Reg. No. | | | | | | | | | |

BM 405

IV Semester B.B.M. Examination, September 2022
(1995 Scheme)
ACCOUNTING – IV

Time : 3 Hours Max. Marks : 80

***Instruction** : Furnish working notes.*

SECTION – A **(15 marks each)**

(15×3=45)

1. Poor Ltd., sells its business to Rich Ltd., the latter to take over the assets at book values and to pay trade liabilities, in addition it is to pay Poor Ltd., liquidation expenses ₹ 400 and ₹ 1,000 towards redemption of its debentures at a premium of 10%. The payment of purchase price is to be 2000 shares of ₹ 10 each at an agreed value of ₹ 12 per share and the balance in cash.

Balance Sheet of Poor Ltd.

Liabilities	₹	**Assets**	₹
Share Capital	30,000	Sundry assets	51,000
P/L A/c	2,000	Workmen compensation	
Workmen compensation		fund investment	1,000
fund	1,000	Debtors	15,500
Bills payable	4,500		
Creditors	20,000		
Debentures	10,000		
	67,500		**67,500**

Prepare the ledger accounts in the books of Poor Ltd., and journal entries in the books of Rich Ltd.

P.T.O.

2. Sugama Ltd. purchased from Tata Ltd. 3 Volvo buses costing ₹ 10 lakhs each on hire purchase system. Payment was to be made ₹ 2 lakhs on each bus down, and the remainder in 3 equal annual installments together with interest at 9% p.a.

   Sugama Ltd. write off depreciation at 20% p.a. on WDV. It paid the first installment but couldn't pay the next.

   Tata Ltd. agreed to leave one bus with Sugama Ltd., adjusting the value of other 2 buses against the amount due. The buses were valued on the basis of 30% depreciation p.a. on the diminishing balance.

   Tata Ltd. spent ₹ 1 lakh in getting the buses thoroughly overhauled and sold them for ₹ 1,20,000.

   Show the important ledger accounts in the books of both the parties for 2 years.

3. From the following trial balance you are required to prepare Departmental Trading and P/L A/c for the year ended 31-12-2011 and a Balance Sheet on that date.

Particulars	**Dr. (₹)**	**Cr. (₹)**
Stock on 01-01-2011 :		
Dept. A	17,400	–
Dept. B	14,700	–
Purchases :		
Dept. A	35,000	–
Dept. B	30,000	–
Sales :		
Dept. A	–	60,000
Dept. B	–	40,000

Wages :		
Dept. A	8,200	–
Dept. B	2,700	–
Rent, rates, taxes and insurance	9,390	–
Sundry expenses	3,600	–
Salaries	3,000	–
Lighting	2,100	–
Discounts	2,220	650
Advertising	3,680	–
Carriage inward	2,340	–
Furniture	3,000	–
Plant and Machinery	21,000	–
Debtors	6,060	–
Creditors	–	30,650
Capital	–	47,660
Drawing	4,500	–
Bank balance	9,900	–
Cash in hand	170	–
	1,78,960	**1,78,960**

Additional information :

a) Internal transfer of goods from 'A' Department to 'B' ₹ 420.

b) The items like rent, rates, taxes and insurance; Sundry expenses, lighting and heating : salaries and carriage inwards to be apportioned 2 : 1 between Dept. A and B.

c) Advertisement to be shared equally.

d) Discount allowed and received are to be apportioned on the basis of Departmental sales and purchases (excluding transfer).

e) Depreciation at 10% p.a. on furniture and on plant and machinery to be charged 3/4 to 'A' Dept. and 1/4 to 'B'.

f) The stock on 31st Dec. 2011 :

'A' Dept. ₹ 16,740

'B' Dept. ₹ 12,050.

OR

Bad Luck Ltd. went into liquidation on 1st July 2011. The balance sheet of the company on this date was as follows :

Liabilities	₹	**Assets**	₹
Share Capital :		Plant	2,00,000
10% Preference Shares of		Stock	1,00,000
₹ 10 each	1,20,000	Debtors	1,50,000
20000 Equity shares of		Cash	3,000
₹ 10 each	2,00,000	P/L A/c	30,000
5% Debentures	60,000		
Creditors	1,03,000		
	4,83,000		**4,83,000**

Preference dividend was in arrears for one year and payable on liquidation. Plant and Stock realised ₹ 2,75,000. Debtors worth ₹ 25,000 were bad. Creditors include ₹ 5,000 preferential. Liquidation expenses amounted to ₹ 1,600. Liquidator's remuneration was agreed at 2% on amount realised expect cash and 2% on the amount distributed to equity shareholders. Debenture holders were paid on 01-01-2012.

Prepare Liquidator's Final Statement of Account.

SECTION – B **(5 marks each)**

Answer **any five** questions. **(5×5=25)**

4. Mr. Pai had a branch in Mangalore. Goods are supplied to branch at cost. The expenses of the branch are paid from H.O. and the branch keeps sales journal and the debtors ledger only. From the following information prepare branch a/c in the books of H.O.

	₹
Opening Stock	24,000
Closing Stock	18,000
Credit sales	41,000
Cash sales	17,500
Receipts from debtors	37,900
Closing debtors	9,160
Goods received from H.O.	30,000
Expenses paid by the H.O. for the branch	10,400

5. The share capital of Best Ltd. consisted of the following :

   i) 2500 Preference shares of ₹ 50 each.

   ii) 3000 Equity shares of ₹ 50 each.

   The Best Ltd., was suffering from heavy losses. It accepted the following scheme of reconstruction.

   a) The preference shares be reduced to an equal number of ₹ 30 each.

b) The equity shares be reduced to an equal number of ₹ 25 each.

c) The amount so available to used to write off preliminary expenses ₹ 32,500, Losses ₹ 30,000, Goodwill ₹ 40,000 and to write off ₹ 5,000 from building, ₹ 15,000 from machinery and ₹ 2,500 from furniture.

You are required to pass journal entries in the books of Best Ltd.

6. Calculate P.V. ratio and break even sales from the following data :

   Fixed expenses ₹ 2,00,000

   Selling price per unit ₹ 20

   Variable cost per unit ₹ 15

7. On 1st January 2008, 'A' purchased from 'B' a machine on hire purchase system for ₹ 27,300 to be paid as follows :

   On delivery ₹ 8,000

   1st year end ₹ 7,600

   2nd year end ₹ 6,000

   3rd year end ₹ 3,500 and

   4th year end ₹ 2,200

   Interest included in ₹ 27,300 is charged on the cash price of the machine at 10% p.a. Find out the interest for each installment and also cash price of the machine.

8. Give the meaning of hire purchase system and explain its features.

9. Distinguish between internal reconstruction and external reconstruction.

SECTION – C **(one mark each)**

(1×10=10)

10. a) What is absorption ?

b) What is a dependent branch ?

c) Give the meaning of cash flow statement.

d) What is the basis of allocation of lighting charges in departmental a/c ?

e) Who is a secured creditor ?

f) What do you mean by repossession of stock ?

g) What is down payment ?

h) What is margin of safety ?

i) What is capital Reduction A/c ?

j) Who is a preferential creditor ?

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