



CMA-FOUNDATION-INTER-FINAL

PAPER STYLE DSC-112 FINANCIAL ACCOUNTING-2

Q.1 Consignment practical [full question]

[or]

Q.1[A] Consignment practical [on Commission / Abnormal loss/
closing stock] [5mark]

[b] Theory question

Q.2 Joint Venture [Full Question]

[or]

Q.2[A] Joint Venture [small question of journal entry]

[b] Theory Question

Q.3 Branch account [Dependent Branch]

[or]

Branch Account [Independent Branch]

Q.4 Hire purchase [Full Question]

[or]

Q.4[A] Hire Purchase [Small Question]

[b] Hire purchase [theory]

Q.5 MCQ [any five]



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UNIT 1: CONSIGNMENT ACCOUNTING [10 MARKS]

Q.1 Saumil of Surat consigned 4000 liters of oil at cost of ₹ 80 per liter to his agent Mihir of Mumbai. But the pro-forma invoice was made out at a figure so as to show a profit of 20% on invoice price. Samuel paid ₹ 5,000 for octroi and ₹ 15,000 for Insurance.

On 1-4-2013 Samuel drew a bill of ₹ 2,50,000 for three month on Mihir which was immediately returned by the later duly accepted. Samuel discounted this bill on 1-5-2013 at 12% discount p.a. Mihir reported in Account Sale that

(1) He paid ₹ 5,000 for octroi, ₹ 5,000 for insurance and ₹ 7,820 for selling expenses.

(2) 1800 liters oil were sold for cash 25% profit on invoice price.

(3) 1000 liters oil were sold to Dax at 50% profit on invoice price.

(4) 400 liters oil were sold to Yash as per recommendation of Samuel at 25% profit on invoice price.

(5) 200 liters oil were purchased by him for his personal use at the invoice price.

(6) 200 liter oil were destroyed in the godown for which the insurance company paid ₹ 10,500 for claim.

(7) Both Dax and Yash were declared insolvent and 75% amount received from them. Mihir is entitled to receive a general commission of 5% on sales and 2% del credere on credit sales. 1/8 profit share after deducting both commission and share of profit.

From the above particulars prepare Consignment A/c. and Mihir's A/c. in the books of Samuel.

Answer:

Ledger Accounts in the book of Saumil Consignment A/c.

Particulars	Amt.	Particulars	Amt.
To Goods sent on consignment	4,00,000	By P&L A/c. [Loss on oil destroyed]	7,000
To Cash	20,000	By Insurance Claim	10,500
To Bills [discounted]	5,000	By Consignee sales	
		Cash : 1,800 × 125 = 2,25,000	
		Dax : 1,000 × 150 = 1,50,000	
		Yash : 400 × 125 = 50,000	
		Own : 200 × 100 = 20,000	4,45,000



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To Consignee exp. Octroi 5,000 Insurance 5,000 Selling Exp. 7,820	17,820	By Closing Stock	43,000
To Consignee (Bad debts)	12,500	By Goods sent on Consignment (Profit)	80,000
To Consignee (Comm.) General - 22,250 Delcredere - <u>3,000</u>	25,250		
To Closing Stock (Profit)	8,000		
To Consignee (Share in Profit)	10,770		
To Consignment Profit [net]	86,160		
	5,85,500		5,85,500

Consignee A/c.

Particulars	Amt.	Particulars	Amt.
To Consignment (Sales)	4,45,000	By Bills received	2,50,000
		By Consignment [Expenses]	17,820
		By Consignment (Bad debts)	12,500
		By Consignment [Commission]	25,250
		By Consignment (Profit)	10,770
		By Bank	1,28,660
Total	4,45,000	Total	4,45,000

Working Notes:

Working note : 1 Calculation Of Abnormal Loss	
Particulars	Amount
Cost of oil destroyed [200 x 80]	16,000
Add: consignor exp. Proportionate [200 x 20,000] / 4,000	1,000
Add: consignee Exp. Proportionate [200 x 10,000] / 4,000	500
Total cost of oil destroyed	17,500
Less: insurance claim	10,500
Loss on oil destroyed	7,000



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Working note : 2 Calculation Of Closing Stock	
Particulars	Amount
Invoice price of stock [400 x 100]	40,000
Add: consignor exp. Proportionate [400 x 20,000] / 4,000	2,000
Add: consignee Exp. Proportionate [400 x 10,000] / 4,000	1,000
Total price of oil in stock	43,000
Valuation of profit on closing stock	
Profit on closing stock [40,000 x 20%]	8,000

Working note : 3 Calculation Of Share In profit	
Particulars	Amount
Profit before commission & share in profit	1,22,180
Less: Commission [total]	(25,250)
Profit Before share in profit	96,930
Reverse calculation	
Suppose profit after charging share in profit	100
Add: share in profit 1/8 = i.e. 12.5 %	12.5
Profit before charging share in profit	112.5
So if profit before charging share in profit is 112.5 than share in profit is 12.5	10,770
If profit before charging share in profit is 96,930 than share in profit is [
[96,930 x12.5]/ 112.5	

Q.2 Akshar of Ahmedabad consigned "60" TV sets, each of ₹ 20,000 at an invoice price of ₹ 25,000 to Vijay of Vadnagar on 1st April 2015 and incurred the following expenses : Insurance Premium ₹ 10,000, Freight ₹ 8,000 and other expenses ₹ 12,000. Vijay is entitled to get 5% commission total sales and 2% Del-credere commission on credit sales.

Vijay accepted a four months bill of ₹ 3,00,000 drawn by Akshar and returned it immediately. Akshar discounted it on the same day @12% per annum in a bank.

During transit, 05 (five) TV sets were heavily damaged due to accident and the Insurance company admitted a claim of ₹ 85,800.

Vijay paid ₹ 5,500 for clearing charges and ₹ 9,700 for selling expenses.



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According to "Account Sale" sent by Vijay on 31-10-2015,

"40", TV sets were sold at ₹ 30,000 each for cash.

"10", TV sets were sold at ₹ 32,000 each on credit to Jitendra and

"03", TV sets were sold at ₹ 30,000 each to Uday on recommendation and responsibility of Akshar.

Uday was declared insolvent and 0.80 paise per rupee was received from the receiver.

Vijay sent a bank draft for the payment due from him.

From the above information, prepare consignment Account and Vijay (Consignee) Account in the books of Akshar (Consignor).

Answer:

Ledger accounts in the book of Akshar [Consignor] Consignment A/c.

Particulars	Amount	Particulars	Amount
To Goods sent on Consignment A/c. (60 × 25,000)	15,00,000	By P & L A/c. [loss on TV] [W.N.1]	16,700
To Consignee exp.	15,200	By Insurance Claim	85,800
To Cash Insurance premium 10,000 Frieght 8,000 Other exp. 12,000	30,000	By Consignee sales Cash : 40 × 30,000 = 12,00,000 Jitendra 10 × 32,000 = 3,20,000 Uday 3 × 30,000 = 90,000	16,10,000
To Bills [discounted] [3,00,000 X 12% X4/12]	12,000	By Goods sent on Consignment (Profit)	3,00,000
To Consignee (Bad debts)	18,000	By Closing Stock [W.N.2]	51,200
To Consignee (Comm.) General - 80,500 Delcredere - 6,400	86,900		
To Closing stock (Profit) [W.N.2]	10,000		
To Consignment profit [Difference]	3,91,600		



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	20,63,700		20,63,700
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Consignee A/c [Vijay]

Particulars	Amount	Particulars	Amount
To Consignment (Sales)	16,10,000	By Bills Receivable	3,00,000
		By Consignment (Bad debts)	18,000
		By Consignment (Commission)	86,900
		By Consignment (Expenses)	15,200
		By Bank [Difference]	11,89,900
	16,10,000		16,10,000

Working Notes:

Working note : 1 Calculation Of Abnormal Loss

Particulars	Amount
Cost of T.V destroyed [5 x 20,000]	1,00,000
Add: consignor exp. Proportionate [5 x 30,000] / 60	2,500
Total cost of T.V destroyed	1,02,500
Less: insurance claim	85,800
Loss on T.V destroyed	16,700

Working note : 2 Calculation Of Closing Stock

Particulars	Amount
Invoice price of stock [2 x 25,000]	50,000
Add: consignor exp. Proportionate [2 x 30,000] / 60	1,000
Add: consignee Exp. Proportionate [2 x 5,500] / 55	200
Total price of TV in stock	51,200
Valuation of profit on closing stock	
Profit on closing stock [2 X (Invoice price - Cost price)] = 2 x (25,000 - 20,000)	10,000

Q.3 Viraat consigned 20 computers to Anushka at an invoice price of ₹ 50,000 each on 1-4-2015. The invoice price is arrived at after adding 25% profit on cost price. Viraat paid ₹ 10,000 while sending the goods.



