

Question 1

Give Journal Entries in the books of Branch A to rectify or adjust the following:

- (i) Head Office expenses Rs. 3,500 allocated to the Branch, but not recorded in the Branch Books.
- (ii) Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for Rs. 1,500.
- (iii) Branch paid Rs. 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.
- (iv) H.O. collected Rs. 10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been received by the Branch.
- (v) A remittance of Rs. 15,000 sent by the Branch has not yet been received by the Head Office.
- (vi) Branch A incurred advertisement expenses of Rs. 3,000 on behalf of Branch B.

(6 marks) (PE-II–Nov. 2004)

Question 2

Firm X & Co. consists of partners A and B sharing Profits and Losses in the ratio of 3 : 2. The firm Y & Co. consists of partners B and C sharing Profits and Losses in the ratio of 5 : 3.

On 31st March, 2006 it was decided to amalgamate both the firms and form a new firm XY & Co., wherein A, B and C would be partners sharing Profits and Losses in the ratio of 4:5:1.

Balance Sheet as at 31.3.2006

Liabilities	X & Co., Rs.	Y & Co. Rs.	Assets	X & Co. Rs.	Y & Co. Rs.
Capital:			Cash in hand/bank	40,000	30,000
A	1,50,000	---	Debtors	60,000	80,000
B	1,00,000	75,000	Stock	50,000	20,000
C	---	50,000	Vehicles	---	90,000
Reserve	50,000	40,000	Machinery	1,20,000	---
Creditors	<u>1,20,000</u>	<u>55,000</u>	Building	<u>1,50,000</u>	<u>---</u>
	<u>4,20,000</u>	<u>2,20,000</u>		<u>4,20,000</u>	<u>2,20,000</u>

The following were the terms of amalgamation:

- (i) Goodwill of X & Co., was valued at Rs.75,000. Goodwill of Y & Co. was valued at Rs.40,000. Goodwill account not to be opened in the books of the new firm but adjusted through the Capital accounts of the partners.
- (ii) Building, Machinery and Vehicles are to be taken over at Rs.2,00,000, Rs.1,00,000 and Rs.74,000 respectively.
- (iii) Provision for doubtful debts at Rs.5,000 in respect of X & Co. and Rs.4,000 in respect of Y & Co. are to be provided.

You are required to:

- (i) Show, how the Goodwill value is adjusted amongst the partners.
- (ii) Prepare the Balance Sheet of XY & Co. as at 31.3.2006 by keeping partners capital in their profit

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sharing ratio by taking capital of 'B' as the basis. The excess or deficiency to be kept in the respective Partners' Current account.
(16 Marks) (PE-II – May 2006)

Question 3

The following is an extract from the Trial Balance of Dream Bank Ltd. as at 31st March, 2006:

<i>Rebate on bills discounted as on 1-4-2005</i>	<i>68,259 (Cr.)</i>
<i>Discount received</i>	<i>1,70,156 (Cr.)</i>

Analysis of the bills discounted reveals as follows:

<i>Amount (Rs.)</i>	<i>Due date</i>
<i>2,80,000</i>	<i>June 1, 2006</i>
<i>8,72,000</i>	<i>June 8, 2006</i>
<i>5,64,000</i>	<i>June 21, 2006</i>
<i>8,12,000</i>	<i>July 1, 2006</i>
<i>6,00,000</i>	<i>July 5, 2006</i>

You are required to find out the amount of discount to be credited to Profit and Loss account for the year ending 31st March, 2006 and pass Journal Entries. The rate of discount may be taken at 10% per annum.
(8+8= 16 Marks) (PE-II – Nov. 2006)

Question 4

From the following information as on 31st March, 2002, prepare the Revenue Accounts of Sagar Bhima Co. Ltd. engaged in Marine Insurance Business:

