

Reg. No. : .....

Name : .....

Third Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination,  
October 2023

Paper II — FINANCIAL ACCOUNTING

(2013 Admission Onwards)

Time : 3 Hours

Max. Marks : 80

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

1. Trading account
2. Calls in arrear
3. Dual aspect concept
4. Capital reserve
5. Debentures
6. Bad debts
7. Goodwill

(5 × 2 = 10 Marks)

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

1. Distinguish between provision and reserve fund.
2. Explain the different methods of valuation of goodwill.

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3. T Ltd. proposed to issue 6,000 equity shares of Rs. 100 each at a premium of 40%. What would be the minimum amount of application money to be collected per share as per the Companies Act, 2013?
4. A, B and C are partners sharing profits and losses in the ratio 6 : 3 : 3. They agreed to take D into partnership for  $\frac{1}{8}$ <sup>th</sup> share of profits. Find the new profit sharing ratio.
5. Discuss the fundamental accounting assumptions.
6. Explain the treatment of Accrued income and income received in advance while preparing financial statements.

(4 × 4 = 16 Marks)

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

1. X Ltd. forfeited 5,000 equity shares of Rs. 100 each fully called up which were issued at a premium of 20%. Amount payable on shares were: on application Rs. 20 ; on allotment Rs. 50 (including premium) ; on First and final call Rs. 50. Only application money was paid by the shareholder on respect of these shares. Pass journal entries for the forfeiture.
2. A and B are partners in a business sharing profit and losses as A –  $\frac{3}{5}$ <sup>th</sup> and B –  $\frac{2}{5}$ <sup>th</sup>. Their balance sheet as on 1st January, 2020 is given below :

Liabilities	Amount	Assets	Amount
Capital Accounts		Plant and Machinery	20,000
A	20,000	Inventories	16,000
B	15,000	Trade receivables	15,000
	35,000	Balance at Bank	6,000
Reserve Account	15,000	Cash in hand	500
Trade payables	7,500		
	57,500		57,500

B retires from the business owing to illness and A takes it over. The following revaluation was made :

- (a) The goodwill of the firm is valued at Rs. 25,000.
- (b) Depreciate Plant and Machinery by 7.5% and Inventories by 15%.
- (c) Doubtful debts provision is raised against trade receivables at 5% and a discount reserve against trade payables at 2%.

Journalize the above transactions in the books of the firm and close the Partners' Accounts as on 1<sup>st</sup> January 2020. Give also the opening Balance Sheet of A.

3. Mr. Mohan gives you the following Trial Balance and some other information :

Particulars	Dr.	Cr.
Capital		6,50,000
Sales		9,70,000
Purchases	4,30,000	
Opening Inventory	1,10,000	
Freights Inward	40,000	
Salaries	2,10,000	
Other Administration Expenses	1,50,000	
Furniture	3,50,000	
Trade receivables and Trade payables	2,10,000	1,90,000
Returns	20,000	12,000
Discounts	19,000	9,000
Bad Debts	5,000	
Investments in Government Securities	1,00,000	
Cash in Hand and Cash at Bank	1,87,000	
	<u>18,31,000</u>	<u>18,31,000</u>

Other Information :

- (a) Closing Inventory was Rs. 1,80,000 ;
- (b) Depreciate Furniture @ 10% p.a.

Required :

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2020 and Balance Sheet of Mr. Mohan as on that date.

- 4. Explain briefly :
  - (a) Company limited by shares
  - (b) Company limited by guarantee
  - (c) Unlimited company
  - (d) One person company
- 5. What is Trading account? Discuss the objectives of preparing trading account.
- 6. How can share capital be classified?

(4 × 6 = 24 Marks)

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

- 1. Discuss the different types of shares.
- 2. Superior & Co. is a partnership firm with partners Mr. Sam, Mr. Tim and Mr. Lee sharing profits and losses in the ratio 10 : 6 : 4. The balance sheet of the firm as at 31<sup>st</sup> March, 2020 is as under :

Liabilities	Rs.	Assets	Rs.
Capitals :		Land	10,000
Sam	80,000	Buildings	2,00,000
Tim	20,000	Plant and Machinery	1,30,000
Lee	30,000	Furniture	43,000
	<u>1,30,000</u>	Investments	12,000
Reserves		Inventories	1,30,000
(un-appropriated profit)	20,000	Trade Receivables	1,39,000
Long term Debt	3,00,000		
Bank overdraft	44,000		
Trade payables	1,70,000		
	<u>6,64,000</u>		<u>6,64,000</u>

It was mutually agreed that Mr. Tim will retire from partnership and in his place Mr. Ben will be admitted as a partner with effect from 1<sup>st</sup> April 2020. For this purpose, the following adjustments are to be made :

- (a) Goodwill is to be valued at Rs. 1,00,000 but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs. 15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be Rs. 2,00,000 which will be contributed by Sam, Lee and Ben in their new profit sharing ratio, which is 2 : 2 : 1.

The surplus funds, if any, will be used for repaying bank overdraft.

The amount due to retiring partner shall be transferred to his loan account.

Prepare :

- (i) Revaluation account
- (ii) Partners capital account
- (iii) Bank account

3. Mr. Joseph holds 200 shares of Rs. 10 each. He had paid on these shares application money of Rs. 2 each, allotment money of Rs. 2 each, and first call money of Rs. 3 each. He failed to pay the final call amount of Rs. 3 per share. His shares were forfeited and reissued at Rs. 8 per share as fully paid up. Give the necessary entries to record the forfeiture and reissue.
4. The following are the balances taken from the books of Mohan & Co. On May 31<sup>st</sup> 2020. You are required to prepare Trading and Profit and Profit and Loss Account/Income Statement for the year ended May 31<sup>st</sup>, 2020 and Balance Sheet as on that date.

Particulars	Rs.	Particulars	Rs.
Salaries	12,000	Bank loan @ 20%	10,000
Opening stock	60,000	Sundry Creditors	71,000
Drawings	22,000	Purchase returns	2,600
Rent and rates	4,550	Capital	73,600
Sundry Debtors	89,780	Sales	2,48,000
Furniture	10,000	Reserve for discount	1,000

Particulars	Rs.	Particulars	Rs.
Machinery	20,000		
Bad debts	20		
Buildings	19,200		
General expenses	1,060		
Purchases	1,50,000		
Sales returns	5,400		
Wages	7,000		
Travelling expenses	1,600		
Insurance	1,200		
Legal charges	210		
Cash in hand	2,180		
	<u>4,06,200</u>		<u>4,06,200</u>

Adjustments :

- Depreciation furniture and machinery at 10% pa.
- Insurance is paid in advance to the extent of Rs. 200.
- Reserve for discount is no longer required and is to be written back.
- Closing stock is valued at Rs. 1,00,000.
- Interest on bank loan is outstanding.

(3 × 10 = 30 Marks)