



Reg. No. :

Name :

**Third Semester B.B.A. LL.B.(Five Year Integrated) Degree Examination,
September 2018**

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) Goodwill
- 2) Gaining Ratio
- 3) Accounting
- 4) Re-issue of shares
- 5) Profit and Loss Account
- 6) AS-3
- 7) ESOP.

(5×2=10 Marks)

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

- 1) What is partnership deed ? What are its contents ?
- 2) Explain Gaining Ratio and Sacrificing Ratio.
- 3) Mention the different adjustments in the books on the death of a partner.
- 4) A, B and C are partners sharing profits in the ratio 4 : 3 : 2. B retires from the firm. Calculate Gaining Ratio.
- 5) Raj and Mohan are partners in a firm sharing profits and losses in the ratio of 3 : 2. Thampi is admitted into the partnership. Raj sacrifices 1/3 of his shares and Mohan 1/4 of his share in favour of Thampi. Determine the new profit sharing ratio of the partners.



- 6) Alpha Ltd. issued 25,000 equity shares of Rs. 10 each at a premium of Rs. 1 per share, payable as Rs. 2 on application, Rs. 4 on allotment (including premium), Rs. 3 on first call and Rs. 2 on second and final call. On making the second and final call, a holder of 1,000 shares failed to pay the call money. All the shares are subscribed by the public. Give entries in the books of the company. **(4×4=16 Marks)**

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

- 1) On 31st March 2016, the following Trial Balance was extracted from the book of Raju :

	Dr.	Cr.
Capital Account		90,000
Plant and Machinery	80,000	
Sales		4,07,000
Purchases	2,60,000	
Returns	6,000	5,750
Opening Stock	30,000	
Discount	350	800
Bank Charges	75	
Debtors	45,000	
Creditors		25,000
Salaries	26,800	
Manufacturing wages	40,000	
Carriage inwards	750	
Carriage outwards	1,200	
Bad debts provision		525
Rent, Rates & tax	10,000	
Advertisement	2,000	
Cash in hand	900	
Cash at bank	6,000	
Furniture & Fittings	20,000	
	5,29,075	5,29,075

You are asked to prepare the final accounts for the year ended 31st March 2016 and the Balance Sheet as that date. The following adjustments are required:



- a) Closing stock Rs. 35,000
- b) Depreciation on Plant and Machinery @ 15% p. a. and on Furniture and Fittings @ 10% p.a. to be provided.
- c) Bad debts provision to be adjusted to Rs. 500
- d) Interest on capital to be allowed at 10% p.a.
- e) 15% of the profits remaining after providing interest on capital is to be carried to General Reserve.

2) On 1-1-2013, X Ltd., makes an issue of 10,000 equity shares of Rs. 10 each payable as follows.
Rs. 2 on application; Rs. 3 on allotment and Rs. 5 on first and final call (3 months after allotment).

Applications were received from 12,000 shares and the directors refunded the excess application money. One shareholder, who was allotted 20 shares paid first and final call with allotment money and another shareholder did not pay allotment money on his 30 shares which he paid with first and final call. Directors have decided to charge and allow interest, as the case may be, on calls-in-arrears and calls-in-advance respectively according to the provisions of Table A. Show journal entries and Cash Book in the books of the company.

3) The following is the Balance Sheet of R and S sharing profits and losses in the ratio 3 : 2 as on 31st March 2015.

Liabilities	Amount	Assets	Amount
Creditors	41,800	Cash in hand	1,800
Bank Loan	15,000	Debtors	20,000
Reserve	5,000	Stock	30,000
Capitals:		Patent Rights	5,000
R	40,000	Land and Building	60,000
S	<u>25,000</u>	Profit & Loss A/c	10,000
	1,26,800		1,26,800



They admit T into partnership and gave him 1/3rd share in future profits on the following terms:

- T to bring Rs. 30,000 as his capital.
- Land & Building are to be appreciated by 20%.
- Stock be reduced by 10%.
- Provision of 5% be made on debtors for doubtful debts.
- Write off patent as it is found valueless.
- Repair bill outstanding amounts to Rs. 2,000.
- Creditors include Rs. 7,000 under dispute which is not to be paid and hence be removed from firm's book.

Pass journal entries; prepare ledger accounts and the Balance Sheet after the admission of T.

