



MS – 478

II Semester B.B.A. Examination, May 2016
(Fresh + Repeaters) (CBCS)
BUSINESS ADMINISTRATION
Paper – 2.3 : Financial Accounting
(2014-15 and Onwards)

Time : 3 Hours

Max. Marks : 70

Instruction : Answers should be written in **English only**.

SECTION – A

Answer **any five** sub-questions. **Each** question carries **two** marks.

(5×2=10)

1. a) What is Salvage ?
- b) What is installment system of selling ?
- c) Give the meaning of “cash down price” and hire purchase price.
- d) What is Royalty ?
- e) What do you mean by shortworking ?
- f) What is conversion of a firm into a company ?
- g) State any four types of preference shares.



SECTION – B

Answer **any three** questions. **Each** question carries **6** marks.

(3×6=18)

2. State differences between hire purchase and installment purchase.
3. A fire occurred in the premises of a merchant on 15 June 2015 and a considerable part of the stock was destroyed. The value of stock saved was Rs. 4,500. The book disclosed that on 1st April 2015 the stock was valued at Rs. 36,750. The purchases to the date of fire amounts to Rs. 1,04,940 and the sales Rs. 1,56,000. It was found that during the past five year the average G/P on sales was 36%. Calculate the amount of fire claim.
4. Calculate the purchase consideration from the following details.
The purchasing company agrees to issue 15,000 equity shares of Rs. 10 each valued at Rs. 12 each, 6000 6% debentures of Rs. 10 each at a discount of 5% and pay cash equal to 10% of face value of shares and debentures issued. The company also agreed to meet dissolution expenses of Rs. 2,500.

P.T.O.



5. Karthik Co. Ltd. took a mine on lease from Dhanush at a given rate of royalty with a minimum rent of Rs. 10,000 a year. Each year's excess of minimum rent over royalties is recoverable out of next year only. In the event of strike and minimum rent not being reached, it was provided that the actual royalties earned for the year would be the full royalty obligation for the year.

The results of the working were as follows :

Years	Actual royalties
I	NIL
II	Rs. 8,000
III	Rs. 8,000
IV	Rs. 9,000



Prepare analytical table.

6. Calculate the amount of interest and principal included in each installment.

Cash price Rs. 1,00,000

Down payment Rs. 25,000

Three installments of Rs. 30,000 each at the end of each installment.

SECTION – C

Answer **any three** questions. **Each** question carries **fourteen** marks. (3×14=42)

7. The stock was destroyed by fire on 30th June 2015. The stock in hand has always been valued at 10% less than cost.

Particulars	2012	2013	2014	2015
Opening stock	2,709	3,240	3,600	3,690
Purchases	7,490	8,000	8,100	600
Sales	12,000	13,200	14,000	1,200
Wages	1,740	1,900	2,090	200
Closing stock	3,240	3,600	3,690	—

Prepare a statement for submission to the insurance company in support of the claim for the loss of stock.

8. On 1-1-2012, Ramesh purchased a car on hire purchase on the following terms :
- 1) Cash price of the car was Rs. 10,000 of which Rs. 4,000 to be paid on signing the contract.
 - 2) Balance to be paid in three equal annual installments plus interest on the outstanding balance at 6%.

Depreciation on the car to be written off at 25% on the straight line method.

You are required to prepare necessary ledger a/cs in the books of Ramesh.



9. X, Y and Z are in partnership sharing profits and losses in the ratio of 4 : 3 : 1 respectively. On 31-12-2015 they agreed to sell their business to a Limited Co. The position on that day was as follows :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals : X	40,000	Freehold property	36,000
Y	30,000	Machinery	24,000
Z	26,000	Book debts	30,000
Loan from Bank	8,000	Stock	26,000
Creditors	16,000	Cash	4,000
	1,20,000		1,20,000

The company took the following assets except cash at the valuation shown below :

	Rs.
Freehold property	44,000
Machinery	22,000
Book debts	28,000
Stock	24,000
Goodwill	8,000



The company also agreed to pay the creditors which was agreed at Rs. 15,400. The company paid 3,300 shares of Rs. 10 each fully paid and the balance in cash. The realisation expenses amounted to Rs. 1,000.

Prepare necessary ledger a/cs in the books of the firm.

10. On 1-1-2011 the Mysore Collieries Ltd. leased a piece of land for a minimum rent of Rs. 2,000 in the first year, Rs. 4,000 in the second year and thereafter Rs. 6,000 per annum merging into a royalty of 25 paise per ton with power to recoup shortworkings over the first three years only. The annual output for the first four years ending December 2014 was 2000, 12,000, 32,000 and 48,000 tons respectively.

Show necessary ledger a/cs in the books of Mysore Collieries Ltd.

11. Basava Co. Ltd. issued 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable Rs. 2 on application, Rs. 5 on allotment, Rs. 3 on I call and balance on II and final call. All the shares were subscribed and the money was duly received except one share holder holding 100 shares on first call and two share holders holding 50 shares each on II and final call.

Pass necessary journal entries in the books of Basava Co. Ltd.