

year resulted in a profit of Rs. 1204 for the first year and losses of Rs. 740, Rs. 900, Rs. 1000, Rs. 1,400 for the subsequent years. His drawings were at the rate of Rs. 1,800 a year and there was a speculation loss of Rs. 3,180 during the whole period of five years.

Reg. No. : .....

Code No. : 20387 E Sub. Code : JMCO 31/  
SMCO 31

B.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2018.

Third Semester

Commerce – Main

ADVANCED FINANCIAL ACCOUNTING – I

(For those who joined in July 2016 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Under debtors system credit sales are
  - (a) Debited to the branch account
  - (b) Credited to the branch account
  - (c) Debited to the Head office account
  - (d) Not shown anywhere in the branch account



2. Repair to machinery is apportioned over different departments according to
- (a) The number of machines in each department
  - (b) Value of machinery
  - (c) Floor area occupied by each machine
  - (d) None
3. Farming may include
- (a) agriculture                      (b) horticulture
  - (c) nurseries                        (d) all of these
4. The material for the contract is received from
- (a) issue from stores
  - (b) direct purchases from the market
  - (c) transfer from other contracts
  - (d) all of these
5. The cost of goods sold on hire purchase is transferred to
- (a) Sales account
  - (b) Purchases Account
  - (c) Hire purchase Trading Account
  - (d) None

6. The buyer charges depreciation on
- (a) Hire purchase price of the asset
  - (b) Cash price of the asset
  - (c) Lower of the two
  - (d) Higher of the two
7. Royalty is a \_\_\_\_\_ income to the lessor.
- (a) Revenue                      (b) Nominal
  - (c) Royalty received          (d) None
8. \_\_\_\_\_ is minimum rent payable by the lessees.
- (a) Minimum rent                (b) Dead rent
  - (c) Fixed rent                    (d) All of these
9. \_\_\_\_\_ is one who is not able to pay his debts.
- (a) Insolvency                    (b) Insolvent
  - (c) Dead                            (d) Retired
10. All creditors who have no specific asset as security
- (a) Unsecured creditors
  - (b) Secured Creditors
  - (c) Preferential Creditors
  - (d) None



PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Answer should not exceed 250 words.

11. (a) The following information relates to Madurai branch.

	Rs.	Rs.
Stock on 1.1.2014	11,200	
Branch debtors on 1.1.2014		6,300
Goods sent to branch		51,000
Cash sent to branch		
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 31.12.2014		13,600

Prepare branch account for the year 2014.

Or

- (b) Discuss the various advantages of Departmental Accounting.

12. (a) What is cost plus contract? Discuss its advantages and disadvantages.

Or

- (b) Anand company of builders undertook a multi – storeyed structure for Rs. 40,00,000, estimating the cost to be Rs. 36,80,000. At the end of the year the company had received Rs. 14,40,000, being 90% of the work certified. Work done but not certified was Rs. 40,000.

The following expenditure was incurred: Material Rs. 4,00,000, Labour : Rs. 10,00,000 and Plant Rs. 80,000.

Material costing Rs. 20,000 was damaged. The plant is considered as having depreciated at 25% . prepare the contract account and show all the possible figures, that can reasonably be credited to the profit and loss account.

13. (a) State the various important terms used in Hire Purchases system.

Or

- (b) Mr X. purchased a machine on hire purchase system Rs. 3,000 being paid on delivery and the balance in five installments of Rs. 6,000 each, Payable annually on 31st December. The cash price of the machine was Rs. 30,000. Calculate the amount of Interest for each year.





14. (a) On 1.1. 2012 Rama collieries ltd leased a piece of land agreeing to pay minimum rent of Rs. 2,000 in the first year Rs. 4,000 in the second year and there after 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 31st December 2015 were 1,000, 10,000, 18,000 and 20,000 tonnes respectively. Record these transactions in the ledger of the company.

Or

- (b) A company leased a colliery on 1.1.2012 at a minimum rent of Rs. 20,000 merging into a royalty of Rs. 1.50 per tonne with power to recoup short working over the first four years of the lease. The output of the colliery for the first four years was 9,000 tonnes, 12,000 tonnes, 16,000 tonnes and 20,000 tonnes respectively. Give journal entries and ledger accounts for four years in the books of lessee and lessor.

15. (a) Distinguish between the Balance sheet and Statement of affairs.

Or

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- (b) Mr. Chandran of Calcutta finds himself insolvent on 31.12.2013. His position was as follows.

Loosehold property Rs. 10,000 (estimated to realize Rs. 9,000)

Plant and Machinery Rs. 4,000 (estimated to realize Rs. 3,000)

Stock in trade Rs. 2,000 (estimated to realize Rs. 1,400)

Book debts - Goods Rs 6,000

- Doubtful Debts Rs. 500  
(estimated to realize 50%)

- Bad debts Rs. 1,400

Bills in hand - Rs. 375

Life policy for Rs. 2,500 whose surrender value is Rs. 500 is held by insurance company against a loan of Rs. 200

Household furniture Rs. 360 house hold debt Rs. 290

Bills discounted Rs. 600 (Rs. 200 likely to be dishonoured).

Prepare Mr. Chandran's statement of affairs account as on 31.12.2013.

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PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Answer should not exceed 600 words.

16. (a) Manian Ltd of Delhi has a branch at Chennai. Goods are invoiced to the Chennai branch, the selling price being cost plus 25%.

The Chennai branch keeps its own sales ledger and transmits all cash received to Delhi. All expenses are paid from Delhi. From the following details prepare the Chennai branch A/C for the year 2009.

