**B.Com Sem- 1**

**SUB: Financial Accounting – 1**

**Question Bank**

**Unit -1 Accounts of Amalgamation of Partnership Firms:**

**Q-1** The firm of A and B and that C and D agreed to amalgamate on 31-03-2016. A and B used to share Profit and Loss in the ratio of 3:2. On that date the Balance sheet of A and B stood as follows:

**Balance Sheet of A and B**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount** | **Assets** | **Amount** |
| Capital A/c  A 36,000  B 12,000  Reserve Fund  Creditors  Bank Overdraft | 48,000  5,000  57,000  4,000 | Building  Furniture  Investment  Stock  Debtors  Cash/Bank | 27,000  3,000  6,000  30,000  45,000  3,000 |
|  | **1,14,000** |  | **1,14,000** |

The term amalgamation were as under:

1. Building and Furniture to be raised by 20%.
2. Stock to be valued at Rs. 27,900.
3. Goodwill is to be valued at Rs. 5,000.
4. Bad debts Reserve to be provided at 2% on debtors.
5. The new firm not to take over Investment of A & B.

Draft Journal entries to close the books of the firm of A and B and prepare necessary accounts.

Q – 2 Following were the balance sheet of two firms of M & N and O & P.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | M & N Rs. | O & P Rs. | Assets | M & N Rs. | O & P Rs. |
| Capital:  M  N  O  P  Creditors  Loan | 40,000  20,000  -  -  20,000  5,000 | -  -  24,000  16,000  20,000  5,000 | Cash  Stock  Debtors  Furniture  Building  Investment | 5,600  20,400  15,000  4,000  40,000  - | 6,700  18,300  20,000  5,000  -  15,000 |
|  | **85,000** | **65,000** |  | **85,000** | **65,000** |

The two firms decided to amalgamate.

The following matters were agreed for the purpose of amalgamation.

1. The building of M and N was revalued at Rs. 50,000
2. The stock of M and N was found over valued by Rs. 4,000 and the stock of O and P undervalued Rs. 2,000.
3. The new firm is not to take over loan of both the firms.
4. A provision of 5% was credited for bad debts reserve of both the firms.
5. The investment of O and P be not taken over by the new firm.
6. Goodwill of M and N was fixed at Rs. 8,000 and that O and P at Rs. 10,000
7. Goodwill account in the firm was to be written off.
8. Total capital of the new firm was to be Rs. 80,000 and capital of each partners was to be in his profit-sharing ratio which was to be 3 : 2 : 3 : 2 among M,N,O and P. Partners have to bring in cash their deficit of capital whereas excess capital is to be transferred to current account.

Prepare necessary accounts to close the books of the two firms and also prepare new firm’s opening balance sheet.

(Sau. Uni F.Y. B.Com. Oct. 2011)

**Unit -2 Consignment Accounts:**

Q-1 On 1st April, 2012 Rasik sent 60 LCD TV to Bhuvan at an invoice price of Rs. 9,000 each to be sold on consignment basis. Invoice price is determined by adding 20% profit on cost price for sending goods. Following expenses were incurred:

|  |  |
| --- | --- |
| Details | Amount in Rs. |
| Freight | 1,500 |
| Insurance | 1,600 |
| Cartage | 300 |
| Other expenses | 200 |

Bhuvan is to be 5% normal and 2.5% del credere commission. Two LCD TV were totally damaged in transit and insurance company admitted a claim of Rs. 12,750. On 31-3-2013, Bhuvan sent on account of sales with bankdraft for settlement of accounts. Accordingly sales were:

15 LCD TV at Rs. 10,500 each

5 LCD TV at invoice price on cash basis

22 LCD TV at Rs. 10,800 each on credit basis

Bhuvan paid following expenses:

|  |  |
| --- | --- |
| Details | Amount in Rs. |
| Selling expenses | 900 |
| Octroi | 210 |
| Godown Rent | 800 |

Prepare consignment account and consignee’s account in the books of consignor.

Q-2 Mr. Arpit of Rajkot consigned 100 shirts to Ruchin & co. Porbandar. The goods were invoiced at Rs. 150 so as to yield a profit of 50% on cost. Mr. Arpit incurred Rs. 1,000 on freight and insurance.

