



**Credit Based IV Semester B.Com. Degree Examination, April/May 2017  
(2015-16 Batch Onwards)**

**COMMERCE  
Financial Accounting – IV**

Time : 3 Hours

Max. Marks : 120

*Note: Provide working notes wherever necessary.*

**SECTION – A**

Answer **any four** questions :

**(4×6=24)**

1. What are cash in transit and goods in transit ?
2. What are the features of dependent branch ?
3. Write a note on shortworking and minimum rent.
4. What is the basis of apportionment of following items in Departmental Accounts ?  
Carriage inwards, advertisement, plant depreciation, discount received, canteen expenses, factory rent.
5. Pass the adjusting entries in the books of the Head Office for the following transactions :
  - a) Goods amounting to Rs. 500 transferred from A branch to B branch.
  - b) Rent Rs. 300 of the branch paid by the Head Office.
  - c) Cash in transit Rs. 600 at end of the year.
6. H Ltd. issued 100000 shares of Rs. 10 each. The whole issue was underwritten by B and Co. at an agreed commission of 5%. Applications for 80000 shares were received. Determine the liability and underwriting commission.



## SECTION – B

Answer **any four** questions :

(4×12=48)

7. Sanju Co. acquired on lease a colliery on 1<sup>st</sup> January 2013 at a minimum rent of Rs. 20,000 p.a., merging into a royalty of Rs. 2 per ton with a power to recover shortworking over the first three years only. The output for the first four years :

Year	2013	2014	2015	2016
Output ( tons)	8,000	10,000	11,500	13,000

Show Royalty A/c, Shortworking A/c and Lessor's A/c in the books of Sanju Co.

8. Sharada Ltd. invoices goods to its branch at Sringeri at cost. From the following particulars for the year ending 31<sup>st</sup> December 2016, prepare Branch account and Debtors A/c in the books of Head Office.

Balances as 1-1-2016	Rs.	Balances as 31-12-2016	Rs.
Branch stock	11,780	Branch stock	11,080
Petty cash	144	Petty cash	146
Branch debtors	2,940	Credit sales	28,080
Cash sales	63,160	Goods sent to branch	65,880
Cash sent to branch for rent	2,400	Cash received from debtors	27,580
Salaries	7,200	Goods returned by branch	360
Petty cash	1,400	Branch debtors as on 31-12-2016	?



9. Anjali Ltd. has an independent branch at Madikeri. The following is the trial balance of Madikeri branch as on 31<sup>st</sup> December, 2016.

	Rs.		Rs.
Stock on 1-1-2016	8,200	Creditors	2,700
Purchases	12,800	Sales	34,950
Wages	6,550	Head Office account	14,000
Manufacturing expenses	3,400	Discount	150
Rent	1,700	Purchase return	300
Salaries	5,500		
Debtors	4,000		
General expenses	2,000		
Goods received from HO	7,200		
Cash at Bank	750		
	<b>52,100</b>		<b>52,100</b>

Closing stock at branch Rs. 14,350, Rent payable Rs. 150, Machinery depreciation Rs. 250 (Branch fixed assets maintained at Head Office books), cash in transit Rs. 4,000 and goods in transit Rs. 2,000. Branch A/c in the books of Head Office showed a debit balance of Rs. 20,000.

Prepare the branch trading and profit and loss account and Branch A/c.

10. Following is the profit and loss account of Saina Ltd. for the year ended 31<sup>st</sup> March, 2016.

Particulars		Rs.	Particulars		Rs.
To purchases :	Dept. A	1,60,000	By sales :	Dept. A	1,75,000
	Dept. B	1,25,000		Dept. B	1,40,000
	Dept. C	80,000		Dept. C	35,000
To salaries and wages		48,000	By closing stock	Dept. A	60,100
To rent		10,800		Dept. B	20,300
To sundry expenses		11,000		Dept. C	44,600
To profit		40,200			
		<b>4,75,000</b>			<b>4,75,000</b>



**Additional information :**

- a) Dept. A and B are sales departments located at showroom and Dept. C is a production department.
  - b) Apportion salaries and wages at 25% to factory and 75% to showroom.
  - c) Showroom salaries and wages are to be divided in 1 : 2 ratio between A and B departments.
  - d) Rent of factory is Rs. 500 per month, rent of showroom is apportioned equally between A and B departments.
  - e) Sundry expenses are apportioned in the sales ratio of the departments.
- Prepare departmental trading and profit and loss account.

11. Ranga and Co. acquired a lease of a mine at a minimum rent of Rs. 10,000 p.a. The royalty was fixed at 50 paise per ton. Shortworkings could be recovered within 3 years following the year in which the deficit occurs. If there is stoppage of production due to a strike in any year, the minimum rent would be proportionately reduced in regard to the length of the stoppage.

Year	2010	2011	2012	2013	2014
Output (tons)	8,000	12,500	21,500	26,000	17,000

During 2014, there was strike lasting for 3 months. Prepare Royalty A/c, Shortworking A/c and Landlord's A/c in the books of Ranga and Co.

