

**Avinashilingam Institute for Home Science and Higher Education for Women  
[Deemed to be University] Coimbatore-641 043**

**Bachelor's Degree Examination – November 2018  
III Semester**

**Class : II UG  
Major : Commerce/B.Com(CA)**

**Time: 3 hours  
Max. Marks: 100**

**15BCOC10/15BCCC10 Financial Accounting - III**

**Part-A  
Choose the correct answer**

**10 x 1=10**

1. An agreement of hiring with the option to buy is referred to as
  - a. installment system
  - b. credit system
  - c. hire purchase system
  - d. cash system
2. The advance amount under hire purchase system is called as
  - a. cash price
  - b. retail price
  - c. interest
  - d. down payment
3. Branch which does not maintain its own set of books is called
  - a. dependent branch
  - b. independent branch
  - c. foreign branch
  - d. local branch
4. Under stock and debtors system of branch account, branch adjustment account is opened when goods sent to branch is at
  - a. cost price
  - b. invoice price
  - c. selling price
  - d. purchase price
5. Building expenses should be divided among the different departments according to
  - a. sales made by each department
  - b. purchase ratio
  - c. space occupied by each department
  - d. value of machineries
6. The departmental accounting enables a business firm to maximize
  - a. profit
  - b. losses
  - c. cash
  - d. assets
7. Fire insurance provides cover for
  - a. intangible assets
  - b. tangible assets
  - c. fictitious assets
  - d. current assets
8. The loss of profit policy covers loss of profit due to
  - a. loss of sales
  - b. non-recovery of standing charges
  - c. loss of sales as well as loss of insured standing charges
  - d. loss of short sales
9. The excess of minimum rent over royalty payable is known as
  - a. royalty
  - b. loss
  - c. short workings
  - d. profit
10. Irrevocable short workings are transferred to
  - a. trading account
  - b. Profit & Loss account
  - c. asset side of balance sheet
  - d. liabilities side of balance sheet

**Part B**

**5X6=30**

**Answer the following**

**Answer should not exceed 400 words or two pages**

- 11.a. On 01.01.2016, X purchased a machinery on hire purchase system. The payment is to be made Rs.4,000 down (on signing of the contract) and Rs.4,000 annually for three years. The cash price of the machinery is Rs.14,900 and the rate of interest is 5%. Calculate the interest in each year's instalment .

(or)
- 11.b. X purchased a machine under hire purchase system. According to the terms of the agreement, Rs.40,000 was to be paid on signing of the contract. The balance was to be paid in four annual instalments of Rs.25,000 each plus interest. The cash price was Rs.1,40,000. Interest is chargeable on outstanding balance at 20% per annum. Calculate interest for each year and the instalment amount.

12.a. From the following particulars relating to Hyderabad branch for the year ended 31.12.2016 prepare branch account in the head office books:

	Rs.	Rs.
Stock at the branch on 01.01.2016		15,000
Debtors at the branch on 01.01.2016		30,000
Petty cash at the branch on 01.01.2016		300
Goods sent to branch during 2016		2,52,000
Cash sales during the year		60,000
Cash received from debtors during the year		2,10,000
Cheques sent to branch during the year		
For Salaries	9,000	
For Rent & Rates	1,500	
For Petty cash	1,100	11,600
Stock at the branch on 31.12.2016		25,000
Petty cash at the branch on 31.12.2016		200
Goods returned by the branch		2,000
Debtors at the branch on 31.12.2016		48,000

(or)

12.b. The following information relates to Madurai branch:

	Rs.	Rs.
Stock on 01.01.2016		11,200
Branch debtors on 01.01.2016		6,300
Goods sent to branch		51,000
Cash sent to branch for:		
Rent	1,500	
Salaries	3,000	
Petty cash	500	5,000
Sales at branch:		
Cash	25,000	
Credit	39,000	64,000
Cash received from debtors		41,200
Stock on 31.12.2016		13,600

Prepare Branch account for the year 2016.

13.a. Explain the objectives of Departmental accounts.

(or)

13.b. From the following details, prepare departmental trading account:

	Department A Rs.	Department B Rs.
Opening stock	9,000	8,400
Total Purchases	27,000	21,600
Total Sales	42,000	36,000
Closing Stock	10,800	4,800
Credit Purchases	17,000	10,600
Credit sales	5,000	6,000

14.a. A fire occurred at the premises of a trader on 31.05.2016 destroying a great part of his goods. His stock at 01.01.2016 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 purchases amounted to Rs.1,03,500. Prepare a statement of claim.

