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Reg. No. : ....

Name : ....

Third Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination, October 2024

Paper II – Financial Accounting

(2013 Admission onwards)

Time : 3 Hours Max. Marks : 80

SECTION – A

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

1. Principle of Conservatism
2. Outstanding Expenses
3. GAAP
4. Sacrificing ratio
5. Preference shares
6. Going concern concept
7. Calls in advance

(5 × 2 = 10 Marks)

II. Answer any **four** of the following. Each question carries **4** marks.

1. Explain Matching concept and Materiality concept.
2. Distinguish between Capital reserve and Reserve capital.
3. Sales revenue – Rs. 4,00,000
   Cost of goods sold – Rs. 3,10,000
   Expenses – Rs. 60,000.
   Find the gross profit.

4. Distinguish between super profit basis and capitalisation basis.

5. A and B are partners sharing profits in the ratio 5 : 3. On admission C brings Rs. 70,000 in cash and Rs. 48,000 against goodwill. New profit sharing ratio between A, B and C are 7 : 5 : 4. Find the sacrificing ratio of A : B.

6. Explain the objectives of preparing Trial balance.

(4 × 4 = 16 Marks)

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

1. Mr. Rahul who was the holder of 2,000 preference shares of Rs. 100 each, on which Rs. 75 per share has been called up could not pay his dues on allotment and first call each at Rs. 25 per share. The directors forfeited the above shares and re-issued 1500 of such shares to Mr. Sohan at Rs. 65 per share paid-up as Ps. 75 per share. Pass necessary journal entries.

2. A, B and C entered into partnership on 1.1.2021 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% pa. would not be less than Rs. 30,000 in any year. Capitals of A, B and C were Rs. 3,20,000, Rs. 2,00,000 and Rs. 1,60,000 respectively.

   Profits for the year ending 31.12.2021 before providing for interest on partners capital was Rs. 1,59,000.

   Prepare Profit & Loss Appropriation Account.

3. The following is the Trial Balance of Sudhev on 31st Dec 2020.

Trial Balance on 31st Dec 2020

Particulars	Dr.	Cr
Capital Account		10,00,000
Inventory Account	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	
Purchases Account	18,20,000	

Particulars	Dr.	Cr
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory was Rs. 2,70,000. Prepare Trading and Profit and Loss Account.

4. Discuss the features of partnership.

5. Explain objectives and limitation of financial accounting.

6. Discuss the different types of Companies.

(4 × 6 = 24 Marks)

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

1. Explain the salient features of a company in brief.

2. Ramu and Manu were partners in a firm sharing profits and losses in the ratio 3:2. Their Balance sheet as on 31st March 2020 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital :		Land and Building	1,50,000
Ramu	2,10,000	Machinery	1,40,000
Manu	1,50,000	Furniture	44,000

Liabilities	Rs.	Assets	Rs.
General Reserve	60,000	Trade Receivables	42,800
Loan from LFC bank	25,000	Inventory	65,200
Trade payables	21,000	Bank	24,000
	4,66,000		4,66,000

Damu was admitted as partner from 1st April 2020 on the following terms:

(a) He shall bring Rs. 1,50,000 as capital and goodwill.

(b) He shall get 1/5th share in future profits, to be acquired equally from Ramu and Manu.

(c) Goodwill of the firm to be valued at Rs. 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.

(d) Land and building to be appreciated by 50% and inventory is revalued at Rs. 60,000.

(e) Machinery to be depreciated by 20%. Debtors of Rs. 28,000 are to be written off as bad debts and a Reserve for doubtful debts should be created at 5% of debtors.

(f) Furniture to be reduced to Rs. 40,000.

(g) After admission of Damu, capitals of the partners to be adjusted in their new profit sharing ratio, taking Damu's capital as base.

Prepare :

(i) Revaluation account

(ii) Partners' capital account

(iii) Cash and bank account

(iv) Balance sheet after admission.

3. Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each. The amounts were payable as follows:

On application - Rs. 3 per share

On allotment - Rs. 5 per share

On first and final call - Rs. 2 per share

Applications were received for 3,00,000 shares and pro-ram allotment was made to all the applicants. Money overpaid on application was adjusted against allotment money. B, who was allotted 3,000 shares failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid up @ Rs. 6 per share. Pass necessary journal entries.

4. A and B are partners sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31.3.2021 is given below:

Liabilities	Rs.	Assets	Rs.
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts :		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventory	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		3,50,000

On 1.4.2021 they admit C on the following terms:

(a) C will bring Rs. 50,000 as capital and Rs. 10,000 for goodwill for 1/5th share

(b) Provision for doubtful debts is to be made an Trade Receivables @ 2%.

(c) Inventory to be written down by 10%.

(d) Freehold premises is to be revalued at Rs. 2,40,000, plant at Rs. 35,000, furniture Rs. 25,000 and office equipment Rs. 27,500.

(e) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book values as a result of the above mentioned adjustments.

You are required to make necessary changes in the capital accounts of the partners and show the Balance sheet of the new firm.

(3 × 10 = 30 Marks)