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BBABMC 157/BBMBMC 157

**Credit Based II Semester B.B.A./B.B.M. Degree
Examination, April/May 2017
(2012 Scheme)
ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 80

Instruction : Provide working notes *wherever necessary*.

SECTION – A
(1 mark each)

(1×10=10)

1. Answer **any ten** questions from the following.

- What is meant by capital expenditure ?
- Name the final accounts of non-trading concern.
- What is legacy ? How do you treat it in Final Accounts of non-trading concern ?
- How do you treat interest on drawings in partnership accounts ?
- Write the journal entry for decrease in the value of assets on admission of a partner.
- What is gain ratio ?
- How do you close the capital account of a deceased partner ?
- How do you close realisation account ?
- Which is the first payment made under piecemeal distribution of cash on dissolution of a firm ?
- What is an Account Sales ?
- What is proforma invoice ?
- What are abnormal losses in case of consignment ?

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P.T.O.



SECTION – B
(5 marks each)

(5×5=25)

Answer **any five** questions.

2. 5000 watches costing ₹ 10,00,000 were sent on consignment. Consignor spent ₹ 36,000 on freight, etc. 100 watches were destroyed during transit. Consignee incurred the following expenses in connection with consignment :

- 1) ₹ 9,000 by way of duty and clearing charges.
- 2) ₹ 10,000 by way of advertisement. Consignee sold 3900 watches.

Find out the value of abnormal loss and consignment stock.

3. Latha, Neetha and Shantha are partners in a firm, sharing profits and losses in the ratio of 2 : 2 : 1. They get interest on their capitals at 6% p.a. They receive salaries of ₹ 300, ₹ 400 and ₹ 500 per month respectively. Their Balance Sheet is given below :

Balance Sheet as on 31-12-2015

Liabilities	₹	Assets	₹
Capitals :		Cash	25,000
Latha	70,000	Furniture	30,000
Neetha	50,000	Debtors	35,000
Shantha	40,000	Machinery	70,000
	1,60,000		1,60,000

Neetha died on 1-7-2016. According to partnership deed, the executors of the deceased partner are entitled to claim :

- a) Capital of Neetha
- b) Interest on capital
- c) Salary
- d) Share of goodwill.

The goodwill of the firm is ₹ 60,000. You are asked to open Neetha's Capital Account.



4. Classify the following in to capital or revenue expenditure or receipt.
- a) Legal charges incurred on the acquisition of land.
 - b) Sale of old bats and balls.
 - c) Amount spent on painting and white-washing of a new building.
 - d) Cost of air-conditioning.
 - e) Repairs to computers.

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5. A, B and C are partners in a business sharing profits and losses in the ratio of 3 : 3 : 1 respectively. On 31-12-2016 B retires from the business. For ascertaining the amount due to B, goodwill is to be valued twice the average annual profits calculated on the basis of the 5 year's profits immediately preceding the retirement.

The profits of the 5 years were :

2012 - ₹ 4,000; 2013 - ₹ 6,000; 2014 - ₹ 8,000; 2015 - ₹ 10,000 and 2016 - ₹ 5,000.

Ascertain the amount of goodwill payable to B and pass the necessary journal entries assuming that the continuing partners decided to adjust the goodwill through capital accounts only.

6. Rajesh, Wilson and Badarinath are partners sharing profits and losses in the ratio of 5 : 3 : 2 respectively. Their Balance Sheet as on 31-12-2015, when the business was wound up was as follows :

Liabilities		₹	Assets		₹
Rajesh	50,000		Buildings	40,000	
Wilson	15,000		Plant	30,000	
Badarinath	<u>45,000</u>	1,10,000	Stock	30,000	
			Debtors	10,000	
		1,10,000		1,10,000	

It was agreed to repay the amounts due to the partners as and when the assets were realised namely :

Feb. 1, 2016 ₹ 30,000

April 1, 2016 ₹ 73,000

June 1, 2016 ₹ 3,000

Prepare a statement showing the distribution of cash among the partners under the surplus capital method.



7. Distinguish between capital expenditure and revenue expenditure.
8. What are the usual adjustments to be made on the death of a partner ?

SECTION – C
(15 marks each)

(15×3=45)

Answer **any three** questions.

