



SG - 492

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II Semester B.B.M. Examination, September/October 2021
(2012 – 13 and Onwards) (Repeaters)
BUSINESS MANAGEMENT
Paper – 2.3 : Financial Accounting



Time : 3 Hours

Max. Marks : 100

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

SECTION – A

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

1. a) What do you mean by short workings ?
- b) Write the journal entry for payment of royalty by lessee.
- c) What are the bases for apportionment of following in departmental accounting ?
 - a) Commission earned on sales
 - b) Carriage inwards.
- d) Ascertain purchases when
Cost of goods sold is ₹ 4,00,000
Opening stock is ₹ 50,000
Closing stock is ₹ 60,000
- e) What do you mean by memorandum trading account ?
- f) What is meant by under-insurance ?
- g) Write any two differences between Hire purchase and installment purchase system.
- h) What is installment system of purchasing goods ?
 - i) Write the journal entry for closing the realisation account when there is a loss.
 - j) Mention two objectives of conversion of firm into a joint stock company.

P.T.O.



SECTION – B

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

(3×8=24)

2. What are the differences between sale and hire purchase ? Explain briefly.
3. Radha purchased a machine on hire purchase system from Raj Motors on 1-1-2011. The cash price of the machine was ₹ 74,500 and the payment was to be made as follows.
On signing the agreement ₹ 20,000 and the balance in 3 installments of ₹ 20,000 each at the end of each year. Interest is charged by the vendor @ 3% per annum.
Calculate the amount of interest in each installment.

4. Prepare the Royalty analysis table from the following.

- a) Minimum rent ₹ 50,000 p.a.
b) Royalty of ₹ 10 paid on each lock sold.
c) Right to recoup short working in surplus of following two years.
d) The sale details are

Year	No. of locks sold
2011	4,000
2012	4,500
2013	5,400
2014	6,500
2015	4,500

5. A fire broke out in the warehouse of Rajesh traders Ltd. on 30-09-2015. The company desires to file a claim with the insurance company for loss of stock. From the following details, prepare a statement showing the amount of claim. The last accounts of company were prepared on 31-12-2014.

	₹
Stock on 31-12-2014	1,20,000
Sundry debtors on 31-12-2014	3,20,000
Sundry debtors on 30-09-2015	2,40,000
Cash received from debtors	11,52,000
Purchases from 01-01-2015 to 30-09-2015	10,00,000
Rate of gross profit on sales	25%



SECTION - C

Answer question no. 10 and any three of the remaining questions. Each question carries 15 marks. (4×15=60)

6. The premises and stock of Naveen were totally destroyed by fire on 30-01-2016. From the books and other records that were saved, the following information is available.

The stock on hand has always been valued at 10% less than cost.

Particulars	2013	2014	2015	2016
	₹	₹	₹	₹
Opening stock as valued	27,090	32,400	36,000	36,900
Purchases less returns	74,900	80,000	81,000	6,000
Sales less returns	1,20,000	1,32,000	1,40,000	12,000
Wages	17,400	19,000	20,900	2,000
Closing stock as valued	32,400	36,000	36,900	-

Prepare a statement for submission to the insurance company in support of the company for loss of stock.

7. On 1-1-2012 Mr. Bharath purchased a truck from Tata Motors, under hire purchase system. The cash price of the truck was ₹ 5,96,000 and payment was to be made as follows.

₹ 1,60,000 on signing the agreement and the balance in 3 annual installments of ₹ 1,60,000 each payable at the end of each year. The rate of interest charged was 5% p.a. Mr. Bharath decided to depreciate the asset at 10% p.a. under diminishing balance method. Prepare the necessary ledger accounts in the books of Mr. Bharath.

8. Manju Coal co., undertook some coal bearing land from Kavya on a Royalty of ₹ 10 per ton with a minimum rent of ₹ 34,000 p.a. Each year's excess of minimum rent over actual royalties were recoverable during the subsequent three years. The lease stipulated that if in any year, the minimum rent was not attained due to strike, the minimum rent was to be regarded as having been reduced proportionately having regard to the length of the stoppage. The production was as follows.

Year	Production (tons)
2010	400
2011	2,800
2012	3,800
2013	4,600
2014	3,000 (strike for 3 months)
2015	5,000

Prepare

- 1) Minimum Rent Account
- 2) Royalty Account
- 3) Short Workings Account



9. From the following information, prepare the Departmental Trading and Profit and Loss Account.

Particulars	Dept. X ₹	Dept. Y ₹	Dept. Z ₹
Stock (1-4-2015)	41,280	33,975	93,721
Stock (31-3-2016)	32,840	43,828	81,626
Purchases	2,10,342	75,296	1,39,109
Purchase returns	14,382	5,629	1,823
Sales	4,00,173	1,54,085	3,62,189
Sales returns	Nil	3,259	11,217
Wages	72,823	30,084	24,613

Goods were transferred at cost price as follows :

From Dept. X to Dept. Y ₹ 389 and to Dept. Z ₹ 6,679

From Dept. Y to Dept. X ₹ 5,315

From Dept. Z to Dept. X ₹ 4,271 and to Dept. Y ₹ 5,801

The following expenses should be distributed on suitable basis.

Office expenses ₹ 63,395, Bad debts ₹ 19,823, Advertising ₹ 7,293 (basis of sales). Income tax ₹ 11,028 (basis of profit before deducting income tax)

The following expenses should be distributed to all the departments equally

Stationery ₹ 921, Postage ₹ 663, General expenses ₹ 39,627, Insurance ₹ 1,785 and depreciation ₹ 5,460.

Rent of ₹ 45,437 is to be distributed on the basis of space occupied i.e. Dept. X – 4, Dept. Y – 2, Dept. Z – 3 and other space 2. The rent of other space should be distributed to the Dept. X, Y and Z equally.

10. Ravi and Radha sharing Profits and Losses equally decided to convert their business into a limited company. The balance sheet on the date of conversion was as follows.

Liabilities	₹	Assets	₹
Capitals : Ravi	80,000	Buildings	1,20,000
Radha	80,000	Plant	48,000
Mrs. Ravi's loan	80,000	Stock	32,000
Reserve fund	12,000	Debtor	48,000
Bank overdraft	32,000	Bank	1,32,000
Sundry creditor	96,000		
	3,80,000		3,80,000

The company has agreed to take over the assets as follows.

Buildings at ₹ 2,08,000, Plant at ₹ 40,000 and goodwill at ₹ 1,44,000. The company will not take over Mrs. Ravi's loan and bank overdraft. Other assets (except bank) are taken over at book values. Vendors are allotted ordinary shares of ₹ 10 each to the amount equivalent to purchase consideration.

Prepare the necessary ledger accounts in the books of the firm.