

II Semester B.B.M. Examination, May/June 2010
(Semester Scheme)
BUSINESS MANAGEMENT
Paper – 2.4 : Financial Accounting – II

Time : 3 Hours

Max. Marks : 90

Instruction : Answers should be written in English only.

SECTION – A

1. Answer **any ten** sub questions from the following. Each question carries 2 marks. (2×10=20)
- a) Mention the types of Royalty.
 - b) Distinguish between hire purchase and sale.
 - c) How do you calculate purchase consideration under net Asset method ?
 - d) State any two differences between Hire purchase system and Instalment System.
 - e) What is salvage value ?
 - f) Why dead rent clause is included in the lease agreement ?
 - g) How do you deal with interest on loan while preparing partnership accounts ?
 - h) The value of stock on the date of fire was Rs. 1,50,000, Salvage value Rs. 30,000 and the policy amount Rs. 1,00,000. Calculate the amount of claim.
 - i) State the effect of non payment of instalment under hire purchase system.
 - j) What is partnership deed ? State any two contents of it.
 - k) State any two objectives of conversion of a partnership into a limited company.
 - l) What is fire Insurance claim ?

P.T.O.



SECTION - B

Answer any **five** questions. **Each** question carries **5** marks.

(5×5=25)

2. The godown of a trader caught fire on 31 July 2000 and considerable portion of stock destroyed. Following particulars available from the books of accounts.

Stock on 31-3-00 Rs. 1,90,000

Purchases to the date of fire Rs. 7,80,000

Sale to the date of fire Rs. 5,40,000

Carriage Inwards Rs. 24,000

Commission on purchases 2%

Average gross profit on cost 50%

Stock salvaged Rs. 1,24,000

Calculate the amount of claim.

3. From the following Information prepare Profit and Loss Appropriation a/c.

Capital of partner X - Rs. 80,000

Capital of partner Y - Rs. 60,000

Drawings of partner X - Rs. 4,000

Drawings of partner Y - Rs. 3,000

Interest on capital - 10%

Interest on drawings 6% (Calculated for 6 months)

Salary to partner X Rs. 600 p.m.

Profit prior to the above adjustment Rs. 35,000

Profit and Loss Sharing Ratio = 3 : 2.



4. Mr. Naren purchased a motor car under hire purchase system from Kalyani Motors on 1-1-04. The payment is to be made as follows Rs. 40,000 on delivery, Rs. 76,000 at the end of 1st year, Rs. 60,000 at the end of 2nd year and Rs. 55,000 at the end of third year. The rate of interest being 10%. Prepare an analysis table.

5. On 1-1-03 X Collieries leased out some land for a minimum rent of Rs. 3,000 for the 1st year, Rs. 5,000 for the 2nd year and thereafter Rs. 10,000 p.a. merging into a Royalty of 50 paise per tonne with a power to recoup short workings over two years after occurring of the short workings. The annual output for the 4 years were

2003 – 3000 tonnes 2004 – 8600 tonnes

2005 – 22000 tonnes 2006 – 21000 tonnes

Prepare an analysis table.

6. A minibus was purchased for Rs. 1,60,000 under instalment system on 1-1-04. The amount payable is Rs. 40,000 on the date of purchase and the balance in three annual instalments of Rs. 50,000 each. Rate of depreciation is 10% under fixed instalment method. Calculate cash price of each instalment.

7. In a partnership of P, Q, and R the partner P has withdrawn Rs. 1,200 at the end of each month, the partner Q has withdrawn Rs. 1,800 at the end of each month and the partner R has withdrawn Rs. 1,500 at the middle of each month. Calculate interest on drawings at 6% for the year ended 31-3-07.

8. Calculate the amount of purchase consideration from the following particulars :

The purchasing company agreed to issue 10000 equity shares of Rs. 10 each at Rs. 12.50 each, 5000 preference shares of Rs. 20 each at a premium of 25%, 2000, 8% debentures of Rs. 100 each at a discount of 25% and 20% of purchase consideration in the form of cash.

9. State the applicable rules in the absence of partnership agreement.



SECTION - C

Answer any **three** of the following questions. **Each** question carries **15** marks.

(3×15=45)

10. Determine the amount of claim to be lodged by M/S Gokuldas from the following details.

The Company had taken up a fire Insurance policy for Rs. 1,20,000 covering its stock and the policy was subjected to average clause.

