

B. COM
Second Semester
Financial Accounting –II
(BCM- 08)

Duration: 3Hrs.

Full Marks: 70

PART A (Objective) =20
PART-B (Descriptive)=50

PART-B (Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

1. Answer the following questions (any five)

2×5=10

- Give any two objectives of branch accounting.
- State two features of goodwill.
- Write down the important points regarding preparation of branch account under final account system.
- Bring out two important decisions of Garner Vs Murray.
- What do you mean by joint venture?
- What is consignment?
- What is inter-departmental transfer?

2. Give the answers of the following question (any five)

3×5=15

- Give three distinctions between departmental account and branch account
- Write down the orders of payment under piecemeal distribution system.
- What is an Account Sales?
- How the following indirect expenses are distributed amongst different departments
Rent, iv. Advertisement
Insurance premium v. Depreciation
Lighting vi. Managing director's remuneration

e) A limited agreed to purchase business of a sole trader. For that purpose goodwill is to be valued at 3 years purchase of the average profit of last 3 years:

Profits for these years are:

1997- Rs. 40,000; 1998- Rs. 45,000; 1999- Rs. 36,000; 2000- Rs. 46,000;
2001- Rs. 50000.

f) What are the systems of accounting in branch accounts? Explain.

g) Explain the modes in which a partnership firm will dissolve.

3. Answer the following questions (any five)

5×5=25

a) What is goodwill? Explain different methods of valuation of goodwill.

b) From the following particulars relating to Delhi branch for the year ending 31st

March 2012, prepare branch account in the books of head office:

Balances as on 1-4-2011	
Stock at branch	15000
Debtors at the branch	30000
Petty cash at branch	300
Goods sent to branch during the year	252000
Remittance from the branch	
For cash sale	60000
Received from debtors	210000

	270000
Goods returned by the branch	2000
Credit sales during the year	228000
Cheques sent to branch	
For salaries	9000
For rent & taxes	1500
For petty cash	1100

	11600
Balances as on 31 st march	
Stock at branch	25000
Petty cash	200
Debtors	48000

- c) Mr. Hari of Guwahati consigned 100 tape-recorders to Mr. Bora of Majuli. The cost of each tape-recorder was Rs. 500. The consignors paid insurance Rs.500 freight Rs.800. Account sales were received from Mr. Bora showing gross sale proceeds of 80 units at Rs.600 each. The expenses paid and deducted by them were:

Carriage Rs.20; establishment expenses Rs.130 and commission @ 5% Rs.2,400.
Show Consignment to Majuli A/c in the books of Mr. Hari.

- d) The following was the balance sheet as on 31st July 2001 of the firm of Arun and Aditya who were sharing profits and losses in the ratio of 3:2.

Liabilities	Amount	Assets	amount
Creditors	97,500	Land & building	30,000
Capitals		Motor Vehicle	18,300
Arun	77,500	Stock	72,800
Aditya	58,000	Debtors	90,750
General Reserve	12,500	Cash	33,650
	2,45,500		2,45,500

The partners decided to dissolve the firm on and from the date of balance sheet. Motor vehicles and stocks were sold for cash at Rs. 16,950 and Rs. 77,600 respectively. All debtors account was realized in full. Aditya took over Land and Building at an agreed valuation of Rs. 43,500. Creditors were paid off subject to a discount of Rs. 1,700. Expenses of realization were Rs. 1,250.
Prepare and close Realization Account.

PTO

e) The following balances as at 31.12.2000 have been extracted from the books of Sri Ram & Co which has two departments

Particulars	Department A	Department B
Opening stock as on 1.1.2000	25000	20000
Purchases	2,30,000	1,90,000
Purchases Return	2000	1000
Sales	6,33,000	4,92,000
Sales Return	3000	2000
Wages	1,80,000	1,60,000
Miscellaneous charges	35,000	32,000

General

Sundry debtors----Rs. 1, 90,000; Sundry Creditors ----Rs. 1, 73,000; Plant & Machinery-----Rs. 2,40,000; Leasehold----Rs. 80,000; Building----Rs. 1,20,000; Furniture & fitting---Rs. 48,000; office and selling Expenses----Rs. 1,28,000; cash in hand on 31.12.2000----Rs. 80000; cash at Bank on 31.12.2000----Rs. 1,10,000; Capital ----Rs. 5,00,000.

