annum.

5. How do you allocate the following items in departmental accounts?
- (a) Discount allowed
 - (b) Bad debts
 - (c) Freight
 - (d) Lighting
 - (e) Advertisement
 - (f) Rent

6. A company issues 2,00,000 equity shares of Rs. 100 each. 60% of the issue was underwritten by Mehta and Sharma in the ratio of 3:2. Applications for 1,60,000 shares were received in all, out of which the marked applications were :

Mehta - 50,000 and Sharma - 24,000

Determine the liability of the underwriters.

SECTION - B

Answer **any four** questions :

(4 × 12 =

7. Ashok Company leased on colliery on 1st January 2014 at a minimum rent of Rs. 4,00,000 per annum merging into a royalty of Rs. 20 per ton with a provision of recoup short workings over the first three years of the lease. The output of the coal mines are :

2014	24,000 tonnes
2015	30,200 tonnes
2016	43,800 tonnes
2017	50,000 tonnes

Prepare :

- (a) Royalty account
- (b) Short workings account
- (c) Landlord's account



8. Amar obtains a lease from Akbar to work a mine, the terms being a royalty of Rs. 20 per ton merging into a minimum rent of Rs. 2,00,000 per annum, there being granted to the lessee the right to recoup short workings during the first four years of lease period.

Amar sublets a part of the property to Antony, the terms being a royalty of Rs. 24 per ton, merging into minimum rent of Rs. 60,000 per year. Antony has the right of recoupment in the subsequent two years of the each year's short workings. The details of the output for the first five years were given below :

Year	Amar (tons)	Antony (tons)	Total
2014	10,000	2,000	12,000
2015	13,000	4,000	17,000
2016	18,000	7,000	25,000
2017	19,600	12,400	32,000
2018	20,000	13,000	33,000

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Prepare the Royalty Payable Account and Royalty Receivable Account.

9. Ambani Limited operates a branch at Mysore. Goods are invoiced to the branch at cost plus 25%. From the following particulars, prepare Mysore Branch account in the books of Head Office.

	Rs.
Balances on 1.4.2017 :	
Branch stock at invoice price	3,00,000
Petty cash	10,000
Branch debtors	1,70,000
Furniture	40,000
Cash sales	11,20,000
Total sales	17,60,000
Cash from debtors	5,70,000



		Rs.
Goods sent to branch		16,00,000
Goods returned by branch		20,000
Goods returned by debtors		8,000
Discount allowed		5,000
Petty expenses		7,200
Expenses paid by Head Office :		
Rent	48,000	
Salary	84,000	1,32,000
Branch stock on 31.3.2018 (at invoice price)		2,40,000

It is required to write off depreciation at 10% per annum on furniture.

10. Delhi branch sent the following trial balance to its Head Office at Mangaluru as on 31.3.2018.

	Debit	Credit
	Rs.	Rs.
Stock on 1.4.2017	4,100	-
Debtors and Creditors	23,200	18,000
Cash in hand	13,300	-
Furniture	4,200	-
Goods from head office	78,000	-
Purchases and Sales	1,22,900	2,30,000
Wages	11,800	-
Trade expenses	10,500	-



12. A, B and C underwrite 80% of an issue of 2,00,000 equity shares of Rs. 100 each in the ratio of 2 : 2 : 1. The "Firm" and "Marked" applications of the underwriters as follows :

	Firm	Marked
A	24,000	40,000
B	20,000	30,000
C	16,000	10,000

Applications for 1,60,000 shares were received.

Prepare a statement showing the liability of each of the underwriters.

SECTION - C

Answer **any two** questions :

(2 × 24 = 48)

13. Arun Brothers obtained a lease of coal mine on 1.1.2014 on the following terms from Mr. Rajesh :

- (a) Royalty of Re. 1 per ton
- (b) Minimum rent Rs. 12,000 per annum
- (c) Recoupment of short workings of each year during the next three years subject to a maximum of Rs. 2,500 per annum.
- (d) In the event of strike, the minimum rent would be taken *pro rata* of the basis of actual working days, but in the event of lockout the lessee would enjoy a concession in respect of minimum rent for 50% of the period of lockout.
- (e) The workings for the first five years is as follows :

Year	Royalty (Rs.)
2014	7,000
2015	10,200
2016	19,000
2017	10,800 (strike for 73 days)
2018	9,000 (lockout for 4 months)

Show Royalty Accounts, Short workings Account and Rajesh's Account in the books of Arun Brothers.

