Roll No:
Date: ____/____/________

St. Claret College

Autonomous, Bengaluru

UG END SEMESTER EXAMINATION - MAY 2025
BBA – II SEMESTER
BM 2124: FINANCIAL ACCOUNTING

9

TIME: 3 hours. **MAX. MARKS: 80**

This paper contains FOUR printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer ALL questions. Each answer carries ONE mark. **[10 x 1 = 10]**

1. What is the focus of Ind AS compared to IFRS?
   a) Country-specific requirements b) Universal application
   c) Reduced comparability d) Elimination of accounting policies

2. How is depreciation expense allocated among departments?
   a) Based on net sales b) Based on value of assets in each department
   c) Based on number of employees d) Equally among all departments

3. Which of the following expenses is allocated based on floor area occupied by each department?
   a) Lighting expenses b) Wages c) Rent and taxes d) Selling commission

4. What is the accounting entry for branch expenses paid by the head office?
   a) Branch A/c Dr. → To Cash/Bank A/c b) Branch A/c Dr → To Goods Sent to Branch A/c
   c) Cash/Bank A/c Dr. → To Branch A/c d) Goods Sent to Branch A/c Dr. → To Branch A/c

5. Salvage refers to:
   a) The amount deducted from a fire insurance claim
   b) Stock that is completely destroyed by fire
   c) The remaining stock that can still be used or sold after a fire
   d) A policy that covers multiple risks

6. What does Ind AS stand for?
   a) Indian Accounting Standards b) International Accounting Standards
   c) Integrated Accounting Standards d) Independent Accounting Standards

7. Under the Debtors System, the branch account is treated as a:
a) Real account b) Nominal account c) Personal account d) Capital account

8. What is 'dishonour of a bill'?
a) Paying the bill before the due date b) Refusing to pay the bill on the due date
c) Endorsing the bill d) Renewing the bill

9. Who is a 'drawer'?
a) The person who pays the bill b) The person who makes the bill
c) None of the above d) The person who endorses the bill

10. The Gross Profit Percentage is calculated using which formula?
a) (Net Sales / Gross Profit) × 100 b) (Gross Profit / Net Sales) × 100
c) (Opening Stock / Closing Stock) × 100 d) (Net Profit / Gross Profit) × 100

PART-B

Answer any THREE questions. Each answer carries EIGHT marks. **[3 x 8 = 24]**

11. Distribute the following expenses to the department of a business on an appropriate basis:

I. Advertisement expenses Rs. 25,000 II. Rent Rs. 12,000
III. Electric lighting charges Rs. 7,000 IV. Salaries paid Rs. 2,00,000

The following information is available regarding the departments.

Particulars	Department A	Department B	Department C
Sales in Rs.	1,50,000	1,50,000	3,00,000
Floor Area in Sq. mts.	600	400	200
No. of light points	10	15	10
No. of employees	6	5	9
Values of assets in Rs.	5,00,000	2,00,000	2,00,000

12. Define Accounting Standards and explain their objectives.

13. Explain the essential elements of Bills of Exchange.

14. On 15th September 2024, a fire destroyed the premises and stock of a firm. However, the accounting records were saved, providing the following details. The stock on 1st April 2023 was ₹73,500, and on 31st March 2024, it was ₹81,900. The total purchases for the financial year 2023-24 amounted to ₹3,98,000, while total sales during the same period were ₹4,87,000.

From 1st April 2024 to 15th September 2024, the firm made purchases worth ₹1,62,000 and recorded sales of ₹2,31,200. After the fire, stock worth ₹5,300 was salvaged. Based on this information, calculate the value of stock destroyed by fire on 15th September 2024.

15. Prepare Udupi Branch a/c in the books of Hugli Head Office

Branch Stock on 1-4-2023 Rs. 3,20,000
Branch Petty Cash on 1-4-2023 Rs.9,000
Good sent to branch Rs. 5,00,000
Good returned to Head Office Rs. 75,000
Cash sales at branch Rs. 7,50,000

Branch Stock on 31-3-2024 Rs. 3,98,000
Petty Cash on 31-3-2024 Rs. 8,200
Cash sent to branch for expenses:
For salaries Rs. 51,000
For rent Rs. 18,000

PART-C

Answer any THREE questions. Each answer carries TWELVE marks. **[3 x 12 = 24]**

16. Mumbai Head Office as a branch in Chennai to which goods are invoiced by the Head Office @ cost plus 25%. Prepare Branch account only.

