



US – 553

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**II Semester B.B.M. Examination, May 2017**  
**(Repeaters)**  
**(Prior to 2012-13)**  
**BUSINESS MANAGEMENT**  
**(Paper – 2.4) Financial Accounting**



Time : 3 Hours

Max. Marks : 100

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

**SECTION – A**

I. Answer **any eight** sub-questions. **Each** sub-question carries **two** marks. **(8x2=16)**

- 1) a) Define Partnership.  
b) Name the two methods of maintaining Capital Accounts of partners.  
c) State any two features of hire purchase system.  
d) Why is hire purchase price always higher than the cash price ?  
e) What is Minimum rent ?  
f) What is shortworkings re-couped ?  
g) What is meant by sale of firm to a limited company ?  
h) What are the modes of payment of purchase consideration ?  
i) What is average clause and why is it included in fire insurance ?  
j) Calculate the amount of claim by applying average clause.

Loss of stock by fire Rs. 4,00,000

Amount of policy Rs. 3,42,000

Total value of stock on the date of fire Rs. 4,56,000.

**SECTION – B**

II. Answer **any three** questions. **Each** question carries **eight** marks. **(3x8=24)**

- 2) Briefly explain the steps involved in the conversion of partnership firm into a Joint Stock Company.
- 3) A radio set with the cash price of Rs. 16,200 is acquired on hire purchase system, payable in three installments of Rs. 6,000 each. How do you apportion each installment between revenue (interest) and capital (principal) ?



- 4) Prepare analysis table from the following details and also prepare Shortworkings A/c.
- Minimum rent = Rs. 20,000 p.a.
  - Royalty = Rs. 5 per ton.
  - Shortworkings can be recovered during the first 4 years of the lease only.
  - The production for the four years were as follows :
- |                  |                  |
|------------------|------------------|
| 2010 – 2000 tons | 2011 – 3000 tons |
| 2012 – 4000 tons | 2013 – 4500 tons |
- 5) X and Y commenced their business with capitals of Rs. 1,00,000 and Rs. 80,000 respectively on 01-04-2010. They agreed to share profits and losses in the ratio of 3 : 2. For the year ending 31-03-2011, they earned a profit of Rs. 23,000 before allowing :
- Interest on capital at 6% p.a.
  - Interest on drawings : X – Rs. 600, Y – Rs. 400.
  - Partnership salary to Y Rs. 3,200 p.a.
  - Their drawings during the year amounted to Rs. 6,000 and Rs. 4,000 respectively.
- Prepare Profit and Loss Appropriation Account.
- 6) State the differences between Hire Purchase System and Instalment System.

### SECTION – C

III. Answer Question No. 10 and **any three** of the remaining questions. **Each** question carries **fifteen** marks. **(4x15=60)**

- 7) Sanjana purchased a Motor Car from Karnataka Motors Ltd. on 01-01-2011 on Hire Purchase System. The payment was made as follows : Rs. 25,000 on signing the agreement Rs. 1,16,250 at the end of first year, Rs. 80,000 at the end of second year Rs. 97,500 at the end of third year and Rs. 86,250 at the end of fourth year. Depreciation is charged at 20% p.a. on W.D.V. method and interest at 15% p.a. is included in installments. Prepare necessary Ledger Accounts in the books of Sanjana.
- 8) Ram and Prem are partners sharing profits and losses in the ratio of 2 : 1 and their Balance Sheet as on 31-12-2016 was as follows :

| <b>Liabilities</b> | <b>Rs.</b>      | <b>Assets</b>    | <b>Rs.</b>      |
|--------------------|-----------------|------------------|-----------------|
| Creditors          | 40,000          | Cash-in-hand     | 300             |
| Bills Payable      | 10,000          | Bills Receivable | 5,000           |
| Ram's Capital      | 30,000          | Debtors          | 60,000          |
| Prem's Capital     | 20,000          | (–) RBDD         | <u>3,000</u>    |
| Ram's Loan         | 20,000          | Stock            | 43,700          |
| Reserve Fund       | 6,000           | Machinery        | 20,000          |
|                    | <b>1,26,000</b> |                  | <b>1,26,000</b> |



They agree to sell the business to a limited company which took over the assets and liabilities as follows :

Machinery at Rs. 16,000, Stock at Rs. 35,000, Debtors at Rs. 50,700, B/R at Rs. 5,000 and Goodwill at Rs. 6,000. The company agreed to take over creditors at Rs. 38,000 and B/P at Rs. 10,000. The expenses of realisation amounts to Rs. 300. The firm received Rs. 40,000 of the purchase price in Rs. 10 fully paid equity shares and the balance in cash. Distribute the shares as per original capital ratio. Prepare the necessary Ledger Accounts in the books of Partnership Firm.

