**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com – II SEMESTER**

**END SEMESTER EXAMINATION, APRIL 2018**

**BC2116: Financial Accounting**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains two printed pages and four parts**

**Section A**

**I Answer any five of the following (5 X 2 = 10 marks)**

1. How irrecoverable shortworkings account is closed? Give journal entry
2. What is meant by under insurance?
3. Give the meaning of dependent branch
4. What is stock reserve accounts?
5. List out the types of goodwill
6. Give the meaning of Earning per share as per Ind AS 33
7. State any need for valuation of shares

**Section B**

**II Answer any three of the following (3 x 5 = 15 marks)**

1. West Bengal coal ltd leased a colliery on 1st January, 2010 at a minimum rent of Rs.15,000 merging into a royalty of Rs.2 per ton with a stipulation to recoup shortworkings over the first three years of the lease. The output for the first four years of the lease was 8000, 13,000, 21,000 and 18,000 tons respectively. Prepare the analytical table.
2. A fire broke out in the warehouse of mercantile traders ltd., on 30th September 2015. The company desires to file a claim with insurance company for loss of stock. From the following information, prepare a statement showing the amount of claim. The last account of company were prepared on 31.12.2014.

|  |  |
| --- | --- |
|  | Rs. |
| Stock on 31.12.14  Sundry debtors on 31.12.04  Sundry debtors on 30.9.15  Cash received from debtors  Purchase from 1.1.15 to 30.9.15 | 70,00,000  1,05,00,000  35,00,000  21,00,000  1,68,,00,000 |

Rate of gross profit on sale is 25%.

1. A firm is having its head office at Bangalore and Brach office at Mysore.

Following are the transactions of the HO with branch for the year ended

31 December 2014. Furniture depreciation 10%. Prepare Branch account.

|  |  |
| --- | --- |
| Petty cash at branch (1-1-2014) | Rs.12,500 |
| Stock at branch | Rs.7,50,000 |
| Furniture at branch (1-1-2014) | Rs. 4,50,000 |
| Goods supplied during the year | Rs.37,75,000 |
| Goods returned by branch | Rs.25,000 |
| Cash sales at branch | Rs.52,50,000 |
| Cheque sent to branch for: |  |
| establishment expenses | Rs.2,50,000 |
| petty cash | Rs.75,000 |
| Salary outstanding on (31-12-2014) | Rs.25,000 |
| Petty expenses incurred by branch | Rs.67,500 |
| Stock (31-12-2014) | Rs.10,00,000 |

1. G ltd., proposed to purchase the business carried on by Mr.srinivas. goodwill for this purpose is agreed to be valued at 3 years purchase of the weighted average profits of the past 4 years, the appropriate weights to be used are:

1998 1

1999 2

2000 3

2001 4

The profit for these years are:

1998 Rs.101000

1999 Rs.124000

2000 Rs.100000

2001 Rs.150000

On a scrutiny of the accounts the following matters are revealed:

1. On Ist January, 2000 a major repair was made in respect of the plant incurring Rs.30000 which amount was charged to revenue. The said sum is agreed to be capitalized for goodwill calculation subject to adjustment of depreciation of 10% p.a. on reducing balance method.
2. The closing stock for the year 1999 was over valued by Rs.12000
3. To cover management cost an annual charge of Rs.24000 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the firm.

1. Following information relates to deepika ltd.

4000,10% preference shares of Rs.100 each Rs.400000

5000 equity shares of Rs.100 each Rs.500000

Average profits before tax Rs.322580

Rate of tax 38%

Transfer to be made to reserve 20%

Normal rate of return 15%

Ascertain the value of each equity share under yield method.

**Section C**

**III Answer any three of the following** (**3 x 10 = 30 marks)**

1. Mr. Shukla wrote a book and got it published with Chand & Co. Ltd. on the terms that royalties will be paid @ Rs. 5 per copy sold subject to a minimum rent of Rs. 15,000 with a right of recoupment of shortworkings over the first three years of the royalty agreement.