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On 1-4-2015 Viraat drew a bill of ₹ 5,00,000 for 4 months on Anushka which the latter duly accepted. On 4-5-2015 Viraat discounted the bill with the bank at the rate of 12% discount p.a.

On 31-3-2016 Anushka sent an Account Sales in which it was reported that :

(1) She paid ₹ 4,000 for unloading charges, ₹ 6,000 for carriage and ₹ 15,000 for advertisement.

(2) She sold 10 computers for ₹ 55,000 each on cash.

(3) She sold 5 computers at ₹ 60,000 each to Ranbir on credit.

(4) Ranbir was declared insolvent and only 50% amount could be recovered from him.

(5) One computer was destroyed due to mishandling and insurance company admitted a claim of ₹ 37,500.

(6) Out of the unsold computers, 2 computers were damaged and repairing charges for both were estimated at ₹ 6,500.

Anushka is entitled to a general commission of 5% on total sales, 2% del credere commission on credit sales and 10% of net profit as a share in profit. In the books of Viraat, Prepare :

Consignment Account and Anushka's Account

Answer:

Consignment A/c.

Particulars	Amount	Particulars	Amount
To Goods sent on consignment (50,000×20)	10,00,000	By Consignee (Sales) Cash 10 × 55,000 = 5,50,000 Ranbir 5 × 60,000 = <u>3,00,000</u>	8,50,000
To Cash [Expenses]	10,000	By P&L A/c. [W.N.1]	3,500
To Bills [discounted]	15,000	By Insurance claim	37,500
To Consignee (exp.) Unloading 4,000 Carriage 6,000 Advertisement 15,000	25,000	By Closing stock [W.N.2]	1,97,500
To Consignee (Comm.) G.C. 8,50,000 × 5% = 42,500 D.C. 3,00,000 × 2% = <u>6,000</u>	48,500	By Goods sent on consignment (profit) (20 × 40,000) × 25%	2,00,000
To Closing stock (profit)			



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[W.N.2]	40,000		
To Share [1,50,000 × 10%]	15,000		
To Net profit	1,35,000		
	12,88,500		12,88,500

Consignee A/c.

Particulars	Amount	Particulars	amount
To Consignment	8,50,000	By Bills receivable	5,00,000
		By Consignment	25,000
		By Consignment (Commission)	48,500
		By Consignment (Share in profit)	15,000
		By Bank [Difference]	2,61,500
	8,50,000		8,50,000

Working note : 1 Calculation Of Abnormal Loss

Particulars	Amount
Cost of Computer destroyed [1 × 40,000]	40,000
Add: consignor exp. Proportionate [1 × 10,000] / 20	500
Add: consignee Exp. Proportionate [1 × 10,000] / 20	500
Total cost of Computer destroyed	41,000
Less: insurance claim	37,500
Loss on Computer destroyed	3,500

Working note : 2 Calculation Of Closing Stock

Particulars	Amount
Cost of stock [20 -15-1]= 4 × 50,000	2,00,000
Add: consignor exp. Proportionate [4 × 10,000] / 20]	2,000
Add: consignee Exp. Proportionate [4 × 10,000] / 20]	2,000
Total price of stock	2,04,000
Less: repairing cost	(6,500)
Cost of stock	1,97,500
Calculation of profit on stock	
Profit on closing stock	
If cost is 100 + profit 25 = Invoice 125	
If invoice is 125 than profit is 25	



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If closing stock invoice is 2,00,000 than profit [$2,00,000 \times 25/125$]	40,000
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Calculation of Cost price

If cost is 100 + profit 25 = Invoice 125

If invoice is 125 than Cost is 100

If invoice price is 50,000 than cost price is [$50,000 \times 100/125 = 40,000$]

OPTION

Small Question or theory Questions

Q.1 Which accounts are opened in the books of consigner explain with examples

Answer:

When goods are sent on consignment, the consigner opens the following accounts:

Account Name	Purpose	Example
Consignment Account	To find profit or loss on consignment	Goods costing ₹50,000 sent
Consignee's Account	Personal account of consignee	Ram as consignee
Goods Sent on Consignment Account	To record goods sent at cost/invoice price	Goods worth ₹50,000
Consignment Expenses Account	Expenses paid by consigner	Freight ₹2,000
Stock on Consignment Account	Unsold stock with consignee	Closing stock ₹10,000



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Q.2 Performa invoice with imaginary figures

Answer: The consigner sends statement to the consignee, giving details of the goods dispatched (namely the type of goods, quantity, weight, price, packing etc.) This statement is called Pro-forma invoice. It resembles the ordinary invoice prepared in case of sale. But it does not create debtor-creditor relationship between two parties. It is prepared only to give an idea of the price and the kind of goods sent to the consignee.

Specimen of Pro-forma Invoice		
Gram : Bharat	Phone : 5354935	
The Bharat Trading Corporation Relief Road, Ahmedabad.		
Pro-forma Invoice of goods sent to M/s. Honest Bros. to be sold on commission on our behalf.		
Particulars	Rate per pair Rs.	Total Rs.
500 Pairs of 'Liberty' Boots- Q Brand Size '8'	600-00	3,00,000
Add :Expenses :		
Wages	4,000	
Railway freight	5,000	
Insurance	1,000	
Sundry expenses	<u>3,000</u>	13,000
		<u>3,13,000</u>
E.& O.E. Ahmedabad 1-8-2015	C. B. DAVE Manager	



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Q.3 Account Sale

Answer: When the goods received on consignment are sold, the consignee sends a statement to the consigner giving the details of the sales. This statement is known as Account Sales.

The following is the specimen of the Account Sales :

RICHARDSON & CO. V. P. Road Fort, Mumbai-1			
Account sales of 100 cases of tea received from Arun and Sons to be sold on their behalf and at their risk.			
Date	Particulars	Rate per case Rs.	Total Rs.
2011			
July 1	25 cases (credit sale)	1200	30,000
July 16	30 cases (cash sale)	1100	33,000
August 1	20 cases (cash sale)	1150	23,000
	Gross proceeds :		86,000
	<i>Less : Expenses :</i>		
	Wages 6000		
	Carriage 1000		
	Insurance 1000		
	Commission 8600		16,600
	Net proceeds :		69,400
	<i>Less : Acceptance dated 1-5-2015</i>		30,000
	Balance due to you :		39,400
E. & O.E. Mumbai Date : 16-8-2015		Sandip R. Shah Manager	

Q.4 General commission and delcredere commission

Answer:

Difference between General & Del-credere Commission

Basis	General Commission	Del-credere Commission
Nature	Normal selling commission	Extra commission
Purpose	Sales efforts	Risk of bad debts
Risk bearer	Consigner	Consignee
Bad debts loss	Consigner	Consignee



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UNIT: 2 JOINT VENTURE

Q. 1 Shrinand and Shrichand entered into a joint venture of purchasing and developing land. Joint bank account was opened for the same and Shrinand deposited ₹ 4,00,000 and Shrichand deposited ₹ 2,00,000 in the joint bank account. Land measuring 20,000 square meter was purchased for business at ₹ 20 per sq. meter.

The following expenses were paid in connection with the joint venture :

Expenses paid	₹
Cost of leveling land	10,000
Cost to remove stones and pebbles	8,000
Municipal taxes	5,000
Cost of fencing (paid by shrichand)	6,000
Architect fees (paid by Shrinand)	4,000
Stamp duty (paid by Shrichand)	16,000
Miscellaneous expenses	2,400

There was an income of ₹ 7,000 from sale of timber. It was decided to sell land in smaller plots of 400 sq. meters each. One fifth (1/5) of the area was left over for public roads. 30 plots were sold at ₹ 40 per sq. meters. Through land brokers and they were paid 2% brokerage on the selling price of the land.

Shrinand retained two plots for his personal use at an agreed price of ₹ 25,000.

