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**II Semester B.B.M. Examination, May 2016
(2012-13 and Onwards) (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-question from the following. **Each** sub-question carries **two** marks. **(8× 2=16)**

1. a) Write any two objectives of departmental accounts.
- b) What are the bases for apportionment of the following in departmental accounting ?
 - 1) Discount received
 - 2) Commission earned on sales.
- c) What do you mean by memorandum trading account ?
- d) Why the average clause is included in fire insurance agreement ?
- e) Write any two features of Instalment purchase system.
- f) What is meant by hire purchase system ?
- g) What do you mean by minimum rent ?
- h) What is recoupment of short workings ?
- i) What do you mean by purchase consideration ?
- j) Write the journal entry for closing the realisation account when there is a profit.

P.T.O.



SECTION – B

Answer any three of the following questions. Each question carries eight marks.

(3×8= 24)

2. Explain briefly the differences between sale and hire purchase.

3. Prepare an analysis table from the following details.

a) Minimum Rent ₹ 40,000 per annum.

b) Royalty ₹ 2 per ton.

c) Power to recoup short workings-during first four years of the lease period.

d) The output for the first five years of lease was as follows.

2009-2500 tons, 2010-12,000 tons, 2011-20,000 tons, 2012-30,000 tons,
2013-35,000 tons.

An:

15

6.

4. Calculate the amount of interest included in each instalment from the following information

– Down payment ₹ 12,500

– Cash price ₹ 50,000

Balance in three installments of ₹ 15,000 each payable at the end of each year.

5. A fire broke out in the premises of a merchant on 30-9-2014. He desires to file a claim with fire insurance company for loss of stock and gives the following details from which you are required to prepare a statement of claim.

– Final account of the merchant were prepared on 31-12-2013

– Sundry creditors on 31-12-2013 were ₹ 25,000



- Sundry creditors on 30-9-2014 were ₹ 20,000
- Cash paid to creditors ₹ 1,30,000
- Stock on 31-12-2013 was ₹ 15,000
- Sales from 1-1-2014 to 30-9-2014 amounted to ₹ 1,34,000
- Normal rate of gross profit on sales was 20/-
- Salvage was ₹ 2,800

SECTION – C

Answer question no. **10** and **any 3** of the remaining questions. **Each** question carries **15** marks.

(4×15= 60)

6. 'A' Coal Company took a property from 'B' on lease on a royalty of ₹ 5 per ton of coal raised with a minimum rent of ₹ 50,000 per year. Each years' minimum rent over royalties is recoverable out of the royalties of the next two years only. In the event of strike and the minimum rent is not reached , the lease provided that the actual royalties earned for that year shall discharge all rental obligations. The output of coal was as follows.

Year	Output (tons)
2011	7,000
2012	11,000
2013	11,500
2014	9,000
2015	8,000 (strike)

**Prepare :**

- 1) Royalty Account
- 2) Shortworkings Account
- 3) Minimum Rent Account
- 4) Land Lord Account in the books of Coal Company.

7. A firm has two departments X and Y from the following figures, prepare Departmental Trading and Profit and Loss Account and Balance Sheet for the year ended 31-3-2015.

Debits	₹	Credits	₹
Opening stock		Transfer to Dept. X	5,000
X	15,000	Sales	
Y	20,000	Dept. X	1,00,000
Carriage inwards	3,000	Dept. Y	60,000
Carriage outwards	5,000	Sundry creditors	15,000
Advertising	10,000	Capital	30,000
Salaries		Loan	30,000
X	6,000		
Y	7,000		
General salaries	12,000		
Rent and taxes	9,000		

Lighting	900	
Fixtures	15,000	
Sundry Debtors	20,000	
Bad Debts	1,600	
Purchases		
X	60,000	
Y	40,000	
Bank Balance	6,500	
Bank Interest	4,000	
Transfer from Dept. Y	5,000	
	2,40,000	2,40,000

Area occupied by two departments is in the ratio of 2 : 1 General salaries are to be divided in the ratio of 5 : 3. The closing stocks were X ₹ 14,000 and Y ₹ 15,000. Depreciation of fixtures is 10% to be allocated in the ratio of space occupied. All other expenses are apportioned in the sales ratio.

8. On 1-4-2015 a fire destroyed the stock of a business firm from the records which were saved the following information was obtained.

		₹
Stock	on 1-1-2014	45,000
	on 1-1-2015	55,000
Purchases	for calendar year 2014	1,29,250



	for 3 months upto 31-3-2015	60,000
Sales	for year ended 31-12-2014	1,70,000
	upto the date of fire	1,00,000
Manufacturing expenses	Calendar year 2014	21,000
	3 months upto 31-3-2015	?

In February 2015, goods valued at a cost price of ₹ 500 were distributed as samples. Manufacturing expenses were normally found to be constant per month. The salvage stock was estimated at ₹ 7,000

Prepare a statement showing the amount of claim.

9. Dinesh purchases a Maruti van on hire purchase system from Sagar Motors on - 1-1-2010. He pays ₹ 1,00,000 down and ₹ 80,000, ₹ 70,000 and ₹ 60,000 at the end of 1st, 2nd and 3rd years respectively. Interest is charged by the vendor at 20 % p.a. Dinesh writes off depreciation at 10% p.a. under the diminishing balance method.

Pass the necessary journal entries in the book of Dinesh.

10. Radha and Ravi sharing profits and losses equally decided to convert their business into a limited company. Their balance sheet on that date was as under.

Liabilities	₹	Assets	₹
Capitals		Plant	16,000
Radha	40,000	Buildings	60,000
Ravi	40,000	Trade mark	8,000



Mr. Radha's loan	40,000	Stock	16,000
Bank overdraft	16,000	Sundry debtors	24,000
Reserve fund	6,000	Bank balance	66,000
Sundry creditors	48,000		
	1,90,000		1,90,000

The company has agreed to take over the assets as under. Plant at ₹ 12,000, Buildings at ₹ 1,04,000, Goodwill at ₹ 72,000. The company will not take over Mr. Radha's loan and bank overdraft. Other assets (except bank) are taken over at book values. Vendors were allotted ordinary shares of ₹ 10 each to the amount equivalent to purchase consideration. Prepare Realisation A/c, Capital Accounts of partners and Bank Account.
