ADVANCED FINANCIAL ACCOUNT

FIRE INSURANCE CLAIMS

1. On the February, 2018 a fire occurred in the premises of a company. From the following particulars ascertain the amount of claim to be lodged in case of loss of stock which was insured**.**

	Rs.
Stock on 1st January 2018	5,00,000
Purchases from 1st January, 2018 to date of fire	7,50,000
Wages	2,50,000
Manufacturing Expenses	1,50,000
Sales from 1st January 2018 to date of fire	12,00,000

The Gross Profit Ratio is 25%. The stock salvaged was valued at Rs. 49,500.

Ans (Rs.7,00,500)

2. A fire occurred in the premises of a merchant on 18th September 2018 and a considerable part of the stock was destroyed. The value of the stock saved was Rs.8,200.

The books disclosed that on 1st April, 2018 the stock was valued at Rs.66,850, the purchases to the date of fire amounted to Rs.1,85,000 and the sales to Rs.2,82,500. Goods costing Rs.500 were taken for personal use and goods sold for Rs. 2,500 were returned to the merchant. On investigation it is found that during the past five years the average gross profit on the cost was 25%.

You are required to prepare a statement showing the amount the merchant should claim from the insurance company in respect of stock destroyed by fire.

Ans. [19,150]

3. On 15th June 2018, the premises and stock of a firm was destroyed by Fire but the accounting records were saved from which the following particulars were available.

	Rs.
Stock on 01-01-2017	1,47,000
Stock on 31.12.2017	1,63,800
Purchases for the year 2017	7,96,000
Sales for the year 2017	9,74,000
Purchases from 1.1.2018 to 15.6.2018	3,24,000
Sales from 1.1.2018 to 15.6.2018	4,62,400
Carriage Outwards from 1.1.2018 to 15.6.2018	22,000
Stock Salvaged	60.600
Amount of Policy taken	60,000

There is an average clause in the policy .Show the amount of claim.

Ans[Rs.29,155]

Compiled by:-
Raju Ramesh
APSEC

4. A fire occurred in the business premises of M/s Agnidev on 15th October, 2018.From the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 01-01-2017	15,300
Purchases from 01-01-2017 to 31-12-2017	61,000
Sales from 1-1-2017 to31-12-2017	90,000
Stock on 31-12-2017	13,500
Purchase from 1-1-2018 to 14-10-2018	73,500
Sales from 1-1-2018 to14-10-2018	75,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.9,000. The amount of the policy was Rs.31,500. There was an average clause in the policy. **Ans [Rs.23,625]**

5. Determine the amount of Claim for the loss of stock from the following details. Date of fire 30-9-2018

	Rs.
Stock on1-4-2017	25,740
Stock on 31-3-2018	37,800
Stock Salvaged	1,931
Amount of Policy	24,000

	2017-18	1-4-2018 to 30-9-2018
	Rs.	Rs.
Purchases	1,57,900	78,800
Sales	2,28,600	1,33,900
Wages	27,480	13,780
Carriage Inwards	10,900	3,160
Carriage Outwards	5,580	1,92

Stocks have been always valued at 10% below cost. **Ans[Rs.22,486]**

6. Fire Occurred in the premises of Bad Luck Ltd. On 20 February 2018. The Company has taken Out of a Fire insurance policy of Rs.1,00,000 covering its stock in trade and the policy was subjected to average clause. Form the following particulars ascertain the claim to be lodged.

	Rs.
Stock on 1st January 2017	90,000
Purchases during the year 2017	3,65,000
Purchases returns in the year 2017	5,000
Stock on 31st December 2017	1,26,000
Sales for the year 2017	4,10,000

Sales returns during the year 2017	10,000
Purchases from 1-1-2018 to the date of fire	84,000
Sales from 1-1-2018 to date of fire	1,03,000
Value of stock saved	19,800

It was the practice of the concern to value stocks at cost less 10%.

Ans: (86,017)

7. The traders have taken out policy of Rs.80,000. A fire occurred on 31-3-2018 and the stock was destroyed with the exception of the value of Rs.20,680. The following particulars are available from the books of the account:-

Stock on 31-12-2017	Rs. 30,000
Purchase to the date of fire	Rs.1,30,000
Sales to the date of fire	Rs. 90,000
Commission on purchases	2%
Carriage on purchases	Rs. 800
Average gross profit on cost	50%

The policy was subject to averages clause calculate the claim.

{ANS: 64,000}

8. Calculate gross profit percentage from the following information.

Opening stock	40,000
Purchases of goods	2,80,000
Wages paid	50,000
Direct Expenses	20,000
Sales	4,50,000
Closing stock	30,000

{ANS: 20%}

9. On June 10,2018 a fire occurred in the premises of Mr.Amar and considerable amount of stock was destroyed. The accounting records that were saved from fire disclosed the following particulars:-

Stock on 1-1-2017	1,50,000
Stock on 31-12-2017	1,80,000
Purchases for the years 2017	8,00,000
Sales for the years 2017	11,00,000
Purchases from 01-07-2018 to 10-06-2018	3,50,000
Sales from 1-1-2018 to 10-06-2018	4,80,000
Stock salvaged	14,000
Policy amount	2,50,000

Find out the amount of claim to be made.

{ANS: 2,31,959}

Compiled by:-
Raju Ramesh
APSEC

10. Fire occurred in the premises of Mr. Ahmed on 30-09-2018. All stock was destroyed except to the extent of Rs. 5,000. From the following details, ascertain the claim to be lodged by Mr. Ahmed.

Particulars	30-09-2018	1-10-2017
Opening stock	10,600	10,000
Purchases	60,800	70,000
Wages	4,000	3,000
Freight	2,000	2,600
Sales	85,000	1,00,00

{ ANS:8,650}

11. Fire occurred in the premises of Mr. Ramu on 31-10-2018. All stock were destroyed
Except to the extent of Rs. 2800, from the following details ascertain the claim to be lodged by Mr.Ramu.
Final accounts of Ramu were prepared on 31-12-2008:-

Sundry Creditors on 31-12-2017 were	Rs. 25,000
Sundry Creditors on 31-10-2018 were	Rs. 20,000
Stock on 31-12-2017 were	Rs.15,000.
Sales from 01-01-2018 To 31-10-2018 amount	Rs.1,34,000
Payment to Creditors.	Rs.1,20,000

Normal rate of gross profit on sales was 20% **{ANS: 20,000}**

12. From the following details drawn from the books of Naija, you are required to ascertain the opening stock.

purchases made during the year		Rs.22,000
Sales made during the years		Rs.33,000
Closing stock		Rs.2,000
Wages and fright		Rs.500
Indirect expenses		Rs.700
Rate of Gross profit on cost		
Return Inward	**1/2**	
Return out ward		Rs.3,000
		Rs.2,000

{ANS: 1500}

Compiled by:-
Raju Ramesh
APSEC

13. On 31st May, 2018, the premises and stock of a firm were totally destroyed by fire. The books of account were, however, saved. In order to make claim on their fire policy, they asked your advice and you are able to obtain the following information: The stock on hand has always been valued at 5% below cost.

	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Opening Stock as valued	22,800	30,400	36,100	39,900
Purchases less returns	91,000	1,10,000	1,20,000	41,000
Sales less returns	1,40,000	170,000	1,86,000	75,000
Wages	28,400	31,200	34,200	12,000
Closing Stock	30,400	36,100	39,900	**?**

Prepare a statement for submission to the insurance company.

[Ans: Value of Stock 35,000 Average Gross Profit %=20%]

14. Fire occurred in the premises of Popat Lal on 10th March, 2018. In order to make a claim on their fire polices in respect of the stock, they ask your advice and you are able to obtain the following information:

	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Opening Stock as valued	76,000	1,14,000	1,52,000	76,000
Purchases less Returns	3,60,000	4,30,000	4,60,000	1,50,000
Sales Less Returns	5,60,000	7,00,000	8,00,000	2,60,000
Wages and manufacturing	1,50,400	1,91,000	1,40,000	45,000
Expenses	1,14,000	1,52,000	76,000	**?**
Closing Stock				

The stock salvaged was Rs.15,400

It was the practice of the firm to value the stock at 5% less cost. Determine the amount of claim to be recovered from the insurance company.

