

Reg. No. : .....

Name : .....

**Third Semester B.B.A. LL.B (Five Year Integrated) Degree Examination,  
October 2021**

**Paper II – FINANCIAL ACCOUNTING**

Time : 3 Hours

Max. Marks : 80

I. Explain any **five** of the following in not more than **60** words. Each question carries **2** marks.

1. Double Accounting
2. Partnership
3. Accounting standard
4. Forfeiture of shares
5. Prepaid expenses
6. Calls in arrears
7. Assets.

(5 × 2 = 10 Marks)

II. Answer any **four** questions. **Each** question carries **4** marks.

1. X and Y are partners sharing profits in the ratio 3:2. They admit Z for a sixth share. Calculate the new ratio and sacrificing ratio.
2. Show the proforma of balance sheet.
3. Give the journal entries relating to the issue of shares.

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4. X, Y and Z share profits and losses in the ratio 4:3:2. Z retires from the firm. X and Y share future profits in the ratio 3:2. Calculate the Gaining ratio of X and Y.
5. What do you mean by Revaluation Account? Why it is prepared.
6. The directors of B Ltd. forfeited 100 shares of Rs. 10 each Fully called for non-payment of the final call Rs.4 for share. The shares were re-issued as fully paid at Rs 8 per share.

Give journal entries relating to the forfeiture and re-issue.

(4 × 4 = 16 Marks)

III. Answer any **four** questions. Each question carries **6** marks.

1. X, Y and Z are partners sharing profits in the ratio of 3:2:1.

Their balance sheet as on 31<sup>st</sup> December 2016 was as follows

Liabilities	Amount	Assets	Amount
Creditors	15,000	Cash at Bank	6,000
Reserve	6,000	Debtors	12,000
Capital		Stock	10,000
X	15,000	Investment	15,000
Y	10,000	Buildings	8,000
Z	5,000		
	<hr/>		<hr/>
	51,000		51,000
	<hr/>		<hr/>

Y died on 31<sup>st</sup> March, 2017 and according to the agreement his legal representative was entitled to the following:

- (a) Capital to the credit of Y at the time of his death and interest @ 6% per annum.
- (b) His share in the profits till death on the basis of last year's profit.
- (c) His share in the goodwill which is to be calculated by taking three times the amount of the average profits of the last three years.
- (d) The profits of the last three years 2014, 2015, and 2016 were Rs.8,000, Rs.7,000 and Rs.9,000 respectively.
- (e) His appropriate share in the General Reserve.
- (f) X and Z share future profits in the ratio 3:1. Pass necessary journal entries to give effect to the above and prepare Capital Account and His Executors Loan Account.

2. Prepare Trading A/c and Profit and Loss A/c of Raman Irani from the following balances for the year ending 31<sup>st</sup> March, 2006

Opening Stock	14,600	Trading expenses	1,450
Purchases	68,700	Discount allowed	1,250
Sales	85,300	Discount Received	800
Return outward	2,200	Bill Receivables	4,500
Carriage Inward	2,100	Debtors	16,800
Capital	50,000	Closing stock	28,700
Drawings	12,000	Insurance	1,600
Advertisement	2,400	Salesmen's Salaries	5,200

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3. Following are the extracts from the Trial balance of a firm.

Sundry Debtors	30,000
Bad debts	5,000

Additional Information:

- (a) After preparing the Trial Balance, it is learnt that a debtor, Tintu has become insolvent and therefore, the entire amount of Rs 3,000 due from him was irrecoverable.
- (b) Create 10% provision for bad and doubtful debts.

You are required to pass necessary adjusting entries and show how the items will appear in the firm's Balance Sheet.

4. List out the main heads of items in balance sheet of a company
5. Explain the different types of shares.
6. Explain forfeiture and re-issue of shares.

(4 × 6 = 24 Marks)

- IV. Answer any **three** questions. **Each** question carries **10** marks.

1. What do you mean by GAAP? Explain in detail its various principles.
2. A and B are partners of AB Partnership who share profits in the ratio 3/4 : 1/4 the balance sheet of the firm as on 31<sup>st</sup> December 2017 was

Liabilities		Amount	Assets	Amount
Creditors		37,000	Cash at Bank	25,000
General Reserve		4,000	Debtors	16,000
Capital Account			Stock	18,000
A	30,000		Furniture	3,000
B	16,000	46,000	Land and Building	25,000
		<u>87,000</u>		<u>87,000</u>

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On 1<sup>st</sup> January 2018, C was admitted as a new partner on the following terms:

- (a) C should bring Rs.10,000 as his capital for 1/5 share in the future profits.
- (b) There is a joint life policy for Rs.30,000 with a surrender value of Rs.20,000.
- (c) The value of stock and furniture to be reduced by 10% and a reserve for doubtful debts be created at 5 %.
- (d) Land and building be appreciated by 20%.
- (e) The capital accounts of all partners be adjusted on the basis of their profits sharing ratio and additional amounts be debited or credited to their current accounts. Open necessary accounts to give effect to the above mentioned items and prepare the opening Balance sheet of the new Firm.

3. The following is the trial balance of Swathi as on 30<sup>th</sup> June 2015.

Particulars	Debit	Credit
Capital		30,000
Drawings	5,000	
Debtors & Creditors	20,000	10,500
Loan		9,500
Interest on loan	200	
Cash	2,000	
Provision for bad debts		700
Stock	9,000	
Delivery van	10,000	
Bank	500	

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Land and Building	9,800	
Bad Debts	600	
Purchases and sales	56,500	1,00,000
Returns	8,000	1,500
Carriage	5,500	
Office and general expenses	15,000	
Advertising	3,500	
Discount		500
Bills receivables	6,000	
Bills payables		2,000
Rent	3,400	
Rent from subletting		300
	<u>1,55,000</u>	<u>1,55,000</u>

Opening stock is found undercast by 10%

Closing stock is valued at Rs. 8,750

Provide 5% of debtors for bad debts and 2% of debtors and creditors for discounts

Provide interest on capital at 10% and charge interest on drawings at 5%

Depreciate delivery van by 20%

Prepare Trading and Profit and Loss account for the year ending 30<sup>th</sup> June 2015 and also a balance sheet on that date.

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4. A Ltd. invited applications for 10,000 shares of Rs.100 each at a premium of Rs. 10 per share. The amount is payable as follows:

On applications Rs. 25

On allotment Rs.35 (including premium)

On first call Rs.25

On final call Rs.25

The applications were received for 9,000 shares and these were accepted in full. All the money due were received except the first and final call money on 200 shares, which were forfeited. Out of these shares, 100 shares were subsequently re-issued @ Rs.90 per share. You are required to pass journal entries for recording the above transactions including cash.

**(3 × 10 = 30 Marks)**