

Exams important questions for students of IPCC

Question 1

T of Calcutta has a branch at Dibrugarh. The branch does not maintain separate books of accounts. The branch has the following assets and liabilities on 31st August, 1997 and 30th September, 1997 :

	31st August, 1997	30th September, 1997
	Rs.	Rs.
Stock of tea	1,80,000	1,50,000
Advance to suppliers	5,00,000	4,50,000
Bank Balance	75,000	1,00,000
Prepaid expenses	10,000	12,000
Outstanding expenses	13,000	11,000
Creditors for purchases	3,00,000	to be ascertained
During the month, Dibrugarh branch :		

- (a) received by electronic mail transfer Rs. 10,00,000 from Calcutta head office;
- (b) purchased tea worth Rs. 12,00,000;
- (c) sent tea costing Rs. 12,30,000 to Calcutta, freight of Rs. 80,000 being payable at the destination by the receiver;
- (d) spent Rs. 25,000 on office expenses;
- (e) paid Rs. 3,00,000 as advance to suppliers;
- (f) paid Rs. 6,50,000 to suppliers in settlement of outstanding dues.

In addition, T informs you that the Calcutta office had directly paid Rs. 3,50,000 to Dibrugarh suppliers by cheques drawn on bank accounts in Calcutta during the month.

T informs you that for the purpose of accounting, Dibrugarh branch is not treated as an outsider. He wants you to write the detailed accounts relating to the transactions of the Dibrugarh branch as would appear in the books of Calcutta Head Office. (10 marks) (Intermediate–Nov. 1997)

Question 2

Mr. B and Mr. E are partners sharing Profits and Losses in the ratio of 3:2. On 30th September, 1993 they admit Mr. C as a partner, and the new profit ratio is 2:2:1. C brought in Fixtures Rs. 3,000 and cash Rs. 10,000, the goodwill being (i) B and E Rs. 20,000 and (ii) C Rs. 10,000 but neither figure is to be brought into the books.

On 31st March, 1994, the partnership is dissolved, B retiring and the other two partners forming a company called BC Limited with equal capitals, taking over all remaining assets and liabilities, goodwill being agreed at Rs. 40,000 and brought into books of the company. B agrees to take over the business car at Rs. 3,700: Plant was sold for Rs. 3,000 being in excess of requirements. The profit of the two preceding years were Rs. 17,200 and Rs. 19,000 respectively and it was agreed that for the half year ended 30th September, 1993 the net profit was to be taken as equal to the average of the two preceding years and the current year.

No entries has been made when C entered, except cash. No new book being opened by BC Company Ltd., B agreed to have Rs. 50,000 as loan to the company, secured by 12% Debentures. The following is the Trial Balance as on 31st March, 1994.

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	<i>Debit</i>	<i>Credit</i>
	<i>Rs.</i>	<i>Rs.</i>
<i>Capital Accounts:</i>		
B		35,000
E		20,000
C		10,000
<i>Drawing Accounts:</i>		
B	6,000	
E	5,000	
C	2,800	
Debtors & Creditors	31,000	12,000
Plant (Book value of plant sold Rs. 4,000)	23,000	
Fixtures	7,000	
Motor Car	2,700	
Stock on 31st March, 94	13,000	
Bank	16,300	
P & L A/c for the year		<u>29,800</u>
	<u>1,06,800</u>	<u>1,06,800</u>

Prepare :

- (1) Goodwill Adjustment Account
- (2) Capital Accounts of Partner
- (3) Profit and Loss Appropriation Account
- (4) Balance Sheet of BC Ltd. as on 31st March, 1994 (20 Marks) (Intermediate–Nov. 1994)

Question 3

From the following information calculate the amount of Provisions and Contingencies and prepare Profit and Loss Account of Zed Bank Ltd. for the year ended 31.3.2004:

	(Rs. in '000)
Interest and Discount	8,860
(Includes interest accrued on investments)	
Other Income	220
Interest expended	2,720
Operating expenses	2,830
Interest accrued on Investments	10
<i>Additional Information:</i>	
(a) Rebate on bills discounted to be provided for	30
(b) Classification of Advances:	
(i) Standard assets	4,000
(ii) Sub-standard assets	2,240
(iii) Doubtful assets – (fully unsecured)	390
(iv) Doubtful assets – covered fully by security	

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	Less than 1 year	100
	More than 1 year, but less than 3 years	600
	More than 3 years	600
(v)	Loss assets	376
(c)	Provide 35% of the profit towards provision for taxation.	
(d)	Transfer 20% of the profit to Statutory Reserve.	

