

Reg. No. :

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B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2022.

Second Semester

Commerce – Core

FINANCIAL ACCOUNTING – II

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. The relationship between a consignor and consignee is that between _____.
 - (a) a principal and an agent
 - (b) a creditor and a debtor
 - (c) Consignees account
 - (d) a seller and a purchaser

2. When goods are sent on consignment the account to be debited is:
 - (a) Consignees personal account
 - (b) Consignment account
 - (c) Consignors account
 - (d) Goods sent on consignment account
3. Joint venture account is in the nature of:
 - (a) Personal account
 - (b) Nominal account
 - (c) Real account
 - (d) Venture account
4. Memorandum joint venture account is _____
 - (a) Personal account
 - (b) Real account
 - (c) Nominal account
 - (d) Representative account
5. Income and expenditure account is a _____.
 - (a) Real account
 - (b) Nominal account
 - (c) Personal account
 - (d) Venture account
6. The Capital fund shown on which side of balance sheet?
 - (a) Credit side
 - (b) Debit side
 - (c) Asset side
 - (d) Liability side

7. In the books of hire purchaser, depreciation is charged on
 - (a) Credit sales price
 - (b) Cash price
 - (c) Hire purchase price
 - (d) None of above
8. The advance amount under hire purchase system is called _____.
 - (a) cash price
 - (b) retail price
 - (c) interest
 - (d) down payment
9. Short working = _____ - Royalty Payable
 - (a) Minimum rent
 - (b) Capital
 - (c) Cash
 - (d) None
10. Short working is _____.
 - (a) Excess of minimum rent over the actual royalty
 - (b) Excess of actual royalty over minimum rent
 - (c) Excess of standard output over Actual output
 - (d) None of the above

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Karthik consigns to Sarathy 80 cases of goods at cost Rs. 250 per case and incurs the following expenses in connection with the same.
- Cartage and Freight Rs. 600 and Insurance Rs. 1,400.
- On arrival of the goods, Sarathy pays clearing and cartage Rs. 400 and storage charges Rs. 200. 60 cases are sold for Rs. 20,000. He is entitled to a commission of 10%. He sends to Karthik an account sales and a bank draft for the balance due. The market price at Sarathy's place falls to Rs. 270 per the accounting date.
- Calculate the value of unsold stock.

Or

- (b) Balan Consigned 100 packets of Cosmetics each costing Rs. 300 to his agent at Mumbai. He paid Rs. 500 towards freight and insurance. 15 packets were destroyed by fire on the way. Consignee took delivery of the remaining and spent Rs. 700 as godown rent, Rs. 1,000 import duty and Rs. 300 as carriage outwards.

Calculate the value of Abnormal Loss.

12. (a) A and B enter into a Joint venture to take a building contract for Rs. 2,40,000. They provide the following information regarding the expenditure incurred by them.

| | A | B |
|------------------|--------|--------|
| | Rs. | Rs. |
| Materials | 68,000 | 50,000 |
| Cement | 13,000 | 17,000 |
| Wages | - | 27,000 |
| Architect's fees | 10,000 | - |
| Licence fee | - | 5,000 |
| Plant | - | 20,000 |

Plan was valued at Rs. 10,000 at the end of the contract and B agreed to take it at that value. Contract amount of Rs. 2,40,000 was received by A.

Show the Joint Venture account in the books of A.

Or

- (b) A and B are in Joint venture. Both maintain complete records in their own respective books. A spends Rs. 50,000 to buy goods for Joint venture and pays Rs. 20,000 for other expenses. 'B' Purchases goods for Rs. 40,000 and spends Rs. 30,000 for Expenses. B sells all the goods for Rs. 2,40,000 and the venture is closed. Prepare Joint venture account in 'A's books.

13. (a) From the following receipts and payments account of the city club, Chennai for the year ended 31st March, 2018, prepare Income and Expenditure Account.

Receipts and Payments Account for the year ended 31-3-2018

| | Rs. | | Rs. |
|---------------------------------|---------------|----------------------------|---------------|
| To Balance 1-4-17 | 3,485 | By Books | 6,150 |
| To Entrance fees | 650 | By Printing and Stationery | 465 |
| To Donation | 6,000 | By Newspapers | 1,110 |
| To Subscriptions | 6,865 | By Sports materials | 5,000 |
| To Interest on Investments | 1,900 | By Repairs | 650 |
| To Sales of furniture | 685 | By Investments | 2,000 |
| To Sales of Old newspapers | 465 | By Furniture | 1,000 |
| To Proceeds from entertainments | 865 | By Salary | 1,500 |
| To Sundry receipts | 125 | By Balance on 31.3.18 | 3,165 |
| | <u>21,040</u> | | <u>21,040</u> |

The entrance fees and donations are to be capitalized; Sports, materials are valued at Rs. 4,000 as on 31-3-2018.

