

INDIAN MARITIME UNIVERSITY
(A Central University, Govt. of India)
End Semester Examination - December 2018
Semester-I
B.B.A (Logistics, Retailing and E-Commerce)
Financial Accounting III-(UG31T1302)

Date: 27.12.2018

Max Marks : 100

Time: 3 Hrs

Pass Marks: 50

Part – A

Answer all the Questions

10x 1 =10

1. Weighted average method of calculating goodwill should be followed when:
 - a. Profit has increasing trend
 - b. Profit has decreasing trend
 - c. Either a or b
 - d. None of the above
2. Which financial statement represents the accounting equation-
Assets = Liability + Owners Equity:
 - a. Income statement
 - b. Cash flow statement
 - c. Balance sheet
 - d. Fund flow statement
3. Sale value of the by-product is credited to
 - a. Manufacturing account
 - b. Trading account
 - c. Capital account
 - d. Drawings account
4. The Purpose of maintaining assets in a company is to
 - a. Convert them into cash
 - b. Earn revenue
 - c. none of the above
 - d. Both a and b
5. A contributory is
 - a. A creditor
 - b. Shareholder
 - c. Debenture holder
 - d. None of the above

6. 'Goods sent on approval basis' have been recorded as 'Credit sales'. This is an example of
 - a. Error of principle
 - b. Error of commission
 - c. Error of omission
 - d. None of the above
7. Which of the following type of shares have the right to receive dividend unpaid in the prior years, whenever earnings become adequate?
 - a. Convertible preference shares
 - b. Cumulative preference shares
 - c. Callable preference shares
 - d. Equity shares
8. Balance of petty cash is
 - a. An expense
 - b. An income
 - c. An asset
 - d. A liability
9. A decrease in the provision for doubtful debts would result in
 - a. An increase in working capital
 - b. An increase in net profit
 - c. A decrease in net profit
 - d. Decrease in working capital
10. Goodwill is
 - a. An investment
 - b. An intangible fixed asset
 - c. A tangible fixed asset
 - d. Current Asset

Part – B (200 words)
Answer any 6 questions

6 x 7 = 42

11. What are the advantages of an independent audit?
12. Tesla Marine is a boat repair yard. During August 2016, its transactions included the following:

August 03. Loan taken from Habib Bank Ltd. of Rs. 25,000. Rs. 20,000 withdrawn for business and remaining in the bank a/c.

August 06. Paid rent for the month of August Rs.4,400 and accrued rent expenses was Rs.600.

August 12. At request of Kiwi Insurance, Inc, made repairs on boat of Jon Seaways. Sent bill for Rs.5,620 for services rendered to Kiwi Insurance Inc. (credit Repair Service Revenue).

August 18. Made repairs to boat of Dennis Copper and collected in full the charge of Rs.2,830.

August 20. Placed Advertisement in The Dawn of Rs.165, payment to be made within 30 days.

August 25. Received a check for Rs. 5,620 from Kiwi Insurance Inc representing collection of the receivable of August 12.

August 30. Sent check to The Dawn in payment of the liability incurred on August 20.

Journalize the above transactions.

13. X Co. Ltd. forfeited 100 shares of Rs.10 each fully called up, held by Mr. Arun for nonpayment of allotment money of Rs.3 per share and first and final call of Rs.4 per share. He paid application money at Rs.3 per share. These shares were reissued at Rs.9 per share as fully paid. Pass forfeiture and reissue journal entries.

14. What are the key differences between audit plan and audit programme?

15. Write short notes on

- (a). Utilization of Securities premium Account.
- (b). Calls-in-Arrears and Calls-in-advance

16. Distinguish between debenture & share.

17. Pass journal entries for the following:—

- (i) Conversion of fully paid equity share capital of Rs.6,00,000 into equity stock.
- (ii) Cancellation of unpaid amount of Rs.2,00,000 in respect of 1,00,000 equity shares of Rs.10 each, Rs.8 called and paid up.

- (iii) Sub-division of 20,000 fully paid equity shares of Rs.100 each into 2,00,000 equity shares of Rs.10 each fully paid.
- (iv) Consolidation of 40,000 14% preference shares of Rs.25 each, fully paid up into 10,000 14% preference shares of Rs.100 each.
- (v) Conversion of equity stock of Rs.2,50,000 into 25,000 equity shares of Rs.10 each.

