



GS-558

II Semester BBM Examination, ~~May~~/June - 2019
(Repeaters) (Prior to 2012 -13)

BUSINESS MANAGEMENT

2.4 Financial Accounting

(100 Marks - 2011-12 Batch Only) and 90 Marks - Prior to 2010-11)

Time : 3 Hours

Max. Marks : 100/90

- Instructions :** (i) *Answers should be written only in English.*
(ii) *Sections-A, B and C should be answered by **both** 100x90 Marks Students.*
(iii) *Section-D is **compulsory** for 100 Marks Students.*

SECTION - A

1. Answer **any 10** sub-questions from the following. Each sub-question carries **2** marks. **10x2=20**
- (a) How do you compute Purchase Consideration Net Asset Method ?
 - (b) What is Realisation Account ? Why it is prepared ?
 - (c) Who is Lessor ?
 - (d) What is meant by Asset Accrual method ?
 - (e) What is the difference between Hire Purchase Price and Total Cash Price ?
 - (f) What is meant by Short Workings recouped ? When it arises ?
 - (g) When is Minimum Rent clause in the Royalty agreement ?
 - (h) Why is average clause included in Fire insurance agreements ?
 - (i) Find out Sales when Cost of Goods Sold is ₹ 8,00,000 and Gross Profit ratio is 25% of Sales.
 - (j) What are the two advantages of converting Partnership firm into a Joint Stock Company ?
 - (k) How do you treat irrecoverable short workings in Royalty accounts ?
 - (l) State the two differences between Fixed and Fluctuating Capital systems.

P.T.O.



SECTION - B

Answer **any 5** questions from the following. Each question carries **5** marks.

5x5=25

2. From the following particulars pass Incorporation journal entries in the books of the YES Company by clearly showing the mode of discharge of Purchase Consideration.

Total Purchase Consideration - ₹ 3,50,000, Value of Sundry Assets taken over by the Company - ₹ 4,00,000 and Sundry Liabilities - ₹ 40,000. Settlement of purchase consideration: 50% in Equity shares of ₹ 10 each, 25% in 8% Preference Shares of ₹ 100 each and the balance in cash.

3. A Motor Cycle with a Cash price of ₹ 1,20,000 was sold under Hire Purchase System. ₹ 40,000 had to be paid immediately and the balance in 4 annual installments of ₹ 20,000 each along with interest at 12% p.a on the balance cash price. Calculate the value of interest and installment amount.
4. Raman authored a book on Advanced Accountancy for UP Ltd. Bangalore to print and sell the copies on a royalty of 25% on Sales. Calculate the number of copies sold by the publisher.

Year	No. of Copies printed	No. of Copies damaged	No. of Complimentary copies given	No. of copies in Closing Stock
2010	1,000	50	200	100
2011	1,000	49	200	99
2012	1,200	56	220	76
2013	1,560	70	280	60
2014	1,700	80	300	50
2015	2,000	90	320	40

5. Mr. Sanjay purchased a Refrigerator under Hire Purchase System on 1st January 2010 from LG Home Appliances Ltd.. He paid ₹ 20,000 immediately and agreed to pay in 5 installments of ₹ 20,000 each monthly beginning 31st January 2010. The Cash price of the Refrigerator was ₹ 90,000. Calculate the amount of interest and cash price included in each installment.



6. A fire broke out in the warehouse of Mercantile Traders Ltd. On 30th September 2015. The Company desires to file a claim with the insurance company for loss of stock. From the following details prepare a statement showing the amount of claim. The last accounts of the company were prepared on 31.12.2014.

Net Credit Sales on 31.12.2014 - ₹ 10,72,000.

Purchase from 01.01.2015 to 30.09.2015 - ₹ 10,00,000

Rate of Gross profit - 25% on Sales

Salvage Value - ₹ 16,000

Prepare Memorandum Trading account and find out the total stock lost by fire accident and prepare the statement of final claim.

7. What is meant by Purchase consideration ? Briefly explain the different methods of computing purchase consideration.
8. The BMC Company obtained a mine for a period of 25 years from 2012 July, 1st on the following terms;
- (a) To pay a minimum rent of ₹ 24,000 p.a.
 - (b) The Short workings should be recouped during the subsequent two years,
 - (c) Due to strike the minimum rent is to be reduced by 25% for that year.
 - (d) Royalty was to be calculated at 50 paisa per ton.
 - (e) Production made during the four years from 2012-2015 is as follows;

Year	2012	2013	2014	2015
Production (tons)	28,000	36,000	60,000	44,000

Note : There was a Strike for 3 Months during the year 2015.

Prepare Royalty analysis Table for four years.

P.T.O.



SECTION - C

Answer **any 3** questions from the following. Each question carries **15** marks.
3x15=45

9. From the following trial balance of M/S Alpha and Beeta, who share profits and losses in the ratio of 3 : 2, prepare Trading and Profit and Loss accounts for the year ended 31.03.2015 and B/S as on that date.