Ans. [Rs.41,200]

15. A fire occurred on the premises of a businessman on 30th June,2018, destroying the greater part of this stock No. stock records have been maintained. The following information was ascertained from his books which were not involved in the fire.

Value of stock on 1st January 2018	12,500
Purchases from 1st January 2018 to 30th June 2018	45,500

Sales for the above Period	56,600
Purchases in 2015	2,20,000
Purchases in 2016	1,75,000
Purchases in 2017	1,50,000
Sales in 2015	2,50,000
Sales in 2016	1,60,000
Sales in 2017	1,90,000
Gross profit in 2015	75,000
Gross Profit in 2016	32,000
Gross profit in 2017	19,000
Value of stock saved from fire	2500

Prepare a statement showing the amount to be claimed from the Insurance Company, mentioning any further factors which you consider should be taken into consideration when preparing the claim. **{Ans.Rs.1,730: Rate of Gross Profit 5%}.**

16. On 30th September 2018, the stock of Fred Perry was lost in a fire accident. From the available records, the following information is made available to you to enable you to prepare a statement of claim on the insurers. :

Stock at cost on 1-4-2017	Rs.
Stock at cost on 31-3-2018	
Purchases less returns for the year ended 31-3-	37,500
2018	52,000
Sales less Returns for the year ended 31-3-2018	2,53,750
Purchases Less returns up to 30-09-2018	3,15,000
Sales Less returns up to 30-09-2018	1,45,000
	1,84,050

In valuing stock on 31-3-2018, due to obsolescence 50% of the value of the stock which originally cost Rs.6,000 has been written off. In May 2018, three-fourths of this stock has been sold at 90% of the original cost and it is now expected that the balance of the obsolete stock would also realize the same price. Subject to the above, gross profit had remained uniform throughout. The Stock to the value of Rs.7,200 was salvaged

Ans. [Amount of claim to be lodged = Rs. 53,150]

17. From the following particulars ascertain the value of stock as on 31st March 2018.

Stock as on 1-4-2017	14,250
Purchases	76,250
Sales	1,24,500

Manufacturing Expenses 15,000

At the time of valuing stock as on 31st march 2017, a sum of Rs. 1,750 was written off on a particular item, which was originally purchased for Rs.5,000 and was sold during the year for Rs.4,500. Barring the transaction relating to this item, the gross profit earned during the year was 20 % on sales

Ans.[6,250]

18. The premises of a company were destroyed by fire on 15-06-2018. The records, however, were saved wherefrom the following particulars were available

Stock at cost on 1-1-2017	30,000
Stock at Cost on 31-12-2017	40,000
Purchases less returns for the year ended 31-12-2017	2,00,000
Sales less Returns for the year ended 31-12-2017	2,50,000
Purchases Less returns from 1-1-2018 to 15-06-2018	85,000
Sales Less returns from 1-1-2018 to 15-6-2018	1,20,000

Rs.2,500 has been written off certain stock, which was a poor selling line, while valuing the stock for Balance sheet as at 31-12-2017.The cost of such stock was Rs. 4,000. A portion of this stock was sold in March 2018 at a loss of Rs.500 on the original cost of Rs.2,000. The Balance of this stock was now estimated to be worth the original cost. Expecting the above, the Gross Profit has remained at a uniform rate throughout. The stock saved was Rs.5,000.

You are required to ascertain the amount of loss on stock which was to be claimed from the Insurance Company.

Ans.[Rs.31,625]

19. On 15th June 2018, the premises of Fire and Stone were destroyed by the fire but sufficient records were saved from which the following particulars were ascertained:

	Rs.
Stock at cost ,1st January,2017	73,500
Stock at cost ,31st December 2017	79,600
Purchases less returns for the year ended 31-12-2017	3,98,000
Sales less Return, year ended 31-12-2017	4,87,000
Purchases Less returns,1st January2018 to 15th June, 2018	1,62,000
Sales Less returns, 1st January,2018 to 15th June 2019	2,31,200

In valuing stock for Balance Sheet at 31st December 2017 Rs.2,300 had been written off certain stock which was a poor selling line, having cost Rs.6,900. A portion of these goods was sold in March, 2018 at a loss of Rs.250 on the Original cost of Rs.3,450. The balance of this stock was now estimated to be worth the original cost. Subject to the above exception, gross profits had remained at a uniform rate throughout.

The Stock salvaged was Rs.5,800 Show the amount of the claim.

Compiled by:-
Raju Ramesh
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Ans. [52,250]

20. Fire occurred on 1-10-2018 and destroyed the stock of a firm, the baseness records were saved and the following particulars are available:-

	Rs.
Stock at cost on 1-4-2017	44,300
Stock at cost on 31-3-2018	37,550
Purchases for the years up to 31-03-2018	1,03,850
Sales for the year up to 31-3-2018	1,52,500
Purchases from 1-4-18 to 30-9-2018	37,350
Sales from 1-4-2018 to 30-9-2018	59,000

In valuing the stock on 31-3-2018 Rs.800 had been written off a particulars line of goods which had originally cost Rs.1,800 and which were sold in June-2018 for Rs.1750. Except this transaction the rate of gross profit had remained uniform throughout. The value of stock salvaged from fire was Rs.5,105.

You are required to calculate the amount of claim. **{ANS: 27,575}**

21. Fire occurred in the premises of Don't care Trades on 1-4-2018 and a considerable part of stock was destroyed. Stock salvaged was Rs.56,000. Fire insurance policy for Rs.3,43,000, was taken to cover the loss of stock by fire. You are required to ascertain the insurance claim which the company should claim from the insurance company for the loss of stock by the fire from the following particulars.

Purchases for the year 2017	Rs.18,76,000
Sales for the year 2017	Rs.23,20,000
Purchases from 1-1-2018 to the date of fire	Rs. 3,64,000
Sales from 1-1-2018 to the date of fire	Rs. 4,80,000
Stock on 1-1-2017	Rs. 2,88,000
Stock 31-12-2017	Rs. 4,84,000
Wages paid during the year 2017	Rs. 2,00,000
Wages paid during 1-1-2018 to date of fire	Rs. 36,000

The was a practice in the concern to value stock at the cost less 10% but all of a sudden this practice was changed and stock on 31-12-20017 was valued at cost plus 10%. **{ANS: 2,98,870}**

22. Calculate the amount of claim by applying average clause from the following:-

Loss of stock by fire	Rs.4,00,000	
Amount of policy	Rs.3,00,000	
Total value of stock	Rs.5,00,000	**{ANS: 2,40,000}**

23. Ascertain opening stock when purchases 90,000, wages 27,000 sales 1,30,000
Closing stock 20,000, Gross profit on sales is 25%

{ANS: 500}

24. Find out actual claim in the following case:-

Value of stock on the date of fire Rs. 25,000
Value of stock saved from the fire Rs. 5,000

Compiled by:-
Raju Ramesh
APSEC

Value of Insurance policy Rs.20,000

{ANS: 16,000}

25. Ascertain closing stock when purchases 1,20,000, wages 80,000, Sales 2,00,000 opening stock 30,000 and percentage of gross profit on cost in 1/3rd .

{ANS: 80,000}

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Royalty Accounts

SECTION - B

1. Prepare an analytical table from the following Royalty: Re.1 per ton of output: Minimum Rent: Rs.30,000 per annum. Right of recoupment of short workings up to 3 years. Output during first four years – 20,000, 28,000, 36,000 and 40,000 tons respectively.

2. Govinda Ltd took a lease of land at Bangalore from Kubera on 1st January2009. The minimum Rent being Rs. 1,00,000 with a right to recoup the short workings during the next two years. Royalty during the first five years was as follows:

Year	Royalty
2012	60,000
2013	90,000
2014	97,500
2015	1,20,000
2016	1,42,500

Prepare Analytical Table.

3. Prepare short workings account from the following details:

a. Minimum Rent Rs.20,000 pa.

b. Royalty payable Rs.5 per ton.

c. Short workings can be recovered during the first 4 years of the lease only.

d. The production for the first 4 years were as follows:

2014 – 2,000 tons 2015 – 3,000 tons

2016 – 4,000 tons 2016 – 4,500 tons

4. Prepare an analysis table from the following details assuming that short workings are recouped in the first three years.

