

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION MAY 2022
(Third Semester)

Branch – CORPORATE SECRETARYSHIP

FINANCIAL ACCOUNTING - III

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 1 = 10)

- Under the straight line method of providing depreciation, it
 - Increases every year
 - decreases every year
 - Remains constant every year
 - None of the above
- The total amount of depreciation of an asset cannot exceed its
 - Scrap value
 - Market value
 - Depreciation value
 - None of these
- On the admission of a new partner :
 - Old firm is dissolved
 - Old partnership is dissolved
 - Both old partnership and firm are dissolved
 - Neither partnership nor firm is dissolved
- X and Y are partners sharing profit in the ratio of 3 : 2. Z was admitted with 1/4 share in profits which he acquires equally from X and Y. The new ratio will be:
 - 9 : 6 : 5
 - 19 : 11 : 10
 - 3 : 3 : 2
 - 3 : 2 : 4
- On retirement / death of a partner, the retiring / deceased Partner's capital account will be credited with:
 - his / her share of goodwill
 - Goodwill of the firm
 - Shares of goodwill of remaining Partners
 - None of these
- On the death of a partner, his share in the profits of the firm till the date of his death is transferred to the :
 - Debit of Profit & Loss Account.
 - Credit of Profit & Loss Account.
 - Debit of Profit & Loss Suspense Account.
 - Credit of Profit & Loss Suspense Account.
- On dissolution of a firm, realisation account is debited with
 - All assets to be realized
 - All outside liabilities of the firm
 - Cash received on sale of assets
 - Any asset taken over by one of the partners
- On dissolution of a firm, out of the proceeds received from the sale of assets will be paid first of all
 - Partner's Capital
 - Partner's Loan to Firm
 - Partner's additional capital
 - Outside Creditors
- When all the partners becomes insolvent the loss on account of insolvency of partners will have to be born by ----
 - debtors
 - creditors
 - firm
 - sellers
- At the time of insolvency the partners have to wait long to get back their capital in this occasion ----- method is followed to relive the partners from financial problem.
 - surplus capital
 - profit
 - dividend
 - reserve

SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

- a) Explain the merits and demerits of annuity method of depreciation
OR
b) X Co. Ltd purchased a machine for Rs.75000 on 1.1.95. Depreciation is provided at 10% p.a. on W.D.V. method . Prepare machinery account for the year 1997 if new machine costing Rs.75000 is purchased on 1.7.97 after surrendering old machine and paying cash Rs.40,000.

Cont...

12. a) Explain the factors affecting goodwill.

OR

b) A firm earns Rs.1,20,00 as its annual profits, the rate of normal profit being 10%. The assets of the firm amount of Rs.14,40,000 and liabilities to Rs.4,80,000. Find out the value of goodwill by capitalization method.

13. a) S, T and U are in partnership sharing profit in the ratio of 4:3:1 respectively. It is provided in the partnership deed that on the death of any partner, his share of goodwill is to be valued at half of the profits credited to his account during the previous four completed year.

T died on 1st April 2010, the firm's profit/losses for the last four years ended 31st March 2007 Rs. 24,000; 2008 Rs.12,000; 2009 Rs. 4,000 (loss) ;2010 Rs.16,000

(i) Determine the amount that should be credited to T in respect of his share of goodwill

(ii) Pass the journal entry for adjustment of goodwill assuming that profit sharing ratio between S and P in future will be 3:2.

OR

b) X, Y and Z are partners sharing profit in the ratio of 2:2:1 . Y died on 31st March 2011. Accounts are closed on 31st December. Sale for the year 2010 amounted to Rs.2,40,000. Sales of Rs.80,000 amounted between the period from 1st January 2011 to 31st March 2011. The profit for the year 2010 amounted to Rs. 24,000. Calculate the deceased partner's share in the profit of the firm.

14. a) From the following , distribute cash under proportionate capital method:
Capital of partners A:Rs.20,000; B :Rs.10,000 Profit sharing ratio:3:2

I- Installment (Cash) Rs.5,000

II- Installment (Cash) Rs. 2,000

III- Installment (Cash) Rs.1,000.

OR

b) Hash, Deva and Suresh share profits in the ratio 3:2:1. On 31.12.1994 , their balance sheet was follows:

Liabilities	Rs	Assets	Rs
Creditors	12,000	Machinery	25,000
General Reserve	3000	Stock	11,000
Capital:		Debtors	9,500
Hash	20,000		
Deva	15,000	Goodwill	13,000
Suresh	10,000	Cash	1,500
	60,000		60,000

On the above date, the firm was dissolved. The assets except cash realized Rs.60,000. The Creditors were settled at Rs.11,500. Dissolution expenses amounted to Rs.800. Give necessary ledger A/c's.

