18CSU08/14CSU08

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION DECEMBER 2019
(Third Semester)

Branch - CORPORATE SECRETARYSHIP

FINANCIAL ACCOUNTING - III

Time: Three Hours Maximum: 75 Marks

SECTION-A110 Mafks)

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

1 It is the measurement of the decrease in the value of the fixed asset through wear and tear
(i)' Deletion (ii) Deprecation (iii) Amortisation (iv) Reduction

2 A machine was purchased on 1 Jan. 2015 for Rs. 50,000. Deprecation is at the rate of 20% show the balance in the machinery a/c as on 31.12.2015.
(i) 40,000 (ii) 50,000 ' (iii) 60,000 (iv) 70,000

3 Interest on partner's loan in the absence of any agreement will carry
(i) 2% (ii) 4% (iii) 6% (iv) 11%

4 Revaluation A/c is a
(i) Personal a/c (ii) Real a/c
(iii) Nominal a/c (iv) Income & expenditure a/c

5 The ratio which is computed at the time of retirement's
(i) Sacrificing ratio (ii) Gaining ratio
(iii) Capital ratio (iv) Current ratio

6 A, B and C are partners sharing profits in the ratio of 2:2:1. C retired. The new profit sharing ratio between A and B will be
(i) 1:1 (ii) 3 :2 (iii) 2: 1 (iv) 1 :2

7 When a partnership firm is dissolved the following a/c is opened in ledger?
(i) Revaluation a/c (ii) Realisation a/c
(iii) P & L a/c (iv) Trading, P&La/c

8 In dissolution, general reserve is transferred to
(i) Realisation a/c (ii) Bank a/c
(iii) Partners' capital a/c (iv) None

9 The rule of Garners Vs Murray is applicable in
(i) Dissolution (ii) Insolvency (iii) Retirement (iv) Admission

10 Maximum loss method is used in
(i) Piecemeal distribution a/c (ii) Retirement of partners a/c
(iii) Admission of partners a/c (iv) Insolvency of partners a/c

SECTION - B (35 Marks)

Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 7 -35)

11a A machine purchased on 1st July 2010 at a cost of Rs. 28,000 and Rs. 2,000 was spent on its installation. The deprecation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs. 19,000 on 31st March 2013. Show the machinery account for all the years.

OR

b State the differences between straight line method and written down value method.

12 a Aim Co. Ltd earned net profits during the last three years as follows:
I year - Rs. 72,000 II year - Rs. 80,000 III year - Rs. 88,000

12 a Cont....

The capital investment of the firm is Rs. 2,40,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profits.

OR

b Sivam and Vishnu are partners sharing profits in the ratio of 3:1. Their balance sheet as under on 31.03.2014.

Liabilities		Rs.	Assets		Rs.
Salary due		10,000	Stock		20,000
Creditors		80,000	Prepaid insurance		2,000
Capital:			Debtors	16,000	
Sivam	60,000		Less: Provision	1,000	15,000
Vishnu	40,000	1,00,000	Cash		37,000
			Machinery		44,000
			Buildings		60,000
			Furniture		12,000
		1,90,000			1,90,000

Hair is admitted as a new partner introducting a capital of Rs. 40,000 for his 1/4th share in future profits. Following revaluations are made:

i) Stock be depreciated by 5%
ii) Furniture be depreciated by 10%
iii) Building be revalued at Rs. 90,000
iv) The provision for doubtful debts should be increased to Rs. 2,000

Prepare revaluation a/c and balance sheet after admission.

13 a Show the differences between gaining.ratio and sacrificing ratio.

OR

b Kavin, Vevin and Naveen are equal partners in a firm and their balance sheet as on 31.12.2013 is given below:

Liabilities	Rs.	Assets	Rs.
Capital: Kavin	-30,000	Machinery	87,000
Vevin	24,000	Furniture	3,000
Naveen	36,000	Debtors	60,000
Reserve	9,000	Stock	30,000
Creditors	81,000		
	1,80,000		1,80,000

Naveen retired on 31.12.2013 and assets were revalued as under:

Machinery Rs. 1,02,000; furniture Rs. 2,400; Debtors Rs. 57,000; Stock Rs. 29,400; Goodwill of the firm is valued at Rs. 18,000 and Naveen's share of goodwill is to be adjusted to continuing partners capital a/c.

Prepare necessary ledger a/cs and new balance sheet.

14 a Amsha, Bhanu and Chithra are partners in a firm sharing profits & losses in the proportion of 3:3:2. Their balance sheet on 3.12.2015 was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry creditors	95,000	Bank	1,10,000
Partners capital:		Stock	1,38,000
Amsha	1,50,000	Investments	12,000
Bhanu	1,50,000	Debtors	1,40,000
Chithra	2,00,000	Land & buildings	2,50,000
Partners current A/c :		Goodwill	50,000
Amsha	30,000		
Bhanu	50,000		
Chithra	25,000		
	7,00,000		7,00,000

They decided to dissolve the firm on 1.1.2016. Amsha reports the result of realisation as follows:

L & B Rs. 1,80,000; debtors Rs. 1,20,000; Investments Rs. 11,000; stock Rs. 1,51,000; Goodwill - Nil. The realization expenses amounted to Rs. 4,000. Close the accounts of the firm.

OR

The following was the balance sheet of Ashok and Boopathy on 31.12.2014.

