

Note:-all questions are compulsory.

Marks:-100

Question 1

On 31st March, 2000 Kanpur Branch submits the following Trial Balance to its Head Office at Lucknow :

<i>Debit Balances</i>	<i>Rs. in lacs</i>
<i>Furniture and Equipment</i>	<i>18</i>
<i>Depreciation on furniture</i>	<i>2</i>
<i>Salaries</i>	<i>25</i>
<i>Rent</i>	<i>10</i>
<i>Advertising</i>	<i>6</i>
<i>Telephone, Postage and Stationery</i>	<i>3</i>
<i>Sundry Office Expenses</i>	<i>1</i>
<i>Stock on 1st April, 1999</i>	<i>60</i>
<i>Goods Received from Head Office</i>	<i>288</i>
<i>Debtors</i>	<i>20</i>
<i>Cash at bank and in hand</i>	<i>8</i>
<i>Carriage Inwards</i>	<i>7</i>
	<i>448</i>
 <i>Credit Balances</i>	
<i>Outstanding Expenses</i>	<i>3</i>
<i>Goods Returned to Head Office</i>	<i>5</i>
<i>Sales</i>	<i>360</i>
<i>Head Office</i>	<i>80</i>
	<i>448</i>

Additional Information :

Stock on 31st March, 2000 was valued at Rs. 62 lacs. On 29th March, 2000 the Head Office despatched goods costing Rs. 10 lacs to its branch. Branch did not receive these goods before 1st April, 2000. Hence, the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch Rs. 1 lac for centralised services for which the branch has not passed the entry.

You are required to :

- (i) Pass Journal Entries in the books of the Branch to make the necessary adjustments*
- (ii) Prepare Final Accounts of the Branch including Balance Sheet, and*
- (iii) Pass Journal Entries in the books of the Head Office to incorporate the whole of the Branch Trial Balance.*

(16 marks) (Intermediate–May 2002)

Question 2

Ram, Rahim and Robert are partners of the firm 'RR Traders' for the past 5 years. The partners decided to dissolve the firm consequent to insolvency of partner Robert in October, 2002. The Balance Sheet of the firm as on 31.10.2002 is furnished below. They share profits and losses equally:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Land and Building	5,00,000
Ram	4,50,000	Plant and Machinery	2,00,000
Rahim	4,50,000	Furniture and Fittings	50,000
Robert	2,00,000	Stock in Trade	3,00,000
General Reserve	2,10,000	Debtors	5,00,000
Creditors	<u>2,90,000</u>	Cash at Hand/Bank	<u>50,000</u>
	<u>16,00,000</u>		<u>16,00,000</u>
			<u>0</u>

The partners Ram and Rahim decided to form a new firm 'RR Enterprises' and takeover all the assets and liabilities of the firm at values given below:

Land and Building	Rs. 3,50,000
Plant and Machinery	Rs. 1,50,000
Furniture and Fittings	Rs. 20,000
Stock in trade	Rs. 2,00,000

Debtors include Rs. 3,00,000 due from SK & Co. owned by Robert. (Nothing is recoverable from the said concern).

Other debtors can be recovered fully.

Prepare:

- Realisation account, Partners' capital accounts in the books of RR Traders; and
- The Balance Sheet of RR Enterprises (immediately after commencement).

(16 marks) (PE-II – May 2003)

Question 3

X Fire Insurance Co. Ltd. commenced its business on 1.4.2005. It submits you the following information for the year ended 31.3.2006:

	Rs.
Premiums received	15,00,000
Re-insurance premiums paid	1,00,000

Claims paid	7,00,000
Expenses of Management	3,00,000
Commission paid	50,000
Claims outstanding on 31.3.2006	1,00,000
Create reserve for unexpired risk @40%	
Prepare Revenue account for the year ended 31.3.2006.	

(4 Marks) (PE-II – May 2006)

Question 4

X Electricity Company Limited decides to replace one of its old plants with a modern one in April, 2006. The plant when installed in the year 2000, costed the company Rs.26 lakhs, the components of materials and labour being in the ratio of 7:3. It is ascertained that the cost of labour and materials have risen by 30% and 25% respectively. The cost of new plant is Rs.66 lakhs and in addition old materials worth Rs.92,000 are reused. Old materials worth Rs.1,68,000 are sold. Under double account system compute the following:

- (i) The amount to be written off to Revenue A/c.
- (ii) The amount to be capitalized.
- (iii) Draw up the necessary Journal entries.
- (iv) Draw up the Replacement Account. (10 Marks)(PE II – May, 2007)

Question 5

The following particulars are extracted from the (Trial Balance) Books of the M/s Commercial Bank Ltd. for the year ending 31st March, 2003:

	Rs.
(i) Interest and Discounts	1,96,62,400
(ii) Rebate on Bills Discounted (balance on 1.4.2002)	65,040
(iii) Bills Discounted and purchased	67,45,400

It is ascertained that proportionate discount not yet earned on the Bills Discounted which will mature during 2003-2004 amounted to Rs. 92,760.

Pass the necessary Journal entries with narration adjusting the above and show:

- (a) Rebate on Bill Discounted Account; and
- (b) Interest and Discount Account in the ledger of the Bank.(6 marks) (PE-II–Nov. 2003)

Question 6

Department X sells goods to Department Y at a profit of 25% on cost and to Department Z at 10% profit on cost. Department Y sells goods to X and Z at a profit of 15% and 20% on sales, respectively. Department Z charges 20% and 25% profit on cost to Department X and Y, respectively.

Department Managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging Managers' commission, but before adjustment of unrealised profit are as under :

	Rs.
Department X	36,000
Department Y	27,000
Department Z	18,000

Stock lying at different departments at the end of the year are as under :

	Dept. X	Dept. Y	Dept. Z
	Rs.	Rs.	Rs.
Transfer from Department X	—	15,000	11,000
Transfer from Department Y	14,000	—	12,000
Transfer from Department Z	6,000	5,000	—

Find out the correct departmental Profits after charging Managers' commission

(8 marks)(Intermediate–Nov. 2001)

Question 7

The position of Valueless Ltd. on its liquidation is as under:

Issued and paid up Capital:

3,000 11% preference shares of Rs. 100 each fully paid.

3,000 Equity shares of Rs. 100 each fully paid.

1,000 Equity shares of Rs. 50 each Rs. 30 per share paid.

Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000. Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidators final statement of account.

(8 marks) (PE-II–Nov. 2004)

Question 8

Scorpio Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co.

Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below:

A & Co.	7,25,000 shares
B & Co.	8,40,000 shares

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C & Co.

13,10,000 shares

Total 28,75,000 shares

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid alongwith application. You are required to:

- (a) Compute the underwriters liability (number of shares)*
- (b) Compute the amounts payable or due to underwriters; and*
- (c) Pass necessary journal entries in the books of Scorpio Ltd. relating to underwriting.*

(16 Marks) (PE-II – Nov. 2005)

Question 9

Basis of allocation of common expenditure among different departments.

(4 marks) (Intermediate–Nov. 1998)

Question 10

Non-Performing Assets.

(4 marks) (Intermediate–May 1995 and May 2001)

Question 11

Unexpired Risks Reserve

(4 marks) (Intermediate–May 1995 and PE-II–Nov. 2004)

Question 12

What are the contents of "Liquidators' statement of account"? How frequently does a liquidator has to submit such statement?

(4 marks) (Intermediate Nov. 1999)