- 9) On 1-1-2011 the Rebel Star Ltd. leased a piece of land for a minimum rent of Rs. 2,000 in the first year, Rs. 4,000 in the second year and thereafter Rs. 6,000 per annum merging into a Royalty of 25 paise per ton with power to recoup shortworkings over the first three years only. The annual output for the first four years ending December 2014 was 2000, 12000, 32000 and 48000 tons respectively. Show the necessary Ledger Accounts in the books of Lessee.
- 10) From the following Trial Balance and other particulars of M/s Vishnu and Vardhan who share profits and losses in the ratio of 3 : 2, prepare Final Accounts as at 31-03-2015.

| Particulars             | Debit     | Credit    |
|-------------------------|-----------|-----------|
| Vishnu's Capital        | —         | 6,00,000  |
| Vardhan's Capital       | —         | 4,00,000  |
| Vishnu's Drawings       | 60,000    | —         |
| Vardhan's Drawings      | 40,000    | —         |
| Cash                    | 1,000     | —         |
| Balance at Bank         | 1,76,000  | —         |
| Motor vehicles          | 1,48,000  | —         |
| Debtors and Creditors   | 2,96,000  | 2,32,000  |
| Printing and Stationery | 6,600     | —         |
| Purchases and Sales     | 24,00,000 | 31,60,000 |
| Opening Stock           | 2,40,000  | —         |
| RBDD                    | —         | 5,000     |
| Bad debts               | 11,400    | —         |
| Freehold premises       | 8,00,000  | —         |
| Repairs to premises     | 47,600    | —         |



|                              |          |          |
|------------------------------|----------|----------|
| General Reserve              | —        | 2,00,000 |
| Vardhan's Remuneration       | 20,000   | —        |
| Wages and Salaries           | 2,29,000 | —        |
| Delivery expenses            | 99,000   | —        |
| Administration expenses      | 1,31,400 | —        |
| Rates and Taxes              | 15,000   | —        |
| Profit and Loss of last year | —        | 1,24,000 |

**Adjustments :**

- 1) Stock on hand on 31-03-2015 Rs. 2,80,000.
  - 2) Depreciate Motor vehicles by Rs. 74,000 and appreciate premises by Rs. 20,000.
  - 3) Unpaid wages Rs. 1,600.
  - 4) Rates paid in advance Rs. 3,000.
  - 5) Provision for bad debts to be reduced to Rs. 3,700.
  - 6) Stock of stationery Rs. 2,200.
  - 7) Discount on Creditors Rs. 15,100.
  - 8) Provide Manager's commission at 3% on net profits after charging such commission.
- 11) The premises of Evergreen Trader was destroyed by fire on 30-04-2015. The stock was fully insured. The concern has made accounts upto 31-12-2014. The following information is available.

| Particulars                                     | Rs.      |
|---|----------|
| Stock on 01-01-2014                             | 1,52,720 |
| Stock on 31-12-2014                             | 1,16,140 |
| Purchases from 01-01-2015 upto the date of fire | 3,68,270 |
| Purchases upto 31-12-2014                       | 4,72,580 |
| Sales upto 31-12-2014                           | 5,40,000 |
| Sales from 01-01-2015 upto the date of fire     | 5,11,700 |

- 1) In March 2015, goods costing Rs. 15,000 were given away for advertising purpose, no entry has been made in the books.
- 2) During 2015, a clerk had misappropriated unrecorded cash sales of Rs. 6,000.
- 3) Value of stock salvaged was Rs. 18,000 and the expenses incurred to extinguish fire Rs. 1,200. From the above information, prepare a statement showing the claim to be lodged for loss of stock.