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**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU-27**

B.Com. –II SEMESTER

SEMESTER EXAMINATION- APRIL 2017

BC 2116 - Financial Accounting - II

**Time: 2 1/2 hrs                                                                   Maximum marks: 70**

**This paper contains five printed pages and four parts**

**Section A**

I Answer ***any five*** from the following: **(5x2=10)**

1. What is dead rent?
2. What is Average Clause? How is it calculated?
3. The Mysore Branch sent Rs.200000 as its remittance to the head office, on 30.3.16, but the amount was received at the head office on 3.4.16. Pass Journal entry in the book of head office.
4. What is meant by dependant and independent branches?
5. What is fixed recoupment and floating recoupment?
6. What is inherent goodwill?
7. Value of stock on June 30, 2016 as per the Memorandum Trading Account Rs.86000, Salvage related expenses Rs.10000 and goods salvaged Rs.15000. Calculate the amount of claim from insurer.
8. What is discounted cash flow approach of valuation of shares?

**Section B**

II Answer ***any three*** from the following: **(3x5=15)**

1. Pass journal entires for the following transactions in the books of the Head Office. The books are closed on 31st December 2016.

* Goods sent by Head Office on 25/12/16 worth Rs. 1600 to its Hubli Branch not received by the branch upto 31/12/16
* Goods sent by Hassan Branch to Hubli Branch for Rs. 3000 yet to be recorded.
* Hubli Branch paid Rs. 12000 for a machine purchased by the head office for use of the head office.
* Provide depreciation at 10% on furniture when the branch furniture account is maintained in the head office books. Book value of furniture Rs. 35000.
* Hassan branch paid Rs.1000 divided to a local shareholder on behalf of the head office
* The Hubli branch collected Rs. 4000 from a customer of head office

1. A fire broke out in the premises of a merchant on 30.9.2014. He desires to file a claim with the insurance company for loss of stock and gives you the following information from which you are required to prepare a statement of claim. The final accounts of the merchant were prepared on 31.12.13

* Sundry creditors on 31.12.13 were Rs.25000
* Sundry creditors on 30.9.14 were Rs.20000
* Cash paid to creditors [1.1.14 to 30.9.14] amounted to Rs.130000
* Stock on 31.12.13 Rs.15000
* Sales from 1.1.14 to 30.9.14 amounted to Rs.134000
* Normal rate of gross profit on sales was 20% and salvage was Rs.2800

1. Gk VK Ltd took a mine lease from a landlord for a period of 10 years from 1.1.2010 on a royalty of Rs.5 per ton of coal raised with a dead rent of Rs.20000 and power to recoup shortworking during the first four years of the lease

The annual output was as follows

Year Output (Tons)

2010 2000

2011 3000

2012 4000

2013 4500

2014 5000

Prepare Analytical Table and Dead Rent Account

1. Rajesh Bros. operate the retail branch at Bengaluru. All purchases made by the head office at Mumbai goods being changed out to the branch at cost price. All cash received by branch is remitted to Mumbai.

Branch petty expenses are paid out of an imprest which is reimbursed by the head office from time to time.

From the following particulars relating to Bangalore Branch you are required to prepare Branch A/c in the books of Head office and ascertain profit

|  |  |
| --- | --- |
| On 1.1.16   * Stock at cost Rs.8000 * Petty cash Rs.800 * Plant Rs.10000, | Sale of Plant on 1.1.16 Rs.800  (Book value of plant on the date of sale Rs.900) |
| Goods sent to Branch Rs.50000 | Expenses paid by the Head Office Rs.5000 |
| Petty expenses paid by the branch out of imprest Rs.700 | On 31.12.16  Stock at cost Rs.7000 |
| Cash sales during the year Rs.70000 |  |

It is required to write off the plant @20% p.a.

1. Following information are obtained from the books of Sunrise Company Ltd. As on 31.3.16

|  |  |
| --- | --- |
| Particulars | Amount |
| Capital   * 10000 Equity Shares of Rs.10 each fully paid up * 10000 Equity Shares of Rs.10 each, Rs.7.50 per share called and paid up * 10000 Equity Shares of Rs.10 each, Rs.5 per share called and paid up | 100000  75000  50000 |
| General Reserve | 135000 |
| Liabilities to sundry parties | 55000 |
| Fixed assets less depreciation | 167000 |
| Commission on issue of shares | 6000 |
| Preliminary expenses | 9000 |
| Floating Assets | 233000 |

It is estimated that the normal average profit less tax of the company will be maintained at Rs.36000, and the expected rate of for capitalization purpose is 8%. Calculate the values of each type of share by the assets backing method and also by earning capacity method.