Royalty payable Rs.2 per ton of output.

Minimum Rent Rs.35,000 p.a. the details are

Year	Output
2014	10,000 tons
2015	17,500 tons
2016	25,000 tons.
2017	30,000 tons

5. Prepare an analytical table of royalties from the following details:

a. Minimum Rent Rs. 10,000 pa.

b. Royalty - Re.1.00 per ton of ore raised

c. Short workings are recoverable during the first 3 years of the lease only

d. The output for the first 4 years was

2014: 2,000 tons 2015: 5,000 tons

2016: 15,000 tons 2017: 20,000 tons

6. Prepare an analytical table of royalty's from the following details:

a. Minimum Rent Rs. 30,000 pa.

b. Royalty - Re.2.00 per ton of ore raised

c. Short workings are recoverable during the first 3 years of the lease only

d. The output for the first 4 years was

2014: 4,000 tons 2015: 8,000 tons

2016: 16,000 tons 2017: 4,000 tons

7. Prepare an analytical table from the following details:

a. Royalty payable = Rs.5 per ton of output

b. Minimum rent = Rs.40,000 p.a.

c. Right of recoupment of short working = First three years

d. Output during the first three years:6,000 tons, 8,000 tons and 12,000 tons respectively.

8. Prepare an analytical table from the following details:

a. Minimum rent = Rs.40,000 pa.

b. Royalty payable = 0.75 as per ton of output

c. Short workings can be recouped in the next two years out of excess royalty.

d. Output the first four years:10,000 tons, 12,000 tons, 28,000 tons and 25,000 tons respectively.

9. Prepare an Analysis table of royalties from the following details.

1. Minimum rent – Rs.60.000 pa.
2. Royalty Rs.4 per ton of ore raised.
3. Short workings are recoverable during first 3 years of lease.
4. The output the first four years was:

2014: 4,000 tons 2015: 8,000 tons

2016: 16,000 tons 2017: 4,000 tons

10. Show a table of analysis for the following:

X owned certain patent rights. He granted a licence to Y to use such rights on royalty basis. The following are the relevant particulars:

Year	Minimum Rent	Royalty Earned
	Rs	Rs
2015	3,750	2,500
2016	5,000	4,000
2017	6,250	4,500

The deficiency of any year is to be set-off against excess payable within next two years.

11. The Bangalore company obtained a mine on lease for a period of 20 years from 1st June 2000, on the following terms.

1. To pay minimum rent of Rs.24,000 per year.
2. The short workings can be recovered during the subsequent two years.
3. Due to strike minimum rent is to be reduced by 25% for that year.
4. Royalty was to be calculated at 50 paisa per ton. Production during four years from 2014 to 2017 is as follows:

Year	2000	2001	2002	2003
Production in tons	28,000	36,000	60,000	44,000

Note:- there was a Strike for 3 months in the year 2017.

SECTION - C

12. Jeeva Coal Company Ltd. Took a lease of mine of Royalty of Re.1 per ton of coal raised. The minimum rent being Rs.60,000 p.a. Right to recoup short workings within a period of 5 years.

The output for first 5 years was as follows:

I Year 20,000 tons

II Year 68,000 tons

III Year 1,60,000 tons
IV Year 2,40,000 tons
V Year 2,40,000 tons
Prepare Royalty Account, Short Workings Account and Land Lord Account.

13. Z Co.Ltd took a lease from a landlord for a period of 25 years from 1st January 2013 on a royalty of Rs.2 per ton of coal raised with a minimum rent of Rs.20,000 and power to recoup short workings during the first four years of the lease. The annual output was as follows:

2013 = 5,000 tons
2014 = 8,000 tons
2015 = 10,000 tons
2016 = 15,000 tons
2017 = 20000 tons

Prepare necessary Journal Entries in the books of Z Co.Ltd.

14. Mr.Krishna the author of a book titled as Financial Accounting entered into a royalty agreement with Bangalore Publishers Ltd on 1.4.2012. The terms were a royalty of Rs.50 per copy sold, be payable subject to a minimum of Rs.4,00,000 pa with a right to recover the short workings during the subsequent two years from the year in which short workings arise. The other details are:

Year	No.of copies printed	Closing Stock
2012-13	6,200	1,200
2013-14	8,000	1,800
2014-15	9,000	2,000
2015-16	10,000	1,500
2016-17	12,000	1,000

Pass Journal entries in the books of Bangalore Publishers.

15. Jaishree obtained a lease of some granite bearing land on 1st Jan 2014. The terms being a royalty of Rs.700 per meter granite raised subject to minimum rent of Rs.20.00.000 per annum with a right of recoupment of short workings over the 1st three years of the lease. The following are the particulars.

Year	Sales in meter	Closing Stock/meter

2014	2,200	300
2015	3,300	500
2016	4,800	600
2017	6,000	700

You are required to prepare royalty account, short working account, Landlord account.

16. Tata Auto Ltd obtained patent right from Mr.Ratan Tata to manufacture and sell NANO cars for a period of 20 years starting from 1st January 2014 on the following terms.

i) Mr.Rathan Tata to get Royalty of Rs.1000 per car.
ii) Minimum Rent Rs.1,20,000 p.a.
iii) Short workings to be recouped during the subsequent two years.
iv) In the event of strike Minimum rent to be reduced of 70%
Production during four years from 2006 to 2009 was as follows:

Year	No.of cars manufactured
2014	70
2015	90
2016	150
2017	110(Strike for 3 months)

Prepare the following ledger accounts in the books of Tata Auto Ltd.
a. Royalty account b. Minimum Rent account
c. Mr. Ratan Tata's account

17. Mr.Mahesh wrote a book and got it published with M/s Popular Publishers on the terms that Royalty will be paid at Rs.5 per copy sold subject to a minimum payment of Rs.5 per copy sold subject to a minimum payment of Rs.15,000 with a right of recoupment of short workings over the first three years of the royalty agreement. From the following details write up.
a. Minimum rent account.
b. Royalty account.
c. Short workings account.
d. Mr. Mahesh's account.

Year	No. of copies printed	Closing stock
2014	2000	100

2015	3000	200
2016	4000	400
2017	5000	500

18. Prestige Ltd the patentee of a new type of gas burner issued a license on 1-1-13 to VIP Ltd for manufacture and sale of gas number for five years on the following terms:

a. To pay Royalty of Rs.100 for every year burner manufactured.

b. To pay recover short workings in the next year only.

c. To make payment on 31st Dec each year.

d. The minimum rent is Rs.55,000

Sales and closing stock of gas burner for the five years were as follows:

Year	Sales	Stock on 31st Dec
2013	200 units	50 units
2014	400 units	100 units
2015	600 units	70 units
2016	550 units	150 units
2017	400 units	100 units

You are required to prepare Royalty a/c, Short working a/c, and Prestige a/c In the books of VIP Ltd.

19. Mr.Ramanujam patented an automatic door closer and granted to Mr.Raju the license to manufacture and sell the closers for 10 years on the following terms.

a. Raju to pay a Royalty of Rs.5 for every closer sold with a Minimum Rent of Rs.2,500 p.a.

b. Raju could set off the short workings arising in any year against surplus royalty payable in the next 2 years.

c. From the second year onwards the dead rent is agreed upon at Rs.2,000 Instead of Rs.2,500 and all the other terms being unchanged. The other details are:

Year	Production (units)	closing stock (units)
1	125	25
2	225	50

3	285	35
4	515	50

Show ledger accounts in the books of Raju and company including Minimum rent account.

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SALE OF A PARTNERSHIP FIRM TO A COMPANY

I. CALCULATION OF PURCHASE CONSIDERATION.

1. A company takes over the following assets and Liabilities from a Partnership firm.

Land and Building	Rs.45,000	Plant machinery	Rs.20,000
Stock	Rs.20,000	Debtors	Rs.23,000
Bills Receivable	Rs.16,000	Current liabilities	Rs.28,800

The value of goodwill is fixed at Rs.28,800
Calculate purchase consideration which is payable in 10,000 Equity shares of Rs.10 each and balance in cash.

