



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – APRIL 2022

### UBU 1502 – FINANCIAL ACCOUNTING

(21 BATCH ONLY)

Date: 17-06-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

#### SECTION A

Answer ALL the Questions

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<b>1.</b>	<b>Define the following</b>	<b>(5 x 1 = 5 Marks)</b>	
a)	Marshalling	K1	CO1
b)	Amortization	K1	CO1
c)	Gaining Ratio	K1	CO1
d)	Finance Costs	K1	CO1
e)	Accounting Standard	K1	CO1
<b>2.</b>	<b>Fill in the blanks</b>	<b>(5 x 1 = 5 Marks)</b>	
a)	----- expenses paid but not incurred during the current accounting period	K1	CO1
b)	When a new fixed asset is acquired in exchange for an old asset of the same kind or different kind ,the transaction is called -----	K1	CO1
c)	----- ratio is calculated at the time of Admission of a new partner	K1	CO1
d)	Under company's account, expenses incurred on the employees are called -----	K1	CO1
e)	AS-6 deals with -----.	K1	CO1
<b>3.</b>	<b>Match the following</b>	<b>(5 x 1 = 5 Marks)</b>	
a)	Valuation of Closing stock - Cash flow statement	K2	CO1
b)	Method of Depreciation - Capitalisation	K2	CO1
c)	Method of Goodwill - Gratuity Paid	K2	CO1
d)	Employee Benefit expense - WDV	K2	CO1
e)	Accounting Standard (AS – 3) - Cost/ NAV whichever is lower	K2	CO1
<b>4.</b>	<b>TRUE or FALSE</b>	<b>(5 x 1 = 5 Marks)</b>	
a)	When the proprietor withdraws Goods for his personal use, Drawings account is debited and Purchase account is credited	K2	CO1
b)	The Rate of depreciation under SLM is 7% when total cost of the machine is Rs 300000, SV is Rs 20000 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 finance costs.	K2	CO1
e)	ASB determines the broad areas requiring formulation of accounting standards.	K2	CO1

**SECTION B**

**Answer any TWO of the following in 100 words**

**(2 x 10 = 20 Marks)**

5.	<p>Prepare a Trading Account of a trader for the year ending 31<sup>st</sup> March 2019 from the following data:</p> <table border="1" data-bbox="181 241 1310 853"> <thead> <tr> <th align="center">Particulars</th> <th align="center">Amount (Rs)</th> </tr> </thead> <tbody> <tr><td>Stock on 1-4-2018</td><td align="right">240000</td></tr> <tr><td>Cash purchases for the year</td><td align="right">208000</td></tr> <tr><td>Credit purchases for the year</td><td align="right">400000</td></tr> <tr><td>Cash Sales for the year</td><td align="right">350000</td></tr> <tr><td>Credit Sales for the year</td><td align="right">600000</td></tr> <tr><td>Purchases returns during the year</td><td align="right">8000</td></tr> <tr><td>Sales returns during the year</td><td align="right">10000</td></tr> <tr><td>Direct Expenses incurred:</td><td></td></tr> <tr><td>    Freight</td><td align="right">10000</td></tr> <tr><td>    Carriage</td><td align="right">2000</td></tr> <tr><td>    Import duty</td><td align="right">8000</td></tr> <tr><td>    Clearing charges</td><td align="right">12000</td></tr> <tr><td>Cost of goods distributed as free samples during the year</td><td align="right">5000</td></tr> <tr><td>Goods withdrawn by the trader for personal use</td><td align="right">2000</td></tr> <tr><td>Stock damaged by fire during the year</td><td align="right">13000</td></tr> </tbody> </table> <p>The cost of unsold stock on 31<sup>st</sup> March 2019 was Rs 120000 but its market value was Rs 150000.</p>	Particulars	Amount (Rs)	Stock on 1-4-2018	240000	Cash purchases for the year	208000	Credit purchases for the year	400000	Cash Sales for the year	350000	Credit Sales for the year	600000	Purchases returns during the year	8000	Sales returns during the year	10000	Direct Expenses incurred:		Freight	10000	Carriage	2000	Import duty	8000	Clearing charges	12000	Cost of goods distributed as free samples during the year	5000	Goods withdrawn by the trader for personal use	2000	Stock damaged by fire during the year	13000	K3	CO2
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6.	Determine the need for providing Depreciation.	K3	CO2																																
7.	<p>A and B are partners sharing profits and losses in the ratio of 2:1. Their Balance sheet as on 31<sup>st</sup> Dec 2019 was as follows:</p> <table border="1" data-bbox="181 1104 1310 1406"> <thead> <tr> <th align="center">Liabilities</th> <th align="center">Rs</th> <th align="center">Assets</th> <th align="center">Rs</th> </tr> </thead> <tbody> <tr><td>Creditors</td><td align="right">10000</td><td>Cash in hand</td><td align="right">7000</td></tr> <tr><td>Bills Payable</td><td align="right">7000</td><td>Debtors</td><td align="right">26000</td></tr> <tr><td>Capital :</td><td></td><td>Buildings</td><td align="right">20000</td></tr> <tr><td>    A 40000</td><td></td><td>Stock</td><td align="right">6000</td></tr> <tr><td>    B 30000</td><td align="right">70000</td><td>Machinery</td><td align="right">13000</td></tr> <tr><td></td><td></td><td>Investment</td><td align="right">15000</td></tr> <tr><td></td><td align="right">87000</td><td></td><td align="right">87000</td></tr> </tbody> </table> <p>(i) 'C' is admitted as a partner for 1/5<sup>th</sup> share of profit  (ii) Building and investment are appreciated by 10%  (iii) Machinery is depreciated at 5%  (iv) Creditors were overestimated by Rs 500  (v) 'C' brings Rs 25000 as his share of capital and Rs 10000 as premium</p> <p>Prepare Journal entries, Revaluation account and Balance sheet of the new firm.</p>	Liabilities	Rs	Assets	Rs	Creditors	10000	Cash in hand	7000	Bills Payable	7000	Debtors	26000	Capital :		Buildings	20000	A 40000		Stock	6000	B 30000	70000	Machinery	13000			Investment	15000		87000		87000	K3	CO2
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8.	<p>From the following information interpret the value of Goodwill on the basis of 3 years purchase of super profit :</p> <p>(i) Average capital employed in the business is Rs 2000000  (ii) Rate of Interest expected from capital having regard to the risk involved is 10%  (iii) Net trading profits of the firm for the past three years were Rs 350400, Rs 280300 and Rs 310100  (iv) Fair remuneration to partners for their services is Rs 48000 per annum  (v) Sundry assets of the firm are Rs 2350400 and current liabilities are Rs 95110.</p>	K3	CO2																																

