

**PSG COLLEGE OF ARTS & SCIENCE**  
(AUTONOMOUS)

**BCom(CS) DEGREE EXAMINATION DECEMBER 2025**  
(Third Semester)

**Branch – CORPORATE SECRETARIALSHIP**

**FINANCIAL ACCOUNTING -III**

Time: Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Written down value method otherwise called as ---- a) Original cost method      b) Annuity method c) Written down value method      d) Diminishing balance method	K1	CO1
	2	Depreciation arises because of a) Fall in the market value of an asset b) Physical wear and tear c) Fall in the value of money d) The scrap value		
2	3	On the admission of a new Partner, the decrease in the value of assets is debited to ---- a) Asset account      b) Profit & Loss Account c) Old Partner's Capital Account      d) Liability account	K1	CO1
	4	A, B and C are partners in a firm. If D is to be admitted as a new partner a) Old partnership has to be dissolved b) Old firm has to be dissolved c) Both old firm and partnership have to be dissolved d) Neither firm nor partnership need to be dissolved		
3	5	In the case of retirement of a partner, goodwill at its full value is credited to the account of ----- a) Only retiring partner      b) All partners c) Only remaining partners      d) other partners	K1	CO1
	6	In the case of retirement of a partner, profit on revaluation is credited to the capital accounts of the partners ----- a) Equally b) In their profit sharing ratio c) In the ratio of their capital balances d) Capital base.		
4	7	Dissolution of partnership must take place when ----- a) A partnership misbehaves b) A partner becomes of unsound mind c) Business is running at a loss d) A partner dies	K1	CO1
	8	Goodwill account appearing in the books on the dissolution date is closed by transfer to the ----- account a) Realization      b) Distribution c) Revaluation      d) Capital		
5	9	On the insolvency of all the partners of a firm, the loss should be borne by a) All partners in their capital ratio b) All partners in their profit sharing ratio c) the creditors d) the debtors	K1	CO1

Cont...

	10	Proportionate capital method is otherwise called a) Relative capital method      b) Maximum loss method c) Balance method      d) Net assets method	K2	CO2
--	----	---	----	-----

**SECTION - B (35 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks  $(5 \times 7 = 35)$ 

Module No.	Question No.	Question	K Level	CO																								
1	11.a.	Machine purchased on 1 <sup>st</sup> July 1983 at a cost of Rs 14,000 and Rs 1,000 was spent on its installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31 <sup>st</sup> December each year. The machine was sold for Rs 9,500 on 31 <sup>st</sup> March 1986. Show the machinery account for all the year.  (OR)	K2	CO2																								
	11.b.	A lease is purchased on 1 <sup>st</sup> January 1990, for the term of 5 years on payment of Rs. 40,000. It is proposed to depreciate the lease by the annuity method charging 5% interest. If annuity of Re. 1 for 5 years at 5% is Re. 0.230975, show the lease account for the full period.																										
2	12.a.	Calculate the amount of goodwill at three years' purchase of last five years average profits. The profits were: I year – Rs. 9,600 II year – Rs. 14,400 III Year – Rs. 20,000 IV year – Rs. 6,000 V year – Rs. 10,000.  (OR)	K3	CO3																								
	12.b.	Prepare a revaluation account from the following in the books of X and Y: a) Machinery worth Rs. 1,00,000 to be depreciated by 10%. b) Buildings worth Rs. 2,50,000 to be appreciated by 10%. c) Outstanding salary Rs. 10,000. d) Stock of Rs. 10,000 was destroyed by fire and 25% was received from insurance company. e) Write off bad debts Rs. 3,800.																										
3	13.a.	X, Y and Z were partners sharing profits in the ratio of 2:2:1. Z retires and his share was taken up by X and Y in the ratio of 3:2. Calculate the gaining ratio of X and Y.  (OR)	K3	CO3																								
	13.b.	Distinguish between Sacrificing ratio and Gaining ratio.																										
4	14.a.	P, Q and R share profits in proportion of $\frac{1}{2}$ , $\frac{1}{4}$ and $\frac{1}{4}$ . On the date of dissolution their Balance Sheet was as follows:  <table border="1" style="display: inline-table; vertical-align: middle;"><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Creditors</td><td>14,000</td><td>Sundry Assets</td><td>40,000</td></tr><tr><td>P's Capital</td><td>10,000</td><td></td><td></td></tr><tr><td>Q's Capital</td><td>10,000</td><td></td><td></td></tr><tr><td>R's Capital</td><td>6,000</td><td></td><td></td></tr><tr><td></td><td>40,000</td><td></td><td>40,000</td></tr></table> The Assets realized Rs. 35,500. Creditors were paid in full. Realisation expenses amounted to Rs. 1,500. Prepare Realisation a/c.  (OR)	Liabilities	Rs.	Assets	Rs.	Creditors	14,000	Sundry Assets	40,000	P's Capital	10,000			Q's Capital	10,000			R's Capital	6,000				40,000		40,000	K4	CO4
Liabilities	Rs.	Assets	Rs.																									
Creditors	14,000	Sundry Assets	40,000																									
P's Capital	10,000																											
Q's Capital	10,000																											
R's Capital	6,000																											
	40,000		40,000																									

Cont...