2. Ramesh and Suresh agreed to sell the partnership firm to Thomas Co., Ltd as on 31st March 2018, on that date the is Balance Sheet was as follows:-

Liabilities	Rs.	Assets	Rs.
Creditors	24,000	Goodwill	9,000
Suresh's Loan	18,000	Plant & Machinery	54,000
Profit & Loss a/c	18,000	Furniture	12,000
Capitals		Stock	60,000
Ramesh	60,000	Debtors	18,000
Suresh	45,000	Cash at Bank	12,000
	1,65,000		1,65,000

Thomas Co. Ltd agreed to take over stock at Rs.50,000, Debtors at Rs.16,000, Furniture Rs.10,000, P&M Rs.50,000 and Goodwill at Rs.10,000, Creditors were taken over Rs.20,000. The cost of realization amounted to Rs.3,000. Calculate the purchase consideration.

3. Calculate the purchase consideration from the following details :

The purchasing company has agreed to issue 8,000 equity share of Rs. 10 each at par. 500,8% preference shares of Rs.100 each at 10% premium. 1000 debentures of Rs. 50 each at 10% discount and pay cash equal to 10% of total purchase consideration.

4. Calculate purchase consideration from the following:-
The purchasing company agreed to issue 30,000 equity shares of Rs. 10 each at a premium of 10%. 1000 8% preference shares of Rs. 100 each at par. 1000 6% debentures of Rs. 100 each at a discount of 10% and pay cash equal to 25% of the total purchase consideration.

5. Calculate the amount of purchase consideration from the following :
Purchasing company agreed to issue 60,000 equity shares of Rs. 10 each valued at Rs.12 each 24000. 8% debentures of Rs.10 each at a discount of 5% and to pay cash, equal to 10% of face value of shares and debentures issued. The company expenses of Rs.10,000.

6. Calculate the purchase consideration from the following:-
The purchasing company agreed to issue 20,000 Equity shares of Rs.10 each at Rs.12-50 per shares. 1000 9% preference shares of Rs.1000 each at par. 1000 6% debentures of Rs.100 each at a discount of 10% and pay cash equal to 20% of the total purchase consideration.

II. INCOIRPIORATION OR OPENING ENTRIES

7. Pass incorporation entries in the books of the company from the following particulars purchase consideration-Rs.11,25,000, Value of sundry assets taken over Rs.13,50,000, current liabilities taken over Rs.1,35,000. Settlement of purchase consideration is 60% in equity shares of Rs.10 each and balance in 8% debentures of Rs.100 at face value.

8. Pass incorporation entries in the books of the purchasing g company from the following particulars:-

Purchase consideration	Rs. 9,00,000
Value of assets taken over	Rs. 10,50,000
Current Liabilities taken over	Rs. 75,000

Settlement of purchase consideration - 75% in equity shares of Rs.10 each, 1,000 8% debentures of Rs.100 each and the balance in cash.

SECTION - C

9. Raja, Ram and Mohan are in partnership sharing profit and losses in the ratio of 4:3:1 respectively. On 31-3-2018 they agreed to sell the is business to a limited company the position on that date are as follows:-

Liabilities	Rs.	Assets	Rs.
Loan from Bank	8,000	Free hold property	36,000

Sundry creditors	16,000	Machinery	24,000
Capitals :-		Book debts	30,000
Raja…	40,000	Stock	26,000
Ram …	30,000	Cash	4,000
Mohan …	26,000		
	1,20,000		1,20,000

The company took the following assets except cash at the valuation shown below:- Free hold property Rs.4,000, Machinery Rs.22,000, Book debts Rs.28,000, stock Rs.24,000, Goodwill Rs.8,000. The company also agreed to pay the Creditors which was agreed at Rs.15,400. The company paid 3,300 shares of Rs.10, each fully paid and balance in cash. The expenses amounted to Rs. 1000.

Prepare necessary ledger accounts in the books of the firm. **(BBM-2013)**

10. Siri, Girti and Yadav carrying business in partnership profits and losses in the ratio of 4:3:1 respectively. On 01-03-2018 they agreed to sell their business to a limited company. Their position on that date was as follows:-

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		80,000	Freehold property	1,80,000
Loan		40,000	Machinery	1,20,000
Capital:	Siri …	2,00,000	Debtors	1,50,000
	Giri …	1,50,000	Stock	1,30,000
	Yadav …	1,30,000	Cash	20,000
		6,00,000		6,00,000

The company took over the following assets except cash:- Freehold property Rs.220,000, Machinery Rs.110,000, Debtors Rs.140,000, stock Rs.120,000 and Goodwill Rs.40,000.

The company also agreed to pay the creditors which were agreed at Rs.77,000. The company paid Rs. 3,36,000 in fully paid shares of Rs.10 each and the balance in cash. The expenses amounted to Rs. 5,000.

Prepare necessary Ledger accounts in the books of the firm. **(B.com-2014)**

11. X Y Co, Ltd., was registered on 01-01-2018 with an authorized capital of Rs.10,00,000 divided into 10,000 ordinary shares of Rs. 100 each.

The company was formed to take over the firm of X and Y going concern on the basis of the following Balance sheet as on 31-12-2017.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	20,000	Plant and machinery	50,000
Capital :		Stock	40,000
X …	60,000	Sundry Debtors	25,000
Y …	40,000	Cash in hand	5,000
	1,20,000		1,20,000

The Purchase consideration was Rs.140,000 payable Rs.100,000 by the issue of 1000 fully paid up shares and balance in 9% debentures of Rs.100 each.
You are asked to close the books of the firm by means of preparing necessary ledger accounts and prepare opening Balance sheet of the company. **(B.com-2013)**

12. A and B were in partnership sharing profit and losses in the ratio of 3:2. The following was the B/s of the firm as on 31-03-2018.

Liabilities	Rs.	Assets	Rs.
Creditors	52,000	Cash	24,000
A's Loan	8,000	Debtors	60,000
Capital		Stock	76,000
A …	1,20,000	Fixed Assets	80,000
B …	60,000		
	2,40,000		2,40,000

C Co ltd agreed to take over fixed assets and stock for a consideration of Rs.1,60,000 which is to be satisfied:-

a) By payment of cash Rs.32,000.
b) By allotment of 480, 8% preference shares of Rs. 100 each.
c) By allotment of 6400 equity shares of Rs.10 each valued at Rs. 12-50 per share. The debtors realized Rs.56,000 and Creditors were paid Rs.48,000 in full settlement. It was agreed between the partners as follows:
   i) Equity shares are to be allotted in the profit sharing ratio.
   ii) Preference shares are to be allotted to A to the value of his loan A/c and remaining preference shares to be allotted to the partner's equally.

Prepare necessary Ledger Accounts in the Books of A and B. **(B.Com-2012)**

13. R Ltd was formed to take over the assets and Liabilities of A and B. The B/s of A and B on 31-03-2018 was as follows:-

Liabilities	Rs.	Assets	Rs.
Trade Creditors	8,000	Cash in hand	2,000
Capitals		Cash at Bank	12,000
A …	80,000	Books debts	18,000
B …	80,000	Stock	78,000
		Furniture	10,000
		Land and Buildings	48,000
	1,68,000		1,68,000

The purchase consideration was agreed at Rs.200,000 and was to be paid as under:-

a) 5600 Equity shares of Rs.20 each fully paid.
b) Rs.68,000 in 6% preference shares of Rs.100 each issued at par
c) In cash Rs.20,000

All the assets and Liabilities were valued as per the balance sheet expect the book debts which were subject to a bad debts provision of 5%.

The company raised further capital by issue of 15,000 equity shares of Rs.20 each.