Particulars	L/F	Debit ₹	Credit ₹
Alpha's Capital		--	1,00,000
Beeta's Capital		--	80,000
Alpha's Drawings		20,000	--
Beeta's Drawings		12,500	--
Stock on 01.04.2014		1,74,450	--
Return inwards		5,540	--
Carriage Inwards		12,400	--
Deposit with Syndicate Bank		13,750	--
Carriage outwards		7,250	--
Loan to Anil @5% (given on 01.04.2014)		10,000	--
Return outwards		--	8,400
Interest on Loan to Anil		--	250
Rent		8,200	--
Rent outstanding		--	1,300
Purchases		11,29,700	--
Debtors		40,000	--
Goodwill		17,300	--
Creditors		--	30,000
Advertisement		9,540	--
Provision for Doubtful debts		--	12,000
Bad Debts		4,000	--
Patents and trade marks		5,000	--
Cash in Hand		620	--
Sales		--	12,79,140
Discount allowed		3,300	--
Wages		7,540	--
Plant & Machinery		30,000	--
Total		15,11,090	15,11,090



Adjustments:

1. Write off further bad debts by ₹ 6,000.
2. Make provision for doubtful debts @10% on debtors
3. The Value of Closing stock was ₹ 1,87,920
4. Advertisement expenses paid in advance ₹ 1,200
5. Depreciate Plant at 10% p.a.
6. Interest on Capital at 5% p.a.
7. Prepaid Insurance amounted ₹ 5,000

10. P & Q were in partnership sharing profits and losses in the ratio of 3 : 2. The following was the B/S of the firm as on 31.03.2016.

Liabilities	₹	Assets	₹
Creditors	26,000	Cash	12,000
P's Loan	4,000	Debtors	30,000
Capitals : P.....	60,000	Stock	38,000
Q.....	30,000	Fixed Assets	40,000
	1,20,000		1,20,000

P & Q Ltd. agreed to take over fixed assets and Stock for a consideration of ₹ 80,000 which is to be satisfied;

- (a) By Payment of Cash ₹ 16,000
- (b) By allotment of 240, 8% Preference Shares of ₹ 100 each and
- (c) By allotment of 3,200 Equity shares of ₹ 10 each, valued at ₹ 12.50 per share. <https://www.onlinebu.com>

The Debtors realised ₹ 28,000 and the creditors were paid ₹ 24,000 in full settlement.

It was agreed between the partners as follows;

- (i) Equity shares are to allotted in their profit sharing ratio.
- (ii) Preference shares are to be allotted to P towards the value of his Loan and the remaining preference shares are to be allotted between the partners equally.

Prepare necessary ledger accounts in the books of the P & Q Firm.

P.T.O.



11. Dr. Srinivas wrote a book on Financial Accounting and got it published with Jack & Jill publishers on the terms that, royalty will be paid at ₹ 25 per copy sold subject to a minimum payment of ₹ 75,000 with a right to recoup short-workings over the first three years of the royalty agreement.

From the following details write-up;

- (a) Minimum Rent a/c,
- (b) Royalty a/c,
- (c) Short-workings a/c and Dr. Srinivas a/c

Year	2012	2013	2014	2015
No. of Copies Sold	2,000	3,000	4,000	5,000
Closing Stock	100	200	400	500

12. A Burglar Alarm System (BAS) was sold by Mr. Kiran to Mr. Kishan under Hire purchase system. The cash price was ₹ 50,000, ₹ 10,000 being down payment on 01.01.2013. ₹ 20,000, ₹ 15,000 and ₹ 5,000 were payable on 31.12.2013, 2014 and 2015 respectively along with Interest @9% p.a.

The Burglar Alarm System (BAS) was valued at ₹ 40,000, ₹ 32,000 and ₹ 25,000 at the end of 2013, 2014 and 2015 respectively.

Journalise the above transactions in the books of Mr. Kishan, the hire purchaser.

13. On 1st April 2015 a fire destroyed the stock of a business firm. From the records which were saved the following information was obtained.

		₹
Stock	On 01.01.2014	45,000
Stock	On 31.12.2014	55,000
Purchases	For the calendar year 2014	1,29,250
Purchases	For 3 months up to 31.03.2015	60,000
Sales	For the year ended 31.12.2014	1,70,000
Sales	Up to the date of fire	1,00,000
Manufacturing Expenses :	For the calendar year 2014	21,000
	For 3 months up to the date of fire	?

In February 2015, goods valued at ₹ 500 were distributed as samples. Manufacturing expenses normally found to be constant. The salvaged stock was estimated at ₹ 7,000.

Prepare a statement showing the amount of Claim.



SECTION - D

(This section to be answered by **2011-12** students only)

1x10=10

- 14.** What are the differences between Fixed and Fluctuating Capital Systems ?
Outline the specimen of Partners Capital and Current accounts.

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