**Section C**

III Answer ***any three*** from the following: **(3x10=30)**

1. There was a fire on the premises of M/S Resistat Enterprises on October 25 2012. The following information is made available to you, from the books of accounts which was saved

|  |  |
| --- | --- |
| Particulars | Amount |
| Stock on April 1, 2011 | 900000 |
| Purchases less returns up to March 31, 2012 | 1200000 |
| Sales less returns up to March 31, 2012 | 1000000 |
| Stock on March 31, 2012 | 1365000 |
| Purchases less return from April 1, 2012 to October 25, 2012 | 750000 |
| Sales less returns from April 1, 2012 to October 25, 2012 | 804800 |

The stock of March 31 2012, included certain items originally costing Rs.10000/- but considered slow moving and valued at 50% of its original cost. Rs. 8000 of such stock was sold during October 2012 at 60% of its original cost. Value of goods salvaged Rs.327000

Calculate the amount of claims to be lodged with the insurance company.

1. The Balance sheet of Acme Ltd as on 31.3.16

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| Capital  General reserve  Surplus A/c  Current liabilities | 1000000  400000  200000  200000 | Fixed assets  Investments (6% Govt. Loan)  Current assets | 800000  200000  800000 |
|  | 1800000 |  | 1800000 |

Net profit after taxation 2014: Rs.260000, 2015: Rs.250000, 2016: Rs.300000

The goodwill may be taken as 4 years purchase of average super profits. Normal return on average capital employed is 15%. The current assets are to be taken at Rs.840000. Ascertain the value of goodwill.

1. A shoe manufacturing company of Kanpur has a branch at Delhi. Goods are invoiced to the branch at 25% profit on invoice price, the branch having been instructed to send all cash daily to the head office. All expenses are paid by the head office except petty expenses which are met by the branch manager. From the following particulars you are required to draw up branch account as it would appear in the books of the Head Office.

|  |  |  |  |
| --- | --- | --- | --- |
| Stock on 1.4.2013 (invoice price)  Sundry debtors on 1.4.2013  Cash in hand on 1.4.2013  Office furniture on 1.4.2013 | 30000  18000  800  2400 | Expenses paid by Head Office  Rent  Salary  Stationery and printing | 2400  4800  600 |
| Goods supplied by the head office at invoice price | 160000 | Petty expenses paid by Branch Manager | 560 |
| Good returned to head office (invoice price) | 2000 | Discount allowed to debtors | 600 |
| Cash received from debtors | 60000 | Goods returned by Debtors | 960 |
| Cash sales | 100000 | Stock on 31/3/2014 at cost(excluding stock received from debtors) | 22400 |

Provide depreciation on furniture at 10% p.a.

1. Given below is a list of balances taken from the books of Wye Co. Ltd. As on 31.3.16

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| 1000 8% Preference shares of Rs.100 each fully paid  2000 Equity shares of Rs.100 each fully paid  General reserve  Surplus Account  Creditors | 100000  200000  100000  40000  100000 | Building 155000  *Less* Depreciation25000  Machinery 160000  *Less* Depreciation40000  Furniture 25000  *Less* Depreciation5000  Investments in 6% Govt.Securities (FV Rs.100000)  Stock  Debtors 65000  *Less* RBD 5000  Cash and bank balance | 130000  120000  20000  90000  100000  60000  20000 |
|  | 540000 |  | 540000 |

You are given the following information

1. The present value of building is Rs.180000 and that of machinery is Rs.80000
2. Companies doing similar business show profit earning capacity of 10% on market value of their shares
3. The average annual profit after 50% tax of last three years is Rs.48000
4. The company has held 6% Govt. Securities for last 3 years and the interest on the Govt. securities is liable to tax
5. Goodwill of the company is to be taken at 5 years purchase of super profits
6. It is considered necessary to transfer Rs.10000 to General reserve before declaring any dividend

Calculate the Fair value of shares of the company.

1. Hindusthan Ltd. Had patented a quick-boiling kettle and gave the Domestic Appliance Company the right to manufacture and sell under a licence for seven years. The stipulated terms were as follows:
2. A royalty of Rs.8 to be paid on each kettle sold
3. A minimum payment of Rs.40000 per annum
4. The right to deduct in two following years any excess of the minimum rent over the calculated royalties in any years

The number of kettles sold was

31.3.2013 4000

31.3.2014 4500

31.3.2015 5400

31.3.2016 6500

Pass Journal entries for four years for the above transactions in the books of Hindusthan Ltd.

**Section D**

IV. Compulsory Question **(1x15=15)**

1. Mr. Henry wrote a book and got it published with Macmillan publishers on the terms that royalties will be paid @Rs.5 per copy sold subject to a minimum rent of Rs.15000 with a right of recoupment of short working over the first three years of the royalty agreement. From the following details prepare minimum rent a/c, royalty’s a/c, short working a/c and Mr. Henry a/c

|  |  |  |
| --- | --- | --- |
| Year | No. of Copies Printed | Closing Stock |
| 2000 | 2000 | 100 |
| 2001 | 3000 | 200 |
| 2002 | 4000 | 400 |
| 2003 | 5000 | 500 |