(CBCS) (2014-15 and Onwards) (Fresh)
COMMERCE
1.3 : Financial Accounting

Time : 3 Hours
Max. Marks : 70

Instruction: Answer should be written completely either in English or in Kannada.

SECTION – A

1. Answer any five sub-questions. Each sub-question carries 2 marks. (5x2=10)
   a) What do you mean by accounting standard?
   b) Write any two differences between single entry system and double entry system.
   c) What is recoupment of shortworking?
   d) Give the meaning of hire purchase system.
   e) How do you close Realisation Account?
   f) Give any two reasons for conversion of a firm into a limited company.
   g) Calculate the missing figure

   ₹
   Capital at the beginning 70,800
   Further capital introduced 18,800
   Drawings 11,200
   Net Loss 5,600
   Closing capital ?

SECTION – B

Answer any three questions. Each question carries 6 marks. (3x6=18)

2. What are the functions of accounting?

3. From the following information calculate total purchases and total sales:

   ₹
   Opening Debtors 28,000
   Closing Debtors 20,000
   Opening Creditors 16,000
   Closing Creditors 19,000
   Cash received from debtors 12,800
   Cash paid to creditors 4,000

P.T.O.
4. Mr. Shreekanth purchased a motor bike on hire purchase system on 1-04-2010. Total cash price of motor bike was ₹ 63,920, payable ₹ 15,920 down payment and 3 installments of ₹ 16,000 each year plus interest at 5% payable at the end of the year. Depreciation is to be charged at 10% p.a. on straight line method. Prepare Motor Bike Account and Hire Vender Account in the books of Shreekanth.

5. Prepare Royalty analysis table from the following details:

- i) Minimum Rent 75,000 p.a.
- ii) Royalty payable ₹ 5 per ton of output
- iii) Shortworking of the year can be recouped on the next 2 years out of excess royalty.
- iv) Output for the first five years were

<table>
<thead>
<tr>
<th>Years</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output in tons</td>
<td>10000</td>
<td>12200</td>
<td>20800</td>
<td>25500</td>
<td>35500</td>
</tr>
</tbody>
</table>

6. From the following details calculate purchase consideration and show the journal entries in the books of purchasing company.

The purchasing company has agreed to issue 8000 Equity shares of ₹ 10 each at par, 500 8% preference shares of ₹ 100 each at 10% premium, 1000 debentures of ₹ 50 each at 10% discount and pay cash equal to 10% of total purchase consideration.

SECTION – C

Answer any three questions. Each question carries 14 marks. (3x14=42)

7. Mr. Mohan Das keeps his books by single entry system. From the following data, prepare Trading and P/L A/c for the year ending 31-3-2014 together with B/S as on that date:

Cash Book Analysis shows the follows:

- Interest charges ₹ 200
- Personal withdrawals ₹ 4,000
- Salaries ₹ 17,000
- Business expenses ₹ 15,800
Payment to creditors 30,000
Balance at Bank on 31-3-2014 4,850
Cash on hand on 31-3-2014 150
Receipts from debtors 50,000
Cash sales 30,000
Further details available are

1-04-2013 31-03-2014

\begin{align*}
\text{Stock} & \quad 18,000 \quad 20,440 \\
\text{Creditors} & \quad 16,000 \quad 11,000 \\
\text{Debtors} & \quad 44,000 \quad 60,000 \\
\text{Furniture} & \quad 2,000 \quad 2,000 \\
\text{Machinery} & \quad 30,000 \quad 30,000 \\
\end{align*}

Provide 5% interest on Mohan Das’s capital as on 1-04-2013. Provide ₹ 3,000 for doubtful debts and 5% depreciation on all fixed assets.

8. Muthappa purchased a plant costing ₹ 1,60,000 on 1-04-2010 from Muthamma Electronics Ltd. under Hire purchase system. The terms being ₹ 40,000 down payment and balance in three equal annual installments together with interest at 20% p.a. on outstanding cash price. Depreciation is to be charged at 15% p.a. under straight line method.

Prepare the necessary ledger accounts in the books of Muthappa under assets accrual method.

9. Siri, Giri and Yadav carrying on business in partnership sharing profits and losses in the ratio of 4 : 3 : 1 respectively. On 31-03-2014 they agreed to sell their business to a limited company. Their position on that date was as follows:

\begin{align*}
\text{Liabilities} & \quad ₹ \quad \text{Assets} & \quad ₹ \\
\text{Sundry creditors} & \quad 80,000 \quad \text{Freehold property} & \quad 1,80,000 \\
\text{Loan} & \quad 40,000 \quad \text{Machinery} & \quad 1,20,000 \\
\text{Capital A/c:} & \quad \text{Debtors} & \quad 1,50,000 \\
\text{Siri} & \quad 2,00,000 \quad \text{Stock} & \quad 1,30,000 \\
\text{Giri} & \quad 1,50,000 \quad \text{Cash} & \quad 20,000 \\
\text{Yadav} & \quad 1,30,000 \\
\text{6,00,000} & \quad \text{6,00,000} \\
\end{align*}
The company took over the following assets except cash:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold property</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>1,10,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>1,40,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>40,000</td>
</tr>
<tr>
<td>Stock</td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

The company also agreed to pay the creditors which were agreed at ₹ 77,000. The company paid ₹ 3,36,000 in fully paid shares of ₹ 10 each and the balance in cash. The expenses amounted to ₹ 5,000.

Prepare the necessary Ledger accounts in the books of the firm.

10. Hemanth leased an oil well from Venkat Oil Ltd. on 1-1-2010. The minimum rent was ₹ 2,00,000 and royalty was ₹ 20 per ton of crude oil raised.

The shortworkings were recoverable in the succeeding two years of such shortworkings.

The output during the first 4 years were 5500, 8000, 11250, 12500 tons.

Prepare Minimum Rent A/c, Royalty A/c, Shortworking A/c and Venkat Oil Ltd's Account in the books of Hemanth.

11. a) From the following information, you are required to calculate total sales.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B/R in the beginning</td>
<td>7,800</td>
</tr>
<tr>
<td>Debtors in the beginning</td>
<td>30,800</td>
</tr>
<tr>
<td>B/R encashed during the year</td>
<td>20,900</td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>70,000</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>2,800</td>
</tr>
<tr>
<td>Return inwards</td>
<td>8,700</td>
</tr>
<tr>
<td>B/R dishonoured</td>
<td>1,800</td>
</tr>
<tr>
<td>B/R at the end of the year</td>
<td>6,000</td>
</tr>
<tr>
<td>Debtors at the end of the year</td>
<td>25,500</td>
</tr>
<tr>
<td>Cash sales as per cash book</td>
<td>40,900</td>
</tr>
</tbody>
</table>

b) Calculate the cash price of an asset from the following details

<table>
<thead>
<tr>
<th>Instalment Details</th>
<th>Value (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down payment</td>
<td>1,500</td>
</tr>
<tr>
<td>I Instalment payable at the end of 1 year</td>
<td>10,800</td>
</tr>
<tr>
<td>II Instalment payable at the end of 2nd year</td>
<td>10,350</td>
</tr>
<tr>
<td>III Instalment payable at the end of 3rd year</td>
<td>9,900</td>
</tr>
<tr>
<td>IV Instalment payable at the end of 4th year</td>
<td>9,450</td>
</tr>
</tbody>
</table>

Rate of interest = 5% p.a.