The adjoining premises were purchased of Rs.100,000 and additional stock of Rs.140,000 was obtained from open market Record the above transactions in the books of R Ltd through Journal entries and draft the opening Balance sheet. **(B.B.M-2010)**

14. P and Q were partners sharing profits and losses in the ratio of 2:1 respectively. The is Balance sheet as on 31-03-2018 on which date they converted the is business in to a company was as follows:-

Liabilities	Rs.	Assets	Rs.
Creditors	60,000	Cash	14,000
Mortgage on Freehold premises.	20,000	Debtors	52,000
		Stock	32,000
Capital :- P …	40,000	Machinery	10,000
Q …	20,000	Freehold premises	32,000
	1,40,000		1,40,000

The company took over all the assets and Liabilities except mortgage on Freehold premises for a purchase price of Rs.120,000 payable as to Rs.24,000 in cash, Rs.48,000 in debentures and balance in equity shares of Rs. 100 each.
Close the books of the firm after the above transaction have been carried out. Mortgage has been paid and partners agree to share debentures and shares in proportion of their capitals. Prepare ledgers accounts in the books of the firm

(BBM-2008)

15. Samarth and Shashank are partners having profit sharing ratio 2:1 and their balance sheet as on 31-03-2018.

Liabilities	Rs.	Assets	Rs.
Creditors	1,20,00	Cash	900
B/P	30,000	Debtors 1,80,000	
Reserve Fund	18,000	Less :Reserve 9,000	1,71,000
Samarth's Loan	60,000	Bills Receivable	15,000
Capital: Samarth ..	90,000	Stock	1,31,100
Shashank ..	60,000	machinery	60,000
	3,78,000		3,78,000

They agreed to sell the business to a limited company to take over the assets and liabilities as follows:- Machinery at Rs.48,000, stock Rs.105,000, Debtors Rs.152,100, B/R-Rs.15,000 and goodwill Rs.18,000.

The company agreed to take over Creditors at Rs.114,000 and B/P at Rs.30,000. The firm received Rs.120,000 of the purchase price in Rs.10 fully paid equity shares and balance in cash. Distribute the shares as per original capital ratio. Prepare the necessary ledger accounts in the books of the firm. (B.Com-2009)

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CONSIGNMENT ACCOUNT

I. Problems on cost Price Method

1. Harish of Haveri consigned goods costing Rs.40,000 to Bellary. He paid for freight Rs. 2,000: insurance Rs. 1,000 and received an advance of Rs. 20,000 from Balaji, as a security against consignment.
   Balaji paid Rs.400 for octroi, Rs600 for carriage. He sold all the goods for Rs.60,000 and sent an account sales. He also sent a cheque to Harish for the amount due after deducting his expenses necessary entries and prepare Consignment to Bellary Account.
   (Ans. Con. Profit: Rs. 10,000, Balance Received Rs.33,000: Commission Rs. 6,000)
2. Kodak Express of Belgaum consigned 400 Cameras at cost of Rs. 1200 to Mahesh of Dharwad. They spent Rs.24 for packing each camera and drew on Mahesh, a three months bill of exchange for Rs.1,44,000. Mahesh on receipt of the consignment spent for octroi, carriage, insurance and other charges Rs.14,400 in all.
   Mahesh sold 300 cameras at Rs.1,920 each for cash and the remaining cameras were sold on credit at Rs. 1,440 each. He remitted the balance due to Kodak Express after deducting his commission at 5% on total sales.
   Prepare necessary ledger accounts in the books of both the parties.
   (Ans:- Consignment Profit: Rs. 1,80,000 : Commission Rs. 36,000 : Balance paid Rs.5,25,600).
3. Sainath & Co, of Mysore, consigned goods valued at Rs.50,000 to Jagdesh of Sirsi on 1ST January 2018 and paid Rs. 1,000 as freight and Rs.500 towards

insurance. They drew on the consignees on 1st January 2018 a bill at 3 months for half the amount. Consignors discounted the bill on the same date being charged Rs.100 thereof. The Account Sales from the consignees disclosed that they had incurred Rs.250 towards carriage and godown rent and that the goods had realized gross Rs. 65,000. After charging their commission at 5% on gross proceeds a draft for the balance was remitted to the consignors.
Pass the necessary Journal entries in the books of both the consignors and the consignees.
(Ans. Profit on consignment Rs. 9,900: Final remittance by draft Rs.36,5000).

4. Sadiq of Kolar purchased 1,000 meters of Kashmir Silk at Rs.60 per Kg and sent it to Desai of Pune to be sold on consignment. Sadiq paid Rs. 2,000 towards packing charges, etc. Desai received the consignment and paid Rs.5,000 as freight charges. Sadiq dew a bill upon Desai for Rs. 50,000. Desai sold 900 kgs, @ Rs.90 per kg and paid 2,500 as sales expenses. Desai took over the remaining quantity for Rs.6,500. He is to be allowed a commission on gross sales at 10%. Prepare Ledger Accounts in the books of both the parties.
(Ans. Profit on consignment Rs.9,250. Final remittance in balance Rs.21,250)

5. Ram sends out consignment for the value of R.5,000 to Shyam drawing on the latter for Rs.4,000 as an advance against the goods consigned. Ram also pays Rs.450 for freight. Shyam clears the goods paying Rs.250 for duty, dock dues etc. He sells on credit half the lot for Rs.4,000 and half of the remaining is sold for cash at Rs.2,200. Shyam's remuneration is 2 ½% on gross proceeds.
Shyam sends out an Account Sales and draft to Ram for the balance as show therein. Open the necessary account in Ram's book to record the above transactions.
(Ans. Profit on consignment Rs.1,770: Final remittance by draft Rs.1,795)

6. On 10th April, 2017, the Ramnagar Sugar Factory, Ramnagar, consigned to Mr. Shyamal of Mumbai, 400 bags of sugar @ Rs.1,250 per bag. They also paid cartage, freight, etc. Rs.12,500. On 12th April, 2017, the consignors drew on the consignee as an advance against the consignment at 3 months for Rs. 3,00,000 which they discounted at their bank 5%. The consignee sold off the goods and on 1st July, 2017, rendered an Account Sales showing that the goods realized Rs. 6,00,000 out of which he deducted his charges amounting to Rs. 4,000 and his commission at 5%.
Make entries and show ledger accounts in respect of the above transaction in the books of the consignors as well as consignee.
(Ans. Profit Rs.53,500)

7. Rehman of Sringeri sends woolen goods costing Rs.20,000 to Bansilal of Banaras to be sold on consignment basis. Rehman pays Rs.400 as expenses. The goods are received by Bansilal and he accepts a bill of exchange immediately, payable after three months for Rs. 12,000. The bill was immediately discounted @6%.

Later Bansilal sends an Account Sales to Rehman showing that sales have been effected totaling Rs.22,000. His expenses are: on freight Rs.1,000, godown rent Rs.200 and on insurance Rs.200. Bansilal is entitled to a commission of 8%. The cost of goods still lying unsold with Bansilal is ascertained to be Rs.9,000.
(Profit Rs.7,440).

8. Jai Narayan & Company of Bangalore sent goods of the cost of Rs. 15,000 to their agent Jairam of Mangalore, on which they pay fright, insurance and other charges Rs.550, drawing on him at 90 days for Rs. 13,000. They discount the bill at Syndicate Bank for Rs. 12,790 less agent's commission, etc Rs.210. Jairam spent for fright, godown rent, etc., Rs.450 and sold ¾ of the goods for Rs.19,000. He is entitled to a commission of 5%. The unsold stock was valued at Rs.4,000. Jairam sends a draft on the Bank of Baroda for the balance.
Make the entries in the books of both the parties and give the necessary accounts in the books of Jai Narayan and Co.
(Ans. Profit Rs.6.050)

9. Harihar & Company of Harihar consigned goods to Kirloskar & Company of Mangalore on 1st September, 2017 with a Performa invoice for Rs.40,000 and drew on them a two months' draft for Rs. 20,000 which the latter returned duly accepted. They paid freight Rs.3,000, insurance Rs.800, and other expenses Rs.200. On 31st October, Kiloskar & Company sent and Account Sale from which it appeared that half the goods had realized Rs. 30,000. After deducting expenses Rs.1,300 and their commission at 2% on gross proceeds, they enclosed a draft on the Maharashtra Bank for the balance.
Pass necessary Journal entries and prepare necessary ledger account in the books of the consignor valuing the unsold goods at invoice price plus proportionate expenses.
(Ans. Profit Rs.6100 and Stock 22,000)

10. Somnath & Sons of Somnath consigned goods valued at Rs.30,000 to M/s Prmjibhai & Co, of Premnagar, their agent, on 1st Jan. 2017 and paid Rs. 1,000 as freight and insurance. They drew on him at 3 months draft for half the amount. They discounted the bill on 1st February being charges Rs. 150 as discount. On 1st March Premjibhai & Co. advised that they paid Rs.250 for carriage and other charges on the consignment. On 15th March M/s Premjibhai & Co. forwarded an Account sale, showing that the goods had raised gross Rs.45,000 and charging their commission of 3% on the amount remitted, a bill for the balance.
Record transaction in the books of both the parties and show ledger accounts.
(Ans : Profit Rs.12,250)

II. Problems on Cost price with Abnormal Loss

11. Swastika Oil Mills, Bombay consigned 5,000 tins of coconut oil to Mysore Oil Mills, Bangalore on 1-1-2020. The cost price of oil was Rs.250per tin. The swastika Oil Mills paid Rs.2,500 for freight and Rs.5000 for insurance. 50 tins were totally destroyed in course of transit for which the insurance company paid Rs.8,000 as compensation directly to the consignors. Mysore Oil mills accepted a 3 months bill for Rs.5,00,000 drawn by the consignors. On 15.3.2020 Mysore Oil Mills sold 3,500 tins of oil at Rs.300 each: the expenses being Rs.1,500 on godown rent and Rs.500 on insurance. They are entitled to a commission of 2% + 1% edel credere commission. Swastika Oil Mills close their books of the consignor.

