



II Semester B.B.M. Examination, May/June 2014  
(Semester (Repeaters) Scheme)  
(2011-12 Only)

**BUSINESS MANAGEMENT**

**Paper – 2.4 : Financial Accounting**

Time : 3 Hours

Max. Marks : 100

**Instruction :** Answer should be written in **English only**.

**SECTION – A**

1. Answer **any eight** of the following sub-questions. **Each** question carries 2 marks. **(8×2=16)**
- Define partnership.
  - What is P and L appropriation account ?
  - Mention two reasons for conversion of partnership into company.
  - What is realisation account ?
  - What is down payment ?
  - Mention any two differences between Sale and Hire Purchase System.
  - Why is minimum rent clause included in the royalty agreement ?
  - How irrecoverable short workings account is closed ?
  - Why average clause is included in fire insurance policy ?
  - How do you ascertain the claim for loss of stock ?

**SECTION – B**

Answer **any three** questions. **Each** question carries 8 marks. **(3×8=24)**

2. A and B commenced business in partnership with a capital of Rs. 40,000 and Rs. 30,000 respectively on 1.4.08 agreeing to share the profits and losses in the ratio of 3 : 2. For the year ending 31.3.09 they earned a profit of Rs. 12,000 before allowing : Interest on Capital at 5% p.a., Interest on drawings at 6% p.a., salary to partner B at Rs. 3,000 p.a. Their drawings during the year were as follows :

<b>A's Drawings</b>		<b>B's Drawings</b>	
1.4.2008	Rs. 1,000	31.4.2008	Rs. 1,000
01.7.2008	Rs. 3,000	30.6.2008	Rs. 1,500
01.9.2008	Rs. 2,500	01.10.2008	Rs. 2,500

Prepare the profit and loss appropriation account of the firm.

**P.T.O.**





3. A company takes over the following assets and liabilities from a partnership firm.

Land and Buildings	45,000
Plant and Machinery	20,000
Stock	20,000
Debtors	23,200
Bills receivable	16,000
Current liabilities	28,800
Goodwill	28,800

Calculate purchase consideration and if it is payable in 10,000 equity shares of Rs. 10 each and the balance in cash. Show the mode of discharge.

4. The Bhadravathi Mining Company obtained a mine on lease for a period of 10 years beginning from 1-1-2010 on the following terms :

- To pay minimum rent of Rs. 12,000 per year.
- Each year's excess of rent over the actual royalties i.e., short workings can be recovered during the subsequent two years.
- Due to accident or strike minimum rent is to be reduced by 25% for that year.
- Royalty was to be calculated at 50 paise per ton.

Production during 4 years from 2010 to 2013 was as follows :

Years	Production in Tons
2010	14,000
2011	18,000
2012	30,000
2013 (strike for 3 months)	22,000

Prepare an analytical table.





5. Calculate cash price of an asset from the following :

- i) Rs. 5,000 paid at the time of agreement
- ii) Rs. 36,000 at the end of the I year
- iii) Rs. 34,500 at the end of the II year
- iv) Rs. 33,000 at the end of the III year
- v) Rs. 31,500 at the end of the IV year
- vi) Rate of interest is 12% p.a.
- vii) Rate of depreciation - 25% p.a.

6. A large portion of the records and stock of a trading concern was lost due to a fire accident on 15.4.2012. Later, goods worth Rs. 8,000 and some records were salvaged from the fire. The following details are available from these records.

Period	2007	2008	2009	2010	2011
Sales (Rs.)	86,000	71,000	60,000	55,000	48,000
G.P. (Rs.)	21,500	21,300	20,000	18,700	16,000

On 31.12.2011, the stock was valued at Rs. 9,700. From 1.1.2012 to the date of fire, purchases, sales and wages were Rs. 7,500, Rs. 15,900 and Rs. 3,000 respectively.

Prepare a statement showing amount of claim to be submitted to the Insurance Company.

SECTION - C

Answer any four questions from the following. Each question carries 15 marks. (4x15=60)

7. A and B are partners sharing profits and losses in the proportions of 3/5 and 2/5 respectively. The under mentioned balances were extracted from their books on 31-12-2013.

