



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIRST SEMESTER – NOVEMBER 2022

UBU 1502 – FINANCIAL ACCOUNTING

Date: 24-11-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION A

Answer ALL the Questions:

1.	Define the following:	(5 x 1 = 5 Marks)	
a)	Accrued Income.	K1	CO1
b)	Trade-In.	K1	CO1
c)	Sacrificing Ratio.	K1	CO1
d)	Finance Cost.	K1	CO1
e)	Accounting Standard.	K1	CO1
2.	Fill in the blanks:	(5 x 1 = 5 Marks)	
a)	A manager gets 5% commission on net profit after charging such commission. What shall be his commission if gross profit is Rs 96000 and expenses of indirect nature other than managers commission are Rs 12000 -----	K1	CO1
b)	Write down the formula for calculating the rate of depreciation under WDV method -- -----	K1	CO1
c)	----- is prepared when the revised values of assets and liabilities are not to be shown in the books of accounts.	K1	CO1
d)	Securities premium is shown in the balance sheet of a company under -----	K1	CO1
e)	AS-3 deals with -----.	K1	CO1
3.	Match the following:	(5 x 1 = 5 Marks)	
a)	Valuation of Closing stock - Valuation of Inventories	K2	CO1
b)	Method of Depreciation - Average profits	K2	CO1
c)	Valuation of Goodwill - Bonus	K2	CO1
d)	Employee Benefit expense - SLM	K2	CO1
e)	Accounting Standard (AS – 2) - Cost/ NRV whichever is lower	K2	CO1
4.	TRUE or FALSE:	(5 x 1 = 5 Marks)	
a)	Marshalling refers to the order in which the A & L are shown in the Balance sheet.	K2	CO1
b)	The Rate of depreciation under SLM is 8%, when total cost of the machine is Rs 50000, residual value is Rs 10000 and estimated life is 10 years.	K2	CO1
c)	Under Capitalisation method the value of Goodwill is the difference between the value of business and net tangible assets.	K2	CO1

d)	Preliminary expenses written-off is shown in the P&L statement of a company under depreciation and amortisation expenses head.	K2	CO1
e)	ASB determines the broad areas requiring formulation of accounting standards.	K2	CO1

SECTION B

Answer any TWO of the following questions

(2 x 10 = 20 Marks)

5.	From the following Trial Balance of Shri Rajesh you are required to decide on the Trading , P & L A/c and Balance sheet for the year ended 31 st Dec 2018 taking into account the adjustments :	K3	CO2																																																																																																				
	<table border="1"> <thead> <tr> <th>Debit balances</th> <th>Rs</th> <th>Credit balances</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Plant and Machinery</td> <td>200000</td> <td>Capital Account</td> <td>800000</td> </tr> <tr> <td>Manufacturing wages</td> <td>345000</td> <td>Sundry creditors</td> <td>445600</td> </tr> <tr> <td>Salaries</td> <td>158500</td> <td>Bank Loan</td> <td>150000</td> </tr> <tr> <td>Furniture</td> <td>100000</td> <td>Purchase returns</td> <td>17400</td> </tr> <tr> <td>Freight on purchase</td> <td>18600</td> <td>Sales</td> <td>2508500</td> </tr> <tr> <td>Freight on sales</td> <td>21400</td> <td>Provision for doubtful debts</td> <td>20000</td> </tr> <tr> <td>Buildings</td> <td>240000</td> <td></td> <td></td> </tr> <tr> <td>Manufacturing expenses</td> <td>95000</td> <td></td> <td></td> </tr> <tr> <td>Insurance & Tax</td> <td>42500</td> <td></td> <td></td> </tr> <tr> <td>Goodwill</td> <td>250000</td> <td></td> <td></td> </tr> <tr> <td>General expenses</td> <td>82000</td> <td></td> <td></td> </tr> <tr> <td>Factory Fuel & Power</td> <td>12800</td> <td></td> <td></td> </tr> <tr> <td>Sundry debtors</td> <td>782000</td> <td></td> <td></td> </tr> <tr> <td>Factory Lighting</td> <td>9500</td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td>342000</td> <td></td> <td></td> </tr> <tr> <td>Motor car</td> <td>120000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td>1020000</td> <td></td> <td></td> </tr> <tr> <td>Sales returns</td> <td>31000</td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td>14000</td> <td></td> <td></td> </tr> <tr> <td>Interest & Bank Charges</td> <td>4000</td> <td></td> <td></td> </tr> <tr> <td>Cash at bank</td> <td>42000</td> <td></td> <td></td> </tr> <tr> <td>Cash in hand</td> <td>11200</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3941500</td> <td></td> <td>3941500</td> </tr> </tbody> </table>	Debit balances	Rs	Credit balances	Rs	Plant and Machinery	200000	Capital Account	800000	Manufacturing wages	345000	Sundry creditors	445600	Salaries	158500	Bank Loan	150000	Furniture	100000	Purchase returns	17400	Freight on purchase	18600	Sales	2508500	Freight on sales	21400	Provision for doubtful debts	20000	Buildings	240000			Manufacturing expenses	95000			Insurance & Tax	42500			Goodwill	250000			General expenses	82000			Factory Fuel & Power	12800			Sundry debtors	782000			Factory Lighting	9500			Opening stock	342000			Motor car	120000			Purchases	1020000			Sales returns	31000			Bad debts	14000			Interest & Bank Charges	4000			Cash at bank	42000			Cash in hand	11200								3941500		3941500		
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	<p>Adjustments:</p> <ul style="list-style-type: none"> ➤ Closing stock was valued at Rs 305000. ➤ Depreciate plant & machinery by 10% p.a., furniture by 5% p.a., and motor car by Rs 10000. ➤ Create provision for doubtful debts at 5% on sundry debtors. ➤ A commission of 1% on the gross profit is to be provided to works manager. ➤ General manager is to be allowed a commission at 2% on net profit after charging works manager's and before charging General managers commission. 																																																																																																						
6.	Analyze the need for providing Depreciation.	K3	CO2																																																																																																				