14. Sandesh Printers has a branch at Belgaum to which the goods are supplied at selling price being 20% profit on sales. From the following information, prepare the necessary accounts in the books of Head Office under "Stock and Debtors System".

	Rs.
Stock at branch on 1.4.2017 (at invoice price)	20,000
Branch debtors on 1.4.2017	16,000
Goods sent to branch (at cost price)	80,000
Cash sales	54,000
Credit sales	40,000
Cash received from debtors	28,800
Discount allowed to debtors	1,200
Goods returned by debtors	8,000
Goods returned by branch	5,000
Branch expenses paid by Head Office	2,000
Surplus in branch stock	1,000
Cash remitted by the branch to Head Office	80,000
Expenses paid by the branch	2,800

15. Following are the balances of ledger account of Branch and Head Office as on 31st March 2018.

Dr.	Head Office	Branch	Dr.	Head Office	Branch
	Rs.	Rs.		Rs.	Rs.
Stock 1.4.2017	22,500	8,200	Creditors	10,150	2,700
Purchases	55,000	12,800	Goods sent to branch	7,200	-
Wages	40,400	6,550	Sales	1,65,100	34,950
Manufacturing expenses	17,700	3,400	Discount earned	550	150



Dr.	Head Office	Branch	Dr.	Head Office	Branch
	Rs.	Rs.		Rs.	Rs.
Machinery :			Purchases return	1,250	300
HO	50,000	-	Capital	1,00,000	-
Branch	25,000	-	Head Office Account	-	14,000
Furniture :					
HO	2,500	-			
Branch	1,000	-			
Rent	3,000	2,700			
Salaries	16,000	5,500			
Debtors	19,000	4,000			
General expenses	9,000	1,000			
Good received from Head Office	-	7,200			
Cash	5,150	750			
Branch Account	18,000	-			
		2,84,250			
				2,84,250	

Closing stock at Head Office was Rs. 19,350 and at Branch Rs. 14,350. Depreciation is to be allowed at 10% on machinery and 15% on furniture. Rent still payable in respect of 2017-18 at branch was Rs. 300. On 29.3.2018 branch sent Rs. 4,000 to head office but the head office received it on 3.4.2018.

Prepare Trading and Profit and Loss Account on columnar form and consolidated Balance Sheet. Give journal entries to incorporate branch items in the books of Head Office.

16. The following Trial Balance was extracted from the books of Wholesaler's Ltd., as on 31st March 2018.

	Debit	Credit
	Rs.	Rs.
Capital		1,00,000
Drawings	20,000	
Stock on 1.4.2017 :		
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 and Catalogues	8,700	
Dividend on shares in B Ltd.		1,050
Shares in B Ltd.	23,000	



	Debit	Credit
	Rs.	Rs.
Debtors	49,200	
Creditors		29,740
Carriage inwards	2,400	
Rents and Rates	18,300	
Furniture	15,000	
Sundry expenses	7,400	
Bank	6,840	
Provision for bad debts		750
	2,74,340	2,74,340

Prepare Departmental Trading and Profit and Loss Account and a Balance Sheet as at 31.3.2018 after making the following adjustments :

- (a) Write off bad debts Rs. 1,200 and increase the provision for doubtful debts to 5% of book debts
- (b) Sundry expenses outstanding Rs. 400
- (c) Depreciate furniture by 10%
- (d) The catalogues in hand were valued at Rs. 600
- (e) The stock at the close was : A Dept. Rs. 29,600, B Dept. Rs. 17,000
- (f) The interdepartmental transfers were made at cost price
- (g) The expenses to be allocated as follows : A Dept. 2/3 and B Dept. 1/3.

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