

I Semester B.Com. Examination, Nov./Dec. 2017

(Prior to 12-13) (Repeaters)

COMMERCE

Paper 1.3 : Financial Accounting – I

Time : 3 Hours

Max. Marks : 100

**Instructions** : Answer should be written completely in **English** or **Kannada** only.

**Section – D is compulsory.**

SECTION – A

Answer **any ten** of the following. Each question carries **two** marks : (10×2=20)

1. a) What is interest suspense account ? Why it is opened ?
- b) State in which ratio debentures received in purchase consideration should be distributed.
- c) What is irrecoverable short workings ?
- d) Can a seller seize the goods sold under hire purchase system ? Why ?
- e) Who is hirer ?
- f) How do you treat the effect of strike in royalty a/cs ?
- g) What do you mean by sale of partnership firm to a company ?
- h) How do you calculate purchase consideration under net asset method ?
- i) What do you mean by Re-possession ?
- j) Write an entry to close realisation a/c showing debit balance.
- k) Bring out the meaning of short workings with an example.
- l) What do you mean by revaluation a/c ?

P.T.O.



SECTION – B

Answer any 5 of the following. Each question carries 5 marks :

(5×5=25)

2. What are the merits of converting partnership firm in to a limited company ?
3. Write the opening entries in the books of new firm on amalgamation.
4. Cash price ₹ 48,000, down payment ₹ 12,000. The balance is paid in 3 annual installments of ₹ 6,000 each, interest is charged 5% p.a.  
Calculate the total purchase price paid.
5. A company takes over the following assets and liabilities from a partnership firm.

Land and Building ₹ 45,000

Plant and Machinery ₹ 20,000

Stock ₹ 20,000

Debtor ₹ 23,200

Bills Receivable ₹ 16,000

Current liabilities ₹ 28,800

The value of goodwill fixed at ₹ 28,800. Calculate purchase consideration payable 10,000 equity shares of ₹ 10 each and the balance in cash.

6. Prepare interest Suspense A/c from the following cash price ₹ 46,500, Total purchase price – ₹ 51,000, Interest apportioned – 3 : 2 : 1 Date of purchase 1-1-2015 Books are closed on 31/12 every year.
7. Pass incorporation entries from the following purchase consideration – ₹ 9,00,000, value of sundry assets taken over – ₹ 10,50,000 current liabilities ₹ 75,000 settlement of P. C. : 75% in equity shares of ₹ 10 each, 1000, 8% debentures of ₹ 100 each and the balance in cash.
8. Prepare an analysis Royalty table from the following :  
Minimum Rent – 15,000 p.a. Royalty payable = 0.75 ps. per ton short workings can be recovered in the next 2 years out put for first 4 years – 10,000, 12,000, 28,000 and 25,000 tons.



SECTION - C

Answer any 3 of the following. Each question carries 15 marks : (15×3=45)

9. A mining company leased a property from Mr. Anand at a royalty of ₹ 5 per ton with a minimum rent of ₹ 12,000 p.a. Each year excess of minimum rent over actual royalty recoverable in the next 3 years : The results of the workings are as follows :

**Years Output (tons)**

2004 1,000

2005 1,500

2006 2,000

2007 2,800

2008 3,000

Prepare necessary 5 years ledger accounts in the books of the Co.

10. On 1-1-2008 Mrs. Aruna purchased a washing machine from Shwetha enterprises on hire purchase basis. The cash price of the machine was ₹ 50,000, payable ₹ 10,000 on signing the agreement and the balance in 4 annual installments of ₹ 10,000 plus interest at 5% p.a. payable on 31-12 each year. Mrs. Aruna writes off depreciation at 10% p.a. on diminishing balance method. Show necessary Ledger A/c's in the books of Mrs. Aruna

11. On 1-1-2009 Maria oil company purchased an oil machine on the installment system. The cash price of the machine was ₹ 2,23,500 and payment was to be made as follows : ₹ 60,000 was to be made on signing of the agreement and the balance in 3 installments of ₹ 60,000, each at the end of each year 5% p. a. interest is charged by the vendor Co. Maria oil company has decided to write off 10% p. a. as depreciation on diminishing balance of cash price. Prepare necessary ledger A/c's in Maria oil company.

12. Maria, Aruna and Shwetha were in partnership sharing profits and losses in the ratio of 4 : 3 : 1 respectively on 31-3-2015 they agreed to sell their business to Chaithra Ltd., Company. Their position on that date was as follows :

**Balance Sheet**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital Accounts			
Maria	40,000	Freehold property	36,000
Aruna	30,000	Machinery	24,000

SN – 461

-4-



Shwetha	26,000	Book debts	30,000
Loan from Bank	8,000	Stock	26,000
Sundry creditors	16,000	cash	4,000
	<b>1,20,000</b>		<b>1,20,000</b>

The company took the following assets at the valuation freehold property ₹ 44,000, machinery 22,000, Book debts ₹ 28,000 stock ₹ 24,000 and good will ₹ 8,000. The company also agreed to pay creditors ₹ 15,400. The company paid 3,300 shares of ₹ 10 each fully paid and the balance in cash, calculate purchase consideration and also pass, opening entries in the books of purchasing company.

13. The Balance Sheet of Shashi and Kala on 31-3-2004

Liabilities	Shashi	Kala	Assets	Shashi	Kala
Creditors	10,000	8,000	Machinery	7,500	10,000
Bank loan	5,000	—	Stock	10,000	5,000
Capital	15,000	20,000	Debtors	12,500	11,000
			Bank	—	2,000
	<b>30,000</b>	<b>28,000</b>		<b>30,000</b>	<b>28,000</b>

They decided to amalgamate their business. The following revaluation were agreed :

- Machinery to be reduced by 10%
- Stock of Shashi to be reduced by 20% and Kala by 10%.
- A provision of 5% is to be against debtors of both.
- Each proprietor is to be credited with good will ₹ 5,000.
- Bank loan of Shashi is to be paid by her.

Prepare necessary ledger A/c's in the books of both the parties.

#### SECTION – D

Compulsory question :

(10x1=10)

14. Briefly explain the various methods of calculation of purchase consideration.