Remaining plots were sold at a consolidated price of ₹ 1,20,000 directly. Shrinand and Shrichand shared profits and losses in the proportion of amount invested by them in joint bank account.

Prepare Joint Venture Account, Joint Bank Account and Shrinand A/c and Shrichand A/c.

Answer

Joint Venture Account

Particulars	Amount	Particulars	Amount
To, Joint Bank (land purchase) (20,000 × 2)	4,00,000	By, Joint Bank (sale of Timber)	7,000
To, Joint Bank (leveling exp.)	10,000	By, Joint Bank (sale) (30 × 400 × 40)	4,80,000
To, Joint Bank. (remove exp.)	8,000	By, Shrinand (2 plots)	25,000



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To, Joint Bank (M. tax.)	5,000	By, Joint Bank (Remaining plots)	1,20,000
To, Shrichand (fencing exp.)	6,000		
To, Shrinand (Architect Fees)	4,000		
To, Shrichand (stamp P.D.)	16,000		
To, Joint Bank (miss. Exp.)	2,400		
To, Joint Bank (brokerage) (4,80,000 × 2%)	9,600		
To, Profit			
Shrinand 1,14,000			
Shrichand <u>57,000</u>	1,71,000		
	6,32,000		6,32,000

Co-Ventures Account

Particulars	Shrinand	Shrichand	Particulars	Shrinand	Shrichand
To, Joint venture (2 plots)	25,000	-	By Joint Bank	4,00,000	2,00,000
To, Joint Bank	4,93,000	2,79,000	By Joint venture (fencing Exp.)	-	6,000
			By Joint venture (Architect fess)	4,000	-
			By Joint venture (stamp Duty)	-	16,000
			By Joint venture (Profit)	1,14,000	57,000
		2,79,000			2,79,000

Joint Bank

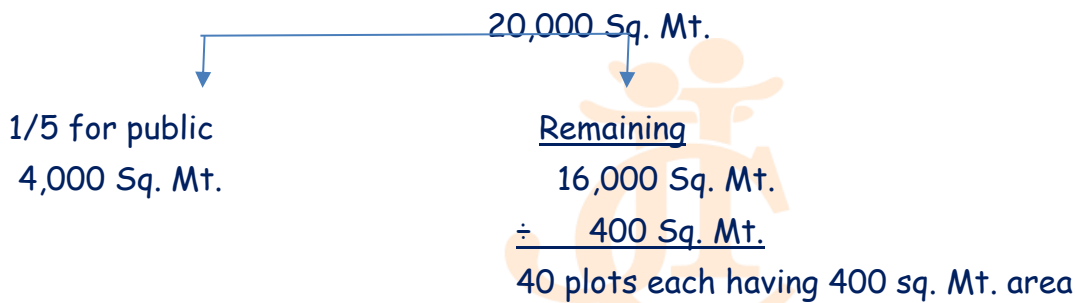
Particulars	Amount	Particulars	Amount
To, Shrinand	4,00,000	By, Joint venture (land purchase)	4,00,000
To, Shrichand	2,00,000	By, Joint venture (exp.)	
To, Joint venture (sale of timber)	7,000	Leveling 10,000	



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To, Joint venture. (sale)	4,80,000	Remove 8,000	
To, Joint venture (Rem. Plot)	1,20,000	M. tax <u>5,000</u>	23,000
		By, Joint venture (misc. exp.)	2,400
		By, Joint venture (brokerage)	9,600
		By, Shrinand	4,93,000
		By, Shrichand	2,79,000
	12,07,000		12,07,000

Calculation of sales:



Q.2 Ram and shyam entered into a joint venture to underwrite equity shares. Public issue undertaken was of 1,40,000 equity shares of ₹ 10 each. Company agreed to pay them 10,000 more equity shares of ₹ 10/- each as underwriting commission. They decided to share profit and losses equally and to pay all expenses up to allotment.

Expenses were paid as under :

Paid by Ram	₹	Paid by Shyam	₹
Travelling Expense	16,000	Salary to staff	32,000
Registration fees	12,000	Advertisement Expense	3,000
Printing charge	10,200	Office rent	3,000
Other expense	1,800	Legal charges	2,000

Application received for 1,20,000 shares only at the end of subscription. Ram contributed the amount required for buying remaining shares. The company issued shares as underwriting commission. Out of the shares received Ram sold 20,000 shares and the remaining shares were sold by Shyam. All these shares were sold at ₹ 15 per share deducting ₹ 0.50 as a brokerage per share.



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From the above details prepare

(a) Joint venture Account

(b) Shyam's Account

In the books of Ram

Answer:

In the book of Ram
Joint Venture A/c (with Shyam)

Particulars	Amount	Particulars	Amount
<u>To, Cash (exp.)</u>		By, Cash (share sold) (20,000 × 15)	3,00,000
Travelling exp. 16,000		By, Shyam (sold) (10,000 × 15)	1,50,000
Reg. fees 12,000			
Printing 10,200			
Other exp. 1,800	40,000		
<u>To, Shyam (exp.)</u>			
Salary 32,000			
Advt. 3,000			
Office Rent 3,000			
Legal charges <u>2,000</u>	40,000		
To, Cash [Shares Purchased]	2,00,000		
To, Brokerage (20,000 × 0.5)	10,000		
<u>To, Profit</u>	5,000		
P & L (Ram) 77,500			
Shyam <u>77,500</u>	1,55,000		
	4,50,000		4,50,000

Shyam Account

Particulars	Amount	Particulars	Amount
To, J.V. (shares sold)	1,50,000	By, J.V. (Exp.)	40,000
		By, J.V. (Brokerage)	5,000
		By, J.V. (Profit)	77,500
		By, Bank	27,500
	1,50,000		1,50,000



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Q.3 On 01-07-2015 Ram and Shyam entered into joint venture with a condition to share profit and loss in the ratio of 3:2 respectively. They deposited ₹ 1,20,000 and ₹ 80,000 respectively into their joint bank accounts. They decided that joint bank account is to be used for purchase and sales, while joint venture expenses are to be paid each partner from their private fund.

Ram is to be paid a salary of ₹ 4,000 per month and Shyam is to be paid a commission at the rate of 8% on the sales made by him.

Ram purchased goods worth ₹ 1,00,000 at 10% trade discount and paid ₹ 1,000 as expenses. Shyam purchased goods worth ₹ 80,000 at 5% trade discount and paid ₹ 800 for expenses.

Shyam sold some of the goods for ₹ 20,000 and paid ₹ 200 for sundry expense. Remaining unsold goods for ₹ 60,000 were purchased by Ram for his personal use and also accepted to pay ₹ 2,000 to Ambica stationers and printers for stationary purchased on credit from them for joint venture business.

On 31-12-15, the joint venture business was closed and accounts were settled.

From the above particulars, prepare joint venture account, joint bank account and Co-ventures accounts.

Answer:

Joint venture a/c

Particulars	Amount	Particulars	Amount
To, ram [4000*6]	24,000	By, joint bank	2,00,000
To, shyam [2,00,000*8%]	16,000	By, ram	60,000
To joint bank	90,000		
To, ram	1,000		
To , joint bank[80,000-5%]	76,000		
To, shyam	800		
To shyam	200		
To, ram	2,000		
To P&L			
Ram 30,000			
Shyam 20,000	50,000		
Total	2,60,000		2,60,000



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JOINT BANK A/C

Particulars	Amount	Particulars	Amount
To, ram	1,20,000	By joint venture	90,000
To, Shyam	80,000	By joint venture	76,000
To joint venture	2,00,000	By Ram	1,17,000
		By shyam	1,17,000
Total	4,00,000		4,00,000

CO VENTURES A/C

Particulars	RAM	SHYAM	Particulars	RAM	SHYAM
To joint venture	60,000	-	By, joint bank	1,20,000	80,000
To joint bank	1,17,000	1,17,000	By, joint venture	24,000	16,000
			By, joint venture	1,000	800
			By joint venture	2000	200
			By joint venture	30,000	20,000
	1,77,000	1,17,000		1,77,000	1,17,000

OPTION

Theory Question:

Q.1 Joint Venture and partnership

Answer:

Basis	Joint Venture	Partnership
Nature	Temporary	Permanent
Purpose	Specific project	Ongoing business
Duration	Short-term	Long-term
Agreement	Limited to one venture	Covers entire business



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Name	Usually no separate firm name	Operates under a firm name
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Q.2 What is joint venture and for what type of business joint venture is appropriate.

