

Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examinations-2081
Bachelor of Business Studies (BBS)
Semester - VIII

Subject: Business Accounting
Full Marks: 60 Pass Marks: 30

Course Code: ACC 485
Time: 3:00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)

Answer ALL the questions.

1. A and B are partners in a firm without any partnership agreement. Their capitals are: A Rs. 50,000 and B Rs. 30,000. A is an active partner and looks after the business. He claims a salary of Rs. 12,000 per month in addition to his share of the profit. State with reason whether his claim is valid or not.
2. List items that need adjustments in the books of account of a partnership firm at the time of admission.
3. List out any four contents of partnership deed.
4. Give two features of goodwill.
5. What account is debited when goods purchased for joint venture?
6. How and when is ownership transferred on hire purchase system?
7. When a Joint Venture is formed between Amit and Sumit for purchase and sale of goods, Amit purchases goods for 15,000. What journal entry will you pass when records are kept by Amit?
8. What journal entry would you pass for the dissolution expenses paid by Rajesh, a partner of a firm?
9. State the amount of goodwill if goodwill is to be valued on the basis of 2 year's purchase of last year's profit. Profit of last year was Rs. 20,000.
10. A and B are partners sharing profits and losses in the ratio of 7:5. They agreed to admit C who is to get $\frac{1}{6}$ th share in future profits. He acquires this share $\frac{1}{24}$ th from A and $\frac{1}{8}$ th from B. Calculate new profit sharing ratio.

SECTION B: SHORT ANSWER QUESTIONS (3 X 6 = 18 MARKS)

Answer any THREE questions.

11. What is meant by a consignment business? In what respect does consignment differ from sales? [2+6]
12. The net profits of the Company Ltd. after providing taxation for the last five years are:
1st Year Rs. 168,000
2nd Year Rs. 188,000
3rd Year Rs. 192,000
4th Year Rs. 148,000
5th Year Rs. 184,000
The capital employed in the business is Rs. 16,00,000 on which a reasonable rate of return of 10% is expected.
Required:
 - a. Value of goodwill under capitalization of average profit method [2]
 - b. Value of goodwill under capitalization of super profit method [2]
 - c. Value of goodwill under annuity of super profit method taking the present value of an annuity of Re. 1 for five years at 10% interest as 3.78 [2]
 - d. Value of goodwill on the basis of 2 year's purchase of average profit [2]

13. Mr. Ganesh purchased a machine on Hire-Purchase system on 1st January, 2020. He paid Rs. 5,000 on signing the agreement and then three annual installments of Rs. 6,500 at the end of 1st year, Rs. 6,000 at the end of 2nd year, and Rs. 5,500 at the end of 3rd year. The rate of interest was 10% per annum. Depreciation charged on machine is 12% on original cost every year.

Required:

- a. Cash price of the machine [2]
 b. Total interest and total hire purchase price [2]
 c. Machine Account in the books of Mr. Ganesh [4]

14. Mr. Rajesh purchased a machine under installment system, Rs. 30,000 being paid on delivery and the balance in five installments of Rs. 60,000 each payable annually on 31st December. The cash price of the machine was Rs. 300,000.

Required:

- a. Journal entries for the first year [5]
 b. Vendor's account in the books of purchaser [3]

15. Krishna and Radha were partners in a joint venture and they agreed to share profits and losses in the ratio of 3:2 respectively. The following are the joint venture transactions:

- i. Goods purchased by Krishna for joint venture costing Rs. 10,000 and incurs on freight Rs. 500.
- ii. Goods purchased by Radha for joint venture costing Rs. 8,000 and incur Rs. 400 towards freight and insurance.
- iii. Radha sold the goods worth Rs. 24,000 and she is entitled to a commission of 5% on sales.
- iv. Unsold goods were taken over by Krishna at an agreed value of Rs. 1,000.
- v. Radha settles her account by remitting a bank draft.

Required: Joint Venture A/c and Radha's A/c in the books of Krishna

[4+4]

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any TWO questions.

16. A and B are partners in a business sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st Chaitra, 2080 is as follows:

Liabilities	Rs.	Assets	Rs.
Bank Loan	8,000	Cash at Bank	22,000
Bills Payable	2,000	Debtors	5,000
Sundry Creditors	30,000	Stock	13,000
Reserve Fund	10,000	Furniture	20,000
Capital:		Machinery	30,000
A 50,000	80,000	Building	40,000
B 30,000			
	130,000		130,000

On 1-1-2081, C is admitted in the partnership for 1/5th share on the following conditions:

- i. C will bring Rs. 20,000 for his capital and Rs. 5,000 for goodwill.
- ii. Machinery is valued at Rs. 20,000 and Building is valued at Rs. 60,000.
- iii. Furniture is depreciated by Rs. 2,000 and Stock is appreciated by Rs. 3,000.
- iv. A provision of 10% is required on debtors.
- v. Creditors amounted to Rs. 1,500 are not likely to arise, therefore written off.
- vi. There is an unrecorded liability for outstanding salary of Rs. 2,000.

Required: Revaluation A/C, Partners Capital A/C and Balance sheet

[4+5+4]

17. Kamal of Kathmandu consigned 1,000 boxes of tea costing Rs. 200 per box to Prakash of Pokhara on 1st Baisakh, 2080. Kamal incurred the following expenses for sending goods to Pokhara:

Freight Rs. 12,000

Packing Rs. 5,000

Loading charges Rs. 3,000

50 boxes of tea were stolen in the transit and cash received from insurance company amounted to Rs. 8,000. Only 950 boxes of tea were received by Prakash due to stolen. He incurred warehouse expenses Rs. 3,800 and selling expenses Rs. 8,000. Prakash is entitled to a commission of 5% on total sales.

Prakash reported that 800 boxes were sold at Rs. 300 per box. He also reported that 20 boxes were lost in godown which was to be considered to be normal.

Required:

a. Journal Entries in the books of Consignor

[9]

b. Consignment Account

[3]

c. Consignee Account

[1]

18. What do you understand of dissolution of partnership firm? Bring out clearly the difference between the dissolution of partnership and partnership firm. Explain the circumstances leading to such dissolution.

[3+3+7]

THE END