



Reg. No. :

Name :

**Third Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination,
March 2015
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) Journal
- 2) Sacrificing Ratio
- 3) Bad and doubtful debts
- 4) Reissue of shares
- 5) Joint stock company
- 6) Book keeping
- 7) Contingent liabilities.

(5x2=10 Marks)

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

- 1) Define depreciation. Describe any two methods of charging depreciation.
- 2) X and Y were partners sharing profits in the ratio of 2 : 3. They admit Z as a new partner. X agreed to surrender 1/5 of her share and Y 1/2 of her share in favour of Z. Find out the new profit sharing ratio.
- 3) Explain the basic accounting principles.
- 4) What are the different treatments of goodwill in connection with retirement of partner ?
- 5) Following are the extracts from the Trial Balance of Mr. A.

Trial Balance		
	Dr. Rs.	Cr. Rs.
Sundry Debtors	40,000	
Bad Debts	5,000	
Provision for bad Debts		3,000

**Adjustments :**

- a) Provide additional bad debts Rs. 1,000.
- b) Create 5% provision for bad and doubtful debts.

Show how the above will be shown in the final accounts (P and L A/c and B/S).

- 6) What is double entry system ? Explain its rules. **(4x4=16 Marks)**

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

- 1) A and B are partners in a business sharing profits and losses as A $\frac{3}{5}$ ths and B $\frac{2}{5}$ ths. Their Balance Sheet as on 1st January 2013 is given below.

Liabilities		Rs.	Assets	Rs.
Capitals :	A	20,000	Machinery	19,500
	B	15,000	Stock	16,000
Reserve		15,000	Debtors	15,000
Sundry Creditors		7,500	Cash at Bank	6,000
			Cash in hand	1,000
		57,500		57,500

B decides to retire from the business owing to illness and A takes it over and the following revaluations are made :

- a) Goodwill of the firm valued at Rs. 15,000.
 - b) Depreciate Machinery by 7.5% and stock by 15%.
 - c) A bad debt provision is raised against debtors at 5% and a discount reserve against creditors at 2.5%. Prepare Revaluation Account and Partners Capital Account.
- 2) From the following balance extracted from the books of M/s Rajesh and Co., you are required to prepare Trading and Profit and Loss account and Balance Sheet.

Particulars	Rs.	Particulars	Rs.
Opening stock	1,250	Plant and machinery	6,230
Sales	11,800	Returns outwards	1,380
Depreciation	667	Cash in hand	895
Commission (Cr.)	211	Salaries	750
Insurance	380	Debtors	1,905
Carriage inwards	300	Discounts (Dr.)	328
Furniture	670	Bills receivables	2,730
Printing charges	481	Wages	1,589
Carriage outwards	200	Returns inwards	1,659
Capital	9,228	Bank Overdraft	4,000



Creditors	1,780	Purchases	8,679
Bills payable	541	Petty cash in hand	47
Bad debts	180		

Stock on 31st December , 2011 was Rs. 3,700.

- 3) Explain forfeiture of shares and give its treatment on issue at par and on issue at premium.
- 4) Explain trading and profit and loss account. Why are they prepared ?
- 5) A and B are partners sharing Profits in the ratio of 2 : 1. They admit C who brings in his requisite share of firms goodwill in cash and Rs. 20,000 as his capital. A, B and C agree to share future profits equally. The amount of goodwill is withdrawn from the business. The value of goodwill was determined at Rs. 12,000. Goodwill already appears in the books at Rs. 6,000. Give necessary journal entries on C's admission.
- 6) Define financial accounting. Explain its features and limitations. **(4x6=24 Marks)**

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

- 1) The following trial balance extracted from the book of a merchant on 31st December, 2012.

Furniture and fittings	640	
Motor vehicle	6,250	
Buildings	7,500	
Capital account		12,500
Bad debts	125	
Provision for bad debts		200
Sundry debtors and creditors	3,800	2,500
Stock on January 1, 2012	3,460	
Purchases and sales	5,475	15,450
Bank overdraft		2,850
Sales and purchase returns	200	125
Advertising	450	
Interest on bank overdraft	118	
Commission		375
Cash	650	
Taxes and insurance	1,250	
General expenses	782	
Salaries	3,300	
	34,000	34,000



The following adjustments are to be made :

- a) Stock in hand on 31st December 2012 was Rs. 3,250.
- b) Depreciate buildings @ 5%, furniture and fittings @ 10% and Motor vehicle @ 20%.
- c) Rs. 85 is due to for interest on bank overdraft.
- d) Salaries Rs. 300 and taxes Rs. 120 are outstanding.
- e) Insurance amounting to Rs. 100 is prepaid.
- f) One third of the commission received is in respect of work to be done next year.
- g) Write off a further sum of Rs. 100 as bad debt and provision for bad debts to be made equal to 10% on sundry debtors.

Prepare Final account.

2) Explain accounting postulates and accounting concepts.

3) A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet on 31.12. 2011 was as follows.

Liabilities		Rs.	Assets		Rs.
Capital Accounts	A	45,000	Cash at bank		3,500
	B	35,000	Debtors		30,000
	C	25,000	Stock		25,000
Reserve		15,000	Plant		40,000
Profit and Loss A/c		12,000	Building		50,000
Creditors		20,500	Furniture		4,000
		1,52,500			1,52,500

C retires on that date subject to the following conditions :

- a) Goodwill of the firm to be valued at Rs. 36,000.
- b) Buildings to be appreciated by 20%.
- c) Plant and furniture depreciated by 10% and 15% respectively.
- d) Provision is to be made for doubtful debts at 5%.

A and B are to bring in cash, if necessary, in their profit sharing ratio to pay off C's due on retirement and leave a sum of Rs. 10,000 as working capital.

Prepare Revaluation Account, Partner's Capital Account and New Balance Sheet.

4) Define partnership. State its features. Differentiate fixed capital method and fluctuating capital Method.

(3×10=30 Marks)