		X, Y and Z are equal partners, whose balance sheet on 31.12.1992 is as follows:																																													
	14.b.	<table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Capital a/c's</td> <td></td> <td>Plant &amp; Machinery</td> <td>4,000</td> </tr> <tr> <td>X:</td> <td>1,600</td> <td></td> <td></td> </tr> <tr> <td>Z:</td> <td>1,000</td> <td></td> <td></td> </tr> <tr> <td>X's Loan</td> <td>2,000</td> <td>Land &amp; Buildings</td> <td>4,000</td> </tr> <tr> <td>Sundry Creditors</td> <td>10,000</td> <td>Furniture</td> <td>1,600</td> </tr> <tr> <td></td> <td></td> <td>Debtors</td> <td>2,000</td> </tr> <tr> <td></td> <td></td> <td>Stock</td> <td>1,600</td> </tr> <tr> <td></td> <td></td> <td>Cash in hand</td> <td>100</td> </tr> <tr> <td></td> <td></td> <td>Y's Capital(overdrawn)</td> <td>1,300</td> </tr> <tr> <td></td> <td>14,600</td> <td></td> <td>14,600</td> </tr> </tbody> </table> <p>Due to lack of liquidity and weak financial position of the partners, the firm is dissolved. X and Z are not able to contribute anything and a sum of Rs. 400 received from Y. All of them are declared insolvent. The assets are realised: Stock Rs. 1,000; Plant &amp; Machinery Rs. 2,000; Furniture Rs. 400; Land &amp; Buildings Rs. 1,600 and Debtors Rs.1,100 only. Realisation expenses amounted to Rs. 100. You are required to realization account.</p>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Capital a/c's		Plant & Machinery	4,000	X:	1,600			Z:	1,000			X's Loan	2,000	Land & Buildings	4,000	Sundry Creditors	10,000	Furniture	1,600			Debtors	2,000			Stock	1,600			Cash in hand	100			Y's Capital(overdrawn)	1,300		14,600		14,600	
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)																																												
Capital a/c's		Plant & Machinery	4,000																																												
X:	1,600																																														
Z:	1,000																																														
X's Loan	2,000	Land & Buildings	4,000																																												
Sundry Creditors	10,000	Furniture	1,600																																												
		Debtors	2,000																																												
		Stock	1,600																																												
		Cash in hand	100																																												
		Y's Capital(overdrawn)	1,300																																												
	14,600		14,600																																												
5	15.a.	<p>A partnership firm has three partners A,B,C with capitals as A-Rs.40,000, B-Rs. 20,000 and C-Rs. 20,000. The partners Share profits and losses in the ratio of 3:2:1. You are required to calculate absolute surplus capital under proportionate capital method of piecemeal distribution.</p> <p>(OR)</p>	K4 CO4																																												
	15.b.	List out the key aspects of the Garner vs. Murray Rule.																																													

**SECTION -C (30 Marks)**

Answer ANY THREE questions

ALL questions carry EQUAL Marks  $(3 \times 10 = 30)$ 

Module No.	Questio n No.	Question	K Level	CO
1	16	<p>A company whose accounting year is the calendar year purchased on 1-1-93 a machine for Rs. 40,000. It purchased further machinery on 1<sup>st</sup> October 1993 for Rs.20,000 and on 1<sup>st</sup> July 1994 for Rs.10,000. On 1-7-1995, <math>\frac{1}{4}</math> th of the machinery installed on 1-1-1993 became obsolete and was sold for Rs.6,800.</p> <p>Show how the machinery account would appear in the books of the company for all the 3years under Diminishing Balance Method. Depreciation is to be provided at 10%.</p>	K4	CO4

Cont...