<i>Particulars</i>	<i>Direct Business (Rs.)</i>	<i>Re-insurance (Rs.)</i>
<i>I. Premium :</i>		
<i>Received</i>	<i>24,00,000</i>	<i>3,60,000</i>
<i>Receivable – 1st April, 2001</i>	<i>1,20,000</i>	<i>21,000</i>
<i>– 31st March, 2002</i>	<i>1,80,000</i>	<i>28,000</i>
<i>Premium paid</i>	<i>2,40,000</i>	<i>–</i>
<i>Payable – 1st April, 2001</i>	<i>–</i>	<i>20,000</i>
<i>– 31st March, 2002</i>	<i>–</i>	<i>42,000</i>
<i>II. Claims :</i>		
<i>Paid</i>	<i>16,50,000</i>	<i>1,25,000</i>
<i>Payable – 1st April, 2001</i>	<i>95,000</i>	<i>13,000</i>
<i>– 31st March, 2002</i>	<i>1,75,000</i>	<i>22,000</i>
<i>Received</i>	<i>–</i>	<i>1,00,000</i>
<i>Receivable – 1st April, 2001</i>	<i>–</i>	<i>9,000</i>
<i>– 31st March, 2002</i>	<i>–</i>	<i>12,000</i>
<i>III. Commission :</i>		
<i>On Insurance accepted</i>	<i>1,50,000</i>	<i>11,000</i>

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On Insurance ceded – 14,000

Other expenses and income:

Salaries – Rs. 2,60,000; Rent, Rates and Taxes – Rs. 18,000; Printing and Stationery – Rs. 23,000; Indian Income Tax paid – Rs. 2,40,000; Interest, Dividend and Rent received (net) – Rs. 1,15,500; Income Tax deducted at source – Rs. 24,500; Legal Expenses (Inclusive of Rs. 20,000 in connection with the settlement of claims) – Rs. 60,000; Bad Debts – Rs. 5,000; Double Income Tax refund – Rs. 12,000; Profit on Sale of Motor car Rs. 5,000.

Balance of Fund on 1st April, 2001 was Rs. 26,50,000 including Additional Reserve of Rs. 3,25,000. Additional Reserve has to be maintained at 5% of the net premium of the year.

(16 marks) (PE-II–Nov. 2002)

Question 5

The following was the Balance Sheet of X Limited as on 31.3.1998 :

Balance Sheet of X Limited as at 31.3.1998

Liabilities	Rs.	Assets	Rs.
Share Capital		Fixed Assets	
14%, 40,000 preference shares of		Land	40,000
Rs. 100 each fully paid up	4,00,000	Buildings	1,60,000
8,000 equity shares of Rs. 100 each,		Plant and Machinery	5,40,000
Rs. 60 per share paid up	4,80,000	Patents	40,000
Reserves and Surplus	NIL	Investments	NIL
Secured Loans		Current assets, loans and advances	
1. 14% debentures	2,30,000	A. Current Assets	
(Having a floating charge		Stock at cost	1,00,000
on all assets)		Sundry debtors	2,30,000
Interest accrued on above		Cash at bank	60,000
debentures	32,200	B. Loans and Advances	NIL
(Also having a floating		Miscellaneous expenses	
charge as above)		Profit and Loss A/c	2,40,000
2. Loan on mortgage of land			
and building	1,50,000		
Unsecured Loan	NIL		
Current Liabilities and provisions			
A. Current liabilities			
Sundry creditors	1,17,800		
	<u>14,10,000</u>		<u>14,10,000</u>

On 31.3.1998 the company went into voluntary liquidation. The dividend on 14% preference shares was in arrears for one year. Sundry creditors include preferential creditors amounting to Rs. 30,000.

The assets realised the following sums

Land Rs. 80,000; Buildings Rs. 2,00,000; Plant and machinery Rs. 5,00,000; Patent Rs. 50,000; Stock Rs. 1,60,000; Sundry debtors Rs. 2,00,000.

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The expenses of liquidation amounted to Rs. 29,434. The liquidator is entitled to a commission of 2% on all assets realised (except cash at bank) and 2% on amounts among unsecured creditors other than preferential creditors. All payments on 30th June, 1998. Interest on mortgage loan shall be ignored at the time of payment.

