

BCom DEGREE EXAMINATION DECEMBER 2017
(Third Semester)

Branch - **COMMERCE (COST & MANAGEMENT ACCOUNTING)**

FINANCIAL ACCOUNTING - III

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks!)

Answer **ALL** questions

ALL questions carry **EQUAL** marks (10 x 2 = 20)

- 1 What is partnership?
- 2 State the meaning of hood will.
- 3 What is gaining ratio?
- 4 What is retirement of a partner?
- 5 What is joint life policy?
- 6 What is amalgamation of firms?
- 7 What is dissolution of a partnership firm?
- 8 Write short note on realization account.
- 9 What is average clause?
- 10 What is an investment account?

SECTION - B (25 Marks)

Answer **ALL** Questions

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

- 11 a M/s P, R and Z are in partnership and on 1-4-2011 their respective capitals were Rs. 80,000, Rs. 55,600 and Rs. 31,800. R and Z are entitled to draw salary of Rs. 5,000 & Rs. 4,000 per annum respectively before division of profits. Interest is allowed on capital at 10% p.a. and is not charged on drawings of the net profit, first Rs. 20,000 of profit is divided in the ratio of 40 : 35: 25 among P, R and Z respectively. Balance profit is shared equally.

The profit for the year ended 31-3-2012, after debiting partner's salaries but before charging interest on capital, was Rs. 46,340 and the partners had drawn Rs. 16,000 each for personal expenses. Prepare profit and loss appropriation account.

OR

- b Deepak and Vivek are partners sharing profit in the ratio of 3:2. They admit Ashu as a new partner for 1/5 share in profit. Calculate the new profit sharing ratio and sacrificing ratio.
- 12 a Mudit, Mohit and Sonu are partners sharing profit in the ratio 3:2:1. Mudit retires from the partnership. In order to settle his claim, the following revaluation of assets and liabilities was agreed upon:
- i) The value of machinery is increased by Rs. 25,000
 - ii) The value of investment is increase by Rs. 2,000
 - iii) A provision for outstanding bill standing in the books at Rs. 1,000 is now not required.
 - iv) The value of land and building is decreased by Rs. 12,000.
- Give journal entries and prepare revaluation account.

OR

- b Alka, Harpreet and Shreya are partners sharing profits in the ratio of 3:2:1. Alka retires and her share is taken up be Harpreet and Shreya in the ratio of 3 : 2. Calculate the new profit sharing ratio.

Cont...

A, B, C, D and E were partners in a firm sharing profit and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately, D and E met with an accident in which both of them died. The goodwill of the firm was valued at Rs. 75,000 and A, B and C decided to share the future profits and losses in the ratio of 4:6:5 respectively. Give the journal entry to record the above relating to goodwill.

OR

Kin, Min and Tin are partners sharing profits and losses equally. Their balance sheet as on 31.03.2011 is

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors		47,000	Cash		36,000
Gen. Res		30,000	Debtors	84,000	
Capital a/c :			Less: PBDD	<u>6,000</u>	78,000
Kin:	82,000		Stock		19,000
Min :	82,000		Fixture		42,000
Tin :	<u>90,000</u>	2,54,000	Furniture		56,000
			Machinery		<u>1,00,000</u>
		<u>3,31,000</u>			<u>3,31,000</u>

Tin died on 1st April 2011 and the following agreement was to be put into effect:

- i) Good will was valued at Rs. 60,000 was to be credited with his share
- ii) Assets were revalued: Machinery to Rs. 1,17,000, furniture to Rs. 46,000, stock to Rs. 15,000.
- iii) Rs. 21,000 was to be paid away to the Tin's executors on 1st April 2011. Prepare revaluation account and capital accounts.

P, Q and R are partners in a firm. They share profits and losses equally. Their balance sheet on 31-12-2012 is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve fund	18,000	Cash at bank	8,000
Creditors	<u>64,000</u>	Q's capital	<u>6,000</u>
	<u>1,10,000</u>		<u>1,10,000</u>

The partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debt to the firm. Machinery realised Rs. 30,000 and furniture Rs. 6,400 only Rs. 24,000 was recovered from debtors. Creditors were paid at a discount of 5% prepare realization account and Q's capital account in the books of the firm when the capitals are fluctuating. Apply Gamer vs Murray rule.

OR

The following is the balance sheet of Arun, Babu, Cheran and David on 31.12.2014. they shared profits and losses in the ratio of 4:3:2:1.