Answer:

Meaning of Joint Venture

A joint venture is a temporary business arrangement in which two or more persons or entities pool their resources, skills, and expertise to carry out a specific business activity and share profits or losses in an agreed ratio.

Businesses Suitable for Joint Venture

Joint ventures are appropriate for:

1. **Large-scale projects**
(e.g., infrastructure, power plants, construction)
2. **High-risk businesses**
(risk is shared among parties)
3. **Projects requiring heavy capital investment**
4. **Foreign collaborations**
(Indian company + foreign company)
5. **Short-term or one-time contracts**
(film production, events, research projects)
6. **Businesses needing technical expertise or special skills**

Q.3 Features of joint venture

Answer: The main features of a joint venture are:

1. **Agreement**
A joint venture is formed through an agreement (written or oral).
2. **Limited Purpose**



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It is created for a specific project or objective.

3. Contribution by Parties

Parties contribute capital, assets, skill, or knowledge.

4. Profit and Loss Sharing

Profits and losses are shared in an agreed ratio.

5. Temporary Nature

The venture ends after completion of the project.

6. Mutual Control

All parties have a say in management unless agreed otherwise.

7. No Separate Legal Entity

Usually, a joint venture does not have a separate legal identity.

UNIT :3 BRANCH ACCOUNTING

Q.1 Hitesh Traders of Gandhinagar has an independent branch at Valsad. Following is the Trial Balance of the branch as on 31-3-2013 :

Particulars	Debit balance ₹	Credit balance ₹
Stock of Goods (1-4-12)	50,000	-
Purchases and sales of goods	2,24,000	4,80,000
Goods received from the H.O.	1,64,000	-
Goods returned to the H.O.	-	14,000
Purchases returns and sales returns	8,000 -	4,000 1,24,800
Head Office Account	1,12,000	64,000
Debtors and Creditors	72,000	-
Cash and Bank balance	54,000	-
Salary	12,400	-
Rent	14,800	17,200
Discount	8,800	-
Freight and carriage	-	16,000
Sundry Income		
	7,20,000	7,20,000



CMA-FOUNDATION-INTER-FINAL

Additional Informations :

- (1) The stock of goods was valued at ₹ 1,28,000 on 31-3-2013.
- (2) Unpaid salary amounted to ₹ 6,000 on 31-3-2013.
- (3) Goods of ₹ 16,000 sent by Head Office to the branch on 27-3-2013 were received by branch on 4-4-2013.
- (4) Cash amounting to ₹ 20,000 remitted by the branch to H.O. on 28-3-13 was received by H.O. on 1-4-13.
- (5) The furniture account of the branch is maintained in the books of H.O. ₹ 7,200 is to be written off as depreciation on the furniture. From the above information, you are required to prepare Final Accounts of Valsad Branch.

Answer:

Final Account of Hitesh Traders as on 31st December 2013

Trading A/C as on 31 st December 2013			
Particulars	Amt.	Particulars	Amt.
To Opening stock	50,000	By Sales 4,80,000 - Sales Return (8,000)	4,72,000
To Purchase 2,24,000 - Purchase Return (4,000)	2,20,000	By Closing stock	1,28,000
To, Goods Received from H.O. 1,64,000 - Goods returned to H.O. <u>14,000</u>	1,50,000		
To Freight and Carriage	8,800		
To Gross profit [Difference]	1,71,200		
	6,00,000		6,00,000

Profit & Loss as on 31 st December 2013			
Particulars	Amt.	Particulars	Amt.
To Salary 54,000 + unpaid <u>6,000</u>	60,000	By Gross Profit.	1,71,200
To Rent	12,400	By Disc. Recd.	17,200
To Disc. Allow	14,800	By Sundry income	16,000



CMA-FOUNDATION-INTER-FINAL

To Dep. on furniture	7,200		
To Net profit [Difference]	1,10,000		
	2,04,400		2,04,400

Head Office A/c.

Particulars	Amt.	Particulars	Amt.
To balance C/d [Difference]	2,62,000	By balance b/d	1,24,800
		By Cash in Transit	20,000
		By Depreciation On furniture	7,200
		By Net profit	1,10,000
	2,62,000		2,62,000

Balance Sheet as on 31st December 2013

Liability	Amt.	Assets	Amt.
Head Office	2,62,000	Cash in Transit	20,000
Creditors	64,000	Debtors	1,12,000
Unpaid salary	6,000	Cash and Bank balance	72,000
		Closing stock	1,28,000
	3,32,000		3,32,000

JAIN INSTITUTE OF COMMERCE

Q.2 Skylark Agency, Bopal has an independent branch at Maninagar. The following Trial Balance of the branch as on 31-3-2015

Particulars	Debit (₹)	Credit (₹)
Opening stock of goods	1,50,000	-
Goods received from Head Office	5,00,000	-
Goods returned to Head Office	-	50,000
Head Office Account	-	5,10,000
Purchases and sales of goods	4,00,000	8,20,000
Goods returned	40,000	30,000
Freight and Octroi	20,000	-
Salaries (upto 28-02-2015)	44,000	-
Wages	16,000	-
Bad debts and bad debts recovered	4,000	15,000
Debtors and Creditors	1,76,000	95,000



CMA-FOUNDATION-INTER-FINAL

Cash and Bank	10,000	40,000
10% GSPC Debenture (Face value) (Purchased on 01-10-2014)	2,00,000	-
	15,60,000	15,60,000

Additional Information :

(1) The closing stock is valued at ₹ 1,60,000.

(2) Goods-in-transit ₹ 20,000 and cash-in-transit ₹ 50,000.

(3) On 01-10-2014, Head Office sent furniture worth ₹ 1,00,000 to branch. The account of which is maintained in the books of Head Office Depreciation is to be provided at 10% p.a. on the same.

From the above details prepare Find Accounts of Maninagar Branch.

Answer:

Final Accounts of Skylark Agency

Trading A/c.

Particulars	Amount	Particulars	Amount
To Opening stock	1,50,000	By Sales 8,20,000 - Sales Return (40,000)	7,80,000
To Purchase 4,00,000 - Purchase Return (30,000)	3,70,000	By Closing stock	1,60,000
To, Goods Received from H.O 5,00,000 - Goods returned to H.O. (50,000)	4,50,000	By Gross loss [Difference]	66,000
To Freight and Octroi	20,000		
To Wages	16,000		
	10,06,000		10,06,000

P & L A/c.

Particulars	Amount	Particulars	Amount
To Gross loss	66,000	By Bad debt recovered	15,000
To Salaries + O/S salary [44,000 + 4,000]	48,000	By Accrued interest [2,00,000 x 10% x 6/12]	10,000
To Bad debts	4,000	By Net loss [Difference]	98,000
To Dep. on furniture	5,000		



CMA-FOUNDATION-INTER-FINAL

	1,23,000		1,23,000
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Head Office A/c.

Particulars	Amount	Particulars	Amount
To Net loss	98,000	By balance b/d.	5,10,000
To Balance C/d [Difference]	4,67,000	By cash in transit	50,000
		By dep. on furniture	5,000
	5,65,000		5,65,000

Balance Sheet of Skylark Agency as on 31st March 2015

Liability	Amount	Assets	Amount
Head Office	4,67,000	Debtors	1,76,000
Creditors	95,000	10% GSPC Debentures 2,00,000 + Accrued interest <u>10,000</u>	2,10,000
O/S Salary	4,000	Cash	10,000
Bank balance	40,000	Cash in transit	50,000
		Closing stock	1,60,000
	6,06,000		6,06,000

Q.3 'D' Traders of Ahmadabad has an independent branch at Surat. Following is the trial balance of the branch as on 31-3-2017.

Particulars	Debit ₹	Credit ₹
Opening stock of goods	35,000	-
Goods received from H.O.	1,05,000	-
Goods returned to H.O.	-	14,000
Head Office A/c	-	1,05,000
Purchases and Sales	1,05,000	2,52,000
Goods returned	14,000	7,000
Freight and Octroi	7,000	-
Salaries (up to 28-2-2017)	15,400	-
Wages	5,600	-
Debtors & Creditors	63,000	31,500
(10% Govt. Securities (1-10-16) (Face value - ₹ 70,000)	56,000	-



CMA-FOUNDATION-INTER-FINAL

Cash and bank	14,000	10,500
	4,20,000	4,20,000

Additional Information :

(1) The closing stock of goods is valued at ₹ 42,000.

