

SAIVA BHANU KSHATRIYA COLLEGE, ARUPPUKOTTAI
Pg & Research department of Commerce
II B.Com - III SEMESTER
FINANCIAL ACCOUNTING – III (CCRJC33)
PART – A

Choose the Correct Answer :

1. The difference between standard sales and actual sales is called
(a) Short sales (b) Total sales
(c) Sales (d) Net sales
2. Consequential loss policy indemnifies
(a) Capital losses (b) Revenue losses
(c) Budgeted losses (d) Net losses
3. In fire insurance claims, the value of stock destroyed by fire is ascertained through
(a) Trading a/c (b) Memorandum trading account
(c) Profit and Loss account (d) None of these
4. Fire insurance provides cover for
(a) Tangible assets (b) Intangible assets
(c) Fictitious assets (d) None of the above
5. The average clause in a loss of profit policy protects the
(a) Insured (b) Insurer
(c) Workers (d) Government
6. Royalty account is in the nature of
(a) Personal account (b) Real account
(c) Nominal account (d) Sales account
7. Royalty is _____ to lease
(a) Income (b) Expenses
(c) Both Income & Expenses (d) None of the above
8. When royalty is paid, it is debited in the books of lessee to
(a) Royalty A/c (b) P &L A/c
(c) Landlord A/c (d) None of the above
9. Royalty is the agreement between the following persons
(a) Seller & Buyer (b) Banker & Customer
(c) Trustee & Beneficiaries (d) Landlord & Tenant
10. The lessee's right to recoup short workings is related to
(a) First year (b) Next three years
(c) Terms & Agreement (d) During the period of Agreement

11. Unsecured creditors under
 - (a) List A
 - (b) List B
 - (c) List C
 - (d) List D

12. Presidency Towns Insolvency Act was passed in the year
 - (a) 1920
 - (b) 1909
 - (c) 1999
 - (d) 2009

13. Which of the following account ensures that cost ledger becomes self-balancing?
 - (a) Stores ledger control a/c
 - (b) W.I.P ledger control a/c
 - (c) Works overhead control a/c
 - (d) General ledger adjustment a/c

14. Sales ledger adjustment A/c is opened in
 - (a) Sales ledger
 - (b) Bought ledger
 - (c) General ledger
 - (d) None of the above

15. Goodwill A/c will be opened in
 - (a) Debtors ledger
 - (b) Creditors ledger
 - (b) General ledger
 - (d) None of the above

16. Selling expenses are apportioned on the basis of
 - (a) Time ratio
 - (b) Sales Ratio
 - (c) Floor area
 - (d) Purchase value

17. Petty expenses paid by the branch is
 - (a) Debited to branch account
 - (b) Credit to branch account
 - (c) Not shown in branch account
 - (d) Credit to head office account

18. Branch adjustment account is in the nature of
 - (a) Real account
 - (b) Personal account
 - (c) Nominal account
 - (d) Profit & Loss account

19. Goods sent to Branch A to Branch B, will be debited to
 - (a) Branch B
 - (b) Branch A
 - (c) Head office
 - (d) None of these

20. Under debtors system branch account is a
 - (a) Real A/c
 - (b) Personal A/c
 - (c) Nominal A/c
 - (d) Sales A/c

21. When goods are repossessed by the hire vendor, the balance in asset account is transferred to
 - (a) Hire Purchaser account
 - (b) Goods repossessed account
 - (c) Profit & Loss account
 - (d) Hire Vendor account

22. The difference between the hire purchase price and cash price is
 (a) Interest (b) Down payment
 (c) Advance payment (d) None of the above
23. If the hire purchase fails to make payment of any instalment is called
 (a) Default (b) Repossession
 (c) Complete repossession (d) Partial Repossession
24. Hire purchase price includes
 (a) Cash price and Interest (b) Cash price + Down payment
 (c) Down payment + Interest (d) None of the above
25. Down payment made at the time of hire purchase transaction is debited to
 (a) Asset account (b) Purchase account
 (c) Hire Vendor account (d) Sales account

PART – B (7 Mark Questions)

26. Explain the procedure involved in computing claim under loss of profit policy.
27. Calculate insurance claim from the following facts assuming that the insurers met their under the policy on 'average basis'
 A trader's stock valued at Rs.40,000 was totally destroyed. The stock in the godown was insured for Rs.30,000 subject to average clause. The balance of stock, left after fire, appeared in the books at Rs.24,000.
28. Explain the procedure to ascertain stock on the date of fire.
29. A fire occurred at the premises of a trader on 31.05.94 destroying a great part of his goods. His stock at 01.01.94 was Rs.60,000. The value of stock salvaged was Rs.13,500. The gross profit on sales was 30% and sales amounted to Rs.1,53,000 from January to date of fire, while for the same period the purchase amounted to Rs.1,03,500. Prepare a statement of claim.
30. A fire occurred on 15.03.2005 in the premises of a company. From the following particulars, ascertain the amount of claim to be lodged in case of the loss of stock which was insured:

	Rs.
Stock on 01.01.2005	2,00,000
Purchases from 01.01.2005 to 15.03.2005	6,00,000
Sales from 01.01.2005 to 15.03.2005	10,00,000
Manufacturing expenses	50,000
Wages	1,50,000
Gross profit	20%
Stock salvaged was estimated	20,000

31. Compute short workings recovered from the following particulars assuming short workings Recoupable in the following two years.
 Royalty Rs.5 per ton of coal raised
 Dead rent Rs.35,000 per annum
 Output :
 1999 = 5,000 tonnes
 2000 = 8,000 tonnes
 2001 = 10,000 tonnes
32. Write a note on Sub-lease.
33. Write a short note on Royalty suspense account.
34. What are the different ways in which short workings can be recouped?
35. From the following information compute short workings, short workings recouped and short workings lapsed.
 Royalty : 50 paise per tonne of coal
 Minimum rent Rs.30,000 per annum
 Output first year : 10,000 tonnes
 Second year : 48,000 tonnes
 Third year : 80,000 tonnes
 Short workings are recoverable during the first three years of lease.

36. The following details were extracted from the books of a company for the year ended 31.12.2002

	Rs.
Jan. 1 Sales ledger balance total	62,000
Provision for doubtful debts	2,500
Dec.31 Sales	65,000
Returns	700
Cash received	81,000
Bills accepted by customers	2,600
Bills dishonoured	2,000
Bad debts written off	600
Discounts allowed	1,800

You are requested to prepare sales ledger adjustment account.

37. What are the items included under the heading of 'Unsecured Creditors' under List A?
38. 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.

39. Explain the 'Self Balancing Ledger System'. What are its advantages?
40. What is Insolvency? Explain individual insolvency.
41. What are departmental accounts? Explain its objects and advantages.
42. Explain about Stock and Debtor system of maintaining branch account.
43. R. Samy & Co has opened a branch at Ssalem. The following is a list of transactions between the head office and the branch for the year ending June 30, 2006

	Rs.
Stock at branch on 31 st July 2005	30,000
Goods supplied to branch during the year	48,000
Salaries	2,400
Rent	720
Telephone	200
Petty expenses	300
Remittance received from the branch	55,000
Stock on 30 th June 2006	2,500
Balance of petty cash	20

All the branch expenses are paid by head office. Show the branch account in head office books.

44. Fancy clothes limited opened a branch on 1st January, 2008 at Delhi. The figures given below are for the year 2008

	Rs.
Goods sent to Branch	25,000
Cash Sales	10,000
Credit Sales	18,000
Cash received from debtors	16,000
Discount allowed to them	300
Cash sent to Branch for expenses	3,500
Stock on 31 st December 2008	4,000

Prepare Branch account.

45. Relax Limited supplies good to its new Delhi branch at cost plus 25%. The result of the branch operations for the year ended 31.12.93 were as follows :

	Rs.
Opening stock of goods at branch (invoice price)	3,000
Goods supplied at (invoice price)	24,000
Remittance from the branch	25,000

Cash paid by HO for salaries and wages	1,900
Rent and Rates	600
Sundry expenses	2,000
Returns from the branch (invoice price)	150
Closing stock of goods at branch (invoice price)	8,000

Prepare the New Delhi branch account for the year 1998.

46. Mr. Anbu purchased a machine by hire purchase system for Rs.30,000 to be paid as follows

	Rs.
Down payment	5,000
At the end of first year	7,000
At the end of second year	6,500
At the end of third year	6,000
At the end of fourth year	5,500

Interest is charged on the cash value at 10% per annum. At what value should the machine be capitalized?

47. Briefly explain Instalment Purchase system.

48. X purchased a cycle on hire purchase for Rs.1,000 to be paid as follows :

On signing the agreement	Rs. 120
First year end	Rs. 170
Second year end	Rs. 160
Third year end	Rs. 550

The vendor charged interest at 10% p.a. on the cash value remaining unpaid each year. Calculate the cash value of the cycle.

49. What are the characteristics of hire purchase system?

50. Raman purchases a motor car from Bharathan whose cash price is Rs. 56,000 on 01.01.93 Rs. 15,000 is paid on signing the contract and the balance is to be paid in three equal annual instalments of Rs.15,000 each. The rate of interest is 5% per annum. Calculate the amount of interest included in cash instalment.

PART - C
EACH QUESTIONS CARRYING TEN MARKS

51. The whole of stock of goods on Ram & Co was destroyed by fire on 3rd February 2018. No stock register was maintained but the following particulars were available.

