Anekant Education Society's

Tuljaram Chaturchand College of Arts, Science and Commerce, Baramati (Autonomous)

Class: F. Y. B. Com (Semester – II)

Subject: Financial Accounting (Code: COMFA1202)

QUESTION BANK

Q. 1) FILL IN THE BLANKS

1. Department account is prepared to know the separately the __________of each department.
2. the unallocable expenses under departmental accounting are to be debited to_______Account.
3. Inter-departmental transactions are to be debited to trading Account of the_______department.
4. Carriage and fright can be allocated in departmental accounting on the basis of________ each department.
5. Inter-departmental transfers will be treated as ________in case of supplying department.
6. Ownership of goods under hire purchase agreement is transferred at the time of ______
7. The amount of interest is credited by the buyer to _______
8. Under hire purchase system, interest is calculated on _______.
9. Hire Purchase price = ________ + ________
10. Under hire purchase system who has the right of sell __________.
11. Accounting Standard No.1 deals with__________.
12. AS 10 deals with___________

Q. 2) TRUE OR FALSE

1. In department account, each department is considered as a separate profit centre.
2. Under departmental accounts, legal charges are to be debited to Profit and Loss Account.
3. the departmental accounts enable the organization to close down, the unprofitable departments.
4. labor welfare expenses are more suitably be apportioned on the basis of employee numbers.
5. under inter departmental transfers, the transfers made at selling price are treated as purchases by the transferring department.
6. If the hirer fails to pay the last installment, the amounts paid earlier are considered as hire charges.
7. A hire purchase agreement is an 'executed contract' and an installment sale is an 'executor contract'.

8. A seller cannot repossess the goods if the purchaser fails to pay the last installment only.
9. The Hire Purchase Act, 1972 is in operation now.
10. AS 10 deals with Accounting for Inventory.

Q. 3) SHORT ANSWER QUESTIONS

1. What is department?
2. What is departmental accounting?
3. State the two methods of departmental accounts?
4. What is Independent / Unitary method of departmental accounts?
5. What is columnar method of departmental accounts?
6. Why do you prepare departmental trading account?
7. Write short note on: Provision for unrealized profit.
8. What are the different appropriate basis followed in allocation of indirect expenses?
9. What is mean by unrealized profit?
10. What is mean by Inter departmental transfer?
11. What is mean by Hire Purchase?

Q. 4) LONG ANSWER QUESTIONS

1. Explain in details AS 1.
2. Mention four advantages of departmental accounting?
3. Mention important objectives of departmental accounting?
4. What is Inter Departmental transfer? State the accounting treatment of Inter departmental transfer.
5. Explain in detail techniques of Departmental Account.
6. Characteristics of Hire purchase Agreement.
7. Advantages of Hire purchase system .
8. Mention the bases of apportionment of joint expenses to department

Expenses	**Expenses**
Freight charges	Repairs and insurance of buildings
Carriage inwards	Air-conditioning expenses
Import duty	Electricity bills (lightings)
Discount received	Repairs of machinery
Commission	Depreciation
Discount allowed	Insurance premium
Sales tax and after sales services	Workmen’s compensation insurance
Carriage outwards	Recreation expenses
Travelling	Labour welfare expenses
Advertisement	Canteen expenses
Bad debts	Power charges
Water charges	Rent and rates

Q. 4) PRACTICAL PROBLEM

1) From the following Trial Balance of Aasara, Prepare Departmental Trading and Profit and Loss Account for the year ending 31st March, 2019 and the Balance Sheet as on that date.

