

BBM

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.

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5. Mr. Poor wrote a book on accountancy and got it published with rich publications. On 1-4-2008 both agreed for a royalty of ₹ 10 per copy sold with a minimum rent of ₹ 50,000. Short working if any could be recovered in first four years. Other details were :

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Copies printed	3000	4000	8000	5000	6000
Closing stock	1000	2000	3000	1500	500

Prepare in the books of rich publications :

a) Royalty Payable Account

b) Short Working Account.

SECTION - C

Answer question no. 10 and any three of the remaining. Each question carries 15 marks.

(4×15=60)

6. On 25-9-2012 the premises of M/S Cook Ltd. caught fire and stock was destroyed, except stock worth ₹ 5,800. However, records were saved. The records reveal the following details.

	₹
Stock at cost (on 1-4-2011)	73,500
Stock at cost (on 31-3-2012)	79,600
Purchase (for 2011-12)	3,98,000
Sales (for 2011-12)	4,87,000
Purchases (from 1-4-2012 to 25-9-2012)	1,62,000
Sales (from 1-4-2012 to 25-9-2012)	2,31,200

It was found on 31-3-2012 stock worth ₹ 2,300 was written off due to poor selling line, the total cost of which was ₹ 6,900. A portion of the stock sold in June 2012 at a loss of ₹ 250. The original cost of the sold stock was ₹ 3,450. Remainder of thin stock worth its original cost. Subject to the said exception the firm maintained uniform gross profit rate through out.

Find the fire claims if the sum insured is ₹ 50,000.

7. Joy and Ray were partners sharing profits and losses equally. Their position on 31-3-2013 was as follows :

Balance Sheet

(as at 31-3-2013)

Liabilities	₹	Assets	₹
Sundry creditors	12,000	Cash in hand	2,000
Mortgage loan	5,000	Sundry debtors	20,000
Reserves	3,000	Less Provision	<u>2,000</u>
			18,000



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 :

- i) 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
- ii) Company took over liabilities at book values except mortgage loan which is taken over by Joy.
- iii) Investments were taken over by Ray for ₹ 6,000.
- iv) The purchase consideration is satisfied in form of 3900 equity shares of ₹10 each at par and balance in cash.
- v) Realisation expenses amounted to ₹ 500.

Prepare :

- i) Necessary ledger accounts in the books of firm.
- ii) 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 :

- a) Machinery Account
- b) Interest Account
- c) Depreciation Account
- d) 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
Dept. Y	₹ 10,800	General Expenses	₹ 5,400
Purchases Dept. X	₹ 75,100	Discount allowed	₹ 1,800
Dept. 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.