	Rs.
Stock (1.1.2009) (invoice price)	1,250
Stock (31.12.2009) (invoice price)	1,500
Debtors (1.1.2009)	700
Debtors (31.12.2009)	900
Cash sales for the year	5,400
Credit sales for the year	3,500
Goods invoiced from Delhi	9,100
Rent	400
Wages	340
Sundry expenses	80

Or

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- (b) The following purchases were made by a business house having three departments

Dept. A – 1,000 units

Dept. B – 2,000 units at total cost of Rs. 1,00,000

Dept. C – 2,400 units

Stocks on 1<sup>st</sup> January were

Dept. A – 120 units

Dept. B – 80 units

Dept. C – 152 units

Sales were

Dept. A – 1,020 units at Rs. 20 each

Dept. B – 1,920 units at Rs. 22.50 each

Dept. C – 2,496 units at Rs. 25 each

The rate of gross profit is same in each case. Prepare departmental trading account.

17. (a) From the following trial balance of a farmer, prepare trading and profit loss account for the year ended 31<sup>st</sup> December, 1998 and a balance sheet as on that date

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Debit balance	Rs.	Credit balance	Rs.
Opening stock		Sales	
Cattle	30,000	Dairy	
Paddy	15,000	products	18,000
Cattle feed	2,000	Paddy	32,500
Fertilizers	4,300	Cattle	7,500
Purchases		Paddy	7,450
Cattle	6,000	Loan from	
Seeds	650	bank at 8%	12,000
Fertilizers	1,200	Capital	95,000
Cattle feed	3,200		
Crop expenses			
Labour	3,900		
Other direct charges	400		
Cattle expenses			
Medicines	900		
Labour	3,000		
Dairy expenses	1,100		
General			
expenses			

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Debit balance	Rs.	Credit balance	Rs.
Land	70,000		
Tractor	23,000		
Cash	7,000		
	<u>1,72,450</u>		<u>1,72,450</u>

#### Adjustments :

- (i) Closing stocks Rs.
- Cattle 33,000
- Paddy 2,300
- Cattle feed 800
- Fertilize 300
- (ii) The proprietor has consumed the following items out of his farm output
- Dairy products Rs. 2,000
- Paddy Rs. 1,000
- (iii) Provide 10% depreciation on tractor
- (iv) Interest on loan is outstanding.

Or

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- (b) M/s. Promising company undertook a contract for erecting a sewage treatment plant for prosperous municipality for a total value of Rs. 24 lakhs. It was estimated that the job would be completed by Jan. 31, 1998.

You are asked to prepare the contract account for the year ending Jan, 31, 1997 from the following particulars

- (i) Materials Rs. 3,00,000
- (ii) Wages Rs. 6,00,000
- (iii) Overhead charges Rs 1,20,000
- (iv) Special plant Rs. 2,00,000
- (v) Work certified was for Rs. 16 lakhs and 80 % of the same was received in cash.
- (vi) Materials lying at site on Jan-1, 1997 were Rs. 40,000
- (vii) Depreciate plant by 10%
- (viii) 5% of the value of materials issued and 6% of wages may be taken to have incurred for the portion of the work completed, but not yet certified. Overheads are charged as a direct percentage on wages.

- (ix) Ignore depreciation on plant for use on uncertified portion of the work.

- (x) Assertion the amount to be transferred to P and L account on the basis of realized profit.

18. (a) Malan purchased a machine on hire purchase system on 1st January 1993. The terms of payment are four annual installments of Rs. 12,690 at the end of each year. Interest is charged @ 5% and is included in the annual payments of Rs. 12,690.

Show machinery account and hire vendor account in the books of Malan who defaulted in the payment of the third yearly payment whereupon the vendor repossessed the machinery. Malan provides depreciation on the machinery @ 10% p.a. on the reducing balance.

Or

- (b) On 1.1.2013 a firm purchased a truck on installment system. The cash price of the truck was Rs. 11,1 75 and payment was to be made as follows.



Rs. 3,000 was to be paid on signing of the agreement and the balance in three installments of Rs. 3,000 each at the end of the each year. Interest at 5% is charged by the vendor. The firm has decided to write off 10% annually on the diminishing balance of the cash price.

Give journal entries and ledger accounts in the books of the purchaser and Hire vendor.

19. (a) Explain the various types of Recoupment.

Or

- (b) Janu took a colliery on lease. The dead rent was Rs. 750 a year, merging into a royalty of 35 paise per tonne of coal raised, with the right to recover short workings out of royalties of two subsequent years from the period in which the short workings arose. The output raised were

I year	1,000 tonnes
II year	1,500 tonnes
III year	2,500 tonnes
IV year	1,500 tonnes
V year	1,000 tonnes

Give necessary ledger accounts for each of the five years in the books of Janu.

20. (a) Explain the different points to be noted on preparation of deficiency account.

Or

- (b) From the following particulars prepare the statement of affairs and deficiency account of Mohan who is in insolvent.

Unsecured creditors Rs. 30,100, creditors partly secured Rs. 38,160 (holding security of the value of Rs. 36,200 which is estimated to realize only Rs. 12,000), preferential creditors Rs. 1,000, Bills receivable discounted Rs. 4,120 (Upon which it is estimated that there will be liability of Rs. 560) stock in trade Rs. 20,020, (it is estimated realize Rs. 16,000) Books debts good Rs. 15,720, doubtful and bad Rs. 1,300 (estimated to realize Rs. 356) land and buildings Rs. 16,000 (estimated to realize Rs. 11,000) Cash in hand Rs. 4.

He started business five years ago with a capital of Rs. 50,000. The trading, after charging interest on capital at Rs. 2,000 per