Particulars		Rs.
Stock (1st April, 2018)		
	Department X	3,400
	Department Y	2,900
Purchases		
	Department X	7,180
	Department Y	6,040
Sales		
	Department X	13,160
	Department Y	10,250
Wages		
	Department X	1,640
	Department Y	540
Rent, Rates & Taxes		1,878
Sundry Expenses		720
Salaries		600
Lighting & Heating		420
Discount Allowed		444
Discount Received		130
Advertising		736
Carriage Inward		468
Furniture & Fittings		600
Machinery		4200
Sundry Debtors		1212
Sundry Creditors		3720
Capital		9532
Drawings		900
Cash in Hand		2014

Additional information:

1. Inter-transfer of goods from X to Y amounted to Rs. 84,000.
2. Rent, rates and Taxes, Sundry Expenses, Lighting and Heating, Salaries and carriage are to be apportioned 2/3 to X Department and 1/3 Y Department.
3. Advertising is to be apportioned equally.
4. Discount allowed and received are to be apportioned on the basis of Departmental
5. Depreciation at 10% per annum on Furniture and Fittings and on Machinery is to be charged 314 to X and 114 to Y
6. Services rendered by Y Department to X Department are included in its wages Rs. 1,00,000
7. Stock on 31st March, 2019 in X Department was worth Rs.33,48,000 and in **Y** Department Rs. 24,111,000.

2) From the following Trial Balance of Aasara, Prepare Departmental Trading and Profit and Loss Account for the year ending 31st March, 2019 and the Balance Sheet as on that date

Particulars		Rs.
Stock (1st April, 2018)		
	Department X	1,500
	Department Y	1,200
Purchases		
	Department X	2,800
	Department Y	2,400
Sales		
	Department X	6,000
	Department Y	5,000
Wages		
	Department X	750
	Department Y	250
Rent, Rates & Taxes		900
Sundry Expenses		300
Salaries		300
Lighting & Heating		180
Discount Allowed		220
Discount Received		130
Advertising		360
Carriage Inward		210
Furniture & Fittings		400
Machinery		2,000
Sundry Debtors		600
Sundry Creditors		1,600
Capital		3,190
Drawings		400
Cash in Hand		1,150

Additional information:

1. Stock on 31st March, 2019 in X Department was worth Rs.1,650 and in Y Department Rs. 1,200.
2. Department X transfer goods costing Rs. 40 to department Y.
3. Rent, rates and Taxes, sundry expenses, lighting, salaries and carriage inwards to be apportioned 2/3 to department X and 1/3 to department Y.
4. Discount allowed and received are to be apportioned on the basis of Departmental Sales and purchases (excluding transfers)
5. Depreciation at @10% per annum on Furniture and Plant & Machinery is to be charged 3/4 to X and 1/4 to Y

3) A firm had two departments, cloth and readymade clothes. The clothes were made by the firm itself out of cloth supplied by the cloth department at its usual selling price. From the following figures prepare departmental Trading and Profit and Loss Accounts for the year ended 31st March. 2019:

Particulars	Cloth Department (Rs.)	Readymade Cloths (Rs.)
Opening Stock on 1st April, 2018	3,00,000	50,000
Purchases	20,00,000	15,000
Sales	22,00,000	4,50,000
Transfer to Readymade Cloths Department	3,00,000	-
Expenses:		
Manufacturing	-	60,000
Selling	20,000	6,000
Stock on 31st March, 2019	2,00,000	60,000

The stock in the readymade clothes department may be considered as consisting of 75% cloth and 25% other expenses. The Cloth Department earned gross profit at the rate of 15% in 2017-18. General Expenses of the business as a whole came to Rs 1,10,000.

4) From the following balances prepare Departmental Trading and Profit and Loss Account for the year ended 31st March, 2019.

Particulars	Dept. A	Dept. B	Total Rs.
Opening Stock	15,000	14,000	29,000
Purchases	35,000	30,000	65,000
Sales	60,000	50,000	1,10,000
Wages	6,000	4,000	10,000
Rent, Rates, Taxes and Insurance	--	--	9,390
Salaries	--	--	3,000
Lighting & Heating	--	--	2,100
Discount Allowed	--	--	2,200
Discount Received	--	--	650
Advertising	--	--	3,680
Carriage Inward	--	--	2,340
Furniture and Fittings	--	--	5,000

The following information is as follows:

1) Internal transfer of goods from Dept. A to Dept B Rs. 2,000.
2) The items Rent, Rates, Taxes and Insurance, Lighting and heating, Salaries and Carriage inward to be appointed 2/3 to Dept A and 1/3 to Dept B.
3) Advertising to be apportioned equally.
4) Discount allowed and discount received are apportioned on the basis of departmental sales and purchases.
5) Depreciation at 10% p.a. on furniture and fitting to be charged ¾ to Dept A and ¼ to Dept B.
6) Stock as at 31st March, 2019 – Dept A –Rs. 17,000 and Dept B-Rs. 15,000.