	2004-2005	1-4-05 to 30-6-05
Sales	Rs. 11,43,000	Rs. 6,69,500
Purchases	Rs. 7,89,500	Rs. 3,94,000
Wages	Rs. 1,37,400	Rs. 68,900
Sales returns	Rs. 54,500	Rs. 15,800
Purchase returns	Rs. 27,400	Rs. 9,600
Carriage	Rs. 27,400	Rs. 9,600
Date of fire	30-6-2005	
Stock on 31-3-05	Rs. 1,89,000	
Stock on 1-4-04	Rs. 1,28,700	
Stock salvaged	Rs. 19,310	

Stocks have been valued at cost less 10%.

11. Prestige Ltd., the patentee of a new type of gas burner issued a license on 1-1-02 to VIP Ltd. for manufacture and sale of gas burner for five years on the following terms.
- To pay Royalty of Rs. 100 for every burner manufactured.
 - To recover short workings in the next year only.
 - To make payment on 31 Dec. each year.
 - The minimum rent is Rs. 55,000.

Sales and closing stock of gas burner for the five years were as follows :

Year	Sales	Stock on 31 Dec.
2002	200 units	50 units
2003	400 units	100 units
2004	600 units	70 units
2005	550 units	150 units
2006	400 units	100 units

You are required to prepare Royalty a/c. Short workings a/c. Prestige Ltd. a/c in the books of VIP Ltd.

12. Mr. George purchased a washing machine under instalment system. The cash price is Rs. 22,000. The payment is to be made together with interest at 10% p.a. The payments excluding interest are as follows :

Cash down Rs. 2,000 on 1-1-00

1st Instalment Rs. 6,000 on 30-6-00

2nd Instalment Rs. 6,000 on 31-12-00

3rd Instalment Rs. 4,000 on 30-6-01

4th Instalment Rs. 4,000 on 31-12-01

He charges depreciation at 20% under diminishing balance method.

You are required to pass necessary journal entries in the books of Mr. George.

13. P, Q, and R are partners sharing profits and losses in the ratio of 2:1:2 decided to convert their partnership in to a private Ltd. company with effect from 1-4-2006, on which date their balance sheet stood as follows ?

Liabilities	Rs.	Assets	Rs.
Capital a/cs		Goodwill	8,000
P	2,500	Motor car	5,000
R	8,500	Commission Receivable	1,000
Loan from R	5,000	Stock	4,000
Bank overdraft	3,000	Debtor	8,000
Creditor	6,000	Cash	1,000
Bills Payable	5,000	Q's Capital a/c	3,000
	30,000		30,000



All assets (except cash and commission receivable which is irrecoverable) and all outside liabilities are taken over by company for a consideration of Rs. 20,000 to be discharged through allotment of 2000 equity shares of Rs. 10 each, fully paid in the limited company. The partners agreed to distribute the shares amongst them in the profit sharing ratio.

Show realization a/c. Capital accounts of partners and cash account to close the books of the firm.

14. From the following trial balance of Arun and Amar as on 31-3-07, who share profits and losses equally, prepare final accounts.

Trial Balance 31-3-07

	Debit	Credit
	Rs.	Rs.
Capital – Arun		40,000
Amar		40,000
Drawings – Arun	3,000	
Amar	3,000	
Plant and Machinery (1-4-06)	20,000	
Plant and Machinery added on (1-10-06)	5,000	
Stock on 1-4-06	15,000	
Purchases	82,000	
Returns inwards	2,000	
Furniture	5,000	
Freight	2,000	
Carriage outwards	2,000	



Rent Rates Taxes	500	
Printing Stationery	4,600	
Trade expenses	800	
Sundry Creditors		10,000
Sales		1,20,000
Sundry Debtors	20,000	
Discount		800
Returns outward		1,000
Postage	800	
Reserve for bad debts		400
Rent received one year up to 1-10-07		1,200
Salary	22,000	-
Cash	25,700	-
	<u>2,13,400</u>	<u>2,13,400</u>

Adjustments :

- a) Closing stock Rs. 14,600 (in value 15,000).
- b) Write off bad debts. Rs. 600.
- c) Provision for bad debt. 5% on debtors.
- d) Depreciate machinery by 10%.
- e) Insurance prepaid Rs. 100.
- f) Interest on capital of partners 6%.