Stock on 1.4.24 @ invoice price Rs. 12,500	Stock on 31.3.25 @ invoice price Rs. 15,000
Debtors on 1.4.24 Rs. 12,000	Debtors on 31.3.25 Rs. 22,500
Furniture on 1.4.24 Rs. 20,000	Furniture on 31.3.25 Rs. 19,000

Goods invoiced from Mumbai @ invoice price Rs. 40,000

Goods returned to HO @ invoice Rs. 2,400

Remittance to Mumbai:

- Cash sales Rs. 16,000
- Cash received from debtors Rs. 29,500

Cash received from Mumbai:

- Wages and Salaries Rs. 11,000
- Rent Rs. 3,000
- Sundry Expenses Rs. 510

17. From the following particulars, prepare the Departmental trading and profit and loss account:

Particulars	Department X	Department Y	Department Z
Stock (1.4.2016)	40,000	33,000	93,000
Stock (31.3.2017)	32,000	43,000	81,000
Purchases	2,10,000	78,000	1,38,000
Purchases Returns	10,000	5,000	2,000
Sales	4,00,000	1,65,000	3,70,000
Sales Returns	Nil	1,000	2,000
Wages	70,000	20,000	22,000

The following expenses should be distributed on equal bases to all the departments:

Office expenses Rs. 15,000; Bad debts Rs. 600; Advertising Rs. 4,500; Depreciation Rs. 6,000; Rent Rs. 10,500; Salary Rs. 7,500

The below expenses will be allocated as follows: 50% to Department X, 20% to Department Y, and 30% to Department Z.

Discount Received Rs. 1,350 & Discount Allowed Rs. 750

Carriage outwards Rs. 500 & Carriage inwards Rs. 1,400

Other Indirect expenses Rs. 10,000

18. Explain in detail the need, opportunities, and challenges for IFRS convergence into Ind AS in India.

19. Determine the amount of claims to be lodged by Run Away Company from the following details. A company had taken a fire insurance policy for Rs. 1,20,000 covering its stock and the policy was subject to average clause.

Date of fire 15.6.2017, stock on 1.4.2016 was Rs. 1,28,700 & stock on 31.3.2017 was Rs. 1,89,000. Stock salvaged Rs. 19,310, stocks had always been valued at 10%below cost.

Particulars	2016-17	1.4.2017 to 15.6.2017
Sales	11,43,000	6,69,500
Purchases	7,89,500	3,94,000
Wages and Salaries	1,37,400	68,900
Sales Returns	54,500	15,800
Purchase Returns	27,400	9,600
Carriage Inwards	27,400	9,600

20. Ravi sold goods Rs. 1,50,000 to Mohan on credit. He drew a bill of exchange for the same amount upon Mohan payable after date two months. Mohan accepted the bill and returned the same to Ravi. On the due date the bill was presented to Mohan who met the same.

Pass the necessary journal entries in the books of Ravi and Mohan under the following circumstances.

i. When the bill was retained by Ravi till the date of its maturity.
ii. When Ravi discounted the bill from the bank on the same day at 6% p.a.

PART-D

Answer the following case study. The answer carries TEN marks. **[1 x 10 = 10]**

21. Stellar Electronics is a well-known company that manufactures and sells high-end electronic gadgets. The company has two main departments: Component Manufacturing (CM) and Final Assembly & Sales (FAS). The CM department produces essential parts used by the FAS department to assemble and sell the final products. Recently, Aarav, the finance manager, noticed an issue in the financial reports. The FAS department's profits appeared higher than expected, while CM's earnings were lower. After investigating, he found that inter-departmental transfers were recorded at market price instead of cost price, creating unrealized profits in unsold stock. To fix this, Aarav worked with Meera (CM head) and Raj (FAS manager) to adjust the pricing method. They decided that CM would now transfer components at cost plus a reasonable profit margin, ensuring accurate profit reporting. They also introduced a stock reserve to remove unrealized profits from unsold stock. While Meera supported the change as it reflected CM's true earnings, Raj was concerned. The new pricing method would lower FAS's reported profit, potentially affecting employee bonuses. The CEO, Mr. Kapoor, stepped in to explain that fair financial reporting would benefit the entire company by improving decision-making and resource allocation. After implementing these changes, Stellar Electronics saw better transparency and more accurate departmental performance comparisons.

Discuss: If you were Raj, the manager of the FAS department, how would you convince your team that the new pricing policy is beneficial in the long run?
Discuss: Stellar Electronics initially used market price for inter-departmental transfers. In what situations might this method be useful, and what risks does it pose for financial reporting?