

Exams important questions for students of IPCC

Question 1

An Indian company has a branch at Washington. Its Trial Balance as at 30th September, 1998 is as follows:

	Dr.	Cr.
	US \$	US \$
Plant and machinery	1,20,000	—
Furniture and fixtures	8,000	—
Stock, Oct. 1, 1997	56,000	—
Purchases	2,40,000	—
Sales	—	4,16,000
Goods from Indian 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	—	1,14,000
Trade debtors	24,000	—
Trade creditors	—	17,000
Cash at bank	5,000	—
Cash in hand	1,000	—
	<u>5,47,000</u>	<u>5,47,000</u>

The following further information is given :

- (1) Wages outstanding – \$ 1,000.
 - (2) Depreciate Plant and Machinery and Furniture and Fixtures @ 10 % 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, 1998 – \$ 52,000.
 - (6) There were no in transit items either at the start or at the end of the year.
 - (7) On September 1, 1996, when the fixed assets were purchased, the rate of exchange was Rs. 38 to one \$.
- On October 1, 1997, the rate was Rs. 39 to one \$.
- On September 30, 1998, the rate was Rs. 41 to one \$.
- Average rate during the year was Rs. 40 to one \$.

You are asked to prepare :

- (a) Trial balance incorporating adjustments given under 1 to 4 above, converting dollars into rupees.

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- (b) *Trading and Profit and Loss Account for the year ended 30th September, 1998 and Balance Sheet as on that date depicting the profitability and net position of the Branch as would appear in India for the purpose of incorporating in the main Balance Sheet.(16marks)*
(Intermediate–Nov. 1999)

Question 2

Alpha Manufacturing P. Ltd. is a company manufacturing articles. Beeta marketing P. Ltd. is a company engaged in marketing activities. The two companies enter into a partnership on the following terms:

- (a) *Alpha Manufacturing P. Ltd. is to supply goods on credit of two months to the partnership firm. The partnership is to discharge the due to Alpha Manufacturing P. Ltd. along with interest at 12% per annum regularly on due dates.*
- (b) *Beeta Marketing P. Ltd. is to sell the goods.*
- (c) *Expenses of sales are to be met out of the partnership funds. Alpha Manufacturing P. Ltd. and Beeta Marketing P. Ltd. are to introduce capital of Rs. five lakhs each for meeting the above expenses and as working capital. Interest at 15% per annum is payable on partners' capital—payment being made every month. Accordingly the capitals are introduced on 1st April, 1999.*
- (d) *Profits and losses are to be dealt with as follows:*
 - (i) *10% of the profits, if any, are to be credited to reserves for strengthening the working capital base;*
 - (ii) *balance profits are to be shared equally by credit to current accounts;*
 - (iii) *losses, if any, are to be borne equally by debit to capital accounts.*
- (e) *The firm name is to be AB Traders.*

During the year ended 31st March, 2000 the following were the transactions:

- (a) *Purchases Rs. 150 lakhs of which Rs. 30 lakhs were in the first quarter; Rs. 90 lakhs were in the next six months; the balance Rs. 30 lakhs were in the last quarter. The purchases are evenly spread through the respective periods.*
- (b) *Sales were Rs. 200 lakhs.*
- (c) *Sales expenses were Rs. 10 lakhs and were paid in full.*
- (d) *Discount allowed to customers amounted to Rs. 4 lakhs. On 31st March, 2000, amounts due from customers were Rs. 45 lakhs and unsold inventory was worth Rs. 15 lakhs.*

You are required to prepare final accounts of the firm.

(15 marks) (Intermediate–May 2000)

Question 3

- (a) From the following information, compute the amount of provisions to be made in the Profit and Loss Account of a Commercial bank:

Assets	Rs. in lakhs
(i) Standard (Value of security Rs.6,000 lakhs)	7,000
(ii) Sub-standard	3,000
(iii) Doubtful	
(a) Doubtful for less than one year	1,000

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(Realisable value of security Rs.500 lakhs)

(b) Doubtful for more than one year, but less than 3 years 500

(Realisable value of security Rs.300 lakhs)

(c) Doubtful for more than 3 years (No security) 300

(b) From the following details, prepare bills for collection (Asset) Account and Bills for collection (Liability) Account:

	Rs.
On 1.4.2005, Bills for Collection were	51,00,000
During the year 2005-06 Bills received for Collection amounted to	75,00,000
Bill collected during the year 2005-06	98,47,000
Bill dishonoured and returned during the year	27,10,000
	(8+4= 12 Marks) (PE-II – May 2006)

Question 4

From the following balances extracted from the books of Perfect General Insurance Company Limited as on 31.3.2000, you are required to prepare Revenue Accounts in respect of Fire and marine Insurance business for the year ended 31.3.2000 to and a Profit and Loss Account for the same period :

	Rs.		Rs.
Directors' Fees	80,000	Interest received	19,000
Dividend received	1,00,000	Fixed Assets (1.4.1999)	90,000
Provision for Taxation (as on 1.4. 1999)	85,000	Income-tax paid during the year	60,000

	Fire	Marine
Outstanding Claims on 1.4.1999	28,000	7,000
Claims paid	1,00,000	80,000
Reserve for Unexpired Risk on 1.4.1999	2,00,000	1,40,000
Premiums Received	4,50,000	3,30,000
Agent's Commission	40,000	20,000
Expenses of Management	60,000	45,000
Re-insurance Premium (Dr.)	25,000	15,000

The following additional points are also to be taken into account :

- (a) Depreciation on Fixed Assets to be provided at 10% p.a.
- (b) Interest accrued on investments Rs. 10,000.
- (c) Closing provision for taxation on 31.3.2000 to be maintained at Rs. 1,24,138

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- (d) Claims outstanding on 31.3.2000 were Fire Insurance Rs. 10,000; Marine Insurance Rs. 15,000.
- (e) Premium outstanding on 31.3.2000 were Fire Insurance Rs. 30,000; Marine Insurance Rs. 20,000.
- (f) Reserve for unexpired risk to be maintained at 50% and 100% of net premiums in respect of Fire and Marine Insurance respectively.
- (g) Expenses of management due on 31.3.2000 were Rs. 10,000 for Fire Insurance and Rs. 5,000 in respect of marine Insurance.