15. a) P, Q, R and S are partners sharing profit in the ratio 4:3:2:1. Their position statement was as follows:

Liabilities	Rs	Assets	Rs
Capital:		Buildings	44,000
P	30,000	Stock	60,000
Q	20,000	Cash	1,500
Bank loan	20,000	Capital	
Creditors	40,000	R	3,500
	1,10,000	S	1,000
			1,10,000

Cont...

The firm is dissolved. All assets realized Rs.82,000. All outside liabilities are paid Rs.58,500 in full satisfaction. Outstanding creditors are also paid Rs.500. The expenses of dissolution are Rs.600. 'S' becomes insolvent and 'R' paid only Rs.3,000. Prepare ledger accounts to close the books of the firm.

OR

- b) Abi and Balu were partners sharing profit and losses in the ratio 3:2. On 1.7.1991, their balance sheet was as under:

Liabilities	Rs	Assets	Rs
Sundry Creditors	2,00,000	Stock	1,20,000
Capital		Debtors	1,50,000
A	50,000	Furniture	6,000
B	30,000	Cash	4,000
	2,80,000		2,80,000

The firm was dissolved on the above date. The assets realized only Rs.1,60,000. Expenses came to Rs. 5000 Abi's private estate could pay only Rs. 10,000. Balu had no surplus. Close the books of the firm by showing the relevant ledger accounts.

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

16. A second hand machine was purchased on 1.1.90 for Rs 30,000 and repair charges amounted to Rs. 6,000. It was installed at cost of Rs. 4,000. On 1st July 1991, another machine was purchased for Rs. 26,000. On 1st July 1992 the first machine was sold for Rs.30,000. On the same day, one more machine was bought for Rs.25,000. On 31.12.1992, the machine bought On 1st July 1991 was sold for Rs.23,000. Accounts are closed every year on 31st December. Depreciation is written off at 15% p.a. Prepare the machinery A/C for 3 years ending 31.12.1992.
17. A and B are partners sharing profit in the ratio of 3:1. Their balance sheet stood as under 31.3.2004:

Liabilities	Rs	Assets	Rs
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid insurance	1,000
Capital		Debtors	8,000
A: 30,000		Less: Provision	500
B: 20,000	50,000	Cash	18,500
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
	95,000		95,000

C is admitted as a new partner introducing a capital of Rs.20,000, for his 1/4 th share in future profits. Following revaluations are made:

- Stock be depreciated by 5%
- Furniture be depreciated by 10%
- Buildings be revalued at Rs.45,000
- The provision for doubtful debts should be increased to Rs.1,000. Pass journal entries, prepare Revaluation A/c and Balance sheet after admission.

18. Pawn, Queen and Raja were equal partners Raja retired on 1.1.2010. the balance sheet of the firm on 31.12.2009 stood as follows:

Cont...

Liabilities	Rs	Assets	Rs
Capital amount		Goodwill	25,000
Pawn	50,000	Buildings	50,000
Queen	30,000	Investments (cost)	10,000
Raja	30,000	Stock	12,000
Investment fluctuation fund	2,000	Debtors 20,000 Less: Provisions 1,000	19,000
contingency Reserve	6,000	Cash in Hand	2,000
Creditors	22,000	Cash at Bank	22,000
	1,40,000		1,40,000

On the date retirement it was found that:

- (i) Building be valued at Rs.60,000
- (ii) Investment fluctuation fund be brought to Rs.1,100
- (iii) Debtors being all good; no reserve is required
- (iv) Stock be taken at Rs. 11,000
- (v) Goodwill will be valued at 2 years purchase of the average profit of the past five years.
- (vi) Raja's share of profit to the date of retirement be calculated on the basis of average profit of the preceding three years. The profit for the preceding five years were as under.
2005 : Rs.12,000; 2006 : Rs.13,500; 2007: Rs.8,000;
2008: Rs.10,000; 2009:Rs.9,000 . pass journal entries, give partner's capital a/c's and revised balance sheet.

19. Explain various modes of dissolution of partnership firm.
20. S, T and U are partners in a firm. They share profits and losses equality. Their Balance sheet on 31.12.1992 is given as under:

Liabilities	Rs	Assets	Rs
Capitals		Machinery	40,000
S	16,000	Furniture	16,000
U	12,000	Debtors	40,000
Reserve Fund	18,000	Cash at Bank	8,000
Creditors	64,000	T's Capital	6,000
	1,10,000		1,10,000

The partnership is dissolved due to insolvency of T 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 capitals are fluctuating. Apply Garner Vs Murray rule.

Z-Z-Z

END