5) From the following trial balance, prepare departmental Trading, Profit and Loss account for the year ended on 31st March 2019 in the books of Bright Department stores, Pune.

Trial Balance

Particulars	**Debit Rs.**	**Credit Rs.**
Capital	--	30,000
General Reserve	--	20,000
Stock on 1st April 2018 ✓ Dept X ✓ Dept Y	 29,500 26,000	 -- --
Purchases ✓ Dept X ✓ Dept Y	 50,000 30,000	 -- --
Wages ✓ Dept X ✓ Dept Y	 12,000 10,000	 -- --
Carriage & Freight	800	--
Salaries	20,000	--
Traveling Expenses	1,500	--
Rates & Taxes	6,000	--
Insurance	6,000	--
Sales ✓ Dept X ✓ Dept Y	 -- --	 1,20,000 80,000
Sundry Debtors and Creditors	12,500	7,500
Bills Receivable and Payable	2,500	2,000
Premises	14,000	--
Managers Salaries	5,000	--
Printing & Stationery	500	--
Discount	1,000	--
Advertisement	3,500	--
Plant & Machinery	15,500	--
Furniture	500	--
Fuel & Water	1,750	--
Incidental Expenses	450	--
Cash in Hand	1,200	--
Cash at Bank	4,800	--
	2,59,500	**2,59,500**

Additional information:

- Stock on 31st March 2019 Dept X- Rs. 20,000 and Dept Y- Rs. 15,000.
- Provide R.D.D. st 5% on debtors.
- Wages outstanding Dept X – Rs. 600 and Dept Y – Rs. 400.
- Salaries outstanding Rs. 4000
- Rates and Taxes prepaid Rs. 1,500.
- Depreciation on plant and machinery at 10%.
- Value of service Rs. 100 rendered by Dept Y to Dept X.

All unallocated expenses are to be apportioned on the basis of sales.

6) Shivaji Brothers are lending paper merchants and booksellers. Their wholesale business is in paper and their retail showroom conducts business in stationery, books and magazines. The following balances are extracted from their books as at the end of their financial year, 31st March 2019:

Particulars	Amount Rs.
Capital	3,00,000
Stock:(1-4-2018)	
✓ Paper	2,00,000
✓ Stationery	50,000
✓ Books	1,00,000
✓ Magazines	25,000
Purchases	
✓ Paper	8,00,000
✓ Stationery	3,00,000
✓ Books	3,50,000
✓ Magazines	3,00,000
Sales	
✓ Paper	10,00,000
✓ Stationery	3,60,000
✓ Books	4,20,000
✓ Magazines	4,20,000
Rent	60,000
Lighting	24,000
Showroom Maintenance	18,000
Showroom fitting	1,80,000
Sundry Debtors(for paper)	1,00,000
Sundry Creditors	1,50,000
Salaries:	
✓ Showroom Staff	36,000
✓ Wholesale Business Staff	12,000
✓ Showroom cashier	12,000
General office Salaries	11,000
General office Expenses	11,000
Cash and Bank Balance	8,000

You are requested by the firm to prepare their Departmental Trading and Profit and loss Account for the financial year under reference with the help of the following additional information:

1. Closing stock at the end of the year in the various department were :

   Paper: Rs. 1,80,000 Stationary: Rs. 40,000

   Books :Rs. 1,20,000 Magazines : Rs. 30,000
2. Rent and lighting are for premises taken on lease, General office accommodation is negligible. Wholesale department uses 1,500 sq. feet. The balance of 1,500 sq. feet is occupied by the Show-room with equal division among stationary, books and magazines.
3. Show-room fittings are to be depreciated by 10% p.a.