(16 marks) (PE-II – May 2005)

Question 4

From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in the Revenue Account for the year ended 31st March, 1999 :

	Direct Business	Re-Insurance
	Rs.	Rs.
Claim paid during the year	46,70,000	7,00,000
Claim Payable— 1st April, 1998	7,63,000	87,000
31st March, 1999	8,12,000	53,000
Claims received	—	2,30,000
Claims Receivable— 1st April, 1998	—	65,000
31st March, 1999	—	1,13,000
Expenses of Management	2,30,000	—
(includes Rs. 35,000 Surveyor's fee and Rs. 45,000		
Legal expenses for settlement of claims)	(6 marks)(Intermediate–Nov. 1999)	

Question 5

The following is the Balance Sheet of Y Limited as at 31st March, 1994:

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets :	
2,000 Equity Shares of Rs. 100		Land & Buildings	4,00,000
each Rs. 75 per share paid up	1,50,000	Plant and Machineries	3,80,000
6,000 equity shares of Rs. 100		Current Assets :	
each Rs. 60 per share paid up	3,60,000	Stock at cost	1,10,000
		Sundry Debtors	2,20,000
2,000 10% Preference Share of		Cash at Bank	60,000
Rs. 100 each fully paid up	2,00,000	Profit and Loss A/c	2,40,000
10% Debentures (having a floating			
charge on all assets)	2,00,000		
Interest accrued on Debentures			

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(also secured as above)	10,000	
Sundry Creditors	4,90,000	
	<u>14,10,000</u>	<u>14,10,000</u>

On that date, the company went into Voluntary Liquidation. The dividends on preference shares were in arrear for the last two years. Sundry Creditors include a loan of Rs. 90,000 on mortgage of Land and Buildings. The assets realised were as under :-

	Rs.
Land and Buildings	3,40,000
Plant & Machineries	3,60,000
Stock	1,20,000
Sundry Debtors	1,60,000

Interest accrued on loan on mortgage of buildings upto the date of payment amounted to Rs. 10,000. The expenses of Liquidation amounted to Rs. 4,600. The Liquidator is entitled to a remuneration of 3% on all the assets realised (except cash at bank) and 2% on the amounts distributed among equity shareholders. Preferential creditors included in sundry creditors amount to Rs. 30,000. All payments were made on 30th June, 1994. Prepare the liquidator's final statement of account.
(15 marks)(Intermediate Nov. 1994)

Question 6

Rahul Limited operates a number of retail outlets to which goods are invoiced at wholesale price which is cost plus 25%. These outlets sell the goods at the retail price which is wholesale price plus 20%.

Following is the information regarding one of the outlets for the year ended 31.3.97 :

	Rs.
Stock at the outlet 1.4.96	30,000
Goods invoiced to the outlet during the year	3,24,000
Gross profit made by the outlet	60,000
Goods lost by fire	?
Expenses of the outlet for the year	20,000
Stock at the outlet 31.3.97	36,000

You are required to prepare the following accounts in the books of Rahul Limited for the year ended 31.3.97 :

(a) Outlet Stock Account.

(b) Outlet Profit & Loss Account.

(c) Stock Reserve Account.

(10 marks) (Intermediate–May 1997)

Question 7

Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 1997:

	Term Loan	Export Loan
Balance Outstanding on 31.03.2003	Rs. 35 lakhs	Rs. 30 lakhs

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	40%	50%
DICGC/ECGC cover		
Securities held	Rs. 15 lakhs	Rs. 10 lakhs
Realisable value of Securities	Rs. 10 lakhs	Rs. 08 lakhs

Compute necessary provisions to be made for the year ended 31st March, 2003.

(6 marks) (PE-II–May 2004)

Question 8

Indian Insurance Co. Ltd. furnishes you with the following information :

- (i) On 31.12.1996 it had reserve for unexpired risk to the tune of Rs. 40 crores. It comprised of Rs. 15 crores in respect of marine insurance business : Rs. 20 crores in respect of fire insurance business and Rs. 5 crores in respect of miscellaneous insurance business.
- (ii) It is the practice of Indian Insurance Co. Ltd. to create reserves at 100% of net premium income in respect of marine insurance policies and at 50% of net premium income in respect of fire and miscellaneous income policies.
- (iii) During 1997, the following business was conducted :

	Marine	Fire	Miscellaneous
	(Rs. in crores)		
	Rs.	Rs.	Rs.
<i>Premia collected from :</i>			
(a) Insureds in respect of policies issued	18	43	12
(b) Other insurance companies in respect of risks undertaken	7	5	4
<i>Premia paid/payable to other insurance companies on business ceded</i>	6.7	4.3	7

Indian Insurance Co. Ltd. asks you to :

- (a) Pass journal entries relating to “Unexpired risks reserve”.
- (b) Show in columnar form “Unexpired risks reserve” a/c for 1997.

(6 marks)(Intermediate–May 1998)

Question 9

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

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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 10

From the following information find out the amount of provisions required to be made in the Profit & Loss Account of a commercial bank for the year ended 31st March, 2000 :

(i) Packing credit outstanding from Food Processors Rs. 60 lakhs against which the bank holds securities worth Rs. 15 lakhs. 40% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3 years.

(ii) Other advances :

<i>Assets classification</i>	<i>Rs. in lakhs</i>
<i>Standard</i>	<i>3,000</i>
<i>Sub-standard</i>	<i>2,200</i>
<i>Doubtful :</i>	
<i>For one year</i>	<i>900</i>
<i>For two years</i>	<i>600</i>
<i>For three years</i>	<i>400</i>
<i>For more than 3 years</i>	<i>300</i>
<i>Loss assets</i>	<i>600</i>

(5 marks) (Intermediate–May 2000)