- Distinguish between fixed and fluctuating capital method.
- Show the proforma of Trading & Profit & Loss Account.
- Explain the accounting principles. **(4×6=24 Marks)**

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

- Explain the different methods of valuing goodwill with suitable example.
- The following is the trial balance of Kumar Enterprises for the year ended 31/12/2015. You are required to prepare Profit and Loss Account and Balance Sheet.

Particulars	Rs.	Particulars	Rs.
Cash in hand	500	Sales	1,50,300
Cash at bank	1,200	Purchase returns	5,000
Office furniture	6,000	Accounts payable	12,000
Accounts receivable	15,000	Bills payable	8,000
Commission	1,200	Discount received	1,000
Bills received	3,500	Discount received	2,000
Power & Fuel	6,000	Rent received	3,500
Plant & Machinery	24,000	Capital	27,000



Office expenses	2,000	
Carriage inwards	1,200	
Carriage Outwards	3,500	
Rent, taxes and rates	1,700	
Lease hold premises	25,000	
Wages	30,000	
Salaries	7,000	
Opening stock	12,000	
Sales returns	2,000	
Purchases	60,000	
Drawings	7,000	
	2,08,800	2,08,800

- 1) Closing stock Rs. 18,000
- 2) Depreciate Plant & Machinery @ 10%
- 3) Salaries outstanding Rs. 1,000
- 4) Power and fuel outstanding Rs. 2,000
- 5) Rs. 5,000 was spent on plant and machinery but wrongly included in wages.
- 6) To provide for bad and doubtful debts for Rs. 1,500
- 7) Discount earned but not received Rs. 100
- 8) Commission due but not received Rs. 200
- 9) Rent received includes Rs. 500 received in advance.

3) The following is the Balance Sheet of A, B and C sharing profits and losses in the proportion of 6 : 5 : 3 respectively.

Liabilities	Amount	Assets	Amount
Creditors	18,900	Cash	1,890
Bills payable	6,300	Debtors	26,460
General reserve	10,500	Stock	29,400
A's capital	35,400	Furniture	7,350
B's capital	29,850	Land & Building	45,150
C's capital	14,550	Goodwill	5,250
	1,15,500		1,15,500



They agreed to take D into partnership and give him 1/8th share on the following terms:

- i) The furniture be depreciated by Rs. 920
- ii) The stock be depreciated by 10%
- iii) The provision of Rs. 1320 be made for outstanding repair bills
- iv) The value of land and building having appreciated be brought upto Rs. 59,850
- v) The value of goodwill be brought upto Rs. 14,070
- vi) D brought Rs. 14,700 as his capital.
- vii) After making the above adjustments the capital accounts of the old partners be adjusted on the basis of the proportion of D's capital to his share in the business i.e., actual cash to be paid off or brought in by the old partners as the case may be.

Pass the necessary journal entries and prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm.

- 4) A, B and C are equal partners. C retires on 31-3-2001. The Balance Sheet of the firm as on 31-12-2000 stood as follows.

Liabilities	Rs.	Assets	Rs.
Creditors	12,900	Cash in hand	1,000
Contingency Reserve	4,000	Cash at bank	4,000
Investment fluctuation fund	1,200	Debtors	10,000
		Less:	
		Prov. For bad debt	<u>800</u>
Partner's Capital:			9,200
A 30,000		Stock	10,000
B 20,000		Investment (cost)	5,000
C <u>20,000</u>	70,000	Land and Building	40,000
		Goodwill	18,900
	88,100		88,100

In order to arrive at the balance due to C, it was mutually agreed that:

- a) Land and buildings be valued at Rs. 50,000



- b) Investment fluctuation fund be brought down to Rs. 500
- c) Debtors are all good
- d) Stock be taken at Rs. 9,400
- e) Goodwill be valued at one year's purchase of the average profits of the past five years.
- f) C's share of profit to the date of retirement be calculated on the basis of average profit of the preceding three years and C's share on it be adjusted in the capitals of A and B.

The profits for the preceding five year were as under:

1996 – Rs. 11,500; 1997 – Rs. 14,000; 1998 – Rs. 9,000; 1999 – Rs. 8,000;
2000 – Rs. 10,000

You are required to prepare Journal entries, C's Capital Account and Revised Balance Sheet.

(3×10=30 Marks)