(Ans: Profit on consignment Rs.1,39,499. Value of stock Rs.3,63,370 (i.e)3,62,500+870 proportionate expenses). Abnormal loss Rs.12,530 (i.e12,500+30 expenses)Commission Rs.31,500)

12. Mr. Rao consigned 400 packets of lipsticks each packet containing 100 lipstick. The cost price of each packet was Rs.300. He spent Rs.5 per packet as cartage, insurance and forwarding expenses. 10 packets were lost on the way and Mr. Rao lodged claim with the insurance company and could get only Rs.2,700 as claim on average basis. The consignee took delivery of the rest of the packets and spent Rs.780 as non-recurring expenses and Rs.1,250 as recurring expenses. He sold 370 packets at the rate of Rs.5 per lipstick. He was entitled to 2% commission o sales+1% del credere commission.

(Ans : Profit on consignment Rs.64,610: Value of stock Rs. 6,140(i.e 6,000+140 expenses): Abnormal loss Rs.3,050 (i.e.3,000+50 expenses):Final settlement Rs.1,77420).

13. Mohan sent 10 old cars to Narendra on consignment. The cost of each car is Rs.48,000. The expenses of Mohan were: Freight Rs.28,000 and insurance Rs.12,000During transit one car was destroyed and the insurance company paid Rs.36,000 towards the claim. Narendra sold 7 cars at Rs.60,000 each and he paid for unloading and octroi R.13,200. He sent Rs.3,60,000 by Bank draft. It was agreed that Narendra is to get 5% commission on sales. Show the necessary accounts in the books of Mohan.

(Ans: Profit consignment Rs.24,733: Value of stock Rs.1,06,933: Abnormal loss Rs.52,000 (i.e.,48,000+4,000)Balance in settlement Rs.25,800)

14. Santosh of Bangalore consigned 100 cases of biscuits to Yogesh of Gulbarga. The cost of each case is Rs.30. Santosh incurred the following expenses: Packing Rs.40, Carriage : Rs.20 and Railway Freight Rs.40. Some of the cases were damaged and Yogesh took delivery of 90 cases only. He paid Rs.18 for cartage and Rs.32 for godown rent and sold the whole of consignment at Rs.45 per case.

Yogesh remitted the balance after deducting his expenses and commission at 5% on gross sales, to Santosh. Santosh received Rs.180 from the insurance company in full settlement of the claim.

Prepare(a) Consignment A/c, b)Yogesh's A/c and , c) Abnormal loss A/c in the books of Santosh and Santosh's A/c in the books of Yogesh.

(Ans. Profit on consignment Rs.1,007. Abnormal loss Rs.310 *(i.e* 300+10)Balane remitted by Yogesh Rs.3,797.

15. Satish of Gulbarga cosigned 100 case of biscuits each costing Rs.500 to his agent Girish of Bidar to be sold at his risk. Satish paid Rs.1,000 towards freight and insurance. On the way 10 cases were destroyed due to accident. Insurance company paid compensation of Rs.4,000 directly to Satish. Girish took delivery of the remaining cases at Bidar paying unloading charges and octroi Rs.270. His other expenses were: rent Rs.60, and selling expenses Rs.40. He sold 80 cases at Rs.650 per case. He was entitled to a commission at 5% on sales. You are required to prepare) Consignment Account b) Girish's Account and © Goods sent on consignment Account in the books of Satish.

(Ans: Profit on consignment Rs.8,260 value of stock Rs.5,130 (i.e 5,000+100+30) Abnormal loss Rs.5,100 (i.e 5,000+100 expenses). Final settlement Rs.49,030).

16. Neel Cycle Enterprises, Gadag consigned 100 baby cycles costing Rs.300 each to their agents at Bijapur. They paid Rs.2,000 for freight and insurance. During transit 5 cycles we totally damaged and the insurance company accepted the claim for Rs.1,400 only. The agents took delivery of the rest of the cycles and paid Rs.570 to take the goods to their showroom and subsequently Rs.300 as godown rent and sales expenses. They sold 80 cycles at Rs.400 each. They are entitled to a commission at 5% of gross sales. They also sent a bank draft in settlement of account. Prepare the necessary accounts in the books of both the parties.

(Ans : Profit on consignment Rs.4,020: Value of stock Rs.4,890 (i.e. 4,500+300+90) abnormal Loss Rs.1,600: Final settlement Rs.29,530.)

III. Problems based on Invoice Price Higher than Cost without Normal or Abnormal Loss.

17. Vijay Company Ltd., of Kolhapur consigned 100 bicycle on 1st July, 2019 to Shridhar at Mandya to be sold on behalf of Vijay Co. Ltd., o the following conditions. Cycles may be sold at invoice price or above. Shridhar is entitled to a commission of 7 ½% on invoice price and 20% commission on any excess of the invoice price. The cycles were invoiced at Rs.2,000 each while the cost price of each was Rs. 1,500. Vijaya Co. Ltd. incurred Rs.10,000 on freight and insurance. Shrdhar received the consignment on 14th July and accepted a 3 months draft drawn upon him by Vijay Co. Ltd for Rs.1,00,000 Shridhar paid Rs.4,000 as rent and Rs.2,500 as Insurance and by 31st December he sold 80 cycles at Rs/2,500 each.

(Ans: Profit Rs.40,500 " Stock at Invoice Price Rs.42,000 : Commission : Rs.9,000+ Rs.16,000=Rs.25,000)

18. M/s Sunder & Co. of Mysore consigned 1,000 tins of ghee costing Rs.600 per tin to their agent, Bharath Ghee Stores at Calcutta. The tins were invoiced at Performa price Rs.900 per tin. The agents sold 400 tins at Rs.800 per tin for cash 400 tins at Rs.820 per tin on credit and they took over the balance to their own stock at Rs.820 per tin. M/s. Sunder and Co. paid freight and carriage Rs.500 and miscellaneous expenses Rs.200. They drew on Bharath Ghee stores at 3 months of Rs.45,000 which was duly accepted by the latter. The expenses incurred by the Bharath Ghee stores wee carriage Rs.50, octroi Rs.40, storage Rs.110, miscellaneous expenses Rs.100. They were entitled to 5%commission and 2% Del Credere commission on total gross sales proceeds. They sent their Account Sales to their principal showing expenses incurred by them. A month later all the debtors paid cash and Bharath Ghee Stores remitted the amount due on consignment.

Show the necessary ledger account in the books of consignor as well as those of the consignee. ***(Ans: Profit o consignment: Rs.14,516)***

19. Harish of Hubli consigned goods to Girish of Gulbarga of the value of Rs.40,000 and invoiced the same at 20% above cost. He paid thereon Rs.1,600 for freight and Rs.400 for insurant. He drew on Girish for Rs.16,000 as advance against consignment and discounted the bill for Rs.15,600. Girish sold three – fourth (3/4th)of the goods for Rs. 48,000. Girish paid carriage Rs.1,600. He is entitled to a commission of 5% on sales.

Pass the journal entries in the books of both the parties, assuming that the final settlement is made between them.