**SECTION C**

**Answer any TWO of the following in 100 words (2 x 10 = 20 Marks)**

9. Explain the proforma of Balance sheet with regard to the order Liquidity. K4 CO3
10. Differentiate between SLM and WDV Method. K4 CO3
11. A, B and C are partners sharing profits and losses in the ratio of 4:3:3 and their Balance sheet as on 31.04.2019 is as follows: K4 CO3
- | Liabilities      | Rs     | Assets           | Rs     |
|------------------|--------|------------------|--------|
| Sundry Creditors | 100000 | Land & Buildings | 140000 |
| Capital A/c 's : |        | Plant            | 100000 |
| A                | 140000 | Furniture        | 60000  |
| B                | 100000 | Stock            | 40000  |
| C                | 60000  | Debtors          | 40000  |
|                  |        | Cash             | 20000  |
|                  | 400000 |                  | 400000 |
- B retires on the above date on the following conditions :
- (a) Land and Buildings are revalued at Rs 160000
  - (b) To depreciate plant and furniture by 10%
  - (c) To create provision for doubtful debts at 5% on debtors
  - (d) Goodwill is to be valued at Rs 32000 and B's share to be adjusted in the capital accounts of A and C and their new ratio is 3:2
  - (e) B to be paid Rs 10000 in cash and balance is to be transferred to Loan account
  - (f) The capital of the new firm is to be fixed at Rs 192000 between A and C in the ratio of 3:2. Due to this, actual cash to be brought in or paid off as the case may be.
- Devise the necessary Ledger accounts and new Balance sheet of the firm.
12. Analyze the Rules regarding Transfer of profits to reserves as per Revised schedule VI. K4 CO3

**SECTION D**

**Answer any ONE of the following in 250 words (1 x 20 = 20 Marks)**

13. On 1<sup>st</sup> January 2017 Anil Ltd purchased two machines I and II, costing Rs 50000 each and provided depreciation at 10% p.a on SLM. At the end of 2020, the company decided to change the method of depreciation from SLM to WDV method retrospectively, the rate of depreciation remaining the same. Appraise the machinery account up to 2020. 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 31<sup>st</sup> 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  
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 1<sup>st</sup> April 2015 and the balance was to be paid in four equal yearly instalments 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 in 250 words**

**(1 x 20 = 20 Marks)**

15. Sam 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 Sam 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 estimate the company's statement of Profit & Loss for the year ended 31.04.2019 and a Balance sheet as on that date as per Revised Schedule VI. The following further information is given :

- Stock on 31<sup>st</sup> March 2019 was valued at Rs 190000
- Write off preliminary expenses.
- Provide for half year's debenture interest.
- The provision for doubtful debts on 31<sup>st</sup> March 2019 should be equal to 1% on sales.
- Director's fees are outstanding to the extent of Rs 550 and salaries Rs 1000.
- Depreciate Plant & Machinery by 5%, Premises by 2% and write off Rs 2400 on Furniture.
- 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. Elaborate the provisions relating to AS-2, AS – 3 & AS – 6.

K6

CO5

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