PAPER – 5
FINANCIAL ACCOUNTING

TEST PAPER – I/5/FAC/2008/T-2

Time Allowed: 3 Hours Full Marks: 100

Answer Q.No.1 and any four Questions from the rest

Q1) Fill in the blanks:

i) Under stock and debtors system branch profit is ascertained by opening ……… account.
ii) Under debtors systems branch account is a ……….. account.
iii) In case of amalgamation of partnership firms, any profit and loss on revaluation is transferred to ………… accounts in the …….. ratio.
iv) The liabilities taken over by the new firm in amalgamation are …….. to the new firm account.
v) When the firm sells the business as a going concern cash balance is transferred to ……… account.
vi) The purchasing company records the assets and liabilities taken over at ……. Value.
vii) The excess of net worth acquired by the company from a firm over the purchase price is ……… to ………… account.
viii) Under stock and debtors system branch profit is ascertained by opening …….. account.
ix) When an asset account of the branch is maintained in the head office, the entry for depreciation is made by debiting ……. account and crediting ……… account.
x) When goods are sent from P branch to Q branch , q branch debits …….. account and credits ……. account.

Q2) Tuhin carries on business at Surat and makes up his annual accounts on 31st March. In 2005 he opened a branch at Mumbai and on 30th September, 2005, Kumar joined him in partnership having the charge of the branch which was opened on that date and introduced Rs. 2,500 cash as his capital.
As regards the branch it was agreed that: (1) Kumar should obtain from Surat all supplies of goods, (2) such goods should be invoices proforma at the fixed branch selling price of cost plus 25 per cent, (3)all sales should be for cash, which was to be banked intact for credit of Surat, (4) for a period of five years the branch profits should go and belong exclusively to Kumar, the Surat profits being retained by Tuhin as heretofore and (5) the whole of the book-keeping work should be dealt at Surat.

On 31st March, 2006 the following balances appeared in the firm's Books:

Dr.(Rs)				Cr.(Rs)
Purchases		19,410	Sales	19,720
Branch goods account		6,225	Branch sales account	5,450
Stock-1st January, 1995		4,700	Goods sent to branch	4,980
Salaries-Head office		1,740	Branch adjustment account	1,245
Salaries-branch		371	Proceeds-head office stock fire	
Bad debs		14	Claim	220
Rates and taxes		466	Discounts received	280
Rates and taxes(Branch)		280	Rent received by the branch	52
Repairs and renewals		172	Provision for property repairs	500
Repairs and Renewals(branch)		75	Tuhin's capital	12,500
General expenses		260	Kumar's capital	2,500
General expenses(branch)		43	Tuhin's current account	50
Premises		8,910	Creditors	2,222
Motor vans		480		
Fixtures		1,500		
Fixtures(branch)		280		
Drawings:Tuhin	2,300			
Kumar	312	2,612		
Debtors		320		
Bank		1,811		
Cash float		50		
Total		49,719		49,719

Stocks on 31st March, 2006 were-Head office (Surat) cost Rs. 4,120. Branch (Mumbai) at selling price Rs. 770. Provide 5% for doubtful debts. Depreciate fixtures 5% p.a. and motor van 25%. The provision for property repairs to be retained. Prepare trading profit and loss account for the year ended 31st March, 2006 in columnar form and a balance sheet as on that date

Q3) Kalis, Esant, Pollock were in partnership sharing profits and losses in 2:2:1 ratio.

The partnership balance sheet as on March, 31, 2007 was as follows:

Particulars	Rs	Rs	Rs
Fixed assets:			
Plant, machinery, fixtures and fittings			80,000
Motor vehicles			20,000
			100,000
Current assets:			
Stock		28,000	
Debtors		60,000	
Cash in hand		1,500	
		89,500	
Less:Current liabilities:			
Creditors	40000		
Bank Overdraft	24000	64,000	25,500
			125,500

Represented by:			
Fixed capital accounts:			
Kalis		50,000	
Esant		30,000	
Pollock		20,000	100,000
Current accounts:			
Kalis		5,000	
Esant		15,000	
Pollock(Dr)		(4,500)	15,500
Loan account-Butcher			10,000
			125,500

The three Partners, who wish to retire from the business, had agreed to accept an offer from Nishant Ltd. to acquire assets of their business for Rs. 1,30,000 with the exception of the debtors, the cash balance and the motor vehicles.
The consideration was to be satisfied as follows: (i) 3000 10% preference shares of Rs. 10 each valued at par and (ii) 9000 equity shares of Rs. 5 each valued at Rs. 10 each and the balance in cash.
The debtors realized Rs. 42,000 and the creditors were settled at Rs. 39,000. The partners agreed that the basis of distribution on the dissolution of partnership was to be follows: (1) Esant to take over the motor vehicle retained by the partnership at a value of Rs. 14,000. (2) The loan from Butcher to be taken over by Kalis.(3) the equity shares to be allotted in proportion to fixed capital accounts.(4) The preference shares to be allotted in profit-sharing ratio. (5) The balance due to or from the partners to be settled in cash.

