

Reg. No. :

Name :

Third Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination,
October 2020

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. Accounting equation.
2. Creditor.
3. Double entry system.
4. Going concern concept.
5. Fluctuating capital account.
6. Redeemable preference share capital.
7. Interim dividend.

(5 × 2 = 10 Marks)

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

1. What are the main divisions of share capital? Explain any four briefly.
2. What are the items to be shown on a Trading Account? Give a specimen of it.
3. Distinguish between surrender of shares and forfeiture of shares.

4. KR Ltd issued 5,000 shares of Rs.10 each at par payable as Rs.3 on application, Rs.2 on allotment, Rs.3 on first call and Rs.2 on final call. Mr. D was allotted 50 shares and who failed to pay allotment money and first call. Give journal entries for forfeiture of shares.
5. K, L, M and N are partners sharing profits in the ratio of 3 : 2 : 1 : 4. K retires and his share is acquired by L and M in the ratio of 3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.
6. Rahul's trial balance provide you the following information.

Debtors	Rs.80,000
Bad debts	Rs.2,000
Provision for doubtful debts	Rs.4,000

It is desired to maintain a provision for bad debts of Rs. 5,000. State the amount to be debited/credited in profit and loss account and pass journal entries.

(4 × 4 = 16 Marks)

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

1. What are the basic accounting conventions?
2. Differentiate between Private Limited Company and Public Limited Company.
3. What is goodwill and how it is valued?
4. A and B share profits in the ratio of 5:3. C is admitted as partner. He brings in Rs.2,00,000 as his capital and Rs.96,000 as goodwill. The new profit sharing ratio is agreed to be 7:5:4. Pass journal entries.

5. Prepare Profit and Loss Account, from the following balances of Mr.Kannan for the year ending 31.12.2014

	Rs.		Rs.
Office rent	30,000	Salaries	80,000
Printing expenses	2,000	Stationeries	3,000
Tax, Insurance	4,000	Discount allowed	6,000
Advertisement	36,000	Travelling expenses	26,000
Gross Profit	2,50,000	Discount received	4,000

6. B Ltd. Issued 20,000 shares of Rs.10 each at a discount of 10% payable as Rs.2 on application, Rs.3 on allotment and Rs.4 on first and final call. 20,000 applications were received and all were accepted. Pass journal entries.

(4 × 6 = 24)

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

1. Give a specimen form of Balance Sheet of a company as per Companies Act,1956.
2. From the following trail balance of Mrs. Sona on 31/03/2014. Prepare Trading and Profit and Loss A/c and the Balance sheet as on that date.

Particulars	Dr (Rs)	Cr. (Rs)
Capital		3,50,000
Drawing	25,000	
Plant and Machinery	1,50,000	
Debtors and Creditors	90,000	40,000
Returns	10,000	12,000
Discount	5,000	4,000
Commission	8,000	

Particulars	Dr (Rs)	Cr. (Rs)
Interest on Bank Loan	22,000	
Furniture	34,000	
Provision for Doubtful Debts		12,000
Wages	48,000	
Salaries	60,000	
Advertisement	15,000	
Taxes and Insurance	12,000	
Purchases and sales	2,40,000	4,80,000
Stock (as on 31/03/2013)	50,000	
Carriage	12,000	
Land and Building	3,00,000	
Cash in hand	12,000	
Cash at bank	25,000	
10% bank loan (01/04/2013)		2,20,000
	<u>11,18,000</u>	<u>11,18,000</u>

Additional information

- (a) Stock was valued at Rs.46,000 as on 31/03/2014
- (b) Wages and salaries were outstanding Rs.5,000 and Rs.4,000 respectively as on 31/03/2014.

(c) Depreciate Plant and Machinery; Land and Building; and Furniture at 15%, 2.5% and 15% respectively.

(d) Provide for doubtful debts at 10% on debts.

3. A, B and C are partners sharing profits and losses in the ratio of 2:1:1 respectively. On 31st March 2014, their balance sheet appear as follows:

Liabilities	Rs.	Assets	Rs.
A's capital	1,00,000	Goodwill	30,000
B's capital	60,000	Freehold property	90,000
C's capital	40,000	Furniture	14,500
Creditors	45,000	Joint life policy	20,000
Bills payable	15,000	Stock	61,000
		Debtors	34,500
		Cash at bank	10,000
	<u>2,60,000</u>		<u>2,60,000</u>

A died on 1st April 2014. The firm had taken a joint life policy for Rs.1,20,000, the payment for which was received by the firm. According to the partnership deed, on retirement or death of partner, the goodwill of the firm was to be valued at 1.5 times of the average profit for the last four years. The profits for the last four years were Rs.64,000, Rs.69,000, Rs.72,000 and Rs.75,000 respectively. For paying the amount due to A's legal representative, B and C brought as much cash as would bring their capitals in profit sharing ratio and the firm would have a cash balance of Rs.3,000.

Pass journal entries to record the above transactions and prepare Partner's capital accounts.

4. M/s BC Lts issued 5,000 Equity Shares of Rs.100 each at a premium of Rs.25 per share. On 1st January 2014 the company received 12,000 applications of which 2,000 applications were fully rejected and their amount was refunded on 1st February 2014 when remaining applications were allotted shares on pro-rata basis.

The amount of shares is receivable as under:

On application – 30

On allotment – 45 (including premium)

On first call – 25

On second call – 25

Allotment money was received in full on 15th February 2014. First call was made 15th May 2014 and received on 1st June 2014 except on 25 shares held by Mr. A. his shares were forfeited on 1st October 2014 and reissued on 15th October 2014, credited at Rs.75 paid for Rs.110 per share to Mr.N.

Final call was made on 1st November 2014 and received on 15th November 2014 except on 100 shares held by Mr. B.

Pass journal entries to record the above transactions in the books of the company.

(3 × 10 = 30)