

MID-WESTERN UNIVERSITY  
FACULTY OF MANAGEMENT  
FINAL EXAMINATION: 2075  
BACHELOR OF BUSINESS STUDIES (BBS)  
SEMESTER - VIII

Subject: Business Accounting  
Full Marks: 100

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 2 = 20 MARKS)**

Answer **ALL** questions.

- Q1. List out any four factors which affect the valuation of goodwill.
- Q2. Write any two difference between fixed capital and fluctuating capital
- Q3. Mention main rights acquired by a new partner in the firm.
- Q4. What do you mean by retirement of partner?
- Q5. What is Partnership Business?
- Q6. What is average profit?
- Q7. Introduce dissolution of partnership firm in brief.
- Q8. Goods consigned 200 units @ Rs.50 each. Fright and insurance paid by consignor Rs.2,100 and Rs.500 respectively. Consignee sold 190 units @ Rs.90 each and incurred Rs.1,500 as unloading expenses and Rs.3000 selling expenses. Normal loss is 2 units. Find out the value of closing stock.
- Q9. Write any two features of installment system.
- Q10. List out methods of evaluating goodwill.

**SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)**

Answer any **SIX** questions.

- Q11. What is hire purchase system? Write the features of hire purchase system. (3+5)
- Q12. Which matters are adjustment at the time of death of partner? Explain. (8)
- Q13. The following particulars are available in respect of the business carried on by a trader:  
(i) Net profit for the past 3 years are Rs. 100,000; Rs. 120,000; Rs. 110,000.  
(ii) Normal rate of profit 10% and capital employed Rs. 600,000.  
(iii) Present value of an annuity of one rupee for five years at 10% Rs. 3.791.  
(iv) The profits included non-recurring profits on an average basis of Rs. 8,000 out of which it was decided that even non-recurring profits had a tendency of appearing at the rate of Rs. 2,000 per annum.
- Required:** The value of goodwill as per:  
a) Five years purchase of super profit (6)  
b) Capitalization of super profit method. (2)
- Q14. A and B are partners sharing profits and losses in the ratio of 2:3. They admit C giving him 1/5 th share of profit. They agree to sacrifice in 3:2. There is goodwill of Rs.15,000 already appearing in the book. On admission of C as a partner, the goodwill of the firm is valued at Rs. 25,000. C brings in the necessary amount of his share of goodwill and Rs. 50,000 as his capital.
- Required:** Journal entries in cash of the following cases: (8)  
They decide to retain the goodwill brought by C in the business.  
They decide to withdraw the goodwill brought by C.  
They decided to show the original value of goodwill in the books.  
They decided to show Rs. 20,000 as goodwill in the books.
- Q15. Bishnu and Laxmi started a business on 1st Baisakh 2072, contributing Rs. 100,000 by Bishnu and Rs. 50,000 by Laxmi on 1st kartik, Laxmi made a further contribution of Rs. 50,000 towards his capital. The profit sharing ratio is 1:1. Drawing on 1st magh by Bishnu Rs. 10,000 and Rs. 8000 by Laxmi Interest on capital is to be allowed at 3 % per annum and 6 % per annum interest is charged on drawing. Bishnu is to be allowed a salary of Rs. 1000 per month. The profit for the year comes to Rs. 58,000 before charging salary, interest on capital and interest on drawings.
- Required:** a. Partners capital accounts under fixed capital method (4)  
b. Partner's capital accounts under fluctuating capital method (4)
- Q16. A partnership company with A, B and C as partner sharing profit and loss in the ratio of 2:2:1 decided to value it's goodwill of the business at Rs 30000 on the date of retirement of C.
- Required:** (8)  
a. Entries when company decided to rise goodwill.  
b. Entries when company decided to rise and write off the goodwill form the capital of the remaining partners.

c. Entries when company decided to credit outgoing Partners capital and written off in the retirement Partners capital account.

Q17. The Madras Transport Company Purchase motor car from the Bombay Motor Co. on a hire Purchase agreement on 1st January 20X1 paying cash Rs. 10,000, and agreeing to pay further three instalments of Rs. 10,000 each on 31st December each year. The cash price of the car is Rs. 37,250 and the Bombay Motor Company charges interest at 5% p.a. The Madras Transport Company writes off 10% p.a. as depreciation on the reducing instalment system.

Required: Analytical table and depreciation value

(6+2)

Q18. A, B and C are partners sharing profits and losses as to 2:2:1 The balance sheet on 31<sup>st</sup> December , 2017 is as follows :

Capital and Liabilities	Rs	Assets	Rs
Capital		Fixed asset	50,000
A	50,000	Debtor	13,000
B	20,000	Less: Provision for bad debts	3,000
C	10,000	Inventory	20,000
Creditors	20,000	Cash at bank	20,000
	100,000		100,000

The firm was dissolved on that date. The assets were realized as follows. Fixed assets Rs 45,000, Debtors Rs 9,000, Inventory Rs 22,600.

Creditors were settled in Rs 19,000

Realization expenses amounted to Rs 600

**Required:** Necessary journal entries

(8)

### SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

Answer any **TWO** questions.

Q19. What is Joint venture? Write differences between joint venture and consignment and also explain the method of accounting on joint venture.

(2+8+6)

Q20. A, B and C are partners sharing profits and losses in the ratio of 2:2:1. the balance sheet on 31<sup>st</sup> Chaitra 2074 is as follows:

Liabilities	Rs.	Assets	Rs.
Capital account :		Furniture	100,000
A	100,000	inventory	40,000
B	40,000	Bills receivable	27,000
C	20,000	Loss: Reserve for bad debts	7,000
Bills payable	50,000	Cash at bank	50,000
	210,000		210,000

They decide to dissolve the business on that date. The Following are the amount realized:

Furniture	Rs. 85,000	Inventory	Rs. 49,200
Bills receivable	Rs. 18,800	Bills payable paid on fully discharge	Rs. 48,000
Realization expenses	Rs. 1,000		

**Required:**

(8+4+2+2)

a. Journal entries

b. Realization account

c. Partner's Capital account

d. Bank account

Q21. B of Butwal was appointed an agent by K of Kathmandu. You are given the following information relating to an accounting period:

- Cost of goods sent by K on consignment Rs. 100,000 but the goods were charged at the proforma invoice price, So as to show lading 20% on invoice price.
- Expenses incurred by K: freight and insurance Rs. 10,000.
- 10% of the consigned goods destroyed in transit. Insurance compensation received by K towards destroyed in transit was Rs. 7,000.
- Expenses incurred by B: Godown rent Rs. 500, Advertising Rs. 200, and Carriage outward Rs. 1,800.
- 50% of the goods received by B has been sold at a margin of  $33\frac{1}{3}$  % on invoice price. The agent is entitled to a commission 10% on sales.
- 20% of Remaining goods destroyed in godown and nothing was realized form insurance company.

**Required:**

a. Journal entries in the books of K

(8)

b. K's account in the books of B.

(8)