7) The Trading and Profit & loss Account of Rahul Electricals for Six Months Ended 31st March, 2019 is as follows:

Particular	**Rs**	**Particulars**	**Rs**
To Purchases		By Sales	
• TV Sets (A)	14,07,000	• TV Sets (A)	15,00,000
• Radio Sets (B)	9,06,000	• Radio Sets (B)	10,00,000
• Spare Parts (C)	6,44,000	• Spare Parts (C)	2,50,000
To Salaries & Wages	4,80,000	By Closing Stock	
To Rent	1,08,000	• TV Sets (A)	6,01,000
To Sundry Expenses	1,10,000	• Radio Sets (B)	2,03,000
To Net Profit	3,45,000	• Spare Parts (C)	4,46,000
	40,00,000		**40,00,000**

On the basis of the following additional information, prepare Departmental Accounts for each of the three departments A, B & C.

1. TV sets and Radio Sets are sold at the Showroom.
2. Servicing and repairs are carried out at the workshop.
3. Salaries and wages comprise:
   Showroom ¾ and Workshop ¼.
4. It was decided to allocate the show-room Salaries and wages in the ratio of 1:2 between the departments A&B
5. The workshop rent is Rs. 5,000 per month. The Showroom Rent is to be divided equally between departments A&B.
6. Sundry Expenses are to be allocated on the basis of turnover of each department.

8) Y & Co. sold machinery whose cash price is Rs.74,500. to X and Co., on hire purchase basis on 1st January, 2019. Payment was to be made as Rs.20,000 down and Rs.20,000 every year for three years. Rate of interest was 5% x & Co. charged depreciation @ 10% p.a. on the diminishing balance. Give ledger accounts in the books of Y & Co.

9) A purchased from B two machines of Rs.15,000. each on hire purchase system. The payment was to be made Rs.6,000 down and the remainder in three equal installments of Rs.5,000 each together with interest. A writes off depreciation at 10% on written down value. A could not pay the second installment. It was agreed that the vendor would leave one machine with the purchaser, adjusting the value of the other against due, treating the machines at 20% depreciation on W.D. value. Show machines A/c and B's A/c in the books of A.

10) A Company Purchased two machines of Rs.15,000. each on hire purchase system. Paying Rs.6,000 down and remainder in three equal installments of Rs.5,000 each together with interest at 5% p.a. The company writes off depreciation at 10% p.a. according to Diminishing Balance Method. The company could not pay the second installment. The vendor left one machine with the company adjusting the value of the other against amount due taking the machine at 20% p.a. depreciation at Diminishing Balance Method. Prepare Ledger Account in the company's books.

11) Kanpur Transport Ltd. purchased from Delhi Motors three trucks costing Rs.50,000 each on the hire purchase system. Payment was to be made Rs.30,000 down and the remainder in three equal installments together with interest @ 9%. Kanpur Transport Ltd. Wrote off depreciation @ 20% p.a. on the diminishing balance. It paid the installment due at the end of the first year but could not pay the next. Delhi Motors agreed to leave one truck with the purchaser, adjusting the value of the other two trucks against the amounts due. The trucks were valued on the basis of 30% depreciation (diminishing value) annually. Show the necessary accounts in the books of Kanpur transport Ltd. for two years.

12) X purchased a truck for Rs.2,80,000, payment to be made Rs.91,000 down and 3 installments of Rs.76,000 each at the end of each year. Rate of interest is charged at 10% p.a. Buyer depreciates assets at 15% p.a. on written down value method. Because of financial difficulties, X, after having paid down payment and first installment to the end of 1st year could not pay second installment and seller took possession of the truck. Seller, after spending Rs 9,200 on repairs of the asset sold for Rs.1,50,000.

13) Z sold 3 Machines for a total cash sale price of Rs 6, 00,000 on hire purchase basis to X on 01.01.2018. The terms of agreement provided for 30% as cash down and the balance of the cash price in three equal installments together with interest at 10% per annum compounded annually. The installments were payable as per the following schedule: 1st installment on 31.12.2019; 2nd installment on 31.12.2020 and 3rd installment on 31.12.2021.X paid the 1st installment on time but failed to pay thereafter. On his failure to pay the second installment, Z repossessed two machineries and valued them at 50% of the cash price. X charges 10% p.a. depreciation on straight line method.

Prepare necessary ledger accounts in the books of X.

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