7.	A, B and C are equal partners in a firm and their Balance sheet as on 31.12.2018 is given below:	K3	CO2
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Liabilities	Rs	Assets	Rs
Sundry Creditors	40500	Machinery	43500
Reserve	4500	Furniture	1500
Capital A/c 's :		Debtors	30000
A	15000	Stock	15000
B	12000		
C	18000		
	90000		90000

C retired on 31.12.2018 and assets were revalued as under :
Machinery Rs 51000, Furniture Rs 1200, Debtors Rs 28500, Stock Rs 14700.
Goodwill of the firm is valued at Rs 9000 and C 's share of Goodwill is to be adjusted to continuing partners' capital accounts.
Prepare necessary Ledger accounts and new Balance sheet.

8.	Mr. Paul has invested a sum of Rs 400000 in his own business which is a very profitable one. The annual profit earned from his business is Rs 96000 which includes a sum of Rs 15000 received as compensation for acquisition of a part of his business premises. The money could have been invested in deposits for a period of five years and over at 12% interest and himself could earn Rs 12000 per annum in alternative employment. Considering 3% as fair compensation for the risk involved in the business, Calculate the value of Goodwill of his business on Capitalisation of Super profits at the normal rate of return.	K3	CO2
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SECTION C

Answer any TWO of the following questions (2 x 10 = 20 Marks)

9.	Explain the proforma of Balance sheet with regard to the order of Liquidity.	K4	CO3
10.	On 1 st April ,2011, Raj Ltd purchased a machinery Rs 58000 and spent Rs 2000 on its erection. On 1 st Oct, 2011 an additional machinery costing Rs 20000 was purchased. On 1 st Oct 2013 the machine purchased on 1 st April 2011 was sold for Rs 28600 and on the same date, a new machine was purchased at a cost of Rs 40000. Show the Machinery account for the first four years ending 31 st March as per WDV method taking the rate of depreciation as 10%.	K4	CO3

11.	A & B sharing profit and losses in the ratio of 3:2 respectively, showed the following as their balance sheet on 31 st March 2018.	K4	CO3
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Liabilities	Rs	Assets	Rs
Sundry Creditors	25000	Cash at Bank	5000
General Reserve	50000	Debtors	40000
Capital :		Stock	100000
A	180000	Furniture	20000
B	80000	Land & Buildings	170000
	335000		335000

They admit 'C' into partnership on the following terms:

- That 'C' pays Rs 100000 as his capital for one-fifth share in the future profits.
- That a Goodwill account be raised in the books of the new firm at its value of Rs 100000

- That Stock and Furniture be reduced by 10% and a provision for doubtful debts be created at 5% on debtors.
 - That the value of land and buildings be appreciated by 20%.
 - That the capital accounts of all the partners be readjusted on the basis of their profit sharing arrangement through partners current account.
- You are required to prepare revaluation account, capital accounts of partners, and balance sheet of the new firm after C's admission.