(2) On 1-10-2016, H.O. has sent furniture worth ₹ 50,000 to branch, the accounts of which is maintained in the books of H.O. Depreciation is provided on furniture at 10% p.a.

(3) A remittance of ₹ 25,000 was made by Surat branch to H.O. on 28th March, 2017 but the same was received by H.O. on 2nd April, 2017.

From the above details, prepare final accounts of Surat Branch and Head Office A/c.

Answer:

Final Account of D Traders as on 31st December 2013

Trading A/C as on 31 st March 2017			
Particulars	Amount	Particulars	Amount
To Opening stock	50,000	By Sales 2,52,000 - Sales Return (14,000)	2,38,000
To Purchase 1,05,000 - Purchase Return (7,000)	98,000	By Closing stock	48,000
To, Goods Received from H.O. 1,05,000 - Goods returned to H.O. 14,000	91,000		
To Freight and Octroi	7,000		
To Wages	5,600		
To Gross profit [Difference]	43,400		
	2,80,000		2,80,000

Profit & Loss as on 31 st March 2017			
Particulars	Amount	Particulars	Amount
To Salary 15,400 + unpaid 1,400	16,800	By Gross Profit.	43,400
To Dep. on furniture	2,500	By, Accrued interest on investment	3,500



CMA-FOUNDATION-INTER-FINAL

To Net profit [Difference]	27,600		
	46,900		46,900

Head Office A/c.

Particulars	Amount	Particulars	Amount
To balance C/d [Difference]	1,60,100	By balance b/d	1,05,000
		By Cash in Transit	25,000
		By Depreciation On furniture	2,500
		By Net profit	27,600
	2,62,000		2,62,000

Balance Sheet as on 31st March 2017

Liability	Amount	Assets	Amount
Head Office	1,60,100	Cash in Transit	25,000
Creditors	31,500	Debtors	63,000
Unpaid salary	1,400	Cash	14,000
Bank	10,500	Closing stock	42,000
		10% Government Securities	56,000
		Accrued interest	3,500
	2,03,500		2,03,500

UNIT: 4 HIRE PURCHASE [10 MARKS]

Q.1 Arvind purchased a Motor-car from Babu Traders under the Hire-purchase system on 1-4-2010 and ₹.2,60,000 was paid at the time of delivery. The remaining amount was paid in the following installments with interest at 10% p.a. on outstanding cash price.

31-03-2010 ₹.2,94,000 31-03-2013 ₹.2,52,000

31-03-2012 ₹.? 31-03-2014 ₹.2,31,000

Arvind is computing the depreciation every year at 15% p.a. under written down value method. Accounts are closed on 31st March every year. Full cash price is debited to motor car account at the time of purchase.

Following Journal entry was found from his books of Account on 31st March, 2012.

Depreciation A/c. Dr. 1,40,250



CMA-FOUNDATION-INTER-FINAL

To Motor car A/c. 1,40,250

You are required to prepare Motor car A/c. and Babu Trader's A/c. in the books of Arvind.

Answer:

Here in the question opening cash price is not given and also 2nd installments is also missing so we need to find out opening cash price first with the help of depreciation amount of 2012 given in the question.

Calculation of cash price :

Assuming opening cash price = 100 [1/4/10]	
Less : Dep. (15%)	= 15 [2010-11 dep.]
	85 [31/3/11]
Less : Dep. (15%)	<u>(12.75)</u>
	72.25 [31/3/12]

Now as per the equation we get dep. 12.75 so, now we will get the amount of cash price if dep. is 12.75 than cash price is 100. If dep. is 1,40,250 than cash price $1,40,250 \times 100/72.25 = 11,00,000$.

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/4/10	11,00,000	2,60,000	-	2,60,000	8,40,000
31/3/11	8,40,000	2,94,000	84,000	2,10,000	6,30,000
31/3/12	6,30,000	2,73,000	63,000	2,10,000	4,20,000
31/3/13	4,20,000	2,52,000	42,000	2,10,000	2,10,000
31/3/14	2,10,000	2,31,000	21,000	2,10,000	-
		13,10,000	2,10,000	11,00,000	

Working Note :

Here 2nd installment is not given so, we need to start the table from method. i.e. from last installment

Last installment is 2,31,000.

Suppose Op. C.P. 100

+ Int. 10

110

If installment and cash price is 110 than interest 10

If installment is 2,31,000 than interest is $231000 \times 10/110 = 21,000$



CMA-FOUNDATION-INTER-FINAL

In the same manner we have to find interest of other installment but always we have to add closing cash price & installment to get interest.

For 3rd installment = 2,52,000 + 2,10,000 Closing C.P. = 4,62,000

If inst. & C.P. is 110 than int. 10

If inst. & C.P. is 4,62,000 than int $4,62,000 \times 10/110 = 42,000$

Calculation of depreciation

Particulars	Amount
Opening cash price	11,00,000
Less: depreciation [15%]	1,65,000
WDV	9,35,000
Less: depreciation [15%]	1,40,250
WDV	7,94,750
Less: depreciation [15%]	1,19,213
WDV	6,75,537
Less: depreciation	1,01,330
WDV	5,74,206

Ledger in the book of Arvind Motor Car A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1/4/10	To bank	2,60,000	31/3/11	By depreciation	1,65,000
31/3/11	To Babu traders	2,10,000	31/3/11	By Balance c/d	3,05,000
		4,70,000			4,70,000
1/4/11	To Balance b/d	3,05,000	31/3/12	By depreciation	1,40,250
31/3/12	To Babu traders	2,10,000	31/3/12	By Balance c/d	3,74,750
		6,15,000			6,15,000
1/4/12	To Balance b/d	3,74,250	31/3/13	By depreciation	1,19,213
31/3/13	To Babu traders	2,10,000	31/3/13	By Balance c/d	4,65,037
		5,84,250			5,48,250
1/4/13	To Balance b/d	4,65,037	31/3/14	By depreciation	1,01,330
31/3/14	To Babu traders	2,10,000	31/3/14	By Balance c/d	5,73,707
		6,75,037			6,75,037

Babu Traders A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
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CMA-FOUNDATION-INTER-FINAL

31/3/11	To bank	2,94,000	31/3/11	By Motor car	2,10,000
			31/3/11	By Interest a/c	84,000
		2,94,000			2,94,000
31/3/12	To bank	2,73,000	31/3/12	By Motor car	2,10,000
			31/3/12	By Interest a/c	63,000
		2,73,000			2,73,000
31/3/13	To bank	2,52,000	31/3/13	By Motor car	2,10,000
			31/3/13	By Interest a/c	42,000
		2,52,000			2,52,000
31/3/14	To bank	2,31,000	31/3/14	By Motor car	2,10,000
			31/3/14	By Interest a/c	21,000
		2,31,000			2,31,000

Q.2 Monil purchased an Activa Scooter from "Shraddha Motors" on 1-4-2011. Payment was made as under

Date	Amount
1-4-11	12,000
1-4-12	15,600
1-4-13	14,400
1-4-14	13,200

The financial year of Monil closes on 31st March. Activa is to be depreciated at 10% per annum by reducing balance method.

Prepare necessary accounts in the books of Monil from the above information.

Answer: Here in the question Op. cash price and rate of interest both are not given.

So, we have to assume that principle amount will remain same in all installment. And we also know that interest is always in decreasing order.