You are required to prepare: (a) A realization account, (b) a cash account, and (c) the partners' capital and current accounts in the books of the Firm and Journal entries in the books of Nishant Ltd.

Q4) Rabi and Sashi started a partnership business in 2003 sharing profits and losses as 5:4. After the accounts for the calendar year 2006 were made up and their proportionate shares were taken note of in their individual accounts, they decide to share profits and losses equally retrospectively from 1.1.2003. It was discovered that in ascertaining the results in prior year certain adjustments, details of which are given below, had not been considered:

	2003	2004	2005	2006
	Rs.	Rs.	Rs.	Rs.
Profits as per prepared Accounts	24,000	26,000	30,000	36,000
Outstanding expenses at The close of year	3,000	2,000	3,600	2,000
Accrued incomes not Taken into account	1,800	1,500	1,200	2,100

On 31st December 2005 reserves should at Rs. 18,000. Capital of Rabi and Sashi were Rs. 42,000 and Rs. 32,000 respectively as on 31st December 2006.

On 1st January 2007, Nitish was decided to be admitted as a partner and was allotted 1/5th share. Goodwill was decided to be ascertained by capitalizing @ 20% the average profits of the immediately two preceding years, before admission. Nitish would bring in proportionate capital. Capitals of Rabi and Sashi are to be equal, the differences to be adjusted in their current accounts.

Profits of 2007 were Rs. 42,000; Drawings of Rabi, Sashi and Nisith for the year were Rs. 18,000, Rs. 16,000 and Rs. 6,000 respectively.
Prepare capital and current accounts of the partners for 2007

Q5) ST & Co. Ltd**.** has a branch at New York. It's Trial Balance as at 30th September 2007 as follows:

Particulars	Dr (USD)	Cr (USD)
Plant and machinery	1,20,000	
Furniture and fixes	8,000	
Stock, Oct 1-2006	56,000	
Purchases	240,000	
Sales		416,000
Goods from India Co. (H.O)	80,000	
Wages	2,000	
Carriage inward	1,000	
Salaries	6,000	
Rent, rates and taxes	2,000	
Insurance	1,000	
Trade expenses	1,000	
Head office a/c	-	114,000
Trade debtors	24,000	
Trade creditors		17,000
Cash at bank	5,000	
Cash in hand	1,000	
	547,000	547,000

The following information is given:

(1) Wages outstanding- USD 1,000
(2) Depreciate Plant and Machinery and Furniture and Fixtures @ 10 per cent p.a.
(3) The Head office sent goods to branch for Rs. 39,40,000
(4) The Head office shows an amount of Rs. 43,00,000 due from Branch
(5) Stock on 30th September, 2007- USD 52,000
(6) There were no in transit items either at the start or at the end of the year.

(7) On September 1, 2005 when the fixed assets were purchased the rate of exchange for USD was Rs. 38.
On October 1, 2006 the rate was Rs. 39 and on September 30, 2007 the rate was Rs. 41
Average rate during the year was Rs. 40

You are asked to prepare:
(a) Trial balance incorporating adjustment given under 1 to 4 above converting dollars into rupees.
(b) Trading and Profit and Loss Account for the year ended 30th September 2007 and Balance Sheet as on that depicting the probability and net position of the branch as would appear in India for the purpose of incorporating in the main Balance Sheet.

Q6) R, T & C were partners sharing profits & losses at 2:2:1. On 1.4.2007 their balance showed the following position:

Liabilities	Rs	Rs	Assets	Rs
Capitals:			Cash	22,000
R	50,000		Bank	38,000
T	40,000		Debtors	35,000
C	30,000	120,000	Stock	55,000
			Machinery	110,000
General Reserve		100,000		
Payables		40,000		
		260,000		260,000

The partnership firm took out a Joint Life Policy of Rs. 1,00,000 and charged its premium against profits.
On 1.10.07 C died. Her representative agreed that: (a) the Goodwill of the firm be revalued at Rs. 50,000; (b) Machinery be valued at Rs. 90,000; (c) C should get @ 25% per annum on her capital at the beginning of the year in lieu of her share of profit.
The policy value was realized on March, 31-2008. The total amount due to the legal hairs of C was paid off. The firm earned a profit of Rs. 80,500 during the year after depreciation on fixed assets Rs. 9,500, out of which Rs. 5,000 was related to the period between 1.4.07 and 1.10.07.
At the close of the financial year ended 31.3.08, the payable were Rs. 15,000 lower, the debtors were Rs. 6,000 lower and the closing stock was lower by Rs 8,000 in comparison to the respective amounts shown on 1.4.2007
The partners' drawings were:

	Upto 30.9.07 (Rs.)	Between 1.10.07 and 31.3.08
R	10,125	5,000
T	10,125	5,000
C (till her date of death)	8,750	

You are required to show the Balance Sheet of the firm on 31.3.2008 assuming that Goodwill was not to be shown in the Balance Sheet.