



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIRST SEMESTER – APRIL 2023

UBU 1502 – FINANCIAL ACCOUNTING

Date: 13-05-2023

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) Prepaid expenses.	K1 CO1
b) Trade-In Allowance.	K1 CO1
c) Gaining Ratio.	K1 CO1
d) Amortisation.	K1 CO1
e) Accounting Standard.	K1 CO1
2. Fill in the blanks: (5 x 1 = 5 Marks)	
a) The drawings of a proprietor for the year 2020 are Rs 30000. Profit for the year - Rs 50000 and capital at the end - Rs 140000. Calculate the capital at the beginning of the period -----	K1 CO1
b) Write down the formula for calculating the rate of depreciation under SLM method --- -----	K1 CO1
c) ----- is prepared when the revised values of assets and liabilities are 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-6 deals with -----.	K1 CO1
3. Match the following: (5 x 1 = 5 Marks)	
a) Liquid Assets - Government Grants	K2 CO1
b) Method of Depreciation - Super profits	K2 CO1
c) Valuation of Goodwill - Salaries	K2 CO1
d) Employee Benefit expense - WDV	K2 CO1
e) Accounting Standard (AS – 12) - Marketable securities	K2 CO1
4. TRUE or FALSE: (5 x 1 = 5 Marks)	
a) According to prudence principle, the stock of finished goods is valued at cost or Net realizable value whichever is lower.	K2 CO1
b) The Rate of depreciation under WDV method is 25% when total cost of the machine is Rs 51200, SV is Rs 16200 and estimated life is 4 years.	K2 CO1
c) The amount due to retiring partners if not paid in cash is transferred to his Loan A/c.	K2 CO1

d)	Bank OD is shown in the Balance sheet of a company under Short term borrowings.	K2	CO1
e)	ASB prepares an ED for the formulation of accounting standards.	K2	CO1

SECTION B

Answer any TWO of the following questions

(2 x 10 = 20 Marks)

5. Prepare a Trading Account of a trader for the year ending 31st March 2019 from the following data:

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

The cost of unsold stock on 31st March 2019 was Rs 120000 but its market value was Rs 150000.

6. Differentiate between SLM and WDV Method. K3 CO2
7. Ravi, Ramesh, Raja were in partnership with an agreed profit- sharing ratio of 6:1:1. Their Balance sheet on 31st Dec 2019 was as follows: K3 CO2

Liabilities	Rs	Assets	Rs
Sundry Creditors	150000	Plant	300000
Capital A/c 's :		Debtors	210000
Ravi	300000	Stock	120000
Ramesh	180000	Bank	150000
Raja	150000		
	780000		780000

Raja died on 30th Sep 2020 and the deed provided the following information:

- (a) The deceased partner to be given his share of profit till date of death, on the basis of last year's profits. The profits for the last four years were as follows: 2016 – Rs 480000, 2017 – Rs 360000, 2018 – Rs 240000, 2019 – Rs 120000.
- (b) Raja will be entitled to his share of goodwill of the firm, calculated at 1 year purchase of last 4 years of profit.
- (c) On the date of his death, the plant was revalued at Rs 290000 and provision for doubtful debts to be created at Rs 5000, Rs 10000 included in creditors is no longer a liability.

Infer Raja's Capital account and categorise the amount to be transferred to his executor's account.

8. From the following information interpret the value of Goodwill on the basis of 3 years purchase of super profit: K3 CO2
- (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.

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 permanency. K4 CO3

10. On 1st January 2010 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 2013, the company decided to change the method of depreciation from SLM to WDV method retrospectively, the rate of depreciation remaining the same. Categorise the machinery account up to 2013. 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.

Prepare necessary Ledger accounts and new Balance sheet of the firm.

