14CSU08

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION DECEMBER 2018
(Third Semester)

Branch - **CORPORATE SECRETARYSHIP**

FINANCIAL ACCOUNTING - III

Time : Three Hours Maximum : 75 Marks

SECTION-A (20 Marksl

Answer **ALL** questions
ALL questions carry **EQUAL** marks (1 0 x 2 = 20)

1 State the causes of Depreciation.
2 What is provision for depreciation?
3 What is gaining ratio in partnership?
4 What is goodwill in a partnership?
5 Does a partnership end when a partner dies?
6 What are the adjustments required on the retirement or death of a partner?
7 How is a partnership dissolved?
8 What is meant by fluctuating capital of a partner?
9 What is piecemeal distribution?
10 What do you mean by insolvency of a partner?

SECTION - B (25 Marks!

Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

11 a On 1st July, 2008 a company purchased a machine for Rs.3,90,000 and spent Rs. 10,000 on its installation. It decided to provide depreciation @ 15% per annum, using written down value method. On 30th December, 2011 the machine was dismantled at a cost of Rs.5,000 and then sold for Rs. 1,00,000.

On 1st December, 2011 the company acquired and put into operation a new machine at a total cost of Rs.7,60,000. Depreciation was provided on the new machine on the same basis as had been used in the case of the earlier machine. The company close its books of account every year on 31st March. Prepare Machinery Account for four accounting years ended 31st March 2012.

OR

b A firm purchased a machine on 1st April, 1998 for Rs.37,000 and spent Rs.3,000 on its installation. Depreciation is written off at the rate of 10% on the original cost. Accounts are closed on 31st December every year. On 30th June, 2002 the machine was disposed off for Rs.20,000. Write up the Machinery account from 1998 to 2002.

12 a A and B share profits in the ratio: A, 5/8 and B 3/8. C is admitted as partner. He brings in Rs.70,000 as his capital and Rs.48,000 as goodwill. The new profit-sharing ratio among A,B and C respectively is agreed to be 7:5:4 respectively. Pass journal entries.

OR

b A and B are partners sharing profits and losses in the ratio 3:2 respectively. They admit C as partner who is unable to bring goodwill in cash but pays Rs.96,000 as his capital. The goodwill of the firm is to be valued at two years' purchase of three years' profits. The profits for the three years were Rs..30,000, Rs.24,000 and X 27,000. An adjustment entry is to be passed for C's share of goodwill. The new ratio will be 5:2:2.

IB a A,B and C are three partners sharing profits in the ratio of 5:4:3 respectively. C retires and the goodwill of the firm is valued at Rs.60,000. Assuming that A and B agree to share future profits in the ratio of 7:5 respectively, pass an adjustment entry to credit retiring partner with his share of goodwill. Show calculations clearly.

OR

b List out the adjustments must be made when a partner retires.

14 a Rose and Lily shared profits in the ratio of 2:3. Their Balance Sheet on March 31, 2006 was as follows:

Balance Sheet of Rose anc Lily as on March 31,2006				
Liabilities	Amount	Assets		Amount
Creditors	40000	Cash		16000
Lily's Loan	32000'	Debtors	80000	
Profit and Loss account	50000	- Provision for doubtful debts	3600	76400
Capital:		Inventory		109600
Lily 160000	160000	Bills receivable		40000
Rose 240000	240000	Buildings		280000
	5,22,000			5,22,000

Rose and Lily decided to dissolve the firm on the above date. Assets (except bills receivables) realised Rs.4,84,000. Bills receivable were taken over by Rose at X 30,000. Creditors agreed to take Rs.38,000. Cost of realisation was Rs.2400. There was a Motor Cycle in the firm which was brought out of the firm's money, was not shown in the books of the firm. It was now sold for Rs. 10,000. There was a contingent liability in respect of outstanding electric bill of Rs.5,000. Bills receivable taken over by Rose at Rs.33,000. Show partner's capital account.

OR

b Surjit and Rahi were sharing profits (losses) in the ratio of 3:2, their Balance Sheet as on March 31,2004 is as follows:

Balance sheet of Surjit and Rahi as on March 31,2012

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	38000	Bank	11500
Mrs Surjit Loan	10000	Stock	6000
Reserve	15000	Debtors	19000
Rahi's Loan	5000	Furniture	4000
Capital's		Plant	28000
Surjit	10000	Investment	10000
Rahi	8000	Profit and Loss	7500
	86000		! 86000

The firm was dissolved on March 31,2006 on the following terms:

1. Surjit agreed to take the investments at Rs.8,000 and to pay Mrs.Surojit's loan.
2. Other assets were realised as follows:

Stock	Rs.5,000
Debtors	Rs. 18,500
Furniture	Rs.4,500
Plant	Rs.25,000

3. Expenses on realisation amounted to Rs. 1,600.
4. Creditors agreed to accept Rs.37,000 as a final settlement. You are required to prepare realisation account.

