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BCMCMC 282

**Choice Based Credit System IV Semester B.Com. Degree
Examination, September 2022
(Semester Scheme)
(2020-21 Batch Onwards)
COMMERCE
Financial Accounting – IV**

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 shortworkings.
2. From the following information, show analytical table and prepare minimum rent A/c.

Year	Royalty (₹)
2019	70,000
2020	90,000
2021	1,00,000

Minimum rent is ₹ 80,000. Power to recoup shortworking in the subsequent two years following the shortworking.

3. What do you mean by profit prior to incorporation and profit after incorporation ?
4. How do you allocate the following items in departmental accounts ?
 - a) Bad debts
 - b) Labour welfare expenses
 - c) Repairs to machinery
 - d) Rent
 - e) Lighting
 - f) Advertisement.

P.T.O.



5. Bhargavi Ltd., invoices goods to Mangaluru Branch at cost. The branch sells the goods only for cash. From the following information, prepare branch account for the year ending 31-12-2021.

	₹
Stock on 01-01-2021	14,500
Stock on 31-12-2021	16,500
Goods sent to branch	47,400
Goods returned by branch	2,600
Petty cash on 01-01-2021	2,150
Petty cash on 31-12-2021	2,320
Cash remitted to branch for :	
₹	
Salary	6,500
Rent	3,200
Petty Cash	<u>3,000</u>
	12,700
Cash sales	83,300

6. Purojay Ltd., was incorporated on 31st July, 2020 to take over an established business from 1st April, 2020. The company prepared its final accounts on 31st March, 2021.
 During the year 2020-21, the total sales were ₹ 48,00,000 out of which sales from 1st August, 2020 to 31st March, 2021 were ₹ 30,00,000. Calculate the time ratio and sales ratio.

SECTION – B

Answer **any four** questions.

(4×12=48)

7. On 1st January, 2017, Pogo Ltd., leased a land for minimum rent of ₹ 20,000 p.a. merging into a royalty of ₹ 1.50 per ton with a power to recoup shortworkings over the first 3 years of the lease. The output of the first four years were :

Years :	2017	2018	2019	2020
Output (in tons) :	9,000	12,000	16,000	20,000

Show Royalty Account, shortworking A/c and Lessor's A/c in the books of Pogo Ltd.



8. From the following particulars of Jasheera Ltd., prepare Departmental Trading and Profit and Loss Account for the year ending 31-03-2021, after adjusting the unrealised profits, if any,

Particulars	Dept. X	Dept. Y
	₹	₹
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 ₹ 75,000.

Other information are :

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

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

Branch balance on 01-04-2020 :	₹
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
Discount allowed	2,500
Petty expenses	3,600
Expenses paid by the head office :	
₹	
Rent 24,000	
Salary <u>42,000</u>	66,000
Branch stock on 31-03-2021 (at invoice price)	1,20,000
Goods returned by debtors	4,000

It is required to written off depreciation at 10% p.a.



10. The following is the trial balance of Mysore Branch as on 31-03-2022 :

Particulars	Debit	Credit
	₹	₹
Head office A/c	16,200	—
Stock on 01-04-2021	30,000	—
Purchases	84,000	—
Goods received from H.O.	45,000	—
Sales	—	1,85,000
Goods supplied to the H. O.	—	30,000
Salaries	8,000	—
Debtors and creditors	18,500	9,250
Rent	4,300	
Office expenses	2,350	
Cash at bank	9,100	
Furniture	6,800	
	2,24,250	2,24,250

Stock on hand was valued at ₹ 13,500. The Branch A/c in the H.O. on 31-3-2022 stood at ₹ 2,300 (debit). On 28th March, 2022, H.O. forwarded goods of ₹ 12,500 to the branch which were received on 5th April, 2022. Similarly, a cash remittance of ₹ 6,000 by the branch on 29th March was received by H.O. on 3rd April, 2022.

Give incorporating entries, prepare Mysore Branch Trading and Profit and Loss A/c.

11. Sathyam Private Ltd., acquired the business of Sundaram Private Ltd., on 1st April, 2020 and was incorporated on 31st July, 2020 and obtained the certificate of commencement of business on 1st August, 2020. The accounts of the company for the period ended 31st March, 2021, disclosed the following facts :

- i) The turnover for the whole period amounted to ₹ 8,00,000 of which ₹ 2,00,000 related to the period from 1st April, 2020 to 31st July, 2020.
- ii) Gross profit for the year was ₹ 2,50,000.
- iii) The amount debited to profit and loss account were as follows :

Particulars	₹
Rent, Rates and Taxes	90,000
Salaries	1,50,000
Directors fees	38,000
Audit fees	20,000



General expenses	48,000
Preliminary expenses	10,000
Printing and stationery	36,000
Bad debts (out of which ₹ 2,000 related to prior incorporation)	6,000
Advertising	18,000
Interest to vendors at 12% on ₹ 1,00,000 from 01-04-2020 to 30-11-2020	8,000

Ascertain profit for pre and post incorporation period.

