

MODEL ANSWERS

F Y B COM SEM-II (Regular)

ACCOUNTANCY AND FINANCIAL MANAGEMENT -II(C0668)

QP CODE : 7445 Program : C 0142, Dated 11th April, 2017

Q.1 (A) Fill in the blanks with most appropriate words: (Any 10) (one mark each)

1. Opening balance of Petty Cash is shown on Debit side of Branch Account.
2. Goods Sent to Consignee for sale is called as Consignment.
3. Good sent on consignment is credited to Good Sent on Consignment Account.
4. Goods costing Rs 2,00,000 were sent on consignment at cost plus 25%. Invoice value of the goods will be Rs 2,50,000.
5. Ownership of the goods sent on consignment remains with the Consignor.
6. Proforma invoice is prepared by Consignor.
7. Dependent branches do not maintain complete books of accounts.
8. Under Branch Debtors System, depreciation of branch fixed assets is not shown in Branch Account.
9. Branch Account is prepared under Debtors method of Branch Accounting.
10. In fire insurance, the insured gets compensation proportionate to Loss incurred, in case of sufficient insurance.
11. Slow moving goods are called as Abnormal goods.
12. Credit Purchases can be ascertained from Creditors Account.

(B) State whether the following statements are True or False (Any 10) (one mark each)

1. Single Entry System is suitable to small organization. **TRUE**
2. Credit sales can be ascertained from Debtors Account. **TRUE**
3. Under Single Entry System, closing capital is ascertained by preparing opening statement of affairs. **FALSE**
4. The relationship between consignor and consignee is that of principal & agent. **TRUE**
5. In case of del-credere commission, bad debt loss is borne by the consignee. **TRUE**
6. Consignment is same as sale. **FALSE**
7. Discount allowed to customers is not recorded in Branch Account. **TRUE**
8. Dependent branch depends on customers for supply of goods and expenses. **FALSE**
9. Under Stock and Debtors system, Branch Stock account is a real account. **TRUE**
10. Rate of gross profit need not be consistent for deciding the stock on the date of fire. **FALSE**
11. Average clause has no effect on calculation of claim. **FALSE**
12. In case of overvaluation of stock, it should be brought down to cost. **TRUE**

Q.2 In the books of Mr. Kedarnath

Trading & Profit Loss Account
for the Year ended 31st March 2017

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening Stock		30,000	By Sales		
To Purchases			Cash	120,000	

[illegible]

[illegible]

[illegible]

[illegible]

To Stock reserve on Closing Stock		15,000	Debtors		95,000	170,000
75000*20%						
To General Profit and Loss Account		1,800				
		625,000				625,000
Total Debtors Accounts (3 marks)						
Particulars	Rs.	Particulars	Rs.			
To balance b/d	70,000	By Allowances to Debtors	1,500			
To Credit Sales	210,000	By Bad Debts	1,000			
		By Goods returned by Debtors	5,000			
		By Cash received from Debtors	177,500			
		To balance c/d	95,000			
	280,000		280,000			
Goods sent to Branch Account. (2 marks)						
Particulars	Rs.	Particulars	Rs.			
By Goods returned by Branch (I.P)	10,000	To Goods sent to Branch (I.P)	437,500			
By Goods sent to Branch (Loading)	87,500	By Goods returned by Branch (loading)	2000			
By Purchases/ Trading Account	342,000					
	439,500		439,500			
OR						
Q.3 In the books of Head Office of Ankush Trading Company, Nagpur						
Kanpur Branch Stock Account						
Particulars	Rs.	Particulars	Rs.			
To bal b/d	75,500	By Branch Cash (Cash Sales)	167,600	4 M		
To Goods sent to branch	355,000	By Branch Debtors (Credit sales)	200,000			
To Branch Debtors	3,000	By Goods sent to branch	3,500			
		By Balance c/d	69,500			
To Gross Profit	7,100					
	440,600		440,600			
Kanpur Branch Debtors Account						
Particulars	Rs.	Particulars	Rs.			
To bal b/d	55,000	By Branch Stock (returns)	3,000	4 M		
By Branch Stock	200,000	By Branch Cash	184,500			
		By Branch P&L (Discount and commiss	1,360			
		By Branch P&L (Bad debts)	390			
		By. Balance c/d	65,750			
	255,000		255,000			
Kanpur Branch Expenses Account						