Ledger Balances

	Dr. (Rs.)	Cr. (Rs.)
Capital Account :		
A		65,000
B		40,000





## Drawings :

A	4,000	
B	3,000	
Goodwill	40,000	
Sales		1,60,000
Sundry creditors		14,500
Return outward		2,500
Bills payable		8,900
Office furniture	5,000	
Purchases	85,000	
Sundry Debtors	40,500	
Returns inward	1,500	
Rent	3,750	
Postage and telegrams	500	
Advertising	9,000	
Stock on 1.1.2013	11,500	
Cash in hand	16,000	
Wages	14,000	
Telephone charges	500	
Salaries	12,250	
Printing and stationery	740	
Commission paid	5,000	
Travelling Expenses	2,000	
Carriage inward	5,800	
Motor vans	20,860	
Plant and Machinery	10,000	
<b>Total</b>	<b>2,90,900</b>	<b>2,90,900</b>



**Adjustments :**

- 1) Write off Rs. 250 from office furniture, 10% on plant and Machinery, 20% on motor vans.
- 2) Create a reserve of 5% on sundry debtors for bad debts.
- 3) Write off  $\frac{1}{5}$ <sup>th</sup> of the advertising expenses.
- 4) Partners are entitled to interest on capital at 5% p.a..
- 5) B is entitled to salary of Rs. 1,800 p.a.

**Prepare :**

- a) Trading, Profit and Loss A/c, appropriation account for the year ended 31-12-2013.
  - b) Balance Sheet as at that date.
8. Tata Ltd. was formed to take over the business of Red and White who are carrying on business in partnership. The Balance Sheet of the firm was as follows :

<b>Liabilities</b>		<b>Rs.</b>	<b>Assets</b>		<b>Rs.</b>
Creditors		60,000	Cash		2,000
Reserve fund		12,000	Building		20,000
<b>Capital Accounts</b>			Machinery		30,000
Red	40,000		Stock		45,000
White	30,000	70,000	Debtors		30,000
			Investments		10,000
			Profit/Loss a/c		5,000
		<b>1,42,000</b>			<b>1,42,000</b>

The company took over all the assets and liabilities except investments at book value and purchase consideration of Rs. 1,00,000 was satisfied by the issue of 6,000 equity shares of Rs. 10 each fully paid and the balance in debentures of the Tata Ltd. The investments were taken over by Red at book value. The shares of Tata Ltd. have been distributed between Red and White in the ratio of 2 : 1 and the final settlement is made in the form of debentures.

Prepare the necessary ledger accounts to close the books of the firm.





9. Ramakanth had certain patent rights. He gave a license to Kaleel to use such rights on royalty basis. The following details are relevant.

Year	I	II	III	IV	V
Actual Royalties (Rs.)	10,000	20,000	16,000	16,000 (Strike)	28,000
Minimum Rent (Rs.)	16,000	18,000	20,000	24,000	26,000

The deficiency of any year is to be set-off against royalties payable in excess of the minimum rent in the next two years. In the event of a strike and there is shortfall, it was provided that actual royalties earned in the year would be considered as full royalty obligation for the year.

Show the royalties, Ramakanth A/c, Short Workings A/c, and also analysis of royalty payable and short workings.

10. The National Trading Company purchased machinery from the Bangalore Company on hire purchase agreement on 1.1.2013 paying cash Rs. 10,000 and agreeing to pay three further instalments of Rs. 10,000 each on the 31<sup>st</sup> December of every year. The cash price of the machinery is Rs. 37,250 and Bangalore Company charges interest at 5% p.a. The National Trading Company writes off 10% every year of cash value of machinery on the reducing instalment system. Journalise these transactions in the books of National Trading Company.
11. A fire Broke out on 1.9.2012 destroyed the stock of a firm. The business records were saved and from them the following particulars were ascertained.

Stock at cost on 1.4.2011	22,150
Stock at cost on 1.4.2012	18,725
Purchases for the year to 31 <sup>st</sup> March 2012	51,925
Sales for the year to 31 <sup>st</sup> March 2012	76,250
Purchases from 1.4.2012 to 1.9.2012	18,175
Sales from 1.4.2012 to 1.9.2012	29,500





In valuing the stock on 31.3.2012, Rs. 400 had been written off a particular line of goods which had originally cost Rs. 900 and which were sold in June 2012 for Rs. 875. Except as regards this transaction the ratio of gross profit had remained unchanged throughout. The value of stock salvaged from the fire was Rs. 2,555. You are required to calculate the amount of claim to be presented to the insurance company in respect of loss of stock.