

Indian Maritime University
(A Central University, Govt of India)
End Semester Examinations – June 2025
Programme Name: BBA (LRE)
Semester: II
Subject Code: UG31T3203

Subject Name: Principles and Practices of Financial Accounting

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|------------------|----------------|
| Date: 04.06.2025 | Max Marks: 70 |
| Duration: 03 Hrs | Pass Marks: 35 |

General Instructions

- (i) All Sections (A, B & C) are to be attempted.
- (ii) Options, if any, are specified in respective section.

Section A

Ten MCQs/Fill in the Blanks of 01 Mark each – Choose the correct answer as applicable.

1. Share premium account is shown in Balance sheet under
 - (a) Miscellaneous expenditure
 - (b) Current liabilities
 - (c) Reserves and surplus
 - (d) None of the above.
2. The portion of the capital which can be called up only on the winding up of the company is called :
 - (a) Authorised capital
 - (b) Called up capital
 - (c) Uncalled capital
 - (d) Reserve capital
3. X Ltd purchased a building for Rs.600000 payable as 20% in cash and balance by allotment of 8% debentures of Rs.500 each at a premium of 20%. Number of debentures issued will be:
 - (a) Rs.9600
 - (b) Rs.8000
 - (c) Rs.12000
 - (d) Rs.10000
4. Debentures holders are ____
 - (a) Owners of the company
 - (b) Lenders of the company
 - (c) Vendors of the company
 - (d) Customers of the company

5. Object of verification of assets _____
 - (a) Physical verification of assets
 - (b) Checking value of assets
 - (c) Examining the authority of their acquisition
 - (d) All of the above
6. ____ Audit is the process of evaluating a firm's various operating procedures, code of conduct, and other factors to determine its effect on the society.
 - (a) Cost audit
 - (b) Performance audit
 - (c) Social audit
 - (d) Tax audit
7. Salvage stock means _____
 - (a) Destroyed stock
 - (b) Stock saved from fire
 - (c) Insurance claim
 - (d) Total stock
8. Expenses of rent is apportioned among various departments on basis of
 - (a) Sales of each department
 - (b) Floor area occupied by each department
 - (c) Either (a) or (b)
 - (d) None of the above
9. The purpose of preparing a departmental profit and loss account for a firm is _____
 - (a) To show the relative financial performance of different sections of the firm.
 - (b) To estimate the firm future cash requirements.
 - (c) To ensure that all likely bad debts are provided for
 - (d) To ensure that discounted allowed by the firm do not exceed discount received
10. Premium received on issue of shares cannot be utilized for _____.
 - (a) Distribution of dividend
 - (b) Issue of bonus shares
 - (c) Writing preliminary expenses
 - (d) None of the above

Section B

Five Questions of 02 Marks each

11. What is the main difference between equity and preference shares?
12. What is cash price in a hire purchase agreement?
13. What is inter-departmental transfers and explain their significance?
14. What are the primary reasons a company would choose to issue debentures?
15. What is statutory audit?

Section C

Seven Questions of 10 Marks each of which any 05 questions to be answered.

16. The following is the Trial Balance of Ram Cement Co. Ltd on 31/03/2024.

| Debit balances | Amount | Credit balances | Amount |
|------------------------|---------------|--|---------------|
| Stock (1-4-2023) | 75000 | Sales | 350000 |
| Purchases | 245000 | Profit & Loss statement (31-03-2024) | 15030 |
| Wages | 50000 | Share capital (10000 Equity shares of Rs.10) | 100000 |
| Furniture and Fittings | 17000 | Sundry creditors | 17500 |
| Salaries | 7500 | Reserve fund | 15500 |
| Rent | 4950 | Discount Received | 5000 |
| Sundry expenses | 7050 | | |
| Dividend paid | 9000 | | |
| Debtors | 37500 | | |
| Machinery | 29000 | | |
| Cash in Hand | 10200 | | |
| Cash at Bank | 6000 | | |
| Patents and Trade Mark | 4830 | | |
| | 503030 | | 503030 |

Adjustments:

- (a) Stock on 31-03-2024 was worth Rs.82000
- (b) Depreciate fixed assets at 10%
- (c) Make provisions for income tax at the rate of 50%. Prepare statement of profit and Loss for the year ended 31-03-2024.

17. Define verification and explain the objectives of verification in auditing?

18. P Ltd was registered with an authorised capital of Rs.10 lakhs divided into 100000 equity shares of Rs.10 each out of which the company issued 50000 equity shares to the public for subscription. the shares were payable as under-

Rs. 3 per share on application

Rs. 2 per share on allotment

Rs. 2 per share on First call

Rs. 3 per share on second and final call

The shares were fully subscribed for and the money was duly received.

Show the journal entries in the books of the company.

19. Distinguish between internal check and internal audit?

20. On 1st April 2013 Sindooram Health Care Ltd. Patnam, purchased a luxury coach from Leyland India Ltd. on hire purchase basis. The terms of purchase were:

Cash price Rs. 1180000

Payment Rs. 400000 on signing of the contract and the balance in three annual instalments of Rs. 400000 each payable on 31st March every year.

Rate of interest: 25% per annum

Depreciation: 20% straight line method

All the instalments are paid in time. Prepare ledger accounts of Luxury coach a/c and Leyland India a/c in the books of hire purchaser.

21. On 17th June 2023, a fire occurred in the premises of Mr. Bookworm, a bookseller. Most of the stock was destroyed, the cost of the salvaged stock being Rs. 11200. In addition, some stock was salvaged in damaged condition and its value was estimated at Rs. 10400. The following particulars were available from the books of account:

- (a) Stock at the close of accounts on 31st December 2022 was Rs. 83500
- (b) Purchases from 1-1-2023 to 17-6-2023 amounted to Rs. 112000 and sales during that period amounted to Rs. 154000.
- (c) On the basis of the past three years it appears that on average the gross profit of 25% is earned on sales.
Stock was insured for Rs. 75000. Compute the amount of claim

22. Difference between finance lease and operating lease?