12. Raj Ltd. issued 1500000 shares of Rs. 10 each. 30% of the issue was reserved for promoters and remaining 70% was offered to the public. Madhu, Saroj and Gopal have come forward to underwrite the issue in the ratio of 3 : 1 : 1 and also agreed for firm underwriting of 30000, 20000 and 10000 shares respectively. The underwriting commission was fixed at 4%. The details of subscription are :  
Marked forms of Madhu 550000 shares, Saroj 200000 shares and Gopal 150000 shares. Unmarked forms 50000 shares.
- Calculate underwriter's liability and pass the journal entries.



SECTION – C

Answer any two questions :

(2×24=48)

13. Mangala Ltd. has its independent branch at Virajpete. The following are the balances appearing in the books of the Head Office and the branch as on 31<sup>st</sup> March, 2016.

Debit	Head Office	Branch	Credit	Head Office	Branch
	Rs.	Rs.		Rs.	Rs.
Cash in hand	10,000	2,000	Share capital	2,00,000	-
Opening stock	50,000	30,000	Discount	2,000	1,000
Salaries	30,000	10,000	Sales	4,50,000	1,50,000
Wages	1,30,000	50,000	Creditors	30,000	5,000
General expenses	20,000	5,000	Purchase returns	5,000	1,000
Purchases	1,50,000	80,000	Head Office A/c	-	54,000
Goods received from Head Office	-	15,000	Goods sent to Branch	15,000	-
Rent	8,000	4,000			
Branch A/c	54,000	-			
Debtors	40,000	15,000			
Plant – Head Office	1,57,000				
– Branch	53,000				
	<b>7,02,000</b>	<b>2,11,000</b>		<b>7,02,000</b>	<b>2,11,000</b>

Closing stock : Head Office Rs. 40,000, branch Rs. 30,000.

Depreciation on plant : Head office Rs. 31,050, Branch Rs. 10,450.

Rent outstanding : Branch Rs. 500.

From the above prepare columnar trading and profit and loss account of Mangala Ltd. and its branch and a consolidated balance sheet. Give journal entries to incorporate branch items in the books of the H.O.



14. From the following trial balance of Ujala Departmental Stores, prepare columnar trading account and general profit and loss account and consolidated balance sheet as on 31<sup>st</sup> March, 2016.

Particulars		Debit Rs.	Credit Rs.
Capital		—	3,00,000
Land and building		2,25,000	—
Furniture		35,000	—
Opening stock :	Dept. A	1,20,000	—
	Dept. B	2,40,000	—
Drawings		2,80,000	—
Purchases and sales :	Dept. A	12,00,000	20,00,000
	Dept. B	17,00,000	32,00,000
General expenses		14,00,000	—
Debtors and creditors		2,10,000	1,00,000
Bank		1,90,000	—
		<b>56,00,000</b>	<b>56,00,000</b>

**Additional information :**

- 1) Closing stock of Dept. A is Rs. 1,30,000 which includes goods purchased from department B at an invoice price of Rs. 50,000.
- 2) Closing stock of Dept. B is Rs. 2,60,000 which includes goods purchased from department A at an invoice price of Rs. 1,08,000.
- 3) Sales of Dept. A and Dept. B includes goods transferred to the other department at Rs. 2,00,000 and Rs. 3,00,000 respectively.
- 4) Depreciation is to be provided on land and building @ 5% p.a. and on furniture @ 10% p.a.



15. On 1-1-2014 Charaka Ltd. issued a license to Anand Ltd. for the manufacture and sale of herbal product for a royalty of Rs. 5 per tin sold, subject to a minimum rent of Rs. 37,500 p.a. with a right to recoup deficit within 2 subsequent years only. On the same day a sub-license to Rohit Ltd. is issued by Anand Ltd., providing for a royalty of Rs. 6 per tin of herbal product manufactured subject to a minimum rent of Rs. 16,000 p.a., with a right to recoup short working in the following year only. Following details are available.

Year	Tins sold (Anand)	Tins sold (Rohit)	Closing stock (Rohit)
2014	4500	1000	200
2015	6000	2700	500
2016	5800	2050	100

Write up necessary ledger accounts (without Min. Rent A/c) in the books of Anand Ltd.

16. Bhagya Ltd. has a branch at Konaje to which the goods are supplied at invoice price being cost plus 25%. From the following information prepare Branch Stock A/c, Branch Debtors A/c, Branch Expenses A/c and Branch Adjustment A/c, Branch P/L A/c, Goods sent to Branch A/c and Branch Cash A/c in the books of Bhagya Ltd.

	Rs.		Rs.
Branch stock on 1-4-2016 (invoice price)	10,000	Cash sales	27,000
Branch debtors on 1-4-2016	8,000	Credit sales	20,000
Goods sent to Konaje (cost price)	40,000	Cash from debtors	14,400
Surplus in branch stock (invoice price)	500	Discount allowed	600
Branch expenses paid by HO	1,000	Goods returned by debtors	4,000
Cash remitted by branch to HO	40,000	Goods returned by branch	2,500
Expenses paid by the branch	1,400		