

# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



## B.B.A.DEGREE EXAMINATION –BUSINESS ADMINISTRATION

SECOND SEMESTER – APRIL 2018

### 17/16UBU2MC01– FINANCIAL ACCOUNTING

Date: 24-04-2018  
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

#### SECTION A (10 X 2 =20 MARKS)

Answer ALL Questions(10x2=20)

1. What are features of Branch not keeping full system of Accounting?
2. List out the types of losses that can be covered under Fire Insurance Claims.
3. Differentiate between Sacrificing ratio and Gaining ratio.
4. Ascertain the closing stock with the help of following information  
Opening stock: 8,000, Purchases: 95,000, Sales: 80,000, Sales Returns: 5,000 Gross Profit ratio: 25% on cost.
5. Arul purchased machinery under the hire-purchase system from Mr.Hari. The cash price of the machinery was Rs. 15,000. Rs. 3,000 was paid on signing the contract and the remaining to be paid in three equal annual Instalments of Rs. 5,000 each. Calculate the amount of Interest paid in each instalment.
6. A machinery was purchased for Rs. 5,00,000. The life of the machinery is estimated at 10 years and the residual value at Rs. 10,000. Calculate the rate of depreciation to be provided at straight line method.
7. Stock of Rs. 80,000 of M/s Dhoni& Sons has been insured for Rs. 70,000. Loss due to fire is assessed at Rs. 20,000. Calculate the amount of claim under loss of stock policy.
8. X and Y are partners sharing profits and losses in the ratio of 3: 2. They admit Z as a new partner. X surrenders  $\frac{1}{5}$ <sup>th</sup> share of his profits and Y  $\frac{2}{5}$ <sup>th</sup> of his share in favour of Z Calculate new profit sharing ratio of the partners.
9. State objectives of Accounting Standards.
10. What are the fundamental assumptions underlying the preparation and presentation of financial statements with respect to AS 1?

#### SECTION B (4X10= 40 MARKS)

Answer Any FOUR Questions

11. What is Depreciation? What are the causes of depreciation?
12. A and B are partners sharing profits and losses in the ratio 2:1.Their Balance sheet as on 31<sup>st</sup> December 2003 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	65,900	Cash	1,200
Capital		Debtors	9,700
A	30,000	Stock	20,000
B	20,000	Machinery	35,000
		Building	50,000

Total	1,15,900	Total	1,15,900
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They decided to admit C as a partner for 1/3<sup>rd</sup> share of profits in the firm subject to the following conditions.

- i) That he should bring Rs15,000 as capital.
- ii) Value of stock and machinery be depreciated by 10%.
- iii) Provision of 5% on sundry debtors was to be made for doubtful debts.
- iv) Value of buildings be appreciated by Rs 9,500.

Pass journal entries, ledger accounts and Balance Sheet after C's admission.

13. From the following Trial Balance of Thiru. Rehman on 31 March 2016, Prepare Trading & Profit & Loss A/c and Balance Sheet taking into account the adjustments:

Debit Balances	Amount (Rs.)	Credit Balances	Amount (Rs.)
Land & building	42,000	Capital	62,000
Machinery	20,000	Sales	98,780
Patents	7,500	Return outwards	500
Stock (1/4/2015)	5,760	Sundry creditors	6,300
Sundry debtors	14,500	Bills payable	9,000
Purchases	40,675		
Cash in hand	540		
Cash at Bank	2,630		
Return Inwards	680		
Wages	8,480		
Fuel & power	4,730		
Carriage on sales	3,200		
Carriage on Purchases	2,040		
Salaries	15,000		
General expenses	3,000		
Insurance	600		
Drawings	5,245		
Total	1,76,580	Total	1,76,580

Adjustments

- a. Stock on 31/03/2016 was Rs. 6,800.
- b. Salary outstanding Rs. 1,500.
- c. Insurance prepaid Rs.150.
- d. Depreciation Machinery @ 10% and patents @ 20%.
- e. Create a provision of 2% on debtors for bad debts.

14. Ram & Co., opened a branch at Hyderabad on 1<sup>st</sup> April 2010. The following information is available in respect of the branch for the year 2010-11.

