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Bachelor of Business Administration 1st Semester

(1129)

FINANCIAL ACCOUNTING

Paper—BBAS105

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt *four* questions from Section-A and *two* questions each from Section-B and Section-C. Use of non-programmable calculator is allowed.

SECTION—A (4×5)

1. Distinguish between provisions and reserves.
2. What is capitalisation of reserves ?
3. Books of Reshma Ltd. have shown the following balances. Prepare trial balance from these figures :

(Figures in Rupees)

Cash	4,000
Capital	19,000
S. Creditors	7,000
S. Debtors	14,500
Bank Overdraft	5,000
Opening Stock	1,500
Wages	2,500

(Figures in Rupees)

Salaries	1,500
Purchases	20,500
Sales	29,000
Rent Paid	2,000
Carriage Paid	2,500
Drawings	1,500
Depreciation	1,500
Machinery	6,500
Furniture	3,500
Bills Receivable	2,500
Bills Payable	4,500

- Find the value of closing stock when sales are Rs. 1,80,000. Gross profit on cost is 20%. Opening stock is Rs. 10,000. Purchases are for Rs. 1,20,000 and direct expenses are worth Rs. 60,000.
- Humanity Corporation is planning to raise funds by making rights issue of 3 new shares for 5 old shares at Rs. 15 per share to finance its expansion. The existing ordinary share capital of the company is Rs. 1 crore. The par value of its shares is Rs. 10 and the market price is Rs. 40. You are required to find value of right and percentage increase in share capital after right issue assuming the issue is fully subscribed.

6. Sneha Ltd. purchased machinery worth Rs. 1,98,000 from Sonali Ltd. The payment was made by issue of 12% debentures of Rs. 100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when :

- (i) Debentures are issued at par;
- (ii) Debentures are issued at 10% discount; and
- (iii) Debentures are issued at 10% premium.

SECTION—B (2×15)

- 7. What do you understand by generally accepted accounting principles ? Briefly state the various concepts and conventions of accounting.
- 8. What is Bank Reconciliation Statement ? State various reasons of difference in the bank balance shown by cash book and pass book.
- 9. From the following information, prepare a triple column cash book for the month of July, 2018 :

Date	Transaction
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- | | |
|---|---|
| 1 | Cash in hand Rs. 1,532 and balance at bank Rs. 18,500. |
| 2 | Received from Salman Rs. 590 and allowed him discount Rs. 10. |

3. Paid salaries for the month of February Rs. 200.
4. Purchased merchandise payment made by cheque Rs. 3,200.
8. Paid Bilal & Co. by cheque Rs. 800 discount received Rs. 20.
10. Withdrew from bank for office use Rs. 400. Paid rent in cash Rs. 300.
14. Deposited into bank Rs. 500.
15. Cash sales Rs. 2,460.
18. Purchased a motor car for Rs. 6,500, payment made by cheque.
23. Received a cheque from Salman for Rs. 391, discount Rs. 9.
25. Paid wages Rs. 350.
28. Salman cheque paid into bank.
29. Paid general expenses Rs. 360.
31. Bank informed that Salman's cheque has been dishonoured.
31. Cash sales Rs. 6,440.

10. Prepare a Trading and P & L A/c for the year ending 31.03.2018 and a Balance Sheet-as on that date from the following Trial Balance :

Trial Balance
As on 31st March, 2018

Particulars	Dr. (Rs.)	Cr. (Rs.)
Opening Stock	16,000	
Capital		45,000
Salaries	13,000	
Drawings	4,000	
Carriage Inwards	500	
Carriage Outwards	1,000	
Sales Return	1,000	
Purchase Return		700
Loan to Mr. X	11,000	
Loan from Mr. Y		7,000
Rent	1,300	
Rent Outstanding		200
Purchase	40,000	
Sales		73,100
Debtors	25,000	
Creditors		8,000
Bad Debt	800	

Particulars	Dr. (Rs.)	Cr. (Rs.)
Reserve for Bad Debt		1,200
Discount Allowed/Received	600	
Furniture	11,700	
Wages	500	
Insurance Premium	1,200	
Rent by Sub-letting		800
Cash	700	
Bank	8,000	
Total	1,36,300	1,36,300

Additional Information :

- Closing Stock Rs. 10,500, but the market value of Closing Stock was Rs. 9,500.
- Insurance premium prepaid Rs. 200.
- Loan to Mr. X, given at 10% interest p.a. and loan taken from Mr. Y carries 9% interest p.a.
- Depreciation is to be provided at 5% on furniture.
- Goods worth Rs. 500 have been taken by the proprietor for private use.
- Bad and doubtful debts are to be provided at 10%.

SECTION—C (2×15)

- Explain "Employee Stock Option Plan". What is the accounting treatment for Employee Stock Option Scheme ? Journalize the transactions relating to "ESOPs".
- Out of what financial resources can debentures be redeemed ? State various methods of redemption of debentures with suitable examples.

13. Pretty Co. Ltd. issued 30,000 equity shares of Rs. 10 each payable as Rs. 3 per share on Application, Rs. 5 per share (including Rs. 2 as premium) on Allotment and Rs. 4 per share on Call. All the shares were subscribed. Money due on all shares was fully received except from Raman, holding 500 shares, who failed to pay the Allotment and Call money and Shyamal, holding 1,000 shares, who failed to pay the Call money. All those 1,500 shares were forfeited. Of the shares forfeited, 1,250 shares (including whole of Raman's shares) were subsequently re-issued to Jadubhai as fully paid up at a discount of Rs. 2 per share. Pass the necessary entries in the journal of the company to record the forfeiture and re-issue of the shares. Also prepare the Balance Sheet of the company.
14. The following information has been extracted from the books of account of Atlas Ltd. as at 31st March, 2018 :

Particulars	Dr. (Rs.'000)	Cr. (Rs. '000)
Administration Expenses	520	
Cash at Bank and on Hand	208	
Cash Received on Sale of Fittings		10
Long Term Loan		70
Investments	200	
Depreciation on Fixtures, Fittings, Tools and Equipment (1 st April, 2017)		260
Distribution Costs	62	
Factory Closure Costs	60	
Fixtures, Fittings, Tools and Equipment at Cost	680	
Profit & Loss Account (at 1 st April 2017)		80

Particulars	Dr. (Rs. '000)	Cr. (Rs. '000)
Purchase of Equipment	120	
Purchases of Goods for Resale	1,730	
Sales (net of Excise Duty)		3,000
Share Capital : (1,00,000 shares of Rs. 10 each fully paid)		1,000
Stock (at 1 st April, 2017)	140	
Trade Creditors		80
Trade Debtors	780	
	4,500	4,500

Additional Information :

- The stock at 31st March, 2018 (valued at the lower of cost or net realizable value) was estimated to be worth Rs. 2,00,000.
- Fixtures, fittings, tools and equipment all related to administration. Depreciation is charged at a rate of 20% per annum on cost. A full year's depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal.
- During the year to 31st March, 2015, the company purchased equipment of Rs. 1,20,000. It also sold some fittings (which had originally cost Rs. 60,000) for Rs. 10,000 and for which depreciation of Rs. 30,000 had been set aside.
- The average income tax for the company is 50%. Factory closure cost is to be presumed as an allowable expenditure for income tax purpose.
- The company proposes to pay a dividend of 20% per equity share.

Prepare Atlas Ltd.'s Profit and Loss Account for the year and Balance Sheet to 31st March, 2018.