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. From the following Trial Balance of Shri Padam you are required to prepare Trading , P & L A/c and Balance sheet for the year ended 31st Dec 2017 taking into account the adjustments : K5 CO4

Debit balances	Rs	Credit balances	Rs
Stock on 1 st Jan 2017	70000	Capital	200000
Plant & Machinery	50000	Wages outstanding	4000
Rent	3000	Sales	500000
Depreciation on Plant &	5000	Creditors	45000

Machinery			
Drawings	40000	Bills payable	16000
Wages	20000	Discount (Cr)	12000
Income Tax	2000	Bank Overdraft	9000
Salary for 11 months	11000	Commission (Cr)	8000
Cash	5000	Purchases returns	5000
Buildings	160000		
Depreciation on buildings	8000		
Purchases	300000		
Debtors	80000		
Bills Receivable	30000		
Discount(Dr)	2000		
Carriage Inwards	4000		
Bad debts	6000		
Sales Returns	3000		
	799000		799000

Adjustments :

1. Stock on 31st Dec 2017 was Rs 96000
2. Stock destroyed by fire was Rs 6000 and the Insurance company accepted a claim of Rs 3600.
3. Rs 1600 paid as rent of the office was debited to landlord account and was included in the list of debtors.
4. Goods invoiced Rs 10000 was sent to customers on sale or return basis on 28th Dec 2017, the customer still having the right to return the goods. The rate of Gross profit was 1/5 of sale.
5. Write off further bad debts Rs 4000 and maintain 5% provisions for bad debts on debtors.
6. One month's salary was outstanding.

14. The Balance sheet of A and B who shared profits in the ratio of 3:2 was as follows on 31.12.18.

K5

CO4

Liabilities	Rs	Assets	Rs
Bills payable	15000	Cash in hand	10000
Sundry Creditors	25000	Bills Receivable	10000
Capital A/c		Debtors	40000
A	80000	Less : provision	1400
B	60000	Stock	40000
		Plant & Machinery	70000
		Patents	11400
	180000		180000

On 1st Jan .2019, 'C' was admitted as a partner on the following terms :

- (i) He was to get 4/15th of profit
- (ii) He was to introduce Rs 50000 as capital
- (iii) He would pay cash for goodwill which would be based on 2 ½ years purchase of past four year's profits.
- (iv) A and B would withdraw half of the goodwill in cash
- (v) Assets would be revalued as: Plant & Machinery – Rs 80000, Patents – Rs 24000, Stock – Rs 30000, and Debtors at Book value less a provision of 10%.

- (vi) Sundry creditors were proved at Rs 46000, one bill for goods purchased having been omitted from books.
- (vii) The profit for the preceding four years were as under : 2015 –Rs 20000, 2016 – Rs 28000, 2017 – Rs 50000 , 2018 – Rs 34000
- Decide the Journal entries and Ledger accounts to record the above terms and the Balance sheet on 'C's admission.

SECTION E

Answer any ONE of the following question

(1 x 20 = 20 Marks)

15. Omega Ltd is a company with an authorized capital of Rs 500000 divided into 5000 equity shares of Rs 100 each on 31.12.2018 of which 2500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2018.

K6

CO5

Trial Balance of Omega Ltd

Debit	Rs	Credit	Rs
Opening stock	50000	Sales	325000
Purchases	200000	Discount received	3150
Wages	70000	Profit & Loss A/c	6220
Discount Allowed	4200	Creditors	35200
Insurance (up to 31.3.19)	6720	Reserves	25000
Salaries	18500	Loan from MD	15700
Rent	6000	Share capital	250000
General expenses	8950		
Printing	2400		
Advertisements	3800		
Bonus	10500		
Debtors	38700		
Plant	180500		
Furniture	17100		
Bank	34700		
Bad debts	3200		
Calls-in-arrears	5000		
	660270		660270

You are required to prepare company 's statement of Profit & Loss for the year ended 31.12.2018 and a Balance sheet as on that date (as per Revised Schedule IV). The following further information is given :

- Closing stock was valued at Rs 191500
- Depreciation on plant at 15% and on furniture at 10% should be provided.
- A tax provision of Rs 8000 is considered necessary.
- The directors declared an interim dividend on 15.8.2018 for 6 months ending 30th June 2018 at 6%.
- Provide for corporate dividend tax at 17%.

16. Appraise the provisions relating to AS-2, AS – 3 & AS – 6.

K6

CO5

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