	Rs.
Stock on 01.01.2018	26,580
Stock as per Balance Sheet as at 31.12.2018	22,530
Purchases for 2018	62,310
Purchases from 01.01.2018 to 03.02.2018	22,410
Sales for 2018	91,500
Sales from 01.01.2018 to 03.02.2018	35,400

While value the stock as on 31.12.2018 Rs. 480 was written off out of the cost price of Rs. 1,080 and this stock was sold in January 2018 for Rs. 1,050. Except for this item, the ratio of gross profit was uniform throughout. The value of stock salvaged was Rs.3,063 The stock was fully insured against fire. Calculate the amount of claim.

52. Fire occurred in the premises of XY limited on 10.10.2018. All stocks were destroyed except to the extent of Rs. 6,200. From the following figures ascertain the loss suffered by the company.

	Rs.
Stocks on 01.01.2017	30,000
Purchases less returns during 2017	1,45,000
Sales less returns during 2017	2,00,000
Stock on 31.12.2017	22,500
Purchases less returns during 2018 up to the date of fire	1,46,000
Sales less returns during 2018 up to the date of fire	1,89,000

It was the practice at the firm to value stocks at cost less 10%. Early 2018, prices were raised by 5%.

53. Bengal mines company limited took from Mr.D a lease of a mine for a period of 25 years from 01.01.96, on a royalty of Rs. 5 per tone of mineral raised with a dead rent of Rs.20,000 and power to recoup short workings during the first five years of the lease. The annual outputs were as follows.

Year	Output(tonnes)
1996	2000
1997	3000
1998	4000
1999	4500
2000	5000

Give journal entries in the books of the Bengal mines company and in the books of D.

54. A company leased a mine on 01.01.2002 at a minimum rent of Rs.20,000 merging into a royalty of Rs. 1.50 per tone with power to recoup short workings over the first four years of the lease. The output of the mine for the first four year was 8,000 tonnes, 12,000 tonnes, 16,000 tonnes and 20,000 tonnes respectively. Give journal entries and ledger accounts for four years in the books of lessee and lessor.

55. The under mentioned particulars have been extracted from the books of a trader. You are required to prepare the Debtors Ledger Adjustment account as on 30th June 2014.

	Rs.
Debtors on 1 st July 2013	55,842
Transactions during the year were Sales(including cash sales Rs. 10,000)	1,08,602
Cash received from debtors	88,753
Discount allowed to debtors	480
Acceptance received from debtors	7,120
Returns from debtors	5,430
Bills receivable dishonored	1,120
Bad debts written off	3,890
Sundry charges debited to customer	378
Transfer of bought ledger	100
Provision for doubtful debts	2,500

56. From the following particulars extracted from the books of M/s Krishnan & Company, who keeps a Sales Ledger and Bought Ledger on the self balancing system. Show how the various adjustment accounts will appear in each of the ledgers.

	Rs.
Opening balance of Debtors	45,750
Opening balance of Creditors	54,900
Transaction for the month of Januray	
Credit purchases	20,500
Credit sales	22,700
Return inwards	400
Return outwards	600
Cash received from customers	25,000
Discount allowed to customers	550
Cash paid to creditors	30,700
Discount received from creditors	670
Acceptance received from debtors	8,500
Creditors bills accepted	12,000
B/R returned dishonored	1,200
B/P returned dishonored	3,000
Bad debts written off	2,500
Sundry charges debited to customers	345
Allowances from creditors	275

57 The following purchases were made by a business house having three departments :

Department – A – 1,000 units	} at a total cost of Rs. 1,00,000
Department – B – 2,000 units	
Department – C – 2,400 units	

Stocks on 1st January were :

Department – A – 120 units
Department – B – 80 units
Department – C – 152 units

Sales were :

Department – A – 1,020 units at Rs.20 each
Department – B – 1,920 units at Rs.22.50 each
Department – C – 2,496 units at Rs.25 each

The rate of Gross profit is same in each case. prepare departmental trading account.

58. Mani Limited of Calcutta has branch at Patna. Goods are invoiced to the Patna branch, the selling price being cost plus 25%. The Patna branch keeps its own sales ledger and transmits all cash received to Calcutta. All expenses are paid from Calcutta. From the following details prepare the Patna branch account for the year 2009.

	Rs.
Opening Stock (invoice price)	1,250
Closing Stock (invoice price)	1,500
Opening debtors	700
Closing debtors	900
Cash sales for the year	5,400
Credit sales for the year	3,500
Goods invoiced from Calcutta	9,100
Rent	400
Wages	340
Sundry expenses	80

59. Ram purchases a motor car from Bharat whose cash price is Rs. 112,000 on 01.01.20. Rs. 30,000 is paid on signing the contract and the balance is to be paid in three equal annual installments of Rs.30,000 each. The rate of interest is 5% per annum. Calculate the amount of interest included in cash installment.

60. Distinguish between Hire purchases system and Installment system.