From the following details, write up (i) Minimum Rent A/c (ii) Royalties A/c (iii) Shortworking A/c and (iv) Mr. Shukla’s A/c.

|  |  |  |
| --- | --- | --- |
| **Year** | **No. of copies printed** | **Closing stock** |
| 2006  2007  2008  2009 | 2,000  3,000  4,000  5,000 | 100  200  400  500 |

1. A fire on October 1, 2012 destroyed the stock of a firm. The business records were saved and from them the following particulars were ascertained:

|  |  |
| --- | --- |
| Stock at cost on April 1, 2011  Stock at cost on April 1, 2012  Purchases for the year to 31st March, 2012  Sales for the year to 31st march, 2012  Purchases from April 1, 2012 to September 30, 2012  Sales from April 1, 2012 to September 30, 2012 | 44,300  37,550  1,03,850  1,52,500  37,350  59,000 |

In valuing the stock on 31.3.2012 Rs.800 had been written off a particular line of goods which had originally cost Rs.1800 and which were sold in June 2012 for Rs.1750. Except as regards this transaction the ratio of gross profit had remitted unchanged thoughout. The value of stock salvaged from the fire was Rs.5105. You are required to calculate the amount of claim to be presented to the insurance company in respect of the loss of stock.

1. BlueWings Ltd has a branch at Chennai to which goods are supplied at costplus 25% profit. All expenses are paid by BlueWings Ltd and the ChennaiBranch remits all cash received on a daily basis to the Head Office. Thetransactions for the branch during the year 2014 were as follows:

|  |  |
| --- | --- |
| Particulars | Rs. |
| Stock (1/1/2014) at invoiceprice | 11,000 |
| Returns Inwards | 500 |
| Debtors (1/1/2014) | 100 |
| Petty Cash (1/1/2014) | 100 |
| Cash Sales | 2650 |
| Credit Sales | 23,950 |
| Goods sent to branch atinvoice price | 20000 |
| Collection on ledgeraccounts | 21000 |
| Goods returned to H.O atinvoice price | 300 |
| Bad Debts | 300 |
| Allowances to customers | 250 |
| Returns Inwards | 500 |
| Cheques sent to Branch: |  |
| Rent | 600 |
| Wages | 200 |
| Salary and other expenses | 900 |
| Stock (31/12/2014) at invoiceprice | 13000 |
| Debtors (31/12/2014) | 2000 |
| Petty Cash (31/12/2014)  including a miscellaneousincome  of Rs.25, notremitted) | 125 |

Prepare Branch Trading and P/L Account and the Branch Account for the year ending

31/12/2014.

1. The balancesheet of X ltd as on 31.3.2017 is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| 8% ,5000 preference shares of Rs.10 each  10000 equity shares of RS.10 each  Reserves(including provision for taxation Rs.10000)  8% debentures  Creditors | 50,000  1,00,000  1,00,000  50,000  25,000 | Goodwill  Fixed assets  Investment(5% govt. loan)  Current assets  Preliminary expenses  Discount on debentures | 10,000  1,80,000  20,000  1,00,000  10,000  5,000 |
|  | 3,25,000 |  | 3,25,000 |

The average profit of the company (after deducting interest on debentures and taxes) is Rs.31,000. the market value of the machinery included in fixed assets is Rs.5000 more. Expected rate of return is 10%. Evlauate the goodwill of the company at five times of the super profit.

1. Describes three valuation approaches and techniques of shares as per IFRS 13

**Section D**

IV **Compulsory Question (1 X 15 = 15 marks)**

A Kolkata Head Office passes one entry at the end of each month to adjust the

position arising out of inter-branch transactions during the month. From the

following inter-branch transactions in April 2105, make journal entries in the

books of the Kolkata Head Office.

(a) Delhi branch

i. Received goods from Nagpur Branch Rs.9000 and Agra Branch Rs.6000

ii. Sent goods to Agra Branch Rs.15000 and Nagpur Branch Rs.12000

iii. Bill drawn on Agra Branch Rs.9000

iv. Accepted bills drawn by Nagpur Branch Rs.6000 and Agra Branch

Rs.3000

(b) Kanpur branch (apart from (a) above)

i. Received goods from Nagpur Branch Rs.15000 and Delhi branch Rs.6000

ii. Cash sent to Nagpur Branch Rs.3000 and Delhi branch Rs.9000

(c) Nagpur Branch (apart from (a) and (b) above)

i. Sent goods to Agra Branch Rs.9000

ii. Bill drawn on Agra Branch Rs.6000

iii. Received cash from Agra Branch Rs.5000.