Or

- (b) From the following information, find out the amount to be taken to income and expenditure account in the year ending 31-3-2019.

| Particulars | As on 1-4-18 | As on 31-3-19 |
|---|--------------|---------------|
| Opening stock | 1,600 | 800 |
| Creditors for stationery | 480 | 1,200 |
| Amount paid to creditors for stationery | - | 8,000 |

14. (a) Arul purchased machinery under the hire purchase system from Mr. Balu. The cash price of the machinery was Rs. 15,000. The payment for the purchase is to be made as follows: On signing the agreement Rs. 3,000; end of the first year Rs. 5,000; end of the second year Rs. 5,000; end of the third year Rs. 5,000. Calculate the amount of interest included in each installment.

Or

- (b) Ram purchased a truck under H.P. System on 1-4-19 for Rs. 5,00,000. He provided 20% depreciation under W.D.V. method. He had paid down payment and 1st annual instalment but failed to pay second annual instalment. The vendor had taken away the truck at Rs. 2,18,250. Compute the loss due to repossession assuming the accounts are closed on 31st on March.

15. (a) Compute short workings recovered from the following particulars assuming short workings are recoupable in the following two years:

| | |
|--------------|--------------------------------|
| Royalty | : Rs. 5 per ton of coal raised |
| Dead rent | : Rs. 35,000 p.a. |
| Output: 2019 | : 5,000 tones |
| 2020 | : 8,000 tones |
| 2021 | : 10,000 tones |

Or

- (b) Vikram of Chennai owes the following sums:

| | Rs. |
|--------------------------------|-------|
| Income tax | 4,000 |
| Corporation Tax | 600 |
| Wages to 2 servants | 500 |
| Salaries to 4 clerks | 2,700 |
| Rent to Land Lord for 3 months | 3,000 |

Determine the amount payable by him as preferential creditors and unsecured creditors, if he becomes insolvent.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Satish of T.V. Malai Consigns to Ramesh of Vellore, 2,000 fans costing Rs. 180 each at invoice price of Rs. 200 per fan and pays Rs. 1,000 on freight, Rs. 600 on insurance and Rs. 1,200 as other expenses. Ramesh remits Rs. 1,00,000 as advance by 2 months bill. Ramesh spends Rs. 400 on octroi, Rs. 400 on loading and unloading charges and Rs. 2,000 on rent and other expenses. He sells 1,200 fans Rs. 260 each on credit and 400 fans at Rs. 250 each for cash. Ramesh remits the balance due by a bank draft after deducting his ordinary commission at 5% and del credere commission at 1%. The consignee incurs a bad debt of Rs. 600. Show the important ledger accounts in the books of both the parties.

Or

- (b) What are the differences between 'Sale' and 'Consignment'?

17. (a) A and B doing business separately as building contractors, undertake jointly to construct a building for a newly started joint stock company for a contract price of Rs. 1,00,000 payable as to Rs. 80,000 by installments in cash and Rs. 20,000 in fully paid shares of the company. A banking account is opened in their joint names, A paying Rs. 25,000 and B Rs. 15,000. They are to share profits and losses in the proportions of 2/3 and 1/3 respectively. Their transactions were as follows:

| | Rs. |
|----------------------------|--------|
| Paid wages | 30,000 |
| Bought materials | 70,000 |
| Materials supplied by A | 5,000 |
| Materials supplied by B | 4,000 |
| Architect's fees paid by A | 2,000 |

The contract was completed and the price (Cash and shares) duly received. The joint venture was closed by 'A' taking up all the shares of the company at an agreed valuation of Rs. 16,000 and 'B' taking up the stock of materials at an agreed valuation of Rs. 3,000.

Show the necessary ledger Accounts.

Or

- (b) 'S' of Chennai and 'T' of Trichy enter into joint venture agreeing to share profits and losses in the ratio of 8:6. They agreed to send goods to 'Z' of Calcutta to sell goods on their behalf. 'S' sends 300 items of furniture at Rs. 2,600 each paying for freight and other expenses Rs. 10,000. 'T' sends 200 items of furniture at Rs. 2,500 each paying for freight and other expenses Rs. 4,000. 'Z' sold all the goods for Rs. 6,00,000 out of which he deducts Rs. 3,500 for his expenses and his Commission at 5% on sales. He sent Rs. 2,40,000 to 'S' and balance to 'T'.

Show the ledger-accounts in the books of 'S'.

18. (a) From the following Income and Expenditure A/c, Prepare Receipts and Payments A/c for the year ended 31-12-2016.

