2024

FINANCIAL ACCOUNTING-II — HONOURS

Paper : CC-3.1Ch

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

1. SMP Ltd. with its Head Office (H.O.) at Delhi has a branch at Ranchi. Goods are invoiced to the branch at cost plus 25%. Branch sells goods at invoice price. Branch expenses are paid by H.O. All cash collected by the branch (from customer and from cash sales) is deposited to H.O. account with the bank.

From the following information in respect of the branch for the year ended December 31, 2024, prepare Branch Stock Account, Branch Debtors Account, Branch Adjustment Account and Branch Profit & Loss Account in the books of Head Office : 3+3+2+2

Particulars	₹.	Particulars	₹.
Goods sent to Branch (at Invoice price)	5,00,000	Discount allowed	1,000
Stock at branch at invoice price (on 01.01.2024)	40,000	Bad debts	1,500
Cash sales	2,08,000	Stock at branch at invoice price (on 31.12.2024)	50,000
Returns from debtors	6,000	Branch debtors balance (on 31.12.2024)	36,500
Branch expenses paid for cash	35,000	Collection from debtors	2,70,000
Branch debtors balance (on 01.01.2024)	30,000	Branch debtors' cheques returned dishonoured	5,000

Or,

A merchant in Kolkata invoices goods to its Patna branch at cost plus 25%. The Patna branch keeps its own Sales Ledger and transmit all cash received to the Head Office every day. All the expenses are paid by the Head Office.

The transactions of the Branch for the year 2023 were as follows :

	₹.
Stock as on 01.01.2023	3,30,000
Debtors as on 01.01.2023	30,000
Petty Cash as on 01.01.2023	3,000
Cash sales	79,500
Goods sent to the branch	6,00,000
Collections from Debtors	6,30,000
Goods returned to Head Office	9,000
Bad Debts	9,000
Discount Allowed	7,500
Return Inward	15,000
Cheque sent to the Branch :	
Rent	18,000
Wages	6,000
Salaries and other Expenses	27,000
Stock as on 31.12.2023	3,90,000
Debtors as on 31.12.2023	60,000
Petty Cash as on 31.12.2023	3,750

Closing balance of petty cash includes Miscellaneous Income of ₹ 750 not yet remitted.

Prepare Branch Account in the books of Head Office. 10

2. X Ltd. purchased a 'Generator' on hire purchase system on 01.01.2023 from Pal & Co. The terms of payment were ₹ 90,000 down money on delivery and three annual instalments as given below :

Instalments payable on	Amount of Instalments
31.12.2023	₹ 4,29,000
31.12.2024	₹ 3,58,200
31.12.2025	₹ 1,65,000

Interest is charged @10% p.a. on the outstanding amount at the beginning of each year. X Ltd. charged depreciation at 20% p.a. under diminishing balance method. X Ltd. paid the first instalment on 31.12.2023, but could not pay the second instalment on 31.12.2024. Pal & Co. repossessed the 'Generator'.

Write up Generator Account and Pal & Co. Account in the books of X Ltd. for the year 2023 and 2024. 10

Or,

GEM & Co. sells goods on hire purchase system at cost plus 50%. From the particulars for the year ending 31st December 2024, prepare H.P. Trading Account and determine the amount of profit earned for the year 2024 : 10

	₹.
Stock at shop at cost (on 01.01.2024)	1,80,000
Stock with H.P. customers at selling price (on 01.01.2024)	90,000
Instalments overdue (on 01.01.2024)	50,000
Cash received from H.P. customers during 2024	7,00,000
Goods purchased during the year 2023	6,00,000
Instalments overdue from customers on 31.12.2024	1,00,000
Stock at shop at cost on 31.12.2024	2,00,000

3. A company has two departments — cloth and readymade clothes departments. The readymade clothes are made by the company itself out of the cloth supplied by the cloth department at its usual selling price. From the following figures, prepare Departmental Trading and Profit & Loss Account and General Profit & Loss Account for the year ended 31st December, 2024. 10

Particulars	**Cloth Dept. (₹)**	**Readymade Clothes Dept. (₹)**
Opening Stock	3,60,000	72,000
Purchases	27,00,000	36,000
Sales	30,00,000	9,00,000
Transfer to readymade clothes Deptt.	6,00,000	–
Manufacturing expenses	–	1,02,000
Selling expenses	60,000	6,000
Closing Stock	4,50,000	90,000

The stock in readymade clothes department may be considered as consisting of 80% cloth and rest as other expenses. The cloth department earned a gross profit margin of 25% in 2023.

4. Mr. R. Das held 2500, 10% Debentures of ₹ 110 on 1st January 2023. The face value of each Debenture was ₹ 100. Interest on Debentures was payable on 31st December every year. The following transactions were reported during the year 2023 :

01.04.2023	Purchased 4000 Debentures cum-interest @ ₹ 108
01.08.2023	Purchased 2400 Debentures ex-interest @ ₹ 104
01.09.2023	Sold 3000 Debentures cum-interest @ ₹ 111

Mr. Das paid brokerage on purchase / sale proceeds of Debentures @ ₹ 0.025 for a rupee and transaction tax @ ₹ 0.01 for a rupee.