(12 marks)(Intermediate–Nov. 2000)

Question 5

In a winding up of a company, certain creditors remained unpaid. The following persons had transferred their holding sometime before winding up :

Name	Date of Transfer	No. of Shares transferred	Amount due to creditors on the date of transfer
	1996		Rs.
P	January 1	1,000	7,500
Q	February 15	400	12,500
S	March 15	700	18,000
T	March 31	900	21,000
U	April 5	1,000	30,000

The shares were of Rs. 100 each, Rs. 80 being called up and paid up on the date of transfers.

A member, R, who held 200 shares died on 28th February, 1996 when the amount due to creditors was Rs. 15,000. His shares were transmitted to his son X.

Z was the transferee of shares held by T. Z paid Rs. 20 per share as calls in advance immediately on becoming a member.

The liquidation of the company commenced on 1st February, 1997 when the liquidator made a call on the present and the past contributories to pay the amount.

You are asked to quantify the maximum liability of the transferors of shares mentioned in the above table, when the transferees :

- (i) pay the amount due as “present” member contributories;
- (ii) do not pay the amount due as “present” member contributories.

Also quantify the liability of X to whom shares were transmitted on the demise of his father R.

(12 marks)(Intermediate Nov. 1997)

Question 6

Carlin & Co. has head office at New York (U.S.A.) and branch at Mumbai (India). Mumbai branch furnishes you with its trial balance as on 31st March, 1999 and the additional information given thereafter :

	Dr.	Cr.
		Rupees in thousands
Stock on 1st April, 1998	300	—
Purchases and sales	800	1,200
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Wages and salaries	560	—

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Rent, rates and taxes	360	–
Sundry charges	160	–
Computers	240	–
Bank balance	420	–
New York office a/c	–	1,620
	<u>3,360</u>	<u>3,360</u>

Additional information :

(a) Computers were acquired from a remittance of US \$ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60% for the year.

(b) Unsold stock of Mumbai branch was worth Rs. 4,20,000 on 31st March, 1999.

(c) The rates of exchange may be taken as follows :

(i) on 1.4.1998 @ Rs. 40 per US \$

(ii) on 31.3.1999 @ Rs. 42 per US \$

(iii) average exchange rate for the year @ Rs. 41 per US \$

(iv) conversion in \$ shall be made upto two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 1999 and the balance sheet as on that date of Mumbai branch as would appear in the books of New York head office of Carlin & Co. You are informed that Mumbai branch account showed a debit balance of US \$ 39609.18 on 31.3.1999 in New York books and there were no items pending reconciliation.

(10 marks) (Intermediate–May 1999)

Question 7

A, B and C were partners in business, sharing profits & losses in the ratio 2:1:1. Their Balance Sheet as at 31.3.97 is as follows:

Balance Sheet as at 31.3.97				(Figures in Rs.'000)	
Liabilities		Rs.	Assets		Rs.
Fixed Capital:			Fixed Assets		300
A	200		Investments		50
B	100		Current Assets:		
C	<u>100</u>	400	Stock	100	
Current Accounts:			Debtors	60	
A	40		Cash & Bank	<u>150</u>	310
B	<u>20</u>	60			
Unsecured Loans		200			
		<u>660</u>			<u>660</u>

On 1.4.97, it is agreed among the partners that BC (P) Ltd. a newly formed company with B and C having each taken up 100 shares of Rs. 10 each will take over the firm as a going concern including goodwill but excluding cash & bank balances. The following points are also agreed upon:

(a) Goodwill will be valued at 3 years purchase of super profits.

(b) The actual profit for the purpose of goodwill valuation will be Rs. 1,00,000.

(c) Normal rate of return will be 15% on fixed capital.

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- (d) All other assets and liabilities will be taken over at book values.
- (e) 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 A, who has agreed to retire.
- (f) B and C are to acquire equal interest in the new company.
- (g) Expenses of liquidation Rs. 40,000.

You are required to prepare the necessary Ledger Accounts.

(15 marks) (Intermediate–May 1997)

Question 8

From the following details prepare “Acceptances, Endorsements and other Obligation A/c” as would appear in the general ledger.

On 1.4.98 Acceptances not yet satisfied stood at Rs. 22,30,000. Out of which Rs. 20 lacs were subsequently paid off by clients and bank had to honour the rest. A scrutiny of the Acceptance Register revealed the following :

Client	Acceptances/Guarantees Rs.	Remarks
A	10,00,000	Bank honoured on 10.6.98
B	12,00,000	Party paid off on 30.9.98
C	5,00,000	Party failed to pay and bank had to honour on 30.11.98
D	8,00,000	Not satisfied upto 31.3.99
E	5,00,000	-do-
F	<u>2,70,000</u>	-do-
Total	<u>42,70,000</u>	

(4 marks) (Intermediate–Nov. 1999)

Question 9

From the following information find out the amount of provisions to be shown in the Profit and Loss Account of a Commercial Bank:

Assets	Rs. (in lakhs)
Standard	4,000
Sub-standard	2,000
Doubtful upto one year	900
Doubtful upto three years	400
Doubtful more than three years	300
Loss Assets	500

(4 marks) (PE-II–Nov. 2004)