Installment = Principle + Interest

1st installment : 1st equation $15,600 = P + 3 i$

2nd installment : 2nd equation $14,400 = P + 2 i$

3rd installment : 3rd equation $13,200 = P + 3 i$



CMA-FOUNDATION-INTER-FINAL

Date	Particulars	Amount	Date	Particulars	Amount
1/4/12	To bank	15,600	1/4/12	By Scooter	12,000
			1/4/12	By interest	3,600
		15,600			15,600
1/4/13	To bank	14,400	1/4/13	By Scooter	12,000
			1/4/13	By interest	2,400
		14,400			14,400
1/4/14	To bank	13,200	1/4/14	By Scooter	12,000
			1/4/14	By interest	1,200
		13,200			13,200

Interest A/c

Date	Particulars	Amount	Date	Particulars	Amount
1/4/12	To Shraddha motor	3,600	31/3/13	By P & L	3,600
		3,600			3,600
1/4/13	To Shraddha motor	2,400	31/3/14	By P & L	2,400
		2,400			2,400
1/4/14	To Shraddha motor	1,200	31/3/15	By P & L	1,200
		1,200			1,200

Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/3/12	To Asset	4,800	31/3/12	P & L	4,800
		4,800			4,800
31/3/13	To Asset	4,320	31/3/13	P & L	4,320
		4,320			4,320
31/3/14	To Asset	3,888	31/3/14	P & L	3,888
		3,888			3,888
31/3/15	To Asset	3,500	31/3/15	P & L	3,500
		3,500			3,500

Calculation of depreciation :-

Opening Cash Price = 48,000

- Dep. (4,800)
- 43,200
- Dep. (4,320)



CMA-FOUNDATION-INTER-FINAL

38,880
- Dep. (3,888)
34,992

Q.3 On 1-1-17 Sanjay purchased a Camera on Hire Purchase System from Karani Ltd. having cash price Rs. 6,00,000. Following are the details of amount paid towards

Particulars	Date	Cash Price (Rs.)
Down Payment	1-1-2017	1,00,000
1 st Installment	31-12-2017	1,00,000
2 nd Installment	31-12-2018	1,20,000
3 rd Installment	31-12-2019	1,30,000
4 th Installment	31-12-2020	1,50,000

Rate of interest is 10% p.a. Depreciation is provided at a rate of 10% on reducing balance method. Sanjay close its books of accounts on 31st December every year. You are required to,

- (1) Show necessary calculation showing amount of interest and installment.
- (2) Pass journal entry for the year 2017 in the books of Sanjay.

Answer:

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/1/17	6,00,000	1,00,000	0	1,00,000	5,00,000
31/12/17	5,00,000	1,50,000	50,000	1,00,000	4,00,000
31/12/18	4,00,000	1,60,000	40,000	1,20,000	2,80,000
31/12/19	2,80,000	1,58,000	28,000	1,30,000	1,50,000
31/12/20	1,50,000	1,65,000	15,000	1,50,000	0
Total		7,33,000	1,33,000	6,00,000	

Journal Entry in the books of Sanjay [Hirer] for the year 2017					
Date	Particulars		Dr. Amount	Cr. Amount	
Down payment paid					
1/1/17	Camera A/c	Dr.	1,00,000		



CMA-FOUNDATION-INTER-FINAL

	To, Bank			1,00,000
1st installment Due				
31/12/17	Camera A/c	Dr.	1,00,000	
	Interest A/c	Dr.	50,000	
	To, Karani Ltd.			1,50,000
1st Installment paid				
31/12/17	Karnai Ltd. A/c	Dr.	1,50,000	
	To ,Bank			1,50,000
Depreciation Charged on assets				
31/12/17	Depreciation A/c	Dr.	60,000	
	To, Camera A/c			60,000
Expenses transferred to P&L				
31/12/17	P&L a/c	Dr.	1,60,000	
	Depreciation A/c			1,10,000
	Interest A/c			50,000

Q.4 Shreyansh has purchased a motor on hire purchase system from active automobiles on 1-4-2015. Details of the contract are as under:

- (a) Rs.2,00,000 paid on 1-4-2015 on signing the contract.
 (b) The balance amount is payable in four annual installments as under:

Particular	Amount
First installment on 31-3-2016	3,20,000
Second installment on 31-3-2017	(?)
Third installment on 31-3-2018	1,60,000
Fourth installment on 31-3-2019	96,000

(c) Interest is to be paid at 20% per annum on remaining balance of cash price.

(d) Motor car is to be depreciated at 10% per annum by diminishing balance method.

(e) Accounting year of both the parties ends on 31st March every year.

(f) On 31-3-2017 the following journal entry is passed in the books of Shreyansh:

Profit and loss A/c Dr. 1,52,000



CMA-FOUNDATION-INTER-FINAL

To Interest on Motor Car 80,000

To Depreciation on Motor car 72,000

Answer:

Table of Hire Purchase

Date	Opening C.P.	Installment	Interest	Principle	Closing C.P.
1/4/15	8,00,000	2,00,000	0	2,00,000	6,00,000
31/3/16	6,00,000	3,20,000	1,20,000	2,00,000	4,00,000
31/3/17	4,00,000	2,80,000	80,000	2,00,000	2,00,000
31/3/18	2,00,000	1,60,000	40,000	1,20,000	80,000
31/3/19	80,000	96,000	16,000	80,000	0
Total		10,56,000	2,56,000	8,00,000	

Working Note :

Here 2nd installment is not given so, we need to start the table from work back method.

i.e. from last installment

Last installment is 96,000

Suppose Op. C.P. 100

+ Int. $\frac{20}{120}$

If installment and cash price is 120 then interest 20

If installment is 96,000 then interest is $96,000 \times \frac{20}{120} = 16,000$

In the same manner we have to find interest of 3rd installment but always we have to add closing cash price & installment to get interest.

3rd installment $[1,60,000 + 80,000] \times \frac{20}{120} = 40,000$

IN 2ND Instalment interest amount is given so we can directly find opening cash price $[80,000 / 20\%] = 4,00,000$

In 1st installment $[4,00,000 + 3,20,000] \times \frac{20}{120} = 1,20,000$

Calculation of depreciation

Particulars	Amount
Opening cash price	8,00,000
Less: depreciation [10%]	80,000
WDV	7,20,000
Less: depreciation [10%]	72,000



CMA-FOUNDATION-INTER-FINAL

WDV	6,48,000
Less: depreciation [10%]	64,800
WDV	5,83,200
Less: depreciation [10%]	58,320
WDV	5,24,880

Ledger in the book of Shreyansh .
Motor car A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1/4/15	To bank	2,00,000	31/3/16	By depreciation	80,000
31/3/16	To Jaya Ltd.	2,00,000	31/3/16	By Balance c/d	3,20,000
		4,00,000			4,00,000
1/4/18	To Balance b/d	3,20,000	31/3/19	By depreciation	72,000
31/3/19	To Jaya Ltd.	2,00,000	31/3/19	By Balance c/d	4,48,000
		5,20,000			5,20,000
1/4/19	To Balance b/d	4,48,000	31/3/20	By depreciation	64,800
31/3/20	To Jaya Ltd.	1,20,000	31/3/20	By Balance c/d	5,03,200
		5,68,000			5,68,000
1/4/20	To Balance b/d	5,03,200	31/3/21	By depreciation	58,320
31/3/21	To Jaya Ltd.	80,000	31/3/21	By Balance c/d	5,24,880
		5,83,200			5,83,200

Active automobiles A/c

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
31/3/18	To bank	3,20,000	31/3/18	By Machinery	2,00,000
			31/3/18	A/c	1,20,000
				By Interest	
				a/c	
		3,20,000			3,20,000
31/3/19	To bank	2,80,000	31/3/19	By Machinery	2,00,000
			31/3/19	A/c	80,000
				By Interest	
				a/c	
		2,80,000			2,80,000
31/3/20	To bank	1,60,000	31/3/20	By Machinery	1,20,000
			31/3/20	A/c	40,000



CMA-FOUNDATION-INTER-FINAL

				By Interest a/c	
		1,60,000			1,60,000
31/3/21	To bank	96,000	31/3/20 31/3/20	By Machinery A/c By Interest a/c	80,000 16,000
		96,000			96,000

Theory Questions:

Q.1 Hire purchase system is not sale

Answer:

The hire purchase system is not considered a sale because ownership of goods does not pass to the buyer immediately.

Reasons:

1. Ownership passes only after final instalment

In hire purchase, the buyer becomes the owner only after paying the last instalment.

2. Right to return goods

The hirer can return the goods without paying the remaining instalments, which is not possible in a sale.

3. Seller retains ownership

Until full payment, the seller remains the owner of the goods.

4. Agreement to sell, not sale

Hire purchase is an agreement to sell in future, not an immediate sale.

☞ Hence, hire purchase system is not a sale.

Q.2 Reserve after sales service

Answer:

A reserve for after-sales service is an amount set aside out of profits to meet future expenses relating to services promised after sale.