9. Haridas consigns to Madhukara 40 cases of goods at a cost of ₹ 5,000 per case and incurs the following expenses in connection with the same, viz cartage ₹ 940, freight ₹ 3,480 and insurance ₹ 12,500. On arrival of the goods Madhukara pays clearing charges ₹ 3,120, cartage ₹ 960 and godown rent ₹ 200. Six cases were destroyed by fire and a sum of ₹ 30,000 is realised from the insurance company by way of compensation. Out of the remaining 34 cases, 24 are sold at a total price of ₹ 2,20,000. Madhukara is entitled to an ordinary commission of 5% and 2% del credere commission on sales in addition to reimbursement of expenses incurred. He sends to Haridas an account sales together with a bank draft for the balance due to Haridas.

Prepare necessary ledger accounts in the books of both the parties.

10. Anni and Binni are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31-12-2016 was as follows.

Liabilities		₹	Assets		₹
Creditors		50,000	Cash		20,000
B/P		25,000	Stock		25,000
General Reserve		25,000	Debtors		20,000
Capitals			Furniture		20,000
Anni	60,000		Machinery		40,000
Binni	<u>40,000</u>	1,00,000	Buildings		50,000
			Investments		20,000
			Profit & Loss A/c		5,000
		2,00,000			2,00,000



On 1-1-2017, they admitted Chinnu as partner and offered him $\frac{1}{5}^{\text{th}}$ share in the future profits on the following terms :

- a) Chinnu has to bring in ₹ 30,000 as his capital and ₹ 10,000 towards goodwill. Goodwill is to be withdrawn by the old partners.
- b) Depreciate furniture and machinery at 10% p.a.
- c) Appreciate buildings by ₹ 11,000.
- d) Maintain RBD at 5%.
- e) Investments are to be revalued at ₹ 25,000.
- f) Provide for outstanding salaries ₹ 1,000.

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Prepare :

- i) Revaluation A/c
- ii) Capital Accounts
- iii) New Balance Sheet.

11. The following is the Balance Sheet of Black, White and Green as on 30-6-2016.

Liabilities	₹	Assets	₹
Sundry Creditors	1,50,000	Cash	5,300
Bills Payable	18,000	Debtors	86,000
Capital Accounts :		Investments	1,00,000
Black	2,20,000	Stock	1,37,000
White	1,20,000	Furniture	50,700
Green	1,00,000	Building	1,29,000
		Goodwill	1,00,000
	6,08,000		6,08,000



It was decided to dissolve the partnership on the following terms :

- i) Black to take over Goodwill at ₹ 1,20,000 and furniture for ₹ 45,000.
- ii) Green took over Bills Payable at book value.
- iii) The other assets realised as under :
Debtors ₹ 80,000, Stock ₹ 1,56,000, Building ₹ 1,57,500, Investments ₹ 89,500
- iv) Realisation expenses amounted to ₹ 6,000.

Prepare Realisation Account, Partners Capital Accounts and the Cash Account.

12. Following is the Balance Sheet and Receipts and Payment Account of Karnataka Sports Club Bengaluru.

Balance Sheet as on 31-12-2015

Liabilities	₹	Assets	₹
Capital fund	60,000	Buildings	60,000
Subscriptions for 2016	2,000	Furniture	5,000
Office expenses Outstanding	3,000	Sports materials	9,000
Loan	20,000	Subscriptions Outstanding	1,500
		Rent outstanding	500
		Cash	9,000
	85,000		85,000



Receipts and Payment Account for the year ending 31-12-2016.

Receipts	₹	Payments	₹
To Opening Balance	9,000	By Office Expenses :	
To Subscriptions :		2015 – 3,000	
2015 – 1,500		2016 – <u>7,000</u>	10,000
2016 – 17,500		By Salary	4,000
2017 – <u>1,000</u>	20,000	By Subscription to	
To Entrance fees	5,000	newspapers	2,000
To Sale of old		By Drama expenses	4,000
newspaper	2,000	By Investments	8,000
To Rent	4,000	By Sports materials	2,000
To Receipts from Drama	5,000	By Fixed deposits	9,000
		By Cash balance	6,000
	45,000		45,000

Adjustments :

- i) Subscriptions outstanding ₹ 500.
- ii) Salary unpaid ₹ 400.
- iii) Office expenses due ₹ 1,000.
- iv) Depreciate Building by 5% and Furniture by 20%.
- v) Capitalise 50% of the entrance fees.

Prepare Income & Expenditure Account for the year ending 31-12-2016 and a Balance Sheet on that date.

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