12. State the Rules regarding Transfer of profits to reserves as per Revised schedule VI. K4 CO3

SECTION D

Answer any ONE of the following question (1 x 20 = 20 Marks)

13. Alpha Ltd purchased on 1st January 2013 a machine for Rs 100000. On 1st July 2013, it purchased another machine costing Rs 50000. On 1st July 2014, the machine purchased on 1st January 2013 having become obsolete, was sold off for Rs 40000. On 1st July 2015, a new machine was purchased for Rs 120000 and the machine purchased on 1st July 2013, was sold at Rs 42000 on the same date. Depreciation is to be provided at 10% p.a. under Diminishing Balance method every year assuming that the accounts are closed on 31st December every year. You are required to summarise the (i) Machinery Account (ii) Machinery Disposal Account when (a) Provision for depreciation A/c is not maintained (b) Provision for depreciation A/c is maintained. K5 CO4

14. Following is the Balance sheet of X, Y and Z as on 31. 12.2014 K5 CO4

Liabilities	Rs	Assets	Rs
Sundry Creditors	30000	Cash in hand	2000
Reserve fund	32000	Cash at Bank	50000
Capital A/c 's :		Debtors	60000
X 100000		Stock	60000
Y 50000		Furniture	80000
Z 50000	200000	Tools	10000
	262000		262000

Y died on 31st March 2015. Under the partnership agreement , the executor of Y was entitled to :

- (a) Amount standing to the credit of his capital account
- (b) Interest on capital which amounted to Rs 625
- (c) His share of goodwill Rs 35000
- (d) His share of profit from the closing date of last financial year to the date of death which amounted to Rs 4375. Y's executor was paid Rs 18000 on 1st April 2015 and the balance was to be paid in four equal yearly installments starting from 31.3.2016 with interest at 6% p.a. Appraise Y's Capital account, Y's executor account till it is finally paid. Assume profits are shared in the capital ratio.

SECTION E

Answer any ONE of the following question

(1 x 20 = 20 Marks)

15. QR Ltd was registered with a nominal capital Rs 1200000 in equity shares of Rs 10 each. The following is the list of balances extracted from its books on 31.3.2019

K6

CO5

Trial Balance of QR Ltd

Debit	Rs	Credit	Rs
Premises	600000	Sales	830000
Stock (1.4.2018)	150000	6% Debentures	600000
Furniture	14400	Profit & Loss A/c (Cr)	29000
Calls-in-arrears	15000	Bills payable	76000
Plant & Machinery	660000	Sundry Creditors	100000
Interim dividend paid	75000	General Reserves	50000
Sundry debtors	174000	Provision for Doubtful debts (1.4.2018)	7000
Goodwill	68000	Subscribed, Called up & Paid up capital	800000
Cash and Bank balances	63300		
Purchases	370000		
Preliminary expenses	10000		
Wages	169730		
General expenses	13670		
Advertising	20000		
Freight	26230		
Salaries	29000		
Directors fees	11450		
Bad debts	4220		
Debenture interest paid	18000		
	2492000		2492000

You are required to evaluate the company's statement of Profit & Loss for the year ended 31.03.2019 and a Balance sheet as on that date as per Revised Schedule VI. The following further information is given :

- (a) Stock on 31st March 2019 was valued at Rs 190000
- (b) Write off preliminary expenses.
- (c) Provide for half year's debenture interest.
- (d) The provision for doubtful debts on 31st March 2019 should be equal to 1% on sales.
- (e) Directors' fees are outstanding to the extent of Rs 550 and salaries Rs 1000.
- (f) Depreciate Plant & Machinery by 5%, Premises by 2% and write off Rs 2400 on Furniture.
- (g) Goods to the value of Rs 3000 were distributed as free samples during the year. But no entry in this respect had been made.

16. Appraise the provisions relating to AS-1, AS – 2 & AS – 3.

K6

CO5
