

**Q.P. Code : 14221**

**Second Semester B.B.A. Degree Examination, May/June 2019**

*(CBCS Scheme)*

**Business Administration**

**FINANCIAL ACCOUNTING**

*Time : 3 Hours]*

*[Max. Marks : 70*

*Instructions to Candidates : Answers should be written in English only.*

**SECTION - A**

1. Answer any **FIVE** of the following sub-questions. Correct answer to each question carries **2** marks : **(5 × 2 = 10)**
- (a) Why average clause is inserted in the insurance contract?
  - (b) What is hire purchase price?
  - (c) Distinguish between hire purchase and installment purchase.
  - (d) How irrecoverable short working is treated under royalty accounts?
  - (e) State any two features of installment purchase system.
  - (f) How purchase consideration is calculated under net payment method?
  - (g) Give the meaning of issue of shares at premium.

**SECTION - B**

Answer any **THREE** of the following questions. Correct answer to each question carries **6** marks : **(3 × 6 = 18)**

2. A fire occurred on November 3, 2018 in the shop of Raja. From the following particulars, calculate the amount of fire claim :
- Stock on 1.1.2018 ₹ 8,500
  - Purchases from 1.1.2018 to date of fire ₹ 85,000
  - Sales from 1.1.2018 to date of fire ₹ 1,00,000
  - Wages ₹ 8,500
  - Stock Salvaged ₹ 2,000
  - The rate of Gross profit on sales 25%

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3. A machine costing ₹ 50,000 was purchased on hire purchase basis. ₹ 10,000 was paid on signing the agreement and the balance in four equal installments of ₹ 10,000 each annually with interest at 5%. Calculate interest and show the amount payable on each installment and calculate the value of assets after four years if the rate of depreciation is at 15 per cent per annum under written down value method.
4. Prepare an analysis table and Land Lord account from the following details :  
Minimum rent ₹ 15,000 p.a.  
Royalty payable 75 paise per ton of output  
Short workings can be recouped in the next two years out of excess royalty  
Output for the first four years – 10,000 tons, 12,000 tons, 28,000 tons and 25,000 tons respectively.
5. X & Y are partners sharing profits in the ratio of 2 : 1 and their Balance Sheet on 31<sup>st</sup> March, 2018 was as follows :

Balance Sheet			
Liabilities	₹	Assets	₹
Sundry Creditors	20,000	Cash at hand	150
Bills payable	5,000	Bills receivable	2,500
X's Loan	10,000	Debtors	30,000
Capital Accounts :		Less : R B D	1,500
X	15,000	Stock	21,850
Y	10,000	Machinery	10,000
Reserve Fund	3,000		
	<u>63,000</u>		<u>63,000</u>

They agreed to sell the business to a limited company and the company to take over the assets including cash and liabilities as follows :

Machinery at ₹ 8,000; Stock at ₹ 17,500; Debtors at ₹ 25,350; Bill's Receivable at ₹ 2,500 and Goodwill at ₹ 3,000

The company agreed to take over creditors at ₹ 19,500. The expenses of realisation amounted to ₹ 150. The firm received ₹ 20,000 of the purchase price in ₹ 10 fully paid equity shares and the balance in cash.

Calculate purchase price and pass incorporation journal entries in the books of the company.

6. Raju Limited issued 20,000 shares of ₹ 10 each to the public payable ₹ 2 on application ₹ 4 on allotment and ₹ 4 on first call. Applications were received for 25,000 shares. Pass journal entries in the books of company assuming that 5000 shares were rejected and application money was returned.

**SECTION - C**

Answer any **THREE** of the following questions. Each question carries **14** marks :  
**(3 × 14 = 42)**

7. Mr. Pandu purchased a Machine on hire purchase system on 1<sup>st</sup> April, 2016. The total cash price of the machine is ₹ 31,960, payable ₹ 8,000 down, and three installments of ₹ 12,000, ₹ 10,000 and ₹ 4,000 payable at the end of 31<sup>st</sup> March 2017, 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019 respectively. Interest is charged at 5% p.a. Charge depreciation at 10% on straight line method. Prepare Ledger Accounts in the books of Mr. Pandu.
8. Mr. Charan took a lease for ten years from Dinesh on 1<sup>st</sup> Jan 2015. The rate of royalty is 50 paise per ton of output and the minimum rent is ₹ 4,000 p.a. Short working of a year can be recouped in the next two years with the condition that only 50% of the excess of royalty over the minimum rent can be utilized for recouping short working. The figures of royalty are as under :

Year	Output Tons
2015	2000
2016	2500
2017	5000
2018	7000

Pass necessary journal entries in the books of both parties.

9. A, B and C are in partnership sharing profits and losses in the ratio of 4 : 3 : 1 respectively. On 31<sup>st</sup> March 2018 they agree to sell their business to a limited company. Their position on that date was as follows :

Balance Sheet			
Liabilities	₹	Assets	₹
Sundry Creditors	16,000	Cash	4,000
Loan from Bank	8,000	Book Debts	30,000
Capital Accounts :		Stock	26,000
A	40,000	Machinery	24,000
B	30,000	Freehold Property	36,000
C	26,000		
	<u>1,20,000</u>		<u>1,20,000</u>



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The company took the following assets at the valuation shown below :

	₹
Book Debts	28,000
Stock	24,000
Machinery	22,000
Freehold Property	44,000
Goodwill	8,000

The company also agreed to pay the creditors which were agreed at ₹ 15,400. The company paid 3,300 shares of ₹ 10 each fully paid and the balance in cash. The expenses amounted to ₹ 1,000. Prepare Realisation A/c, Cash A/c and Capital Accounts in the books of the firm.

10. Fire occurred in the premises of Kamal Enterprises on 30.9.2018. Stock of the value of ₹ 50,500 was salvaged and the books of accounts were saved.

The following information is given :

Stock as on 31.3.2017 ₹ 1,30,000

Purchases during the year ended 31.3.2018 ₹ 3,50,000

Sales during the year ended 31.3.2018 ₹ 5,00,000

Purchases from 1.4.2018 to 30.9.2018 ₹ 1,20,000

Sales from 1.4.2018 to 30.9.2018 ₹ 1,80,000

Stock as on 31.3.2018 ₹ 1,70,000

Stock as on 31.3.2017 was undervalued by ₹ 20,000 where as it was overvalued by ₹ 10,000 on 31.03.2018.

Calculate the amount of insurance claim based on the rate of gross profit on sales.

11. Southern Limited issued a prospectus offering 1,00,000 equity shares ₹ 10 each payable at par as follows. On application ₹ 2, on allotment ₹ 2, on first call ₹ 3 and on final call ₹ 3. Pass Journal entries and also prepare Share capital account, Bank account and opening balance sheet.