Liabilities	Rs.	Assets		Rs.
Sundry creditors	76,000	Cash at bank		23,000
Mrs. Ashok loan	20,000	Stock		12,000
Boopathy's loan	30,000	Debtors	40,000	
Reserve fund	10,000	(-) Provision	2.000	38,000
Ashok's capital	20,000	Furniture		8,000
Boopathy's capital	16,000	Machinery		56,000
		Investments		20,000
		P&L A/c		15,000
	1,72,000			1,72,000

The firm was dissolved on 31.12.2014 and the following was the result:

i) Ashok took over the investemtn at an agreed value of Rs. 16,000 and agreed to pay off the loan to Mrs. Ashok

ii) The assets realized as follows: Stock Rs. 10,000; Debtors Rs. 37,000; Furniture Rs. 9,000; Machinery Rs. 50,000.

iii) The expenses were Rs. 2,200

iv) The sundry creditors were paid off less *2!A%* discount.

Ashok and Boopathy shared profits & losses in the ratio of 3:2. Prepare Realisation A/c and capital accounts, bank account.

Deepa, Radha, Krishna and Ravi are partners sharing 4:3:2:1. Their position statement was as follows:

Liabilities	Rs.	Assets	Rs.
Capital: Deepa	1,80,000	Bank	9,000
Radha	1,20,000	Machinery	2,64,000
Sundry creditors	2,40,000	Stock	1,20,000
Bank loan	1,20,000	Debtors	2,40,000
		Capital: Krishna	21,000
		Ravi	6,000
	6,60,000		6

The firm is dissolved. All assets realized Rs. 4,92,000. The sundry Crs. And bank loan were paid Rs. 3,54,000 in full satisfaction. The expenses of dissolution are Rs. 3,600. Ravi became insolvent and Krishna paid only Rs. 18,000. Prepare ledger accounts to close the books of the firm.

OR

Explain in detail the rule laid down in "Gamer Vs Murray" case.

SECTION - C (30 Marks!

Answer any **THREE** Questions

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

Describe the various methods of providing deprecation.

Sun, Moon are partners in a firm. They share profits and losses in the ratio of 3:1. Their balance sheet is as follows:

Liabilities	Rs.	Assets	Rs.
Capital: Sun	1,60,000	Buildings	2,00,000
Moon	80,000	Plant	25,000
Reserve	80,000	Stock	80,000
Creditors	1,20,000	Debtors	1,40,000
Bills payable	40,000	Cash	35,000
	4,80,000		4,80,000

Star is admitted into partnership for l/5th share of the business on the following term:

a) Buildings are revalued at Rs. 2,40,000

b) Plant is depreciated to 80%

c) Provision for bad debts is made at 5%

Following is the balance sheet of White, Green and yellow as on 31.12.2010:

Liabilities	Rs.	Assets	Rs.
Creditors	60,000	Cash in hand	4,000
Reserve fund	64,000	Cash at bank	1,00,000
Capital: White	2,00,000	Debtors	1,20,000
Green	1,00,000	Stock	1,20,000
Yellow	1,00,000	Machinery	1,60,000
	1,00,000	Furniture	20,000
	5,24,000		5,24,000

Yellow died on 31.3.2011. Under the partnership agreement, the executors of yellow was entitled to :

a) Amount standing to the credit of his capital account
b) Interest on capital which amounted to Rs. 1,250
c) His share of goodwill Rs. 70,000
d) His share of profit from the closing date of last financial year to the date of death which amounted to Rs. 8,750. Yellow's executor was paid Rs. 36,000 on 1st April 2011 and the balance was to be paid in four equal yearly installments starting from 31.03.2012 with interest @ 6% p.a. Prepare yellow's capital a/c, yellow's executors' a/c till it is finally piad. Assume profits are shared in the capital ratio.

Gold and Silver are equal partners. They decide to dissolve the partnership on 31.12.2014 when their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Capital: Gold	96,000	Machinery	38,400
Silver	96,000	Buildings	1,20,000
Creditor	4,800	Stock	13,920
		Debtors	11,520
		Bank	12,960
	1,96,800		1,96,800

a) Gold is to take over the business and pay Rs. 24,000 for goodwill which had not been previously valued. He is also to take over the buildings and stock at book value and machinery Rs. 36,000.
b) During the period upto 31.05.2015, gold collects Rs. 9,600 from the firms debtors and pays the liabilities, getting Rs. 480 as cash discount.
c) Gold also pays dissolution expenses amounting to Rs. 960.

Prepare the realization a/c, partners' capital a/c and bank a/c assuming that settlement was made on 31.05.15.

Kavitha, Jeevitha and Lalitha are equal partners, whose balance sheet on 31.12.2016 as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	20,000	Machinery	8,000
Capital: Kavitha	3,200	Buildings	8,000
Lalitha	2,000	Furniture	3,200
Kavitha's loan	4,000	Debtors	4,000
		Stock	3,200
		Cash	200
		Jeevitha's capital (overdrawn)	2,600
	29,200		29,200

Due to lack of liquidity and weak financial position of the partners, the firm is dissolved. Kavitha and lalitha are not able to contribute anything and a sum of Rs. 800 received from Jeevitha. All of them are declared insolvent.

The assets are realized as : Stock Rs. 2,000; Machinery Rs. 4,000; Furniture Rs. 800; Buildings Rs. 3,200; Debtors Rs. 2,200 only. Realisation expenses amounted to Rs. 200. You are required to close the books of the firm.