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Meaning:

It is created to provide services like free repairs, maintenance, or servicing to customers after the sale of goods.

Need / Importance:

1. To meet future service expenses
2. To follow the principle of prudence
3. To show true and fair profit
4. To build customer goodwill
5. To avoid burden on future profits

☞ This reserve is treated as a provision, not a general reserve.

Q.3 Difference Between Hire purchase and instalment system.

Answer:

Basis	Hire Purchase	Instalment System
Ownership	Passes after last instalment	Passes immediately
Nature	Not a sale	Sale
Right to return goods	Available to hirer	Not available
Seller's position	Owner till final payment	Creditor only
Risk of loss	Borne by seller	Borne by buyer
Treatment of default	Seller can repossess goods	Seller can sue for unpaid amount



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Q.5 MCQ [FROM BOOK] [10 MARKS]

1. Which type of commission is paid on the goods purchased by the consignee himself ?

- (a) Normal commissions
- (b) Additional commission
- (c) Del credere commission
- (d) Commission is not paid

2. The consignor consigned 3000 liters chemical to the consignee at the rate of ₹ 50 per liter and paid expenses of ₹ 21,000. Due to evaporation there was a loss of 150 liter, consignee sold 2,550 liters at the rate of ₹ 75 per liter. What will be the value of closing stock ?

- (a) ₹ 18,000
- (b) ₹ 15,600
- (c) ₹ 17,100
- (d) ₹ 15,000

answer 1. (a) Normal commissions

2. Answer: Rs. 18,000

Working Note:

Working note : Calculation Of Closing Stock		
Particulars	Quantity	Amount
Total value of goods consigned	3,000	1,50,000
Add: consignor Expenses		21,000
Less: normal loss	150	0
Net cost of goods consigned	2,850	1,71,000
Net cost per liter [1,71,000 / 2,850] = 60Rs.		
Value of closing stock [2,850 - 2,550] × 60 = 18,000 Rs		

1. The consignor, consigned goods worth ₹ 2,00,000 to the consignee and paid ₹ 10,000, consignee paid ₹ 8,000 for octroi to release the goods. 80% goods was sold for ₹ 1,85,000. What will be the value of closing stock ?

- (a) ₹ 40,000
- (b) ₹ 48,000
- (c) ₹ 58,000
- (d) ₹ 43,600

2. Del-credere Commission is calculated on the

- (a) Total sales



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- (b) Only cash sales
- (c) Only credit sales
- (d) Total goods sent

answer

[1] [D] 43,600

Working Note:

Working note : 2 Calculation Of Closing Stock	
Particulars	Amount
Cost of stock [2,00,000 - (2,00,000 x80%)]	40,000
Add: consignor exp. Proportionate [40,000 x 10,000] / 2,00,000]	2,000
Add: consignee Exp. Proportionate [40,000 x 8,000] / 2,00,000]	1,600
Total price of stock	43,600

[2] [C] only credit sales

1. The abnormal loss is debited to the following account :

- (a) Consignment
- (b) Consignee
- (3) Insurance company
- (4) Profit and loss account

2. Which type of commission is paid on the goods purchased by the consignee himself ?

- (a) General commission
- (b) Del credere commission
- (c) Additional commission
- (d) Commission is not paid

answer

- 1. [D] Profit & loss account
- 2. [A] General commission

1. Which type of commission is paid on the goods purchased by the consignee himself ?

- (a) General commission
- (b) Del credere commission
- (c) Additional commission
- (d) Commission is not paid

2. The consignor consigned goods worth ₹ 20,000 to the consignee and paid expenses of ₹ 1,000. Consignee paid ₹ 500 for freight and octroi. What will be the value of closing stock. If 30% of the goods are unsold ?

- (a) ₹ 6,000
- (b) ₹ 6,450



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(c) ₹ 6,300

(d) ₹ 6,150

answer

1. [A] General commission

2. [B] 6,450 Rs.

Working note : 2 Calculation Of Closing Stock	
Particulars	Amount
Cost of stock [20,000 × 30%]	6,000
Add: consignor exp. Proportionate [6,000 × 1,000] / 20,000]	300
Add: consignee Exp. Proportionate [6,000 × 500] / 20,000]	150
Total price of stock	6,450

1. The relation between Consignor and Consignee is of

[A]. Debtor and Creditor

[B]. Principle and Agent

[C]. Seller and Purchaser

[D]. All of the above

2. From the following expenses which is recurring expense?

[A]. Insurance on goods sent

[B]. Goods Clearing Charges

[C]. Advertisement expense

[D]. All of the above

3. Del -Credere commission is calculated on

[A]. Total Sales

[B]. Only on Cash Sales

[C]. Credit Sales

[D]. Cost Price of goods sent

4. Abnormal loss in consignment business is

[A]. Debited to Consignment A/c

[B]. Credited to Insurance Company A/c

[C]. Credited to Profit and Loss A/c

[D]. Credited to Consignment A/c



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5.If Goods are sent an Invoice price then Invoice profit in closing stock of Consignment is

- [A].Debited to Consignment Stock Reserve A/c
- [B].Credited to Consignment Stock Reserve A/c
- [C].Credited to Consignment A/c.

6. Cost of required repair on damaged closing stock of Consignment will be

- [A].Debited to Consignment A/c
- [B].Debited to Consignment Stock A/c
- [C].Debited to Repairs A/c
- [D].Deducted from Value of Closing Stock

answer

1. [B] Principle & Agent
2. [C] Advertisement Expenses
3. [C] Credit Sales
4. [D] Credited to Consignment A/c
5. [B] Credited to consignment Stock reserve
6. [D] Deducted from value of closing stock

Branch

(1) The balance of an asset account on 1-4-13 was ₹ 1,90,000 which was sent to the branch on 1-10-12. On 31-3-14 depreciation was charged on this asset at 10% p.a. on straight line method. On 31-3-2008 the written down value of this asset in the books of branch would be _____.

- (a) ₹ 1,70,000
- (b) ₹ 1,90,000
- (c) ₹ 1,80,000
- (d) ₹ 1,71,000

(2) During the year, Head office sent ₹ 4,500 to its branch for petty cash expenses. The opening balance is ₹ 1,200 and closing balance of petty cash is ₹ 825, then petty cash expenses will be _____.

- (a) ₹ 4,875
- (b) ₹ 4,500
- (c) ₹ 5,700
- (d) ₹ 5,325

answer



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1. [A] Rs. 1,70,000

Working Note:

Value of asset as on 1/4/2013	1,90,000
We just need to add 6 month depreciation to get original cost of asset	
Suppose assets price on 1/10/2012	100
Less: 6 month depreciation [10 x6/12]	5
Value as on 1/4/2013	95
If value of asset on 1/4/13 is 95 than original cost is 100	
Is asset value is 1,90,000 than original cost is [1,90,000 × 100/95] = 2,00,000	
So full year depreciation as straight line method [2,00,000 × 10%]	20,000
Calculation of written down value of asset	
Value as on 1/4/2013	1,90,000
Less: depreciation [SLM]	20,000
Value as on 31/3/2014	1,70,000

2. [A] 4,875 Rs.

Working Note:

Petty cash account

Particulars	Amount	Particulars	Amount
To, Balance B/d	1,200	By, Petty Expense [Difference]	4,875
To, Petty cash sent	4,500	By, balance C/d	825
	5,700		5,700

1. During the year Head Office sent ₹ 4,500 to its branch for petty cash expenses, the opening balance and closing balance of petty cash is ₹ 1,500 and ₹ 600 respectively, then petty cash expenses will be _____.

- (a) ₹ 4,500
- (b) ₹ 6,000
- (c) ₹ 6,600
- (d) ₹ 5,400

2. The balance of furniture account on 1-4-2013 was ₹ 1,80,000 which was sent to the branch on 01-10-2012. On 31-3-2014 depreciation was charged was changed on furniture @20% on straight line method. On 31-3-2014, the written down value of the furniture in nthe books of branch would be.....