18. What are the different classes of shares?

Part – C (500 Words)

**Question No.19 is compulsory and
answer any 3 questions of the remaining 5 questions 4 x 12 =48**

19. Following details are available about Chothiram Ltd.

- (i) Profits: 2010- Rs.1,00,000 , 2011- Rs.1,25,000 , 2012- Rs.1,40,000
- (ii) Profits of 2010 have been reduced by Rs.15,000 because goods were destroyed by fire.
- (iii) Non recurring income of Rs.10,000 is included in profit of 2011.
- (iv) Profit of 2012 include Rs.10,000 income on investment
- (iv) Goods have not been insured but it is thought prudent to insure them in future. The insurance premium is estimated at Rs.750 per year.
- (vi) Reasonable remuneration of the proprietor of business is Rs.12000 per year but it has not been taken into account for calculation of above mentioned profit.

Calculate goodwill on the basis of four years of purchase, using average profit method.

20. M. Co. Ltd. Went into voluntary liquidation on 1.3.2009.

The following are extracted from its books on that date:

Capital:			
50,000 Equity shares of RS.10 each	5,00,000	Building	1,50,000
Debentures		Plant & machinery	2,10,000
(secured by a floating charge)	2,00,000	Stock in trade	95,000
Bank overdraft	30,000	Book debts	75,000
Creditors	40,000	Less : provision <u>(10,000)</u>	
			65,000
		Calls-in-Arrear	1,00,000
		Cash in hand	10,000
		Profit and loss A/c	<u>1,40,000</u>
	<u>7,70,000</u>		<u>7,70,000</u>

Plant and Machinery and Building are valued at Rs.1,50,000, and Rs.1,20,000, respectively. On realization, losses of Rs.15,000 are expected on Stock. Book-Debts will realize Rs.70,000. Calls-in- arrear are expected to realize 90%. Bank Overdraft is secured against Buildings. Preferential Creditors for taxes and wages are Rs.6,000 and Miscellaneous Expenses outstanding Rs.2,000. Prepare a Statement of Affairs.

21. On 1st December, 1999 Mehul Ltd. was incorporated with authorised capital of Rs.1 core. On 30th November, 2000 the following is its Trial Balance :

Equity share capital (fully paid up shares of Rs.10 each of which 1,00,000 shares are issued for consideration other than cash Rs. 10,00,000)	25,00,000
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Capital reserve		2,00,000
Fixed assets — cost	8,00,000	
Purchases (net)	60,00,000	
Sales (net)		75,00,000
Expenses	4,00,000	
Depreciation	1,00,000	
Provision for depreciation		1,00,000
Bank — current account — scheduled bank	2,00,000	
Interim dividend	3,00,000	
Liability for interim dividend		1,80,000
Creditors for goods		10,00,000
Creditors for expenses		20,000
Prepaid expenses	50,000	
Advance from customers		1,00,000
Advance to suppliers	1,50,000	
Customers dues	32,00,000	
Tax payment	<u>4,00,000</u>	
	<u>1,16,00,000</u>	<u>,16,00,000</u>

On 30th November, 2000, the cost of unsold stock is Rs.3,50,000. Customers dues are unsecured but considered good and are due for less than six months. Provide for taxation at 35%. Directors have proposed final dividend of Rs.2,00,000 and appropriation to general reserve of Rs.2,50,000. Prepare the Revenue statement and balance sheet.

22. What is internal check? What are the procedures of internal check on
(A) cash receipts
(B) cash payments

23. Journalise the following transactions and also show how they appear in Balance Sheets:

- (a) A Ltd. issued 5,000 10% Debentures of Rs.100 each at a discount of 5% and redeemable at the end of 5 years at par.
- (b) B Ltd. issued 5,000 12% Debentures of Rs.100 each at par and redeemable at the end of 5 years at a premium of 5%.
- (c) C Ltd. issued 5,000 14% Debentures of Rs.100 at a discount of 5% and redeemable at the end of 5 years at a premium of 5%.

24. Write the adjustment entries for the following:

- (a) Closing stock
- (b) Outstanding expenses
- (c) Prepaid expenses
- (d) Accrued income
- (e) Income received in advance
- (f) Depreciation
- (g) Interest on capital
- (h) Interest on drawings
- (i) Bad debts
- (j) Provision for doubtful debts
- (k) Provision for discount on debtors
- (l) Provision for discount on creditors