Liabilities	Rs.	Assets	Rs.
Capitals :		Fixed assets	20,000
Arun	15,000	Current assets	6,000
Babu	10,000	Good will	5,000
Cheran	1,500	David's capital	500
Sundry creditors	<u>5,000</u>		
	<u>31,500</u>		<u>31,500</u>

David has no separate assets and liabilities. The partners decided to dissolve the business. Fixed assets realised Rs. 15,000 and current assets realised Rs. 5,000. The goodwill is valueless. Realisation expenses amount to Rs. 1,500. Cheran can contribute only Rs. 250 from his separate resources. Prepare realisation account according to Gamer Vs Murray assuming that both Cheran and David have become insolvent.

Cont...

A fire occurred at the premises of a trader on 31-5-2004 destroying a great part of his goods. His stock at 1-1-2004 was Rs. 60,000. The value of stock salvaged was Rs. 13,500. The gross profit on sales was 30% and sales amounted to Rs. 1,53,000 from January to date of fire, while for the same period the purchases amounted to Rs. 1,03,500. Prepare a statement of claim.

OR

Explain the features of investment accounts?

SECTION - C (30 Marks!

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

A and B are partners sharing profits in equal proportion. The following is the balance sheet of the firm as on 31st December, 2013:

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Cash in hand	2,000
Salaries outstanding	14,000	Cash at bank	10,000
A's capital - Rs. 50,000		Sundry debtors - Rs. 42,000	
B's capital - Rs. 45,000	95,000	Less: Prov. for S/D - Rs. 4,000	38,000
		Bills receivable	17,000
		Stock	20,000
		Investments	20,000
		Furniture	5,000
		Building	37,000
	<u>1,49,000</u>		<u>1,49,000</u>

Before C joins the firm as a partner, it was found that the provision for doubtful debts be raised to Rs. 6,500 and the furniture be valued at Rs. 4,500. The value of the building has been mutually arrived at Rs. 45,000. Personal investments of A worth Rs. 4,300 be treated as firm's investments. A claim of Rs. 1,200 by an ex-employee has been admitted and the same be provided.

prepare relation account and a balance sheet after giving effect to above.

A, B and C are partners in a firm sharing profits and losses in the ratio of 1/3 : 1/2 : 1/6 respectively. Their balance sheet as on 31.3.2006 was as follows.

Liabilities	Rs.	Assets	Rs.
Reserve fund	16,000	Building	50,000
Capital A	30,000	Machinery	40,000
B	40,000	Furniture	10,000
C	25,000	Stock	25,000
Loan payable	15,000	Debtors 18,000	
Sundry creditors	25,000	(-) provision 500	17,500
		Cash	8,500
	<u>1,51,000</u>		<u>1,51,000</u>

"C" retires on 31.3.2006 subject to the following conditions:

- Goodwill of the firm is valued at Rs. 24,000
- Machinery to be depreciated by 10%
- Furniture to be depreciated by 5%
- Stock to be appreciated by 15% and buildings to be appreciated by 10%
- Reserve for doubtful debts to be raised to Rs. 2,000

Prepare necessary ledger accounts and show the balance sheet of the new firm

Cont...

- 18 Ram, Mohan and Sohan were partners sharing profits and losses in the ratio of 5:3:2. On 31st March, 2006 their balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Capitals :		Leasehold	1,25,000
Ram	1,50,000	Patents	30,000
Mohan	1,25,000	Machinery	1,50,000
Sohan	75,000	Stock	1,90,000
Workmen's compensation reserve	30,000	Cash at bank	40,000
Creditors	<u>1,55,000</u>		
	<u>5,35,000</u>		<u>5,35,000</u>

Sohan died on 1st August, 2006. It was agreed that;

- i) Goodwill of the firm is to be valued at Rs. 1,75,000
- ii) Machinery be valued at Rs. 1,40,000; patents at Rs. 40,000; Leasehold at Rs. 1,50,000 on this date.
- iii) For the purpose of calculating Sohan's in the profits of 2006-07, the profits should be taken to have accrued on the same scale as in 2005-06, which were Rs. 75,000.

Prepare Sohan's capital account and revaluation account.

- 19 The following is the balance sheet of X, Y and Z on 31 -3-2004.

Liabilities	Rs.	Assets	Rs.
Capital accounts :		Furniture	40,000
X	50,000	Plant & Machinery	20,000
Y	30,000	Stock	40,000
General reserve	30,000	Sundry debtors	20,000
Sundry creditors	40,000	Cash at bank	12,000
		Z's capital	18,000
	<u>1,50,000</u>		<u>1,50,000</u>

Z is insolvent but his estate pays Rs. 4,000. IT is decided to dissolve the partnership.

The assets realized as follows:

Sundry debtors: Rs. 15,000; furniture Rs. 28,000

Stock Rs. 32,000; Plant & Machinery Rs. 14,000

The dissolution expenses amounted to Rs. 5,000

Write up realisation account and Z's capital account, when the capitals are fluctuating.

- 20 Discuss the different classification of investment.

Z-Z-Z

END