	Particulars	Rs.	Particulars	Rs.	
	To Rent Rates and Taxes	1,200	By Branch P& L Account	4,850	2 M
	To Salesmen and wages etc.	3,650			
		4,850		4,850	
	Kanpur Branch P&L Account				
	Particulars	Rs.	Particulars	Rs.	
	To Branch Expenses	4,850	By Gross Profit	7,100	3 M
	To Branch Debtors (Discount and commissi	1,360			
	To Branch Debtors (Bad debts)	390			
	To Net Profit	500			
		7,100		7100	
	Kanpur Branch Cash Account				
	Particulars	Rs.	Particulars	Rs.	
	To Branch Debtors	184,500	By Cash Remitted to Branch	352,100	2 M
	To Cash Sales	167,600			
		352,100		352,100	
Q.4	IN THE BOOKS OF M/s DIAMOND CEMENTS LTD (Nagpur)				
	CONSIGNMENT ACCOUNT (Marks 7)				
	Particulars	Rs.	Particulars	Rs.	
	To Goods sent on Consignment A/c	400,000	By Suyesh Bros. A/c [Sales]	380,000	
	To Cash/Bank A/c	9,200	By Stock on Consignment A/c	81,840	
	[Diamond Cements Expenses]		(WN)		
	To Suyesh Bros. A/c [Expenses]	8,000			
	To Suyesh Bros. A/c [Commission]	7,600			
	To Profit and Loss A/c	37,040			
		461,840		461,840	
	SUYESH BROS. A/C [Consignee A/c] (Marks 5)				
	Particulars	Rs.	Particulars	Rs.	
	To Consignment A/c [Sales]	380,000	By Consignment A/c [Expenses]	8,000	
			By Consignment A/c [Commission]	7,600	
			By Bills Receivable [Remittance]	200,000	
			By Cash/Bank A/c [Remittance]	164,400	
		380,000		380,000	
	Working Note : (Marks 3)				
	Closing Stock		Quantity	Rs.	
	Cost of Goods Sent				
	[a] Quantity Sent		5000		
	Cost of Goods Sent [5,000 * 80]			400000	

Diamond Cements Ltd.'s Expenses

[b] Total cost		9200
[c] Quantity sold		409200
[d] Quantity stock [a-c]	4000	
[e] Closing stock - Cost	1000	

$$\text{Total Cost} = \frac{409200 \times 1000}{5000} = 81840$$

OR

Q.4 IN THE BOOKS OF M/s HERO CYCLE [Consignor]

CONSIGNMENT ACCOUNT (MARKS 8)

Particulars	Rs.	Particulars	Rs.
To Goods sent on Consignment A/c [1500 x 80]	120,000	By Goods sent on Consignment A/c (Load) 1500 x 20	30,000
To Ganesh Cycle A/c Advertisement	4500	By Ganesh Cycle A/c 1000 x 95	95,000
Godown Rent	3000	By Closing Stock on Consignment A/c	40,000
To Stock Reserve A/c	10,000		
To Ganesh Cycle A/c [Commission]	13,750		
To Profit & Loss A/c	13,750		
	165,000		165,000

GANESH CYCLE A/C [Consignee A/c] (5 MARKS)

Particulars	Rs.	Particulars	Rs.
To Consignment A/c [Sales]	95,000	By Bills Receivable [Advance]	25,000
		By Consignment A/c [Expenses]	7,500
		By Consignment A/c [Commission]	13,750
		By Bank A/c [Bal Fig.]	48,750
	95,000		95,000

GOODS SENT ON CONSIGNMENT ACCOUNT (2 MARKS)

Particulars	Rs.	Particulars	Rs.
To Trading A/c [transfer]	90,000	By Consignment A/c	120,000
To Consignment A/c	30,000		
	120,000		120,000

Working Note :

1. Consignment stock

500 cycles @ 80 40000

Load 500 Cycles @ 20		10000
2. Commission		
12.5 % on Invoice Price		
1000 cycles @ Rs. 80	80000	
12.5 % of 80,000		10000
Surplus Commission		
Surplus Sale Price	95000	
Less : Invoice Price	80000	
	15000	
25% of Rs.15000		3750
		13750

Q.5 In the Books of M/s Fireprone & Co.

