THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)

Re-accredited (2nd Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

Since 1881

Backlog Arrear Examination, March 2021

HIGHER ACCOUNTING

PCO 505 **Maximum Marks: 75**

Duration: 3hours

Answer any FIVE of the following (5X15=75)

1. X and Y are partners in a partnership business sharing profits and losses in the ratio of 1:1. The position of their business as on 31.3.2000 was as under.

Liabilities	Rs.	Assets		Rs.
X's Capital	60,000	Land and Buildings		60,000
Y's Capital	40,000	Furniture		10,000
General Reserve	10,000	Stock		15,000
Sundry Creditors	30,000	Debtors	10,000	
Bank overdraft	5,000	Less: Provision	500	9,500
		Cash in hand		50,500
	1,45,000			**1,45,000**

On 1.4.2000, Z was admitted as a partner with 1/5th share in future profits.

Following are the terms for his admission:

a. Land and buildings be valued at Rs.80,000.
b. Value of the furniture and stocks be reduced by 10%.
c. Goodwill Rs.10,000 to be brought in cash by Z.
d. Z to bring Rs.20,000, as his capital.
e. Provision for bad debts be increased to Rs.1,000.

Prepare necessary ledger accounts and balance sheet of the newly constituted firm.

2. O, P and S were sharing profits and losses in the ratio of 3:2:1 respectively as partners. They decided to dissolve the firm on 30th June, 1999. Their balance sheet as on that date was as under:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	35,000	Fixed Assets	60,000
Capitals:		Current Assets	40,000
O 25,000			
P 25,000			
S 15,000	65,000		
	1,00,000		**1,00,000**

All the assets were realised at Rs.85,000. The amount realised in first installment: Rs.35,000, in second installment: Rs.25,000 and in third installment: Rs.25,000.

Prepare statement showing the piece meal distribution of cash.

3. A limited company issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs.2 per share payable as follows:

On application	Rs. 2 per share
On allotment	Rs. 5 per share
On first call	Rs. 3 per share
On final call	Rs. 2 per share

Amount payable on allotment included premium also. Applications were received for 3,000 shares and pro-rata allotment was made on applications for 2,400 shares. Money overpaid on applications was employed towards the sum due on allotment. Ramesh who took 40 shares failed to pay the allotment money and his shares were forfeited on his failure to pay the first call also.

Mohan the holder of 60 shares failed to pay the two calls and his shares were forfeited after the second call. Of the shares forfeited, 80 shares were sold to Krishna credited as fully paid for Rs.9 per share, he whole of Ramesh's share being included.

Show the journal entries and prepare necessary ledger accounts.

4. Following is the trial balance extracted from the books of Foster company Ltd.

Debits	Rs.	Credits	Rs.
Stock on 1.1.2016	7,000	Authorized capital:	
Purchases	30,000	20,000Eq. shares at Rs.100 each	2,00,000

Wages	8,000	Issued share capital	1,00,000
Carriage	2,000	Rent received	3,500
Building	50,000	Sales	1,05,000
Motor vehicle	37,000	Sundry creditors	16,800
Sundry debtors	9,600	Bank overdraft	12,200
Salaries	15,000	Profit & Loss a/c	22,500
Bank interest &charges	400		
Travelling expenses	4,000		
Machinery	80,000		
Discount allowed	1,500		
Cash in hand & at bank	1,000		
Printing & stationery	2,000		
Repairs & renewals	1,500		
Director’s remuneration	2,500		
Audit fees	500		
Calls-in-arrears	3,000		
Interim dividend	5,000		
	2,60,000		**2,60,000**

Adjustments:

a. Closing stock on 31.12.2016 was Rs.6,000.
b. Outstanding wages were Rs.1,000.
c. Depreciate machinery by Rs.2,000; Building by Rs.7,000 and motor vehicle by Rs.620.
d. Directors declared a final dividend at 20% on paid up capital.
e. Create a provision for bad debts at 5% on debtors.
f. There is a contingent liability of Rs.2,000 for the compensation claim against the company pending in the court.
g. Provide for corporate dividend tax at 17% on interim dividend and proposed dividend.

You are required to prepare profit and loss account for the year ended 31.12.2016 and balance sheet as on that date.

5. Amalgamation the position of two companies, A and B is as follows:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Nominal capital	5,00,000	10,00,000	Fixed assets	3,00,000	5,00,000
Issued and paid up: shares of Rs.10 fully paid	5,00,000	7,00,000	Debtors and stock	3,50,000	1,00,000
5% debentures	1,00,000	-	Cash at bank	-	1,00,000
Creditors	3,00,000	2,00,000	Goodwill	1,00,000	3,50,000
P&L a/c		1,50,000	P&L a/c	1, 50,000	-
	9,00,000	**10,50,000**		**9,00,000**	**10,50,000**

B Ltd. agreed to absorb A Ltd. upon the following terms:

a. The shares in A Ltd. are to be considered as worth Rs.6 each. The shareholders of A Ltd. are to be paid one quarter in cash and the balance in shares of B Ltd. at Rs.12.50 each.
b. The debenture holders in A Ltd. agreed to take Rs.95 of 7% debentures in B Ld. For every Rs.100 of 5% debentures held in A Ltd.
c. A Ltd. is to be wound up.

Show the journal entries to record the above in both companies and draw the balance sheet showing the position of B Ltd. after the absorption.

6. MV Indian Express is regularly employed on cargo trade between india and east Africa. She set on her voyage on 1st july 2005 and arrived at her destination on 14th august 2005. You are required to prepare a voyage account bearing in mind the following particulars:
    a. The vessel was purchased in 1998 for Rs.100 lakhs and at the time of purchase has 16 years of working life left: Depreciation on ship is charged on straight line method.
    b. Standing cost per day excluding recovery of depreciation is Rs.22,000
    c. The vessel consumes daily 14 tonnes of fuel oil, 2 tonnes of diesel and 15 tonnes of fresh water. The cost of these are Rs.1,000; Rs.1,350; and Rs. 20 per tonne respectively.
    d. The vessel carried the under-mentioned cargo: 4,000 tonnes on which freight of Rs.375 per tonne was charges and 3,500 tonnes on which he rate freight was Rs.190 per tonne. Both the rates are to be enhanced by a surcharge of 20% over the basic rate.
    e. Freight brokers were due a brokerage of 2.5%
    f. Port charges at the loading and discharging ports were Rs.40,000 and Rs.85,000 respectively.

7. Crown industries, Bombay have a branch at Madurai to which goods are invoiced at cost plus 25%. The branch makes sales both for cash and on credit. Branch expenses are paid direct from head office and the branch remits all cash to head office. From the following details, prepare the necessary ledger accounts in head office books to calculate branch profits as per the stock and debtors system:

Particulars	**Rs.**
Goods received from H.O. at invoice price	60,000
Returns to H.O at invoice price	1,200
Branch stock on 1.4.2011 at invoice price	6,000
Cash sales	20,000
Credit sales	36,000
Branch debtors on 1.4.2011	7,200
Cash collected from debtors	32,000
Discount allowed to debtors	600
Bad debts in the year	400
Goods returned by debtors to branch	800
Rent, rates and taxes of branch	1,800
Branch office expenses	600
Branch stock at invoice price 31.3.2012	12,000

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