Prepare the liquidator's final statement of account. (10 marks)(Intermediate Nov. 1998)

Question 6

Noman Ltd. issued 80,000 Equity Shares which were underwritten as follows:

Mr. A	48,000 Equity Shares
Messrs B & Co.	20,000 Equity Shares
Messrs C Corp.	12,000 Equity Shares

The above mentioned underwriters made applications for 'firm' underwritings as follows:

Mr. A	6,400 Equity Shares
Messrs B & Co.	8,000 Equity Shares
Messrs C Corp.	2,400 Equity Shares

The total applications excluding 'firm' underwriting, but including marked applications were for 40,000 Equity Shares.

The marked Applications were as under:

Mr. A	8,000 Equity Shares
Messrs B & Co.	10,000 Equity Shares
Messrs C Corp.	4,000 Equity Shares

(The underwriting contracts provide that underwriters be given credit for 'firm' applications and that credit for unmarked applications be given in proportion to the shares underwritten)

You are required to show the allocation of liability. Workings will be considered as a part of your answer. (12 Marks) (Intermediate–Nov. 1997)

Question 7

Show adjustment Journal entry in the books of Head Office at the end of April, 2003 for incorporation of inter-branch transactions assuming that only Head Office maintains different branch accounts in its books.

A. Delhi Branch:

- (1) Received goods from Mumbai – Rs. 35,000 and Rs. 15,000 from Kolkata.*
- (2) Sent goods to Chennai – Rs. 25,000, Kolkata – Rs. 20,000.*
- (3) Bill Receivable received – Rs. 20,000 from Chennai.*
- (4) Acceptances sent to Mumbai – Rs. 25,000, Kolkata – Rs. 10,000.*

B. Mumbai Branch (apart from the above) :

- (5) Received goods from Kolkata – Rs. 15,000, Delhi – Rs. 20,000.*
- (6) Cash sent to Delhi – Rs. 15,000, Kolkata – Rs. 7,000.*

C. Chennai Branch (apart from the above) :

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(7) Received goods from Kolkata – Rs. 30,000.

(8) Acceptances and Cash sent to Kolkata – Rs. 20,000 and Rs. 10,000 respectively.

D. Kolkata Branch (apart from the above) :

(9) Sent goods to Chennai – Rs. 35,000.

(10) Paid cash to Chennai – Rs. 15,000.

(11) Acceptances sent to Chennai – Rs. 15,000. (8 marks) (PE-II–May 2003)

Question 8

Riu, Inu and Sinu were running Partnership business sharing Profits and Losses in 2 : 2 : 1 ratio. Their Balance Sheet as on 31st March, 2003 stood as follows:

Balance Sheet as on 31st March, 2003

(Figures in Rs.'000)

Liabilities	Amount Rs.	Amount Rs.	Assets	Amount Rs.	Amount Rs.
Fixed Capital:			Fixed Assets		400.00
Riu	300.00		Investments		50.00
Inu	200.00		Current Assets:		
Sinu	<u>100.00</u>	600.00	Stock	100.00	
Current Accounts:			Debtors	275.00	
Riu	60.00		Cash & Bank	<u>125.00</u>	500.00
Sinu	<u>40.00</u>	100.00			
Unsecured Loans		100.00			
Current Liabilities		<u>150.00</u>			
		<u>950.00</u>			<u>950.00</u>

On 01.04.2003, they agreed to form a new company RIS (P) Ltd. with Inu and Sinu each taking up 200 shares of Rs. 10 each, which shall take over the firm as a going concern including Goodwill, but excluding Cash and Bank Balances. The following are also agreed upon:

- Goodwill will be valued at 3 year's purchase of superprofits.
- The actual profit for the purpose of Goodwill valuation will be Rs. 2,00,000.
- The normal rate of return will be 18% per annum on Fixed Capital.
- All other Assets and Liabilities will be taken over at Book values.
- The Purchase Consideration will be payable partly in Shares of Rs. 10 each and partly in cash. Payment in cash being to meet the requirement to discharge Riu, who has agreed to retire.
- Inu and Sinu are to acquire interest in the new company at the ratio 3 : 2.
- Realisation expenses amounted to Rs. 51,000.

You are required to prepare Realisation Account, Cash and Bank Account, RIS (P) Limited Account and Capital Account of Partners. (16 marks) (PE – II – May 2004)

