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MS – 421

II Semester B.B.M. Examination, May/June 2014
(Semester Scheme) (2012-13 and Onwards)

(Fresh + Repeaters)

BUSINESS MANAGEMENT

Paper – 2.3 : Financial Accounting

Time : 3 Hours

Max. Marks : 100

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

SECTION – A

Answer **any eight** sub-questions from the following. **Each** sub-question carries **2** marks. **(2×8=16)**

1. a) What is dead rent ?
b) State the meaning of 'abnormal loss'.
c) What is meant by 'intrinsic value' ?
d) Who is 'lessor' ?
e) Give the meaning of 'Hire purchase system'.
f) What is 'average clause' ?
g) When is realisation account prepared and why ?
h) What is meant by 'departmental store' ?
i) Pass specimen journal entry to close minimum rent account by the lessee.
j) Calculate interest component in the last instalment of ₹ 5,500 if the rate of interest is 10%.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **8** marks. **(3×8=24)**

2. Distinguish between hire purchase system and instalment purchase system.
3. Calculate purchase consideration and prepare realisation account from the following.
XYZ Co. Ltd. took over sundry assets worth ₹ 4,00,000 and sundry liabilities worth ₹ 1,00,000. In exchange the XYZ Co. Ltd. issued to the firm :
a) 2800 equity shares of ₹ 50 each at a premium of 10%.
b) 1500 8% preference shares of ₹ 100 each at ₹ 110 per share and
c) Cash ₹ 16,000.
4. Amulya purchased a motor car on hire purchase system from Akash and Co. on 1-4-2009. The cash price of the motor car was ₹ 2,00,000. Amulya agreed to pay ₹ 40,000 down and balance in four equal instalments together with interest at 10% p.a. Instalments were paid annually. Prepare Akash Co. account in the books of Amulya.

P.T.O.



Capital A/c's Joy	25,000	Stock in trade	10,500
Ray	20,000	Furniture	8,000
		Investments	6,500
		Plant and Machinery	20,000
	65,000		65,000

On 1-4-2013 the firm was sold to RMJ Ltd. Company with terms :

- Company took over the assets of Sundry debtors ₹ 16,000, Furniture ₹ 7,000, Stock in trade ₹ 12,000, Plant and Machinery ₹ 17,500 and Goodwill for ₹ 6,000
- Company took over liabilities at book values except mortgage loan which is taken over by Joy.
- Investments were taken over by Ray for ₹ 6,000.
- The purchase consideration is satisfied in form of 3900 equity shares of ₹10 each at par and balance in cash.
- Realisation expenses amounted to ₹ 500.

Prepare :

- Necessary ledger accounts in the books of firm.
- Balance Sheet of RMJ Ltd.

8. Omprakash purchased a machinery from Suryanarayan on hire purchase system on 1-4-2008. Payments were made as follows.

	₹
Down payment	5,000
First instalment	4,500
Second instalment	4,200
Third instalment	3,900
Fourth instalment	3,600
Fifth instalment	3,300
Rate of interest 10% p.a. on unpaid balance	

Rate of depreciation 15% on WDV

Prepare :

- Machinery Account
- Interest Account
- Depreciation Account
- Suryanarayan Account in the books of Omprakash.



9. Hoysalas Ltd. obtained on lease from Gangas Ltd. a coal mine on 1-1-2008 on the following terms :

- i) Royalty of ₹ 10 per ton raised.
- ii) Minimum rent of ₹ 1,20,000 p.a.
- iii) Recoupment of short working in three years of its occurrence.
- iv) In the event of strike minimum rent be taken as pro-rata on the basis of actual working days but not concession for minimum rent if there is lockout.
- v) Other details are

Year	2008	2009	2010	2011	2012	2013
Output	7,000	10,200	16,100	13,600	10,800	9,700

In the year 2012 there was a strike for 73 days.

In the year 2013 there was a lockout for 4 months.

Prepare :

- a) Minimum Rent Account
- b) Royalty Payable Account
- c) Short Workings Account
- d) Gangas Ltd. Account in the books of Hoysalas Ltd.

10. The following information and balances were extracted from the books of SKY department stores.

- i) Goods worth ₹ 50,000 transferred by Dept. X to Dept. Y is omitted from records.
- ii) General salary to be allocated equally.
- iii) Area occupied by Dept. X and Dept. Y is in the ratio of 3 : 2.
- iv) Insurance premium is for a comprehensive policy.
- v) Closing stocks for Dept. X ₹ 17,800
Y ₹ 15,600

vi) Other extracts of balances :

Opening stock	Dept. X	₹ 15,200	Insurance	₹ 1,000
	Y	₹ 10,800	General Expenses	₹ 5,400
Purchases	Dept. X	₹ 75,100	Discount allowed	₹ 1,800
	Y	₹ 69,800	Accounting charges	₹ 500
Carriage inward		₹ 2,860	Sales Dept. X	₹ 1,00,000
Salaries	Dept. X	₹ 9,000	Dept. Y	₹ 80,000
	Dept. Y	₹ 8,500	Purchase returns	
General Salary		₹ 11,600	Dept. X	₹ 1,100
Rent and Rates		₹ 6,000	Dept. Y	₹ 800
Advertisements		₹ 8,100	Discount received	₹ 1,430

Prepare :

- a) Trading and Profit and Loss Account
- b) General Profit and Loss Account.