Goods sent to the branch	75,000
Cash Sales at the branch	50,000
Credit sales at the branch	60,000
Salaries of the branch staff paid by head office	15,000
Office expenses of the branch paid by head office	12,000

Cash remittances to branch towards petty expenses	6,000
Petty cash at branch on 31.03.2011	500
Debtors of branch as on 31.03.2011	5,000
Stock at the branch on 31.03.2011	27,000

Prepare branch account to show the profit or loss from the branch for the year

15. Madras Trading Co. Purchased a motor car from Bombay Motor Co. on hire purchase agreement on 1.1.80 paying cash Rs.10,000 and agreeing to pay further instalments Rs.10,000 each on December 31<sup>st</sup> each year. The cash price of the car was Rs.37,250 and the Bombay Motor Co. charges interest at 5% p.a. The Madras Motor Co depreciates the car at 10% p.a. on WDV basis. From the above particulars give relevant accounts in the books of Madras Trading Co.
16. On 1<sup>st</sup> January 1999, a merchant purchased some furniture costing Rs. 55,000 it is estimated that its working life is 10 years at the end of which it will fetch Rs. 5,000. Additions are made on 1<sup>st</sup> Jan, 2000 and 1<sup>st</sup> July, 2002 to the value of Rs. 9,500 and Rs. 8,400 (residual values Rs. 500 and Rs. 400 respectively). Show the furniture account for the first four years if depreciation is written off according to the straight line method.
17. Define Accounting Standards. Explain the need for Accounting standards.

**SECTION C (2X20= 40 MARKS)**  
**Answer Any TWO Questions**

18. Distinguish between Hire Purchase & Instalment system.
19. C, D and E are partners in a firm sharing profits and losses in the ratio 1/2, 1/3, 1/6 respectively. Their Balance Sheet as on 31.12.2004 was as follows

Liabilities	Rs	Assets	Rs
Creditors	19,000	Cash at Bank	2,500
Bills Payable	5,000	Motor Van	8,000
Reserve Fund	12,000	Debtors	16,000
Capital		Less: Provision	500
			15,500
C	40,000	Stock	25,000
D	30,000	Machinery	35,000
E	25,000	Building	45,000
	1,31,000		1,31,000

'D' retires on that date subject to the following conditions:

- Goodwill of the firm is valued at Rs. 18,000
- Machinery to be depreciated by 10% and Motor Van by 15%
- Furniture to be depreciated by 5%
- Stock to be appreciated by 20% and buildings to be appreciated by 10%

- e. Reserve for doubtful debts to be increased by R. 1,950
- f. Liability for Workmen's compensation to the extent of Rs. 1,650 is to be brought into account. It was agreed that C and E will share profits in the ratio of C 3/5 and B 2/5. Prepare necessary journal entries, prepare Revaluation accounts, Capital accounts and show the Balance Sheet of the new firm.

20. Madras Transport Ltd. Purchased from Anil Auto Distributors 3 trucks costing Rs. 50,000 each on the hire purchase system. Payment was to be made Rs. 30,000 down and the remainder in 3 equal instalments together with interest at 9% p.a. Madras Transport Ltd writes of depreciation at 20% p.a. on the diminishing balance method. It paid the instalment due at the end of first year but could not pay the next. Anil Auto Distributors agreed to leave one truck with the purchaser, adjusting the value of other two trucks against the amount due. The truck was valued on the basis of 30% depreciation annually on the diminishing balance method. Prepare the necessary ledger accounts in the book of both the parties.

21. Mehta Ram of Ram Nagar purchased goods for his three departments as follows:

Dept X – 200 units	}	Total cost Rs.5,100
Dept Y – 1,400 units		
Dept Z – 400 units		

Sales of the three departments were as follows:

- Dept X – 180 units @ Rs.15 per unit
- Dept Y – 1,500 units @ Rs.18 per unit
- Dept Z – 450 units @ Rs.6 per unit

Other information about stock in the beginning was as follows:

- Dept X – 100 units
- Dept Y – 400 units
- Dept Z – 60 units

Mehta Ram informs you that the rate of gross profit is the same in all departments. You are required to prepare Departmental Trading account.

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