

Reg. No. :

Name :

Third Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination,
August 2019

Paper II : FINANCIAL ACCOUNTING

Time : 3 Hours

Max. Marks : 80

PART – A

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

1. sacrificing ratio.
2. outstanding expenses.
3. Accounting.
4. Balance sheet.
5. Bad debts
6. Revaluation account.
7. Partnership deed.

(5 × 2 = 10 Marks)

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

1. A, B and C are partners sharing profits and losses in the ratio 4:3:2. On B's retirement, A and C decide to share future profits in the ratio 5:4. Calculate the gaining ratio.
2. What do you mean by Grouping and Marshalling of Assets and Liabilities?

3. Geeta and Reeta are partners sharing profits and losses in the ratio of 4:1. Pushpa is admitted into the partnership with 1/4 share in profits which she acquires wholly from Geeta. Determine the new profit sharing ratio and sacrificing ratio if any.
4. E. Ltd forfeited 400 shares of Rs. 10 each (issued at a premium of Rs. 2 per shares, which was included in the allotment amount) for the non- payment of first and final calls of Rs. 2 and Rs. 2 respectively. Half of these shares were re-issued as fully paid at Rs. 11 per share. Give journal entries to record the above forfeiture and re-issue.
5. Explain the accounting conventions.
6. What do you mean by fixed and fluctuating capitals?

(4 × 4 = 16 Marks)

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

1. X Co. Ltd. forfeited 150 equity shares of Rs. 20 each, issued at a discount of Rs. 2 per shares, for non-payment of final call Rs. 6 per shares. Subsequently 100 of these shares were re-issued as fully paid at Rs. 15 per share. Show the journal entries.
2. The following is the balance sheet of X and Y sharing profits and losses in the ratio 3:2 as on 31st March 2016.

Liabilities	Amount	Assets	Amount
Creditors	45,000	Cash	3,000
Outstanding expenses	2,000	Sundry assets	80,000
Capitals :			
X	17,000		
Y	19,000		
	36,000		
	83,000		83,000

They admit Z into partnership on 1st April 2016 on the following terms :

- (a) That Z pays Rs. 10,000 as capital and Rs. 5,000 as goodwill for 1/4 shares in future profits.
- (b) Sundry assets be valued at Rs. 72,000
- (c) That the capital accounts of all partners be readjusted on the basis of their profit sharing arrangements by bringing in or Prepare ledger accounts and Balance sheet immediately after Z's admission.
3. On 31st March, 2015 the following Trial Balance was prepared from the books of Brown.

	Dr.	Cr.
Debtors	30,600	
Creditors		10,000
Bills receivables	5,000	
Plant and machinery	75,000	
Purchases	1,90,000	
Capital		70,000
Freehold premises	50,000	
Salaries	21,000	
Wages	24,400	
Postage and stationery	1,750	
Carriage in	1,750	
Carriage out	1,000	
Bad debt	950	
Bad debt provision		350
Office general charges	1,500	
Cash at bank	5,300	
Cash in hand	800	
Bills payables		7,000
Reserve		20,000
Sales		3,31,700

Closing stock	30,000	
	<u>4,39,050</u>	<u>4,39,050</u>

The following adjustments are required:

- Brown gets a salary of Rs. 12,000 per annum.
- Allow 10% interest on capital
- Bad debts provision to be adjusted to $2\frac{1}{2}\%$ on Sundry Debtors.
- 10% of the net profit is to credited to the reserve.
- It was discovered in April, 2000 that stock sheets as on 31st as on 31st March, 2014 were overcast by Rs. 1,000. However, no entry was passed in April, 2014.
- Depreciation Plant & Machinery @ 10% p.a. and Freehold Premises @ 2% p.a.

You are asked to prepare the Trading and Profit and Loss account of the firm for the year ended 31st March 2015 and a Balance Sheet as at that date.

- Explain the different method of valuing Goodwill.
- Explain Forfeiture and Re-issue of shares.
- What are the different types of shares?

(4 × 6 = 24 Marks)

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

- Explain the main heads of items in the Balance Sheet of a company.
- The following is the Balance Sheet of A, Manf J sharing profits and losses in the ratio of 3:2:1 as on 30th September, 2016.

Liabilities	Amount	Assets	Amount
Creditors	25,800	Cash in hand	8,000
Expenses outstanding	200	Stock and book debt	42,000
Reserve fund	6,000	Furniture	15,000
A's Capital	28,000	Computer	10,000

M's Capital	20,000	Building	30,000
J's Capital	30,000	Patents	5,000
	<u>1,10,000</u>		<u>1,10,000</u>

They admit P into the partnership on the following terms :

- (a) Create goodwill of Rs. 30,000
- (b) Write down computer by 10%.
- (c) Write off patents as it found valueless.
- (d) Building to be valued at Rs. 45,000
- (e) The firm had investment of the original cost price of Rs. 8,000 which were written off from the firm's book as they were found valueless. Now it had got a market value of Rs. 3,000.
- (f) P shall bring in Rs. 25,000 as capital for $\frac{1}{4}$ th share of future profits.

Give ledger accounts and the new balance sheet.

3. 2,000 shares of Rs. 10 each were issued at a premium of Rs. 2 per share payable on application Rs. 2 per share, on allotment Rs. 5 (including premium), on first call Rs. 3 and on final call Rs. 2. applications for 3,000 shares were received and allotment was made pro-rata to applicants of 2,400 shares. Excess application money was employed on account of sums due on allotment.

Kailash, to whom 40 shares were allotment, failed to pay allotment money and on his subsequent failure to pay 1st call, his shares were forfeited. Romen, the holder of 60 shares, failed to pay the two calls and his shares were forfeited after the 2nd and the final call. Of the shares forfeited, 80 shares were sold to Karim credited as fully paid for Rs. 9 per shares, the whole of Kailash's shares being included.

Show Cash book and Journal entries to record the above and the Balance sheet.

4. Prepare Trading and Profit and Loss Account for the year ended 31st March, 2017 and Balance Sheet as that date from the following Trial Balance of K. Rama Rao.

Debit Balance	Amount	Credit Balance	Amount
Drawings	45,000	Capital	1,60,000
Goodwill	80,000	Bills payable	33,800
Land and building	60,000	Creditors	70,000
Plant and Machinery	40,000	Purchases returns	2,650
Loose tools	3,000	Sales	4,18,000
Bills receivables	3,000		
Stock, 1 st April, 2016	40,000		
Purchases	2,51,000		
Wages	20,000		
Carriage outwards	500		
Carriage inwards	1,000		
Coal	5,800		
Salaries	35,000		
Rent and rates	2,800		
Discount	1,500		
Cash at bank	25,000		
Cash in hand	400		
Debtors	45,000		
Repairs	1,800		
Printing and stationary	500		
Bad debts	1,200		
Advertisement	3,500		

Sales returns	2,000
Furniture	11,200
General expenses	5,250

Adjustments :

- (a) Closing stock on 31st March, 2017 was Rs. 35,000.
- (b) Depreciate Plant and Machinery, Tools and Furniture by 10% and Land and Building by 5%.
- (c) Provide Rs. 1,500 for wages.
- (d) Advertisements prepaid are Rs. 500.
- (e) Provide 5% on debtors against bad debts and 2% against discount.

(3 × 10 = 30 Marks)