2	17	<p>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 31-12-90 was as follows:</p> <table border="1"> <thead> <tr> <th>Liabilities</th><th>Amount (Rs.)</th><th>Assets</th><th>Amount (Rs.)</th></tr> </thead> <tbody> <tr> <td>Sundry Creditors</td><td>25,000</td><td>Building</td><td>50,000</td></tr> <tr> <td>Loans payable</td><td>15,000</td><td>Machinery</td><td>40,000</td></tr> <tr> <td>Reserve fund</td><td>16,000</td><td>Furniture</td><td>10,000</td></tr> <tr> <td>Capital – A</td><td>30,000</td><td>Stock</td><td>25,000</td></tr> <tr> <td>B</td><td>40,000</td><td>Debtors</td><td>18,000</td></tr> <tr> <td>C</td><td>25,000</td><td>(-) Provision</td><td>500</td></tr> <tr> <td></td><td></td><td>Cash</td><td>8,500</td></tr> <tr> <td></td><td>1,51,000</td><td></td><td>1,51,000</td></tr> </tbody> </table> <p>C retires on 31-12-90 subject to the following conditions:</p> <ol style="list-style-type: none"> <li>A goodwill account is created in the books for Rs. 24,000.</li> <li>Machinery to be depreciated by 10%.</li> <li>Furniture to be depreciated by 5%.</li> <li>Stock to be appreciated by 15% and buildings to be appreciated by 10%.</li> <li>Reserve for doubtful debts to be raised to Rs. 2,000.</li> </ol> <p>Prepare necessary ledger accounts and show the balance sheet of the new firm.</p>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Sundry Creditors	25,000	Building	50,000	Loans payable	15,000	Machinery	40,000	Reserve fund	16,000	Furniture	10,000	Capital – A	30,000	Stock	25,000	B	40,000	Debtors	18,000	C	25,000	(-) Provision	500			Cash	8,500		1,51,000		1,51,000	K4	CO4				
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)																																									
Sundry Creditors	25,000	Building	50,000																																									
Loans payable	15,000	Machinery	40,000																																									
Reserve fund	16,000	Furniture	10,000																																									
Capital – A	30,000	Stock	25,000																																									
B	40,000	Debtors	18,000																																									
C	25,000	(-) Provision	500																																									
		Cash	8,500																																									
	1,51,000		1,51,000																																									
<p>A,B and C are partners in a firm sharing profits and losses in the ratio of 5:3:2. they agreed to dissolve on 31<sup>st</sup> March,2008 on which date their balance sheet was as under:</p> <table border="1"> <thead> <tr> <th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr> </thead> <tbody> <tr> <td>Capital a/c s:</td><td></td><td></td><td></td></tr> <tr> <td>    A 10,000</td><td></td><td>Goodwill</td><td>3,000</td></tr> <tr> <td>    B 70,000</td><td>80,000</td><td>Furniture</td><td>10,000</td></tr> <tr> <td>Reserve fund</td><td>10,000</td><td>Joint life policy at surrender value</td><td>20,000</td></tr> <tr> <td>Joint life policy fund</td><td>20,000</td><td></td><td>40,000</td></tr> <tr> <td>Creditors</td><td>18,000</td><td>Debtors</td><td>22,000</td></tr> <tr> <td>Outstanding rent</td><td>2,000</td><td>Stock</td><td>30,000</td></tr> <tr> <td></td><td></td><td>Cash at bank</td><td>5,000</td></tr> <tr> <td></td><td></td><td>Current a/c : B</td><td></td></tr> <tr> <td></td><td>1,30,000</td><td></td><td>1,30,000</td></tr> </tbody> </table> <p>Furniture and stock were taken over by A at an agreed valuation of Rs.12,000 and Rs.15,000 respectively. Joint life policy was surrendered and sundry debtors were realised in full after allowing a discount of 20%. Sundry creditors were taken over by B who agreed to settle account with them at Rs.17,000. The realization expenses amounted to Rs.1,000.</p> <p>You are required to prepare ledger accounts in the books of the firm. In the books of A,B &amp; C.</p>	Liabilities	Rs.	Assets	Rs.	Capital a/c s:				A 10,000		Goodwill	3,000	B 70,000	80,000	Furniture	10,000	Reserve fund	10,000	Joint life policy at surrender value	20,000	Joint life policy fund	20,000		40,000	Creditors	18,000	Debtors	22,000	Outstanding rent	2,000	Stock	30,000			Cash at bank	5,000			Current a/c : B			1,30,000		1,30,000
Liabilities	Rs.	Assets	Rs.																																									
Capital a/c s:																																												
A 10,000		Goodwill	3,000																																									
B 70,000	80,000	Furniture	10,000																																									
Reserve fund	10,000	Joint life policy at surrender value	20,000																																									
Joint life policy fund	20,000		40,000																																									
Creditors	18,000	Debtors	22,000																																									
Outstanding rent	2,000	Stock	30,000																																									
		Cash at bank	5,000																																									
		Current a/c : B																																										
	1,30,000		1,30,000																																									
4	19	Discuss the reasons for dissolution of firm.	K5	CO5																																								
5	20	<p>The assets of a merchant on 30<sup>th</sup> June 2005 as shown by his books were Rs. 45,000 and his liabilities Rs. 31,000. He filed his insolvency petition and estimated his deficiency to be Rs. 22,000. After making the above estimate, he found that the following items were not recorded in his books:</p> <ol style="list-style-type: none"> <li>Interest @ 10% on his capital from 1<sup>st</sup> January, 2005</li> <li>Amount due as wages Rs. 200; as salaries Rs. 500; as rates and taxes Rs. 300; as rent Rs.500.</li> <li>A contingent liability for Rs. 3,000 on bills discounted by him for Rs. 8,000.</li> <li>A loan of Rs. 5,000 taken from a friend for the marriage of his daughter.</li> <li>Deficiency as per statement of affairs Rs. 31,500. Prepare Deficiency account.</li> </ol>	K5	CO5																																								