



# 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

#### PART – A

**Q. No** Answer ALL questions

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

- 1 Write down the Adjusting entry to be passed for Goods sent on approval.
- 2 The Net Profit of a firm amounts to Rs 10500 before charging commission. The manager of the firm is entitled to a commission of 5% on the net profits after charging such commission. Calculate the commission payable to the manager.
- 3 A company purchased Machinery for Rs 100000. Its estimated life is 5 years and the scrap value is Rs 10000. Calculate the amount and rate of depreciation under SLM method.
- 4 Define the terms: Trade in & Trade in Allowance.
- 5 A and B are sharing profits in the ratio of 3:2. They admit C into partnership for 1/3 rd of the share in the future profit. Identify the New Profit-sharing Ratio.
- 6 What is Memorandum Revaluation account?
- 7 What is meant by Revenue from operations.
- 8 List out any two sources of Goodwill.
- 9 Recall the accounting standard that deals with Cash flow statement.
- 10 State any two advantages of setting Accounting standards.

#### PART – B

Answer any FOUR questions

**(4 x 10 = 40 Marks)**

- 11 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<sup>st</sup> Dec 2018 taking into account the adjustments:

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

### Adjustments:

- 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.

- 12 Analyze the factors affecting the amount of Depreciation and examine the need for providing depreciation.
- 13 ABC Ltd company purchased a truck for Rs 450000 on 1<sup>st</sup> April 2013. The truck was depreciated at 10% per annum on WDV method. The accounting year ends on 31<sup>st</sup> March of every year. Prepare the Truck Account and Depreciation on Truck Account for three years, ending 31<sup>st</sup> March 2016.
- 14 Validate the factors affecting the valuation of Goodwill.
- 15 Following is the Balance sheet of X, Y and Z as on 31.12.2014:

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 :

- Amount standing to the credit of his capital account
- Interest on capital which amounted to Rs 625
- 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 installments starting from 31.3.2016 with interest at 6% p.a. Prepare Y's Capital account, Y's executor account till it is finally paid. Assume profits are shared in the capital ratio.

16 State the rules regarding transfer of profits to reserves.

17 Enumerate the advantages of Accounting standards.

### PART – C

Answer any TWO questions

(2 x 20 = 40 Marks)

18 ABC 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.

#### Trial Balance of ABC 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. 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 30<sup>th</sup> June 2018 at 6%.
- Provide for corporate dividend tax at 17%.

19 A & B sharing profit and losses in the ratio of 3:2 respectively, showed the following as their balance sheet on 31<sup>st</sup> March 2018.

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 Sam's admission.

20 A and B are partners sharing profits in the ratio of 2:1. Following is the balance sheet of the firm as on 31.3.2011.

Liabilities	Rs	Assets	Rs
Wages due	5000	Cash in hand	22000
Sundry creditors	48000	Cash at Bank	2000
Capital A/C:		Debtors 30000	
A	60000	Less: Provision 2000	28000
B	35000	Bills Receivable	12000
		Stock	18000
		Investments	12000
		Furniture	4000
		Buildings	50000
	148000		148000

On 1.4.2011 C was admitted as a partner. C brings in Rs 25000 as capital for 1/4<sup>th</sup> share in profits. Additional information:

- (i) Provision for doubtful debts be increased to Rs.3500.
- (ii) Furniture be reduced to Rs.3500
- (iii) Buildings be increased by Rs.10000
- (iv) An investment of Rs.1500 not recorded in the books, now bought into account.
- (v) A contingent liability of Rs.800 has become certain liability. It has been agreed among the partners that assets and liabilities are to be shown at old values

Prepare Memorandum Revaluation account and new Balance sheet after admission.

21 Discuss the purpose and procedure for issuing Accounting standards in India.

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