Income of Expenditure A/c for the year ended
31-12-2016

| Expenditure | Rs. | Income | Rs. |
|--------------------|-------|-----------------|--------|
| To salaries | 2,000 | By Donations | 4,000 |
| To Expenses | 3,000 | By Subscription | 10,000 |
| To Rates and Taxes | 500 | | |

| Expenditure | Rs. | Income | Rs. |
|--------------------------------------|---------------|--------|---------------|
| To Depreciation | 900 | | |
| To Excess of income over Expenditure | 7,600 | | |
| | <u>14,000</u> | | <u>14,000</u> |

Additional information:

| | 1-1-16 | 31-12-16 |
|-----------------------------------|--------|----------|
| | Rs. | Rs. |
| Fixed assets | 9,000 | 10,000 |
| Subscriptions outstanding | 2,000 | 3,000 |
| Subscriptions received in advance | - | 1,500 |
| Outstanding expenses | 100 | 200 |
| Cash on hand | 1,000 | ? |
| Cash at Bank | 100 | 7,100 |

Or

(b) The Receipts and Payments of Bombay Gymkhana for the year ended 31st December 2021 are as under:

| Particulars | Rs. | Particulars | Rs. |
|---|--------|-------------|-------|
| To Balance on 1 st Jan, 2021 | 1,375 | By Salaries | 4,760 |
| To Donations | 10,430 | By Taxes | 390 |
| To subscriptions | 7,445 | By Wages | 1,440 |

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| Particulars | Rs. | Particulars | Rs. |
|-------------------------|---------------|--|---------------|
| To Entrance fees | 1,200 | By Printing and Stationery | 630 |
| To Interest etc. | 1,330 | By Postage | 120 |
| To Surplus from Matches | 2,700 | By Repairs | 950 |
| | | By Subscriptions to Newspapers | 1,230 |
| | | By Balance on 31 st Dec. 2021 | 14,960 |
| | <u>24,480</u> | | <u>24,480</u> |

You are required to prepare the Income and Expenditure Account for the year 2021 and Balance sheet as at 31st December, on the basis of the following additional information.

- The subscriptions to Newspapers included Rs. 20 paid for the year 2020 and Rs. 30 for the year 2022.
- Half the amount of entrance fees and 10% of the surplus income from matches should be credited to Building Fund Account. The credit balance in this account as on 1st January, 2021 was Rs. 3,000
- All the donations are to be credited to the capital fund.

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19. (a) On 1st January 2016 Baba & co. purchased a machine on hire purchase basis, the total amount payable being Rs. 42,700. Payment was to be made Rs. 12,000 on that date and balance in three half-yearly installments of Rs. 11,400, Rs. 10,900, and Rs. 8,400 commencing from 30th June 2016. The vendor charged interest @ 10 p.a, calculated on half-yearly rests.

Baba & Co close their books annually on 30th June and provide depreciation @10% pa. on reducing balance method.

Determine the cash price of the machine and show the relevant accounts in the books of Baba & Co.

Or

- (b) Mr. A purchased a machine from B Ltd. For Rs. 5,60,000; payment to be made Rs. 1,50,000 down and three installments of Rs. 1,50,000 each at the end of each year. He depreciates the asset at 10% per annum on written down value method.

Because of financial difficulties, Mr. A after having paid down payment and first installment at the end of the first year, could not pay second installment and the seller took possession of the asset.

Open ledger account in the books of both parties to record the transactions.

20. (a) Vanathi company took a coal mine for a lease at the rate of Rs. 2 per ton payable as royalty with a minimum rent of Rs. 30,000 per year. The shortworkings can be recouped during the first three years only. Production is given below: 1st year 4,000 tonnes, 2nd year 12,000 tonnes and 3rd year 20,000 tonnes. Gives the following ledger accounts:

(i) Minimum Rent Account

(ii) Royalty Account

(iii) Landlord Account

(iv) Short workings Account.

Or

- (b) On 1st January 2017 Sundar commenced business with Rs. 6,350. He earned a profit of Rs. 5,554 during 2017 and 2018. The loss he suffered in 2019 was Rs. 2,500. His total drawings were Rs. 9,000.

Prepare statement of affairs and deficiency account from the following information:

Cash Rs. 230; stock Rs. 1,000; Debtors-good Rs. 7,000, Doubtful Rs. 1,800. Bad debts Rs. 1,500; Furniture Rs. 564, Investment in shares Rs. 500, Unsecured Creditors Rs. 13,000, Secured Creditors Rs. 2,500, Value of Securities held by Creditors Rs. 3,500, Preferential Creditors Rs. 190.

Stock realizes Rs. 666, Furniture Rs. 282, Investments realized the book value. Doubtful debts realize Rs. 600.
