PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION MAY 2024
(Third Semester)

Branch - **CORPORATE SECRETARYSHIP**

FINANCIAL ACCOUNTING - III

Time: Three Hours　　　　Maximum: 50 Marks

SECTION-A (5 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** marks　　(5 x 1 = 5)

1. When calculating depreciation, what is the salvage value?
   A) The value of an asset at the end of its useful life.
   B) The value of an asset at the beginning of its useful life.
   C) The total cost of the asset.
   D) The depreciation expense for the first year.

2. When a new partner is admitted, what is the primary purpose of calculating the new partner's capital balance?

   A) To determine the new partner's ownership percentage.
   B) To allocate the new partner's share of profits and losses.
   C) To calculate the total capital of the partnership.
   D) To assess the new partner's creditworthiness.

3. When a partner dies, how are their share of partnership profits and losses typically distributed?
   A) Equally among all remaining partners.
   B) In proportion to the capital balances of the remaining partners.
   C) Based on the deceased partner's age at the time of death.
   D) To the deceased partner's heirs or legal representatives.

4. When a partnership is dissolved, what is the first step in the dissolution process?
   A) Allocate the profits among the partners.
   B) Pay off all outstanding liabilities.
   C) Distribute the remaining assets to the partners.
   D) Transfer the assets to a new partnership.

5. What is the role of a receiver in the dissolution of an insolvent partnership?
   A) To manage the partnership's ongoing operations.
   B) To allocate profits among the partners.
   C) To liquidate the partnership's assets and distribute the proceeds to creditors.
   D) To prepare financial statements for the partnership.

SECTION - B (15 Marks)

Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks　　(5 x 3 = 15)

6. A) A company acquires a printing press for Rs.50,000. It has a useful life of 6 years and a salvage value of Rs.5,000. Calculate the book value at the end of the third year.

OR

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B) On April 1, 2012, company X purchased a piece of equipment for Rs. 100,000. This is expected to have 5 useful life years. The salvage value is Rs. 14,000. Company X considers depreciation expenses for the nearest whole month. Calculate the depreciation expenses for 2012, 2013, 2014 using a declining balance method.

7. A) A partnership has two partners, M and N, with capital balances of Rs.80,000 and Rs.120,000, respectively. O is admitted as a new partner with a capital contribution of Rs.60,000. The new profit-sharing ratio is 2:2:1 for M, N, and O. Calculate the sacrificing ratio of M and N.

OR

B) DEF Partnership, consisting of partners D and E, decides to admit F as a new partner. The balance sheet before F's admission is as follows:
Assets: Rs.200,000
Liabilities: Rs.60,000
Capital D: Rs.100,000
Capital E: Rs.40,000
F invests Rs.80,000 for a 25% share in the profits. After revaluation of assets and liabilities, the new values are:

Assets: Rs.230,000
Liabilities: Rs.70,000
Calculate the new capital balances of D, E, and F.

8. A) GHI Partnership consists of partners G, H, and I with gaining ratios of 5:3:2. Partner I decides to retire, and the remaining partners agree to share profits equally. Calculate the new gaining ratios of partners G and H after I's retirement.

OR

B) JKLM Partnership consists of partners J, K, L, and M. Partner J decides to retire from the partnership. The balance sheet of the partnership before J's retirement is as follows:

Assets: Rs.500,000
Liabilities: Rs.200,000
Capital J: Rs.180,000
Capital K: Rs.140,000
Capital L: Rs.90,000
Capital M: Rs.90,000
The partnership has accumulated undistributed profits of Rs.25,000. Calculate the amount to be credited or debited to J's capital account when J retires.

9. A) LMN Partnership, consisting of partners L, M, and N, decides to dissolve the partnership. The balance sheet of the partnership before dissolution is as follows:

Assets:
Cash: Rs.12,000; Accounts Receivable: Rs.18,000; Inventory: Rs.28,000; Vehicles: Rs.45,000
Liabilities:
Accounts Payable: Rs.16,000; Loan Payable: Rs.22,000;
Capital L: Rs.38,000; Capital M: Rs.30,000; Capital N: Rs.25,000
The partners agree to sell all assets, settle liabilities, and distribute the remaining cash. Calculate the balances of the Realization Accounts (Realization of Assets and Payment of Liabilities) and the amounts payable or receivable by the partners.

OR

B) A, B, C, D and E were partners in a firm sharing profits 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. 75000. 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.

Cont...

10. A) X,Y and Z were partners sharing profits and losses in the ratio of 3:2:1. They decide to dissolve the firm with effect from 1.1.95 when the firm's balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Capitals		Fixed Assets	122000
X	54000	Cash at bank	10000
Y	40000	Other Current Assets	113000
Z	25000		
General Reserve	6000		
Sundry Creditors	90000		
Bank overdraft	30000		
	245000		245000

The assets were realized gradually. The following amounts were realized after meeting the expenses of realization.

	Rs.
1st realisation	75000 (Including cash at bank balance)
2nd realisation	32000
3rd realisation	60000
4th & final realisation	63000

Prepare a statement showing surplus capital, if distribution of cash is to be made after each instalment of realisation.

OR

B) Explain the effects of Garner vs Murray rule.

SECTION -C (30 Marks)

Answer any **Three** questions
ALL questions carry **EQUAL** Marks (3 x 10 = 30)

11. Machinery account in the books of a company was as follows:

Balance as at 1.1.86 Rs. 14,900
Purchase of machinery on 1.7.86 Rs. 4,400
Sale of Machinery on 1.10.86 Rs. 1,000
The original cost of machinery sold was Rs. 6,000 on 1.7.83

Machinery is being depreciated at 10% p.a. on diminishing balance of the asset. Show the machinery A/c in the books of the company for the year 1986. The books are closed on 31st Dec. each year.

12. Sumi and Mini are partners sharing profits in the ratio of 3: 2. Their capital stood at Rs. 50,000 and Rs. 30,000 respectively. As per the deed interest on capital is payable at 6% p.a. Mini is entitled to an annual salary of Rs. 2,500. The firm has reported a profit of Rs. 12,500 before charging interest on capital but after charging Mini's salary for the year ending on 31-03-2009). Towards Manager's Commission a provision of 5% is to be made.
Prepare P & L Appropriation Account and partner's Capital A/c.

13. Following is the balance sheet of X,Y and Z as on 31.12.2004

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	10000	Cash in hand	2000
Reserve fund	32000	Cash at bank	50000
Capita A/cs		Debtors	60000
X 100000		Stock	60000
Y 50000		Furniture	80000
Z 50000	200000	Tools	10000
	262000		262000

Y dies on 31st march 2005.Under the partnership agreement, the executor of Y was entitled to:

a) Amount standing to the credit of his capital account
b) Interest on capital which amounted to Rs.625
c) His share of goodwill Rs.35000
d) His share of profit form the closing date of last financial year to the date of death which amounted to Rs.4375. Y's executor was paid Rs.18000 on 1st April 2005 and the balance was to be paid in four equal yearly installments starting from 31.03.2006 with interest @ 6% p.a . Prepare Y's capital a/c, Y's executor's a/c till it is finally paid. Assume profits are shared in the capital ratio.

14. Discuss the accounting treatment for unrecorded assets and unrecorded liabilities of the firm.

15. P, Q and R are partners in a firm. They share profits and losses equally. Their Balance Sheet on 31.12.92. 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	64,000	Q's Capital	6,000
	1,10,000		1,10,000

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 realized 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 the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner vs. Murray rule.

Z-Z-Z END