15 a D, E, F and G are partner's sharing 4:3:2:1. Their position statement was as follows:

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Liabilities	Rs.	Assets	Rs.
Capital Accounts		Cash at Bank	4500
D	90000	Machinery	132000
E	60000	Stock	60000
Sundry Creditors	120000	Debtors	120000
Bank Loan	60000	Capital Accounts:	
		F	10500
		G	3000
	330000		**330000**

The firm is dissolved. All assets realized Rs.246000. The sundry creditors and bank loan were paid Rs. 177000 in full satisfaction. The expenses of dissolution are Rs.1800. G become insolvent and F paid only Rs.9000. Prepare ledger account to close the books of the firm.

OR

b Explain the accounting treatment in case all partners of a firm are insolvent.

SECTION - C (30 Marks)

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 1 0 = 30)

16 A & Co. purchased a machine for Rs.5,000, which is expected to last for three years only. They are informed that its scrap value will be Rs.625. They decide to purchase an endowment policy for three years for a sum of Rs.4,375 the annual premium is Rs. 1,375 and the rate of interest works out at 3% compound interest. The scrap of machine actually realized for Rs.550. Show the depreciation Fund account, Depreciation Policy account and Machine Account for all three years. Calculations may be made nearest to rupee only.

17 The balance sheet of a partnership firm of X and Y, who were sharing profits in the ratio of 5:3 respectively, as on 31st March,2012 was as follows:

Liabilities	Rs.	Assets	Rs.
X's Capital	2,05,000	Land and Building	1,90,000
Y's Capital	1,65,000	Plant and Machinery	85,000
Profit and Loss Appropriation Accounts	56,000	Furniture	54,740
Trade Creditors	27,400	Stock	72,630
		Debtors	30,000
		Cash at Bank	21,030
	4,53,400		4,53,400

On the above date, Z was admitted on the following terms:

i) Z would get l/5th share in the profits.

ii) Z would pay Rs.1,20,000 as capital and Rs.16,000 for his share of goodwill.

iii) Machinery would be depreciated by 10% and building would to be appreciated by 30%. A provision for bad debts @ 5% on debtors would be created. An unrecorded liability amounting to X 3,000 for repairs to building would be recorded in the books of account.

iv) Immediately after Z's admission, goodwill account would be written off. Thereafter, the capital accounts of the old partners would be adjusted through the necessary current accounts in such a manner that the capital accounts of al the partners would be in their profit showing ratio.

Prepare revaluation account, capital accounts and the initial balance sheet of the new firm.

R,S and M were carrying on business in partnership sharing profits in the ratio of 3:2:1 respectively. On March 31,2011, balance sheet of the firm stood as follows:

Balance Sheet (As on March 31,2011)

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	16000	Building	23000
Capitals: R 20000		Debtors	7000
S 7500		Stock	12000
M 12500	40000	Patents	8000
		Bank	6000
	56000		56000

Shyam retired on the above mentioned date on the following terms:
a) Buildings to be appreciated by Rs.8,800.
b) Provision for doubtful debts to be made @ 5% on debtors.
c) Goodwill of the firm to be valued at Rs.9,000.
d) Rs.5,000 to be paid to S immediately and the balance due to him to be treated as a loan carrying interest @ 6% per annum. Prepare the balance sheet of the reconstituted firm.

Explain the modes of dissolution of a firm.

Red, White and Blue are in Partnership. The following is their balance sheet as at 31.12.1985 on what date, they dissolved partnership. They share profit in the ratio of 5:3:2.

Liabilities	Rs.	Assets	Rs.
Capitals: Red	50000	Premises	40000
White	15000	Plant	30000
Blue	45000	Stock	30000
Creditors	40000	Debtors	60000
Red's Loan	10000		
	1,60,000		1,60,000

It was agreed that to repay the amounts due to the partners as and when the assets were realized, viz:

1.2.86	30000
1.4.86	73000
1.6.86	47000

Prepare a statement showing how the distribution to the partners should be made.

Z-Z-Z END