



18

CB – 388

II Semester B.B.A. Examination, August/September 2023  
(CBCS) (2020 – 21 and Onwards) (Repeaters)  
**BUSINESS ADMINISTRATION**  
Paper – 2.3 : Financial Accounting

Time : 3 Hours

Max. Marks : 70

**Instruction :** Answer should be written in **English** only.

## SECTION – A

Answer **any 5** questions. **Each** question carries **2** marks.

(5×2=10)

1. a) Mention 2 objectives of IFRS.
- b) What are Hire purchase charges ?
- c) What is surplus in royalty ?
- d) What do you mean by incorporation entries ?
- e) How do you treat contingent liabilities at conversion of a firm ?
- f) What are the methods of maintaining joint venture accounts ?
- g) What is joint bank account ?



## SECTION – B

Answer **any 3** questions. **Each** question carries **5** marks.

(3×5=15)

2. Nishanth Ltd. purchased a machine on hire purchase system. The payment is made as follows :

Down payment ₹ 46,500

1<sup>st</sup> installment ₹ 70,000

2<sup>nd</sup> installment ₹ 80,000

3<sup>rd</sup> installment ₹ 40,000

The payments are made at the end of 1<sup>st</sup> year, 2<sup>nd</sup> year and 3<sup>rd</sup> year respectively.

The rate of interest is 5% p.a. The annuity table shows that the present value of ₹ 1 for one, two and three years is 0.952, 0.907 and 0.864 respectively.

Calculate the cash price of the machine.

P.T.O.



3. 'X' owned certain patent rights. He granted a licence to 'Y' to use such rights on Royalty basis. The following are the relevant particulars.

Year	Minimum Rent(₹)	Royalty Earned (₹)
2019	3,750	2,500
2020	5,000	4,000
2021	6,250	4,500
2022	7,000	7,200

The deficiency of any one year is to be set off against excess royalties of the next 2 years. Prepare royalty analysis table.

4. Ravi and Navi entered into joint venture sharing profits in the ratio of 3 : 2. Ravi is to purchase timber in Mangalore and forwarded it to Navi in Bangalore. Ravi purchased timber worth ₹ 10,000 and paid ₹ 1,000 as expenses. Navi received the bill and immediately accepted Ravi's draft for ₹ 8,000. Ravi got it discounted for ₹ 7,850. Navi disposed of the timber of ₹ 16,000. He had to spend ₹ 350 for fire insurance and ₹ 300 for rent. Under the agreement he is entitled to a commission of 5% on sales.

Prepare ledger account in the books of Ravi only.

5. A company takes over the following assets and liabilities from a particular firm. Land and building ₹ 45,000, plant and machinery ₹ 20,000, stock ₹ 20,000, debtors ₹ 23,200, bills receivable ₹ 16,000 and current liabilities ₹ 28,800. The value of goodwill is fixed at ₹ 28,800. Calculate purchase consideration, payable 10000 equity share ₹ 10 each and the balance in cash.

6. Explain the features of IFRS.

### SECTION – C

Answer **any 3** questions. **Each** question carries **12** marks.

(3×12=36)

7. A minibus is purchased for ₹ 1,60,000 under H.P.S. on 1-4-2019. The amount payable is ₹ 40,000 on entering the agreement and the balance in 3 annual installments of ₹ 50,000 each at the end of the year. Depreciation is charged at 10% p.a. on straight line method.

Prepare the necessary ledger accounts in the books of the hire purchaser.



8. Puna Coal Co. Ltd. took a lease from a landlord Mr. Santhosh on February 1, 2018 on a royalty of ₹ 50 per ton of coal extracted with a minimum rent of ₹ 2,00,000 p.a. and power to recoup shortworkings during the first 4 years of the lease. The details of the production are :

Year	2018	2019	2020	2021	2022
Output (tons)	2200	3300	4400	4800	5400
					Lockout 90 days

Prepare the following accounts in the books of Puna Coal Company.

- 1) Royalty Account
  - 2) Santhosh's Account
  - 3) Shortworkings Accounts
9. S, L and P carry on business as partners sharing profit and losses in the ratio of 4 : 3 : 1 respectively. On 31-12-2022 they agreed to sell their business to a limited company. Their position on that date was as follows :

Liabilities	Amount	Assets	Amount
	₹		₹
Capital Accounts :		Land and Buildings	90,000
'S'	1,00,000	Machinery	60,000
'L'	75,000	Debtors	75,000
'P'	65,000	Stock	65,000
Loan	20,000	Cash	10,000
Creditors	40,000		
	<b>3,00,000</b>		<b>3,00,000</b>

The company took over the following assets at the valuation of :

Land and buildings ₹ 1,10,000, Machinery ₹ 55,000, Debtors ₹ 70,000, Stock ₹ 60,000 and Goodwill ₹ 20,000.

The company also agreed to pay the creditors which were agreed at ₹ 38,500. The company paid ₹ 1,68,000 in fully paid shares of ₹ 10 each and the balance in cash. The expenses amounted to ₹ 5,000 and were paid by the firm.

Prepare the necessary accounts in the books of the firm.



10. M, N and O entered into a joint venture to share profits and losses as  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$ .

No separate set of books is maintained. Amounts contributed and received by different ventures are as follows.

Particulars	M (₹)	N (₹)	O (₹)
Cost of materials	20,000	25,000	5,000
Expenses	3,000	4,000	7,000
Sale proceeds received	30,000	40,000	50,000
Stock taken over	2,000	3,000	5,000

Prepare :

- Memorandum joint venture account
  - Joint venture with – account in the books of all the three parties.
11. Shivanand owned the patent of locks on April 1, 2017. He granted Rudresh a licence for five years to manufacture and sell the lock on the following terms :
- Royalty of ₹ 10 per lock sold.
  - Minimum rent of ₹ 15,000 p.a.
  - Shortworking could be recouped only within 2 years following the years in which the shortworking occurred subject to maximum of ₹ 35,000 p.a.
  - If in any year normally sales was not attained due to strike, the minimum rent was to be reduced proportionately to the length of stoppage. Rudresh closed his books on 31-March each year.
- Prepare necessary ledger accounts.

The number of lock sold during the lease periods was as follows.

Year	No. of Lock Sold
2017 – 18	900
2018 – 19	1300
2019 – 20	2000
2020 – 21	1100
2021 – 22	1400

#### SECTION – D

Answer the following question carrying 9 marks.

(1×9=9)

12. Explain the applicability of IFRS in India.

OR

“Joint Ventures is a temporary partnership”. Comment and explain how it differs from the partnership.