- (a) ₹ 1,90,000
- (b) ₹ 1,80,000
- (c) ₹ 1,40,000
- (d) ₹ 1,44,000

3. For an independent branch, Head Office Account is like



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- (a) Profit and loss A/c.
- (b) Real A/c.
- (c) Nominal A/c.
- (d) Capital A/c.

answer

1. [D] 5,400

Working Note:

Petty cash account

Particulars	Amount	Particulars	Amount
To, Balance B/d	1,500	By, Petty Expense [Difference]	5,400
To, Petty cash sent	4,500	By, balance C/d	600
	6,000		6,000

2. [C] 1,40,000

Working Note:

Value of asset as on 1/4/2013	1,80,000
We just need to add 6 month depreciation to get original cost of asset	
Suppose assets price on 1/10/2012	100
Less: 6 month depreciation [20 x6/12]	10
Value as on 1/4/2013	90
If value of asset on 1/4/13 is 90 than original cost is 100	
Is asset value is 1,80,000 than original cost is [1,80,000 x 100/90] = 2,00,000	
So full year depreciation as straight line method [2,00,000 x 20%]	40,000
Calculation of written down value of asset	
Value as on 1/4/2013	1,80,000
Less: depreciation [SLM]	40,000
Value as on 31/3/2014	1,40,000

3. [D] capital account

1. Head office sends goods to branch at 20% profit on invoice price. The percentage of profit on cost comes to :

- (a) 15%
- (b) 20%
- (c) 25%
- (d) 30%



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2. The balance of Asset A/c on 1-4-16 was ₹ 18,00,000 which was sent to the branch on 1-10-15. On 31-3-17, depreciation was charged on the asset @ 20% by straight line method. On 31-3-17, the written down value of asset in the books of branch would be

- (a) ₹ 14,40,000
- (b) ₹ 14,00,000
- (c) ₹ 16,20,000
- (d) None of the above

answer

1. [C] 25%

Working notes:

If invoice is 100 than profit is 20 so cost will be 80

So if cost is 80 than profit is 20

So if cost is 100 than profit will be $100 \times 20/80 = 25\%$

2. [B] 14,00,000

Value of asset as on 1/4/2016	18,00,000
We just need to add 6 month depreciation to get original cost of asset	
Suppose assets price on 1/10/2015	100
Less: 6 month depreciation [$20 \times 6/12$]	10
Value as on 1/4/2016	90
If value of asset on 1/4/16 is 90 than original cost is 100	
Is asset value is 18,00,000 than original cost is $[18,00,000 \times 100/90] = 20,00,000$	
So full year depreciation as straight line method [$20,00,000 \times 20\%$]	4,00,000
Calculation of written down value of asset	
Value as on 1/4/2016	18,00,000
Less: depreciation [SLM]	4,00,000
Value as on 31/3/2017	14,00,000

Joint venture

1) Sale of joint venture goods by an agent is debited to

- (a) joint venture account (b) agent's account
- (c) joint bank account (d) None of the above

2) The persons entered into joint venture business of advertising are known as

- (a) Ad-ventures (b) partners



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- (c) Co-ventures (d) None of the above

3) When one of the co-ventures maintain the accounts of joint venture, the expenses paid for joint venture is

- (a) Credited to joint bank account
(b) Credited to joint ventures account
(c) Credited to expenses account
(d) None of the above

answer

- (1) (B) Agent's Account
(2) (C) Co-Ventures
(3) (D) None Of The Above

1. Balance of Memorandum joint venture account indicates _____.

- (a) amount payable to co-venture
(b) profit or loss
(c) Closing stock
(d) Amount of balance to be carried forward

[2] Which of the following account is not opened under Joint Venture Account ?

- (a) Joint bank account
(b) joint venture account
(c) Co-venture account
(d) Stock reserve account

[3] Abnormal loss of joint venture is debited to _____ Account.

- (a) joint venture
(b) insurance company
(c) General P/L
(d) No Account

[4] _____ is an appropriate activity for joint venture business.

- (a) Construction of a bridge
(b) Cloth shop
(c) Medical store
(d) ABC cement company



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answer

1. (B) Profit Or Loss
2. (D) Stock Reserve Account
3. (D) No Account
4. (A) Construction Of A Bridge

1. Normal loss of goods in joint venture is debited to

- (A) General profit and loss account
- (B) Not debited to any account
- (C) Joint venture account
- (D) None of the above

[2] The persons entered into joint venture business of advertising are known as-

- (A) Ad-ventures
- (B) Co-ventures
- (C) Partners
- (D) None of the above

answer

- (1) B) Not debited to any account
(2) B) Co-ventures

1. Abnormal loss of joint venture is debited to the following account :

- (a) Joint Venture A/c.
- (b) Insurance Company A/c.
- (c) General Profit & Loss A/c.
- (d) No Account

2. Which activity is appropriate for joint venture business ?

- (a) Construction of a river bridge
- (b) Mobile shop
- (c) Medical store
- (d) Patanjali Agency

3. Bonds of ₹ 3,00,000 are received against work done in joint venture business and they are sold for ₹ 2,37,500 then, how much rupees is recorded on the debit side of Joint Venture A/c ?



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- (a) 3,00,000
- (b) 2,37,500
- (c) 62,500
- (d) None of the above

answer

- 1) [D] No Account
- 2) [A] Construction of a river bridge
- 3) [C] 62,500 [only loss will be recorder in Joint Venture a/c]

1. Bua and Bhatija enter into joint venture to construct a building. Equity Shares having face value Rs. 4,00,000 were received towards contract price. Shares were sold at Rs. 4,85,000 in the market. Then Joint Venture account will be _____

- (a) Credited by Rs. 4,85,000 only
- (b) Credited by Rs. 4,00,000 only
- (c) Credited by T 85,000 only
- (d) None of the above

2. Under joint venture business goods destroyed worth Rs. 1,50,000. Insurance company paid a claim of Rs. 1,05,000. Then in Joint Venture Account _____.

- (a) Debited by Rs. 45,000
- (b) Debited by Rs. 1,05,000
- (c) Credited by Rs. 45,000
- (d) None of the above

3. Which accounting concept or principle is not followed under joint venture business ?

- (a) Cost Concept
- (b) Entity Concept
- (c) Monetary Value Concept
- (d) Going Concern Concept

answer

- 1. Answer : [C] credited by rs. 85,000

Note: the loss on sale of share will be debited to joint venture as its considered as loss of joint venture.

- 2. [D] none of the above

Working : the loss on goods destroyed will be having two effects. One is debit side and other is on credit side. So final it will be setoff so no effect will be given.

- 3. [D] Going Concern Concept

Hire purchase

- (1) In case of Hire purchase, interest is included in
 - (a) Down payment
 - (b) Hire purchase price
 - (c) Cash price
 - (d) None of the above



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- (2) In case of Hire purchase, the depreciation is calculated on
(a) Hire purchase price (b) contract price
(c) cash price (d) None of the above
- (3) The main difference between sale under Hire purchase agreement and sale under instalment system is regarding
(a) delivery of the goods (b) ownership of the goods
(c) Sales price of the goods (d) None of the above

answer

1. [B] Hire purchase price
2. [C] Cash price
3. [B] Ownership of the goods

1. Interest is debited to _____ Account under the Hire purchase system.

- (a) Asset
- (b) Purchaser
- (c) P/L
- (d) Seller

(2) Contract price - Cash price = _____.

- (a) depreciation
- (b) interest
- (c) market price
- (d) purchase price

(3) At the end of the year, the interest paid and depreciation charged are transferred to _____ account.

- (a) Asset
- (b) Profit and loss
- (c) Purchaser
- (d) seller

answer

- (1) (C) P/L
- (2) (B) Interest
- (3) (B) Profit And Loss

(1) In case of Hire purchase, the depreciation is calculated on.

- (A) Cash price
- (B) Hire purchase price
- (C) Contract price
- (D) None of the above



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- (2) In case of hire purchase system, interest is not included in
(A) Down payment (B) Installment
(C) Hire purchase system (D) None of the above

answer

- (1) [A] Cash price
(2) (A) Down payment

- (1) Cash price of asset + interest = _____ price.
(a) Purchase
(b) Market
(c) After depreciation
(d) Contract

- (2) Under the Hire purchase system, goods are delivered to the hirer when
(a) First installment is paid
(b) Agreement is signed
(c) Last installment is paid
(d) None of the above

- (3) In case of hirer purchase, the depreciation is calculated on
(a) Hire purchase price
(b) Contract price
(c) Cash price
(d) None of the above

answer

- 1) [D] Contract
2) [B] Agreement is signed
3) [C] Cash price