(Ans : Profit on consignment Rs.12,900: Final settlement made Rs.28,000)

20. Madan Gopal of Benaras consigned to his agent Ganesh of Bangalore, 100 Banarasi sarees at an invoice price of Rs.60,000 which was 20% above cost. Ganesh was entitled for 10% commission on the invoice price of the goods sold and 20% commission on the price realized above the invoice price. Ganesh sold 75 sarees realizing Rs.62,500 for which he had to spend Rs.2,000 as non-recurring expenses and Rs.4,000 as selling and other expenses. He sent a bank draft for Rs.50,000. Madan Gopal spent Rs.2,000 for dispatching the goods.

Give the necessary account in the books of both the parties.

(Ans : Profit on consignment Rs.10,000: Value of stock Rs.16,000(i.e.15,000+1,000 proportionate expenses); Loading ***on goods sent Rs.10,000 and on stock Rs.2,500: Consignee's A/c Cr. Balance Rs.1,500)***

21. Shri Hegde of Bangalore consigned goods to Shri Jaykumar of Bombay at a Performa invoice Price of Rs.2,00,000 which is 25% above the cost price. He paid Rs.10,000 towards freight and Rs.6,000 toward insurance and other charges. Jaykumar took delivery of the goods and paid unloading charges, carriage etc., Rs.2,000. His other expenses were god won ret Rs.1,000 and selling expenses Rs.2,000. He sold ¾ of the goods for Rs.2,00,000. He was entitled to an usual commission at 5% and a del credere commission at 2% on gross sale proceeds. He sent draft for the balance to Hegde.

Prepare:- (a) Consignment Account's b)Goods sent on Consignment Account and c) Consignee's Account in the books of the consignor.

(Ans : Profit on consignment Rs.49,500 : Value of stock Rs.54,500 (i.e50,000+4,500 expenses): Loading on gods sent Rs.40,000 and on closing stock Rs.10,000: Final settlement Rs.1,81,000)

22. Shri shyam of Belgaum consigned 1,000 boxes of materials at Rs.30 per box to Shri Ram of Karwar invoiced at cost+20% and Paid Rs.1,000 freight and insurance. Shri Ram spent Rs.800 for octroi and cartage. He returned 100 boxes incurring expenses of Rs.450. He sold 800 boxes at Rs.45 per box (including 20% on credit.) He paid selling expenses of Rs.750 the agent is entitle to a commission of 7.5% on sales (inclusive of del credere commission of 2.5%). A customer for Rs.500 became insolvent and nothing could be recovered from him. Prepare the necessary accounts in the books of both the parties.

(Ans. Profit on consignment Rs.10,500. Value of stock Rs.3,200, Loading on goods sent Rs.5,000. On returns Rs.500 & on Stock Rs.500. Balance receivable from Ram Rs.31,300, Commission Rs.2,700)

23. The Reliance Products Ltd., Bombay consigned cotton goods costing Rs.60,000 to M/s Chatterjee & Co., of Calcutta and invoice them at a price so as to show 25% Profit on sales. They paid freight and insurance Rs.4,000. Chatterjee & Co, took delivery of the consignment paying Rs.1,000 for octori and carriage. They accepted a 3 months bill for Rs.30,000 as an advance. The Reliance Products Ltd., received the Account Sales from the consignees showing that 3/5 of the good were sold for Rs.60,000 and 1/5 of the goods were returned as they were unsalable. The selling expenses amounted to 2,500. The consignees were entitled to a commission of 3%+a del credere commission of 2% on sales. One customer who had brought goods worth Rs.1,000 on credit failed to pay the amount due Chatterjee & Co. remitted the balance due to the consignors after deducting their commission and expenses.

Prepare the consignment Account, Goods Sent on consignment Account and Consignee's Account in the books of the consignors.

(Ans : Profit on consignment Rs.14,750: Value of stock Rs.17,250 (i.e16,000+1,250 Proportionate expenses): Loading on goods sent Rs.20,000: on goods returned Rs.4,000 and on closing stock Rs.4,000 : Final remittance Rs. 23,500)

24. Desai & Co. Sent goods on consignment to Babu of Mumbai at a Performa invoice price which is20@ on sales. Desai & ., sent goods costing R.20,000 and paid for freight and other charges amounting t Rs.1,200. The terms are that Babu shall receive 10% commission on the invoice price of goods sold and 20% of any price realized above the invoice price. Babu shall have to bear all the expenses himself incurred by him. Desai & Co., draws one month bill for Rs.5,000 on Babu and Babu accepted the bill which was discounted for Rs.4,850 by Desai & Co. Babu paid for rent Rs.150, advertisement chargesRs.100. He sold 4/5th of the goods for Rs.24,000 which includes Rs.15,200 being goods sold on credit. Babu paid the balance amount by draft.

Show the necessary accounts in the books of the consignor and consignee.

25. From the following transactions prepare the consignment Account and Consignee's Account in the books of the consignor:

	Rs.
Stock on consignment (1.1.1988)at invoice price	10,000
Gods supplied to consignee a invoice price	60,000
Packing and freight paid by consignor	1,000
Cartage and octroi paid by B the consignee	1,000
Goods returned by B at invoice price	2,000
Sales by B: Cash sales	22,000
Credit sales	50,000
Bad debts	400
Goods destroyed by fire at B's premises (at cost)	4,000
Goods returned by customers to B	2,000
Stock on Consignment at invoice price (31-12-1988)	8,000

B's commission is fixed at 10% on the invoice value of the goods sold and 20% on the excess price realized owner invoice price. Invoice price is made out at cost +25%. The accounts were duly settled by B.

[Ans :Profit on consignment Rs.15,100: Loading on goods sent Rs.12,000 On returns Rs.400: on opening stock Rs.2,000:On closing stock Rs.1,600: omission Rs.8,500 and abnormal loss Rs.4,000 final remittance Rs.60,100].

26. Karnataka Traders Bidar consigned goods to maruthi Traders of Raichur, closing Rs.80,000 but were invoiced at 20% above cost and paid for freight and insurance Rs.4,800. According to the terms Maruthi Traders were to receive 10% commission on the invoice price of goods sold and 20% of ay price realized above the invoice price and they will have to bear all the expenses incurred by them and have accepted a bill for Rs.30,000 as an advance. Maruthi traders sold 75% of the goods for Rs.90,000 including credit sales of Rs.50,000 Rs.1,200 became bad. Maruthi traders paid godown rent Rs.800 and selling expenses Rs,600.

Show the necessary accounts in the books of Karnataka Traders and Maruthi Traders.

[Ans. Profit on consignment Rs.14,400" Value of stock Rs.25,200 (i.e 24,000+1,200 proportionate expenses]: Loading on goods sent Rs.16,000 and on closing stock Rs.4,000 Balance in settlement Rs.48,000]

27. Shri Rajesh of Mysore sent a consignment of goods to Shri Rakesh of Bangalore to be sold at his risk. Shri Rakesh who to receive a commission of 10% on the invoice price of goods sold and 20% on any excess price realized over and above the invoice price. The commission was considered to include del credere commission also. Shri Rajesh set goods costing Rs.25,000 at a invoice price of R.30,000 and spent Rs.500 for packing and Rs,500 for forwarding. On receiving the goods Rakhesh accepted a draft in favour of Rajesh for Rs.12,000. He also incurred the following expenses. Octroi Rs.200 and gowdon rent Rs.300. He sold 4/5th of the goods for Rs.32,000. There is a bad debt of Rs.600.

Prepare the necessary accounts in the books of Rajesh.

[Ans: Profit on consignment of Rs.6,740, value of stock Rs.6,240 (i.e 6,000+240 proportionate expenses of consignor (1/5th of 1,000) and consignee (1/5th of 200); Loading on goods sent Rs.5,000 and on closing stock Rs.1,000 Balance in settlement Rs.15,500].

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FIRE INSURANCE CLAIMS

1. **What is insurance?**
   It is an agreement between insurer and insured to compensate the loses suffered due to uncertainties in future, for a consideration called Premium.
2. **What is meant by fire claims?**
   It is a kind of General Insurance where agreement is made between the industry (insured) and General Insurance Company (insurer) to indemnify the compensation for the loss of stock or profit due to fire accident, for a consideration called premium.
3. **Who is an Insured?**
   Insured is a person/industry/asset, to whom/which the insurance is made. The compensation will be received on happening of certain event determined I,e. death of a person or destroy of assets or properties.
4. **Who is Insurer?**
   Insurer is an Insurance Company which pays for the loss suffered by the insured on happening of certain event estimated in advance I.e., death of a person or destroys of an asset or property.
5. **What is a Trading Account?**
   Trading Account is a ledger prepared to find out the Gross profit of an accounting year. it includes the trading activities done by an industry during a financial year.
6. **When do we have to prepare the previous year trading account under insurance?**

The previous year trading account is prepared to find out the last year gross profit to help the calculation of Gross Profit during the year in which fire accident occurred, to find out the stock on the date of fire accident.