12. What is dependent branch ? Explain its features.

SECTION – C

Answer **any two** of the following questions :

(2×24=48)

13. Ajay obtains a lease from Arjun to work a mine, the terms being a royalty of ₹ 10 per ton merging into a minimum rent of ₹ 20,000 p.a., there being granted to the lessee the right to recoup shortworkings during the first four years of the lease.

Ajay sublets part of the property to Abhay, the terms being a royalty of ₹ 12.50 per ton merging into a minimum rent of ₹ 9,600 p.a. Abhay has the right to recoupment in the two years following the shortworkings.

Year	Output		
	Ajay (tons)	Abhay (tons)	Total (tons)
2017	1100	400	1500
2018	1160	540	1700
2019	1300	700	2000
2020	1400	900	2300
2021	1800	1200	3000

Prepare the various ledger accounts in the books of Ajay.

14. From the following Trial Balance of Nayak Ltd., prepare Departmental Trading and Profit and Loss A/c and Balance Sheet for the year ended 31-12-2020.

	Dr.	Cr.
	₹	₹
Stock on 01-01-2020 :		
X Dept.	1,74,000	—
Y Dept.	1,47,000	—



Purchases :

X Dept.	3,50,000	—
Y Dept.	3,00,000	—

Sales :

X Dept.	—	6,00,000
Y Dept.	—	4,00,000

Wages :

X Dept.	87,000	—
Y Dept.	22,000	—

Rent	93,900	—
Sundry expenses	36,000	—
Salaries	30,000	—
Lighting	21,000	—
Discount	22,200	6,500
Advertising	36,800	—
Carriage inward	23,400	—
Furniture	30,000	—
Plant	2,10,000	—
Debtors and creditors	60,600	3,06,500
Capital	—	4,76,600
Drawings	45,000	—
Cash at bank	1,00,700	—
	17,89,600	17,89,600

Adjustments :

- i) Internal transfer of goods from Dept. X to Dept. Y ₹ 4,200.
- ii) The items rent, sundry expenses, lighting, salaries and carriage inwards to be apportioned $\frac{2}{3}$ to Dept. X and $\frac{1}{3}$ to Dept. Y.



- iii) Advertising is to be apportioned equally.
- iv) Discounts are to be apportioned on the basis of sales and purchases (Excluding transfer).
- v) Depreciation at 10% p.a. on furniture and plant, to be charged $\frac{3}{4}$ to Dept. X and $\frac{1}{4}$ to Dept. Y.
- vi) The stock at 31-12-2020 :
 - Dept. X ₹ 1,67,400.
 - Dept. Y ₹ 1,20,500.

15. Puttur head office has a branch at Madikeri. The goods are invoiced to the branch at cost plus 50%. From the following particulars, prepare the necessary ledger accounts in the books of Head Office under “Stock and Debtor System”.

	₹
Stock on 01-01-2021 (at invoice price)	1,20,000
Debtors on 01-01-2021	60,000
Goods sent to branch (at invoice price)	6,00,000
Cash sales	2,14,000
Credit sales	3,40,000
Cash received from debtors	2,92,000
Discount allowed to debtors	8,000
Goods returned from debtors	20,000
Goods returned by branch	30,000
Cash sent to branch for :	
₹	
Salary	40,000
Rent	20,000
Sundry expenses	<u>6,000</u>
	66,000
Deficit in goods at branch (at invoice price)	6,000
Stock on 31-12-2021 (at invoice price)	1,50,000



16. Arun Ltd. has an independent branch at Kundapur. The following is the trial balance of Kundapur Branch as on 31st December, 2021

Particulars	₹	Particulars	₹
Opening stock	82,000	Creditors	27,000
Purchases	1,28,000	Sales	3,49,500
Wages	65,500	Discount earned	1,500
Manufacturing expenses	34,000	Purchase returns	3,000
Rent	17,000	Head office A/c	1,40,000
Salaries	55,000		
Debtors	40,000		
General expenses	20,000		
Goods from H.O.	72,000		
Cash at hand	7,500		
	5,21,000		5,21,000

Additional information :

- i) Closing stock at branch was ₹ 1,43,500.
- ii) The branch fixed assets maintained at H.O. books were machinery ₹ 2,50,000, furniture ₹ 10,000 and depreciation is to be allowed at 10% on machinery and 15% on furniture.
- iii) Outstanding rent payable was ₹ 1,500.
- iv) A remittance of ₹ 40,000 made by branch on 25th December, 2021 was received by the H.O. on 4th January, 2022.
- v) Goods sent by the H.O. on 28th December, 2021 for ₹ 20,000 were received by the Branch on 5th January, 2022.
- vi) The Branch A/c in the H. O. books showed a balance of ₹ 2,00,000 debit.

You are required to :

- a) Pass Journal entries to incorporate branch Trial Balance in the books of H.O.
- b) Prepare Branch Trading and Profit and Loss A/c in the H.O. books.
- c) Prepare Kundapur Branch A/c in the books of H. O.