Prepare an Investment Account for the year 2023 in the books of Mr. R. Das applying FIFO method. 10

5. ELM Ltd. was incorporated as a private company on 31.08.2023 to take over a business as a going concern from 01.01.2023. Trading and Profit & Loss Account for the year ended 31.12.2023 was as under :

Particulars	Amount (₹)	Particulars	Amount (₹)
To Materials Consumed	4,50,000	By Sales	7,50,000
To Manufacturing Wages	1,20,000		
To Manufacturing Expenses	30,500		
To Carriage Inwards	17,500		
To Gross Profit c/d	1,32,000		
	7,50,000		**7,50,000**
To Salaries	37,500	By Gross Profit b/d	1,32,000
To Office Expenses	15,000		
To Director's Fees	7,376		
To Bad Debts	5,750		
To Discount	20,000		
To Carriage Outwards	4,000		
To Depreciation	25,500		
To Net Profit	16,874		
	1,32,000		**1,32,000**

Sales for the months of March and April were 1½ times of the monthly average sales. Sales for September and October were twice of the monthly average sales. Bad debts of ₹ 2,750 was written off within August 31, 2023.

Prepare a statement showing Pre-incorporation and Post-incorporation profits. 10

Or,

CKT Ltd. was formed to take over the partnership business of M/s A & B who share profits in the ratio of 2 : 1. The balance sheet of M/s A & B at the time of acquisition was as follows :

Balance Sheet as at 31st December 2024

Liabilities	₹.	Assets	₹.
Capital Account :		Land & Buildings	4,00,000
A	6,00,000	Plant & Machinery	2,00,000
B	3,60,000	Investment	48,000
Bills Payable	72,000	Stock	2,40,000
Sundry Creditors	2,16,000	Sundry Debtors	2,32,000
Mrs. A's Loan	32,000	Bills Receivable	64,000
		Cash at Bank	96,000
	12,80,000		**12,80,000**

It was agreed by the company to take over the assets at book value with the exception of land and buildings and stock which are taken over at ₹ 4,50,000 and ₹ 2,00,000 respectively. Investments were retained by the firm and sold by them for ₹ 40,000. Mrs. A's loan is discharged by the firm. CKT Ltd. took over the remaining liabilities. The value of goodwill is fixed at ₹ 2,88,000.

The purchase consideration was to be discharged as below :

(i) Allotment of 100000 Equity Shares of ₹ 10 each at par, and

(ii) Balance in Cash.

Calculate purchase consideration. Give necessary journal entries in the books of CKT Ltd. Narrations not required. 4+6

Group - B

6. (a) X, Y and Z are partners in a firm. On 01.01.2024 the capital accounts of X, Y and Z stood at ₹ 6,00,000, ₹ 4,00,000 and ₹ 2,00,000 respectively. They shared profits and losses in the ratio of 3 : 2 : 1. As per provisions of the partnership deed :

(i) X is entitled for a salary of ₹ 1,200 per month.

(ii) Y is entitled for commission of ₹ 12,000 per annum.

(iii) Partners are entitled to interest on capital @ 8% per annum.

Net profit for the year ended 31.12.2024 was ₹ 4,22,400 which was distributed equally, without taking into consideration the above provisions.

Showing the workings clearly, pass a single adjustment entry to rectify the error committed.

(b) On April 01, 2022 X, Y and Z who were sharing profits and losses in the ratio of 5 : 3 : 2 respectively decided to become equal partners. Goodwill of the firm was valued at ₹ 4,50,000. It was also decided to appreciate the book value of 'land and buildings' by ₹ 1,40,000. No goodwill account appeared in the books of the firm and none was opened on change in profit sharing ratio.

Pass journal entries to make the necessary adjustments. 8+7

Or,

J and K are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31st March 2024 was as follows :

Balance Sheet as on 31st March, 2024

Liabilities		₹.	Assets		₹.
Capital Account :			Motor Vehicles		20,000
J	70,000		Buildings		75,000
K	60,000	1,30,000	Plant		40,000
Creditors		49,000	Stock		44,000
Bills Payable		3,000	Debtors	20,500	
Bank Overdraft		17,000	*Less* : Provision		
General Reserve		15,000	for bad debt	300	20,200
			Cash		14,800
		2,14,000			**2,14,000**

They agreed to admit D for ¼th share of profit from 01.04.2024 into partnership on the following terms :

(i) D to bring in capital equal to ¼ th of the total capital of J and K after all adjustments including premium for goodwill.

(ii) Building is undervalued by 25% and Stock is overvalued by 10%.

(iii) Provision for Bad Debts on debtors to be raised to ₹ 1,000.

(iv) A provision be made for ₹ 14,800 for outstanding legal charges.

(v) Premium for goodwill to be brought in by D in cash is ₹ 10,000.

You are required to prepare Revaluation A/c, Partner's Capital A/c and the Balance Sheet of the new firm on D's admission. 15

7. Ram, Shyam and Tarun are in partnership sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve the firm with effect from January 1, 2025 when the firm's balance sheet stood as follows :

Balance Sheet as on 31st December, 2024

Liabilities		₹.	Assets	₹.
Capital Account :			Land & Buildings	70,000
Ram	54,000		Furniture & Fittings	22,000
Shyam	40,000		Plant & Machinery	40,000
Tarun	25,000	1,19,000	Stock	20,000
General Reserve		6,000	Sundry Debtors	50,000
Sundry Creditors		90,000	Investments	33,000
Bank Loan (Unsecured)		30,000	Cash and Bank	10,000
		2,45,000		**2,45,000**

The assets were realised in piecemeal as follows :

First instalment	: ₹ 65,000 (after meeting the expenses of realisation)
Second Instalment	: ₹ 32,000
Third Instalment	: ₹ 54,000
Fourth Instalment	: ₹ 63,000

Distribution among partners is to be made after each instalment of realisation, as far as possible. Show the distribution of cash in the form of a statement applying the 'surplus capitals method'. Workings should form part of your answer. 15