7. **What is Gross Profit Ratio?**
   Gross Profit Ratio is a ratio which shows the relationship between the Gross Profit and Net Sales.
8. **How do you calculate Gross Profit Ratio?**
   Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Net Sales}}$ X 100
9. **What is Memorandum Trading Account?**
   The Memorandum Trading Account is similar to Trading account. It is prepared from the beginning date of an accounting year and till the date of fire accident. It is not prepared as per double entry system of book keeping.
10. **What is meant by Salvage?**
    The value stock saved from the fire accident is called Salvaged stock. Sometimes it is also referred as Scrap value or realizable value of stock. The saved stock should be deducted from the stock on the date of fire.

11. **What is abnormal line of goods**
    These are also called as poor selling line goods. Abnormal line of goods is those goods which are sold out at discounted price or below the price quoted on the product. The reason is the goods are defective goods, outdated style or fashion etc.
12. **What are normal lines of goods?**
    These goods are also called goods selling at a maximum, price. Normal lines of goods are those goods which are not sold out at discounted priceor below the price quoted on the product. The reason is the goods not defective good, outdated style or fashion etc,.
13. **Find out the sales when Cost of Goods Sold is Rs. 80,000 and Gross Profit Ratio is 20%.**

    Sales = Cost of Goods Sold + Gross Profit
    = Rs. 80,000+ (80,000 x 25%)
    = Rs. 1,00,000

    Note:- Gross Profit 20% on Sales = 25% on Cost of goods sold.
14. **What is the objective of insertion of "Average Clause" in fire claims?**
    The objective of insertion of Average Clause in fire claims is to discourage the policyholders to do under insurance. That is to spread the awareness not to take up the policy below the actual value of stock in the business.

15. **What do you mean by underinsurance?**
Underinsurance is n agreement made between insured and insurer where the insured take up the policy below the actual value of goods or assets. Though it makes the policyholder to pay fewer premiums, it pays less compensation to the policyholder on happening of fire accident.
16. **What do you mean by Over Insurance?**
Over insurance is an agreement made between the insured and insurer where the insured take up the policy more than the actual value of goods are asset. It attracts more premiums to pay and more amount of compensation on happening of fire accident.
17. **What is Average Clause? When it is applicable?**
Average Clause is a special provision provided in the fire insurance policy to discourage the policyholder to take up the policy below the actual value of the stock or asset. It is applicable when the policyholder does under-insurance to the goods or asset.
18. **When Average Clause become inapplicable?**
The Average Clause dose becomes inapplicable when the policyholder does apply for under insurance.

CONSIGNMENT ACCOUNTS

1. **What is consignment?**
Consignment is an arrangement made between two parties to sell the goods in different places for a consideration called Commission. The agreement includes two active parties I.e. Manufacturer, Wholesalers and his agents.
2. **Who is a Consignor?**
The person who sends/ consigns the goods to the place of his agent at his own risk is called Consignor. He is also called as Manufacture or Wholesaler or Principal.
3. **Who is a Consignee?**
The person who acts on behalf of his Principal to sell the goods is called Consignee. He is also called as Agent. He works for a commission on sale.
4. **State any four features of Consignment**.
The following are the important feature of Consignment:-
a) It is an agreement between Manufacturers (consignor) and an agent(consignee).

b) The relationship between consignor and consignee is similar to the and the agent relationship.
c) Agreement is mad3 to sel;l the goods by an agent on behalf of manufacturer.
d) The manufacturer sends the goods to an agent at their own risk.

5. **State any three differences between sales and Consignment.**

Basis	**Sale**	**Consignment**
Purpose	To sell the goods	To consign the goods
Parties involved	The two parties I.e. seller and purchaser	The two parties I.e. consignor and consignee
Transfer of ownership	Immediate transfer of ownership on sale of goods	No transfer of goods

6. **What is Pro-forma invoice?**
   It is a statement prepared by the consignor, including the details of the goods consigned I.e., type of goods, quality, quantity, price etc,. This statement will be sent to the place of agent along with the goods on the consignment. It is evidence for the goods consigned.

7. **What is an Account Sale?**
   It is periodical statement prepared by consignee containing the details of the goods sold expenses paid, commission charged on the sale and net amount due to the consignor. This will be sent to the consignor periodically to account the transaction happened in the place of consignor.
8. **What are consignment expenses? Give any two examples**.
   Consignment expenses are those expenses which are incurred on the consignment by consignor or consignee. Freight, insurance are the examples for consignment expenses.
9. **What are the Non – Recurring or Direct expenses? Give two examples.**
   The expenses which are incurred once and not repetitive are called as Non-Recurring expenses. These are met by both consignor and consignee. Octroi, insurance are the two examples for Non – Recurring expenses.
10. **What is Ordinary commission?**
    It is the amount of commission payable on the total sales proceeds. A percentage or per unit amount on the total sales units are the basis to calculate the ordinary commission.

11. **What is Del Credere commission?**
    It is an amount of commission payable on the gross sale, especially on the credit sale made by the Consignee to his local customers. Later, the consignee has to bear the risk of collecting the money from the customers.
12. **What is Over-riding Commission?**
    It is an amount of extra commission payable on the extra amount (profit) made by the Consignee on the selling of the goods at more than the price at which the Consignor sent goods to the consignee.
13. **What is Normal Loss in Consignment? How it is treated?**
    These are unavoidable losses, caused due to inherent nature of the goods e. g., evaporation, normal leakage or spoilage, weight losses. These are normally caused on consignment of goods. Generally, these are no realizable value for normal Loss of Goods. No Journal entries are passed for Normal loss, as there is no value.
14. **Why do you prepare Consignment Account?**
    It is an account prepared separately for each Consignment to find out profit or loss. The profit or loss of the Consignment will be sent to profit and Loss Account.

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ACCOUNTING FOR JOINT VENTURE

1. **What is Joint Venture?**
   Joint Venture is a temporary form of business, where two are more persons join together to meet the short term objectives. It is quite similar to Partnership firm, but established without name or registration separately under the law.

2. **Who are Co-Ventures?**
   The two are more people who start Joint Venture to achieve the short term objectives and ready to share the risk and return in the venture are called Co-Ventures. They are similar to Partner in the Partnership.

3. **State any four features of a Joint Venture.**
   The following are the important features of Joint Venture:-
   (a) Joint Venture is a temporary business arrangement.
   (b) It is quiet similar to the form of partnership.

(c) Two are more people join together to meet the short term objectives.
(d) It does not have any name or registration separately under any law.

4. State any two differences between Joint Venture and Partnership.

The following are the differences between the Joint Venture and partnership.

(a) Joint venture does not have any name of running business. Partnership has own name of running business.
(b) Members of the Joint Venture are Co-Ventures. Members in a Partnership firm are Partners.

5. State any two differences between Joint Venture and Consignment.

(a) The parties of Joint Ventures are Co-Ventures. The parties of consignment are Consignor and Consignee.
(b) Relationships of parties of Joint Venture are called Partners. Relationship of parties in consignment is Principal and Agent.

6. State the methods of accounting for Joint Venture.

The accounting treatment for Joint Venture has been studied under two broad classifications. They are:-

1. When separate set of books are maintained for Joint Venture.
2. When no separate set of books are maintained for Joint Venture.

7. What is joint Bank Account?

It is similar to normal bank account. It records all expenses in the credit side and all incomes in the debit side. The contribution of cash made by co-ventures, income through sale of goods etc. is debited and expenses of joint venture, purchase of goods are credited.

8. What is Memorandum Joint Bank Account?

It is an account prepared under double entry principles of accounts. All the expenses paid by each co-ventures are debited and incomes (sales) made by each co-ventures are credited in the respective co-ventures name. It is prepared to find out the profit or losses of joint venture.

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