Memorandum Trading Account

8 M

Form 1st April to Form 1st April to 30th Sep. 2016

Particulars	Amt.	Particulars	Amt.
To Opening Stock [(660000/110)*100]	600000	By Sales	9060000
To Purchases	6500000	Less Return	900000
To G P (33 1/3 % of 8160000)	2720000	By Closing Stock	1660000
	9820000		9820000

Calculation for Actual Loss

3 M

Stock on the date of Fire	1660000
Less Salvage Value	520000
Actual Loss	1140000

Calculation for Insurance Claim

4 M

Insurance Claim =	Amount of Insurance Policy	x Actual Loss
	Stock on the date of Fire	
	1200000	
Insurance Claim =	1660000	x 1140000
Insurance Claim =	824096	

OR

Q.5 In the Books of Vulnerable Traders

10 M

Memorandum Trading Account

For the Period 01-01-2016 to 31-05-2016

Particulars	Amt.	Particulars	Amt.
To Opening Stock [(270000/90)*100]	300000	By Sales	
To Purchases		Cash	636000
Cash (Assured)	Nil	Credit	720000
Credit	1170000		1356000
	1170000	Less Returns	6000
Less Return	3000	By Goods Donated at Cost	15000
To G. P. (@ 25 % of sales)	337500	By Closing Stock	439500
	1804500		1804500

Calculation for Actual Loss

Stock on the date of Fire	439500
Less Salvage Value	100000
Actual Loss	339500

2 M

Calculation for Insurance Claim

3 M

Since the Sum Assured is not less than Stock on the date of Fire, there is no Under Insurance/Average Clause. Hence the amount of claim will be same as Stock Lost by fire i.e. Rs. 3,39,500/-

Working Note : 2**Total Debtors Account**

Particulars	Amt.	Particulars	Amt.
To Bal B/d	75000	By Cash	600000
To Credit sales (Bal. Fig.)	720000	By Cash Discount	15000
		By Sales Return	6000
		By Bal. C/f	174000
	795000		795000

Working Note : 3**Total Creditors Account**

Particulars	Amt.	Particulars	Amt.
To Cash	1110000	By Bal B/d	45000
To Discount Received	12000	By Credit Purchases	1170000
To Purchase Returns	3000		
To Bal C/d	90000		
	1215000		1215000

Q.6 What is Branch? What are the feature of Dependent Branch and Give Format of

Branch Account in Branch Debtors system?**What is Branch (1 Mark)**

A Branch is a part of central system or organization it is subordinate unit of the organization and carried on same activities of organization and located at different places.

Features of branch (4 Marks)

- Records are maintained by Head Office
- Goods are received from Head Office only.
- Cash is remitted to Head Office.
- Branch only keeps memorandum account of petty cash, debtors, stock, etc. and sends periodical statement.

Format of Branch Account. (5Marks)

In the books of Head Office

Branch Account for the year ended

Particulars	Amt	Particulars	Amt
To Bal b/d		By Bal c/d	
Stock	xxx	(Outstanding expenses)	xxx
Debtors	xxx	By Goods sent to branch (returns)	xxx
Cash	xxx	By Cash/Bank A/c	xxx
Petty Cash	xxx	(remittance to Head Office)	
Fixed Assets		By Profit and Loss Account	xxx
To Goods sent to Branch A/c	xxx	(Branch Loss)	
To Cash/Bank A/c	xxx	By Bal c/d	
(Remittance for expenses)		Stock	xxx
To Profit and loss A/c	xxx	Debtors	xxx
(Branch profit)		Cash	xxx
To Bal c/d		Petty Cash	xxx
(Outstanding Expenses)	xxx	Fixed Assets	xxx
	xxx		xxx

B. What is consignment and its necessity? Give format of Consignment Account.

What is Consignment (1 Mark)

Consignment refers to business of sending goods to agent for sale on commission. Consignors hold the ownership of goods although the goods are in possession of consignee. The consignee has to sell the goods on behalf of and at the risk of consignor.