(or)

14. b. Calculate insurance claim from the following facts assuming that the insurers met their liability 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.

15.a. What do you mean by recoupment of short workings? How is short workings recouped?

(or)

15.b. On 01.01.2014, Rama collieries Ltd., leased a piece of land agreeing to pay a minimum rent of Rs.2,000 in the first year, Rs.4,000 in the second year and thereafter Rs.6,000 per annum, merging into a royalty of 40 paise per tonne, with power to recoup short workings over the first three years only. The figures of annual output for the four years to 31<sup>st</sup> December 2017 were 1,000; 10,000; 18,000 and 20,000 tonnes respectively. Record these transactions in the ledger of the company.

**Answer the following**  
**Answer should not exceed 800 words or four pages**

- 16.a. On 1<sup>st</sup> January 2016, Baba & Co. purchased a machine on hire purchase basis, the total amount payable being Rs.42,700. Payment was to be made Rs.12,000 on that date and balance in three half-yearly instalments of Rs.11,400, Rs.10,900 and Rs.8,400 commencing from 30<sup>th</sup> June 2016. The vendor charged interest @10% p.a., calculated on half-yearly rests. Baba & Co. close their books annually on 30<sup>th</sup> June and provide depreciation @ 10% p.a. on reducing balance method. Determine the cash price of the machine and show the relevant accounts in the books of Baba & Co.

(or)

- 16.b. Malan purchased a machine on hire purchase system on 1<sup>st</sup> January 2016. The terms of payment are four annual instalments of Rs.12,690 at the end of each year. Interest is charged @ 5% and is included in the annual payment of Rs.12,690. Show machinery account and Hire Vendor account in the books of Malan who defaulted in the payment of the third year payment where upon the vendor reprocessed the machinery. Malan provides depreciation on the machinery @ 10% p.a. on reducing balance method.
- 17.a. A firm is having its Head office at Delhi and Branch at Chandigarh. Following are the transactions of the head office with branch for the year ended 31<sup>st</sup> December 2016.

	Rs.		Rs.
Petty cash at branch on 01.01.2016	12,500	Cheque sent to branch for : Establishment expenses	2,50,000
		Petty cash	75,000
Stock at branch on 01.01.2016	7,50,000	Salary outstanding on 31.12.2016	25,000
Furniture at branch on 01.01.2016	4,50,000	Petty expenses incurred by branch	67,500
Goods supplied to branch during the year	37,75,000	Stock at branch on 31.12.2016	10,00,000
Goods returned by branch	25,000		
Cash sales at branch	52,50,000		

Depreciate Furniture @10% per annum. Prepare branch account after passing necessary journal entries and also show the relevant items of the Branch in the Balance Sheet in the books of the Head Office.

(or)

- 17.b.M/s. Bharat Enterprise Ltd. Invoices goods to their various branches at cost, and the branches sell on credit as well as for cash. From the following details relating to Bengaluru Branch, prepare necessary accounts in the books of head office:

	Rs.		Rs.
Stock on 1 <sup>st</sup> January, 2016	15,000	Allowances to customers	300
Stock on 31 <sup>st</sup> December 2016	14,000	Returns from customers	600
Debtors on 1 <sup>st</sup> January 2016	25,000	Bad debts written off	500
Debtors on 31 <sup>st</sup> December 2016	35,000	Discount allowed to customers	2,000
Cash at branch on 1 <sup>st</sup> January 2016	500	Remittance from branch	70,000
Cash sent to branch	1,500	Rent & Taxes	1,500
Goods sent to Branch	50,000	Salaries	5,000
Goods returned by branch	500	General trade charges	1,500
Cash sales	32,000	Normal loss of goods due to wastage	1,000
Credit sales	58,000	Abnormal loss of goods due to pilferage	2,000

- 18.a. What are departmental accounts? Explain the basis of allocation of expenses over various departments.

(or)

- 18.b. From the following information, prepare departmental trading and profit and loss account in a columnar form of the three departments of Sharma Dry Cleaners Ltd.

	Dry Cleaning Rs.	Darning Rs.	Dyeing Rs.
Stock on 1 <sup>st</sup> January 2016	4,00,000	3,40,000	9,40,000
Stock on 31 <sup>st</sup> December 2016	3,30,000	4,38,000	8,17,000
Purchases	19,59,000	6,97,000	13,73,000
Sales	40,00,000	20,00,000	40,00,000
Wages	7,28,000	3,00,000	2,46,000