Plant & Machinery is to depreciated by 10%; Building by 2%; Furniture and fittings by 5%; leasehold are to be written by Rs. 8000. The stock as on 31.12.2000; Department A---Rs. 26000; Department B---Rs. 24,000.

All unallocated expenditure to be apportioned in the ratio of the net sales of each department. Prepare the trading and profit and loss account of the two departments as on 31.12.2000.

- f) What is partnership? Distinguish between joint venture and partnership.
 g) What is purchase consideration? Explain different methods of determination of purchase consideration.

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Duration: 20 minutes

Marks – 20

PART-A (Objective)

Time: 20 mins

Total Marks: 20

I. Choose the correct options:

1×20=20

1. Under debtors system, the branch account is
 - a. Nominal account
 - b. Real account
 - c. Capital account
 - d. None of the above

2. Goods sent by branch x to branch y, will be debited to
 - a. Branch Y
 - b. Branch X
 - c. Goods sent to branch
 - d. None of the above

3. The goodwill of a business is to be valued at 3 years' purchase of the average profits of the last three years. The profits of the last three years are Rs. 5,000, Rs. 6,000 and Rs. 7,000 respectively. Hence, the goodwill will be valued at
 - a. Rs. 18,000
 - b. Rs. 12,000
 - c. Rs. 15,000.
 - d. None of the above

4. If the super-profits of a business are Rs. 6,000 and the normal rate of profit is 10%, then the amount of goodwill as per the capitalization method will be
 - a. Rs. 60,000
 - b. Rs. 600
 - c. Rs.30000
 - d. None of the above

5. Branch Adjustment Account is prepared:
 - a. By Dependent Branch
 - b. By H.O. of the dependent Branch
 - c. By H.O. of Independent Branch
 - d. none of the above

6. Branch account under debtor system is:
 - a. Real account
 - b. Personal account
 - c. Nominal Account
 - d. None of these

7. The amount of goodwill is paid by the new partner:

- a. For getting shares in future profits
- b. For paying entry fees
- c. For paying capital
- d. For getting right over assets

8. Rent and rates are apportioned to different departments on the basis of

- a. Floor area occupied
- b. Number of workers
- c. Sales of each department
- d. Value of the assets occupied

9. The cash and credit sales of a branch are Rs, 5,000 and Rs. 10,000 respectively. The amount collected from debtors is Rs. 10,000. Under debtors system the amount credited to branch will be

- a. Rs. 20000
- b. Rs. 15000
- c. Rs. 25000
- d. Rs. 10000

10. Goods are sent to the branch at 20% margin on selling price. When branch stock discloses a surplus of Rs. 2,000 the amount to be credited to branch adjustment account (above the line) will be

- a. Rs. 2000
- b. Rs.400
- c. Rs.333
- d. Rs. 1600

11. In the case of consignment sales revenue is to be recognized on

- a. Preparation of pro forma invoice by the consignor
- b. Receipt of goods by consignee
- c. Receipt of goods by consignor
- d. Sale of goods to third party

12. Cash remitted by branch but not received by the H.O is debited by the H.O to

- a. Cash in transit
- b. Goods in transit
- c. Cash account
- d. Bank Account

13. On dissolution of a firm cash in hand is transferred to

- a. Realization account
- b. Capital account
- c. Cash account
- d. Creditors account

14. On dissolution of a partnership the realization account is debited with

- a. All the liabilities of the firm
- b. Cash received from the sale of the asset
- c. Any assets taken over by one of the partners
- d. All assets to be realized.

15. In the event of dissolution of a firm the partners assets are first used for payment of the

- a. Personal liabilities
- b. Firms liabilities
- c. External liabilities
- d. None of these

16. The absence of any contract to the contrary capital profits on dissolution of a partnership firm is credited to the partners

- a. In capital ratio
- b. In profit sharing ratio
- c. Equally
- d. In gaining ratio

17. Pro-forma invoice is prepared by:

- a. Consignor
- b. Customer
- c. Consignee
- d. None of these

18. Realization Account is a

- a. Real Account
- b. Nominal Account
- c. Personal Account
- d. None of these

19. Any amount to be written off after the admission of a partner is transferred to the capital account of all partners in

- a. Their Capital Ratio
- b. New profit Ratio
- c. Old Profit Ratio
- d. None of these

20. In the case of retirement of a partner, goodwill at its full value is credited to the account/ accounts of

- a. Only retiring partner's
- b. All partners
- c. Only remaining partners
- d. None of these