Necessity (4 Marks)

- Save on inventory cost
- Product reaches customer
- No stock outs
- Suitable for new or seasonal product
- Leads to long term relation

Format (5 Marks)

In the Books of a Consignor

Consignment Account

Particulars	Amt.	Particulars	Amt.
To Goods Sent on Consignment A/c	xxx	By Goods Sent on Consignment A/c	xxx
(Goods sent on consignment)		(Returns)	xxx
To Goods Sent on Consignment A/c	xxx	By Goods Sent on Consignment A/c	xxx
(Loading)		(Loading)	xxx
To Bank A/c		By Consignee A/c	xxx
Carriage	xxx	(Sales Proceeds)	
Insurance	xxx	By Consignment Stock A/c	
Misc. Expenses	xxx	By Profit & Loss A/c	
To Consignee's A/c			
Octroi	xxx		
Carriage	xxx		

Insurance	xxx
Godown Rent	xxx
Misc. Expenses	xxx
Commission	xxx
To Bills receivable A/c	xxx
To Stock Reserve A/c	xxx
To Profit & Loss A/c	xxx
	xxx
OR	
Write Short note on (Any Four)	
1. Memorandum Trading Account. (5 Marks)	
Memorandum Trading Account is statement prepared to calculate stock on the date of fire with the help of collected figures in respect of opening stock, purchases, direct expenses from records. In case record is destroyed by fire the information can be made available from documentary evidence. Balancing figure is estimated value of stock on the date of fire.	
Proforma/ Specimen	
In the books of	
Memorandum Trading Account.	
2. Account Sale.(5 Marks)	
Account sale is a statement prepared by consignee and sent to consignor stating a details of goods sold i.e. quantity and types of goods, the rate and total value of goods sold during the period. From these total value amount of commission, expenses and advance if any is deducted.	
Proforma/ Specimen	
3. Normal Loss and Abnormal Loss. (5 Marks)	
Normal loss: the loss which is expected to incur. Such type of loss is caused by loss of weight leakage etc.	
Treatment of normal loss	
Branch adjustment A/cDr	
To Branch Stock A/c	
Abnormal Loss: the loss which is not expected caused by destruction of stock by fire, flood, theft or loss in transit.	
Treatment of Abnormal loss	
Abnormal A/cDr	
To Branch Stock A/c	
Branch Adjustment A/c.....Dr	
To Branch Stock A/c	

4. Stock and Debtors Method (Branch Accounts): (5 Marks)

This method is applicable particularly where there are large numbers of transaction and they are numerous.

This method helps the Head Office to make efficient control on branches as there are a few more accounts are to be opened viz: (a) Branch Stock Account; b) Branch Debtors Account;

(c) Branch Stock Adjustment Account; (d) Goods Sent to Branch Account; e) Branch Profit and loss Account.

Sometimes in addition to above, Branch Cash Account, Branch Expenses; Branch Fixed Assets Account etc. may also be opened. It may be recalled that Branch Stock Account, Branch Debtors Account, Branch Cash Account, Branch

Expenses Account, Goods Sent to Branch Account have been explained in detail, So, in order to avoid repetition we will only explain here in detail, the most significant and important account under Stock-Debtors System i.e.,

Branch (Stock) Adjustment Account. Practically Branch (stock) Adjustment Account deals with the loading on the respective items of goods relating to Branch Stock Account. In short, loading is to be computed on Opening Stock at Branch, Closing Stock at Branch, Goods sent to Branch, Goods Returned by Branch, Shortage of Stock, Surplus of Stock, Lost-in-Transit, Pilferage of Stock, Wastage of Stock, or any Normal and Abnormal Losses.

Branch Stock Adjustment Account is prepared at Invoice Price. The difference between the two sides of this account reveals either gross profits (if credit side to greater than the debit side) or gross loss (if debit side is greater than the credit side).

5. Average Clause. (5 Marks)

Answer: The purpose of insurance is to compensate loss and not to allow profit. Hence, a fire insurance policy usually includes an average clause in order to discourage under insurance of stock. As per this clause, the insurance company pays compensation to the insured proportionately if the value of stock or assets on the date of fire is more than the amount of policy. Following formula may be applied in the case of an average clause:

Insurance Claim = Value of Policy/Value of Stock on the date of fire x Actual Loss

6. Average Gross Profit Ratio (5 Marks)

In case details are given for many years, we take the following steps:

✓ Prepare the trading accounts for all the years

✓ Ignore the abnormal items, as explained above, while preparing all the trading accounts, so that we arrive at the normal gross profits for all the years.

✓ Calculate the Gross Profit Ratio (Gross profit/sales x 100) in each year

✓ Take the simple average of the GPR (all GPRs/ no of years). In case of wide fluctuation from year to year take the weighted average (total gross profits for all year / total sales for all years x 100). This average GPR is expected GPR in the period upto date of fire.