Ruchin and Co. incurred Rs. 500 on freight and Rs. 800 on rent. They sold 50 shirts for cash at Rs. 160 per shirt and 20 shirts at Rs. 175 on credit. They retained their commission at 5% plus 1% del credere and remitted the balance.

Ruchin and Co. noticed that 10 shirts were shopsoiled due to bad packing and these damaged shirts were sold for 800 only.

There is a customer, Shri Dhruv for Rs. 1,000 to whom the shirts were sold by Ruchin & Co. became insolvent and only 50 paisa in a rupee was recovered. Del credere commission counted on total sales.

Prepare consignment Account and Consignee’s Account in the ledger of Mr. Arpit of Rajkot and also prepare Arpit Account in the Books of Ruchin & Co.

**Unit -3 Joint Venture Account:**

Q- 1 Daxa and Diya entered into Joint venture for check dam construction. For this purpose they opened Joint bank account in which Daxa deposited Rs. 5,00,000 and Diya deposited Rs. 6,00,000.

The contract price was Rs. 20,00,000 of which 75% amount is payable in cash and remaining amount in shares and debentures.

The following expenses were paid from bank:

Material Rs. 7,00,000

Wages Rs. 3,00,000

Map-designes Rs. 1,00,000

Legal fees Rs. 50,000

Goods worth Rs. 1,50,000 provided by Daxa personally.

Diya worked as a supervisor also, she will be paid 3% of contract price as of extra remuneration.

On completion of the contract Daxa purchased remaining material for Rs. 50,000.

Contract price received as per agreement. Shares and debentures worth Rs. 5,00,000 are sold in the market for Rs. 6,00,000.

From the above information, you are required to prepare:

(1) Joint Venture Account

(2) Partner’s Capital Account

(3) Joint Bank Account

Q- 2 Kirit, Nilesh and Rajesh agreed to construct a building for a company. They decided to share profit or loss in 3 : 2 : 1 respectively. They deposited Rs. 5,40,000 in their Joint Bank Account as per their Joint Bank Account as per their profit sharing ratio. Expenses were as under:

Amount paid from their Joint Bank Account in Rs.:

Wages 3,90,000

Material 6,10,000

Plant 40,000

Architect fee paid by Kirit 30,000

Mixture machine (brought by Mr. Nilesh) 55,000

Vehicle (brought by Mr. Rajesh) 40,000

On completion of the work Mr. Kirit took away materials in stock for Rs. 25,000, Mr. Nilesh took away mixture machine for Rs. 20,000 and Mr. Rajesh took away vehicle for Rs. 30,000. Plant realised Rs. 10,000.

Rs. 9,00,000 (being 75% amount of contract price) was received through bank draft and 12% debentures were received for the balance which were purchased by Mr. Kirit at 20% less than its face value.

Prepare Joint Venture Account, Joint Bank A/c and Prtners Account in the books of the firm assuming that accounts have been settled among the partners.

**Unit -4 Accounts of Joint life policy:**

Q- 1 A, B and C are partners’ sharing profit and loss in the ratio of 2 : 1 : 1. They took out a joint life policy of Rs. 2,70,000 as on 1st April, 2007. The annual premium of the same is Rs. 18,000. The accounting year of the firm ended on 31st March every year.

C died on 28th April, 2011 and amount of policy including bonus Rs. 3,15,000 was received on 25th May, 2011.

The surrender value of the policy was as under:

2007-08 Nil

2008-09 Rs. 5,000

2009-10 Rs. 10,500

2010-11 Rs. 16,500

Policy amount is maintained at surrender value in the books of the firm.

You are require to pass necessary journal entries and also prepare Joint Life Policy Account and Joint Life Policy Reserve Account in the books of firm.

Q – 2 A, B and C are partners of a firm sharing profit and loss in 5:3:2 proportion. On 1-4-2008 they have taken joint life policy of Rs. 50,000 with an annual premium of Rs. 4,000.

Their accounting year ends on 31st March of each year. A died on 28-2-2012 and life insurance co. paid policy with bonus amount Rs. 10,000 on 31-3-2012

Surrender value of policy is as under:

|  |  |
| --- | --- |
| Year | Surrender Value |
| 2008-09  2009-10  2010-11 | Nil  10% of total premium paid  20% of total premium paid |

Prepare:

1. Joint Life Policy Account
2. Joint Life Policy Reserve Account