



**WEST BENGAL STATE UNIVERSITY**  
B.Com. Honours 3rd Semester Examination, 2019

**FACACOR07T-B.COM. (CC7)**  
**FINANCIAL ACCOUNTING-II**

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.*

*Candidates should answer in their own words and adhere to the word limit as practicable.*

*All symbols are of usual significance.*

**GROUP-A**

**Answer any two questions from following**

**$10 \times 2 = 20$**

1. On 1<sup>st</sup> April, 2017 Batra Finance Ltd. held 12% debentures in Vinod Fibers Ltd. of the face value of ₹25,000 at cost of ₹20,000. Market value on that date was ₹22,500. Interest is payable on 31<sup>st</sup> December every year. On 1<sup>st</sup> November, 2017 debentures of the nominal value of ₹15,000 were purchased for ₹12,500 ex-interest and on 1<sup>st</sup> December, 2017 debentures of the nominal value of ₹15,000 were bought at ₹14,500.

The market value of the debentures on 31<sup>st</sup> March, 2018 was ₹92.

Write up the investment account in the books of Batra Finance Ltd., showing profit or loss on sale of investment. Investments on 31<sup>st</sup> March, every year are valued at lower of average cost and market price.

2. A firm has two departments— Cloth and Readymade Clothes Departments. The readymade clothes are made by the firm itself out of the cloth supplied by the Cloth Department at its usual selling price. From the following figures, prepare departmental trading and profit and loss account for the year ended 31<sup>st</sup> March, 2018:

	Cloth Department (₹)	Readymade Clothes Department (₹)
Opening stock	2,40,000	48,000
Purchases	18,00,000	24,000
Sales	20,00,000	6,00,000
Transfer to Readymade Clothes Department	4,00,000	-
Manufacturing Expenses	-	68,000
Selling Expenses	40,000	4,000
Closing stock	3,00,000	60,000

The stock in Readymade Clothes Department may be considered as consisting 80% cloth and the rest as other expenses. The Clothes Department earned a gross profit of 25% on sales in 2016-2017.

3. (a) A and B are partners of a firm sharing profits and losses in the ratio of 3 : 2. They decide to admit C as a new partner with  $\frac{1}{5}$  th share. As between themselves A and B decide to share the balance of profit equally. The agreed value of goodwill is ₹50,000, but Goodwill account as per last Balance Sheet is ₹20,000. C pays the necessary amount of premium in cash. A and B decide to withdraw  $\frac{1}{3}$  rd of their premium money and to maintain Goodwill Account undisturbed. Show the necessary journal entries regarding goodwill treatment. 4

(b) A and B are in partnership with capitals of ₹2,80,000 and ₹1,40,000 respectively sharing profits and losses as 2 : 1. Interest on capital @ 8% p.a. and salary to B @ ₹28,000 p.a. are allowed. 6

Due to ill health, A ceased to take active part in the business with effect from 1.1.2019 and the following terms were agreed upon:

- (i) That the Manager, C, shall be taken as a partner with a capital of ₹1,00,000 he being entitled to salary of ₹50,000 p.a., the excess over ₹28,000 (the salary received by him as Manager) to be borne by A personally and to be adjusted from A's share of profit.
- (ii) That B shall get a salary of ₹36,000 p.a.
- (iii) That C shall be entitled to  $\frac{1}{10}$  th share of profit charging interest on capital and partners' salaries.
- (iv) That interest on capital shall be allowed @ 5% p.a.

The net profit for the year ended 31.12.2019 was ₹2,40,000 before charging interest on capital and partners' salaries.

You are required to show the division of the profits for the year 2019 among the partners.

### GROUP-B

Answer any two questions from following

$15 \times 2 = 30$

4. (a) In what circumstances a court may dissolve a partnership firm? 3

(b) Amal, Bimal, Kamal and Shyamal were four partners in a firm. They shared profits and losses in the ratio 2 : 3 : 3 : 2. Their Balance Sheet as on March 31, 2019 as follows: 12

Liabilities	₹	Assets	₹
Capital Accounts			
Amal	30,000	Plant & Machinery	60,000
Bimal	12,000	Furniture	40,000
Kamal	12,000	Debtors	20,000
Shyamal	9,000	Cash at Bank	3,000
Bimal's Loan	15,000	Profit & Loss Account	45,000
Sundry Creditors	60,000		
Bills Payable	30,000		
	1,68,000		1,68,000

Due to weak financial condition, the partners decided to dissolve the firm and the assets are realised as follows:

	₹
Plant & Machinery	42,000
Furniture	27,000
Debtors	9,000

On the date of dissolution, there was a contingency liability against the firm of ₹2,000 which was settled of ₹1,000 at time of realisation. Realisation expenses amounting to ₹2,000 were paid by the firm.

Further information regarding partners are stated below:

	Private Estates	Private Liabilities
	₹	₹
Amal	36,000	51,000
Bimal	66,000	24,000
Kamal	18,000	15,000
Shyamal	30,000	33,000

Prepare the necessary Ledger Accounts to close the books of the firm.

5. EC Ltd. has a branch at Malda. Goods are invoiced to branch at cost plus 50%. Branch remits cash received to the head office and all expenses are met by head office. From the following particulars prepare Branch Stock Account, Branch Stock Adjustment Account, Branch Debtors Account, Goods Sent to Branch Account and Branch Profit & Loss Account for the year ended 31.12.2019

15

	₹
Stock on 01.01.2019	1,86,000
Debtors on 01.01.2019	1,36,000
Goods invoiced to branch (cost price)	6,80,000
Sales at Branch (Cash)	5,00,200
Sales at Branch (Credit)	6,20,000
Cash collected from debtors	6,08,000
Goods returned by debtors	24,000
Goods returned by branch to head office	45,000
Shortage of stock	9,000
Discount allowed to customers	4,000
Expenses at branch	60,000
Bad debts	2,000

6. (a) Distinguish between Hire Purchase System and Instalment Payment System. 5

(b) On January 1, 2015, G. Sen acquires 3 machines on hire purchase from P. Roy at 10% p.a. interest. G. Sen immediately pays ₹60,000 and also agrees to pay three instalments annually of ₹1,00,000 each, the first instalment becoming due on December 31, 2015. G. Sen charged depreciation @ 20% p.a. on diminishing balance method. G. Sen pays the first instalment but fails to pay thereafter. Immediately after G. Sen's default, P. Roy repossesses the machines and values them in his books at ₹1,85,000. In 2017 he incurs ₹4,500 as reconditioning expenses and resells the machines for ₹2,00,000. 10

Show the relevant accounts in the books of G. Sen if they close books on December 31 every year.

—X—