# PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
**BCom DEGREE EXAMINATION DECEMBER 2018**
(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 a "Partnership Deed"?
2 What is Goodwill?
3 What is Gaining Ratio?
4 What is Surrender Value?
5 What is Joint Life Policy? Why is it usually taken?
6 What is Purchase Consideration?
7 What do you mean by dissolution of a partnership firm?
8 What is an Insolvent partner?
9 What is Exinterest and Cuminterest?
10 What is Annual turnover and Standard turnover?

### SECTION - B (25 Marks)
Answer **ALL** Questions
**ALL** Questions Carry **EQUAL** Marks (5 x 5 = 25)

11 a A and B are partners in a business sharing profits in the ratio of 5:3. They decide to admit C into the firm giving him $\frac{1}{6}^{th}$ share. Calculate the new profit sharing ratio and sacrificing ratio of the partners.

OR

b Following is the Balance Sheet of Mohan and Madan on 31 Dec 1990, after adjustment of profit for the 1990 and drawings:

| | | Rs. | | Rs. |
|---|---|---|---|---|
| Capitals: Mohan | 40,000 | | Land | 16,000 |
| Madan | 48,000 | 88,000 | Buildings | 72,000 |
| Creditors | | 32,000 | Other Assets | 48,000 |
| P&L Appropriation A/c | | 24,000 | Madan's Drawings | 8,000 |
| | | 1,44,000 | | 1,44,000 |

During the year 1990: i) Profits were Rs.40,000; ii) Drawings of Mohan were Rs.12,000; iii) Interest is to be charged at 5% p.a. on opening capitals. Calculate interest on capital of Mohan and Madan.

12 a X,Y and Z are partners in a firm sharing profits and losses in the ratio of 5:3:2. Y retires from the firm and his share was taken by X and Z in the ratio of 2:1. Calculate the new profit sharing ratio.

OR

b A,B and C were partners sharing profits in the ratio of 5:4:1. A retires from the firm. Calculate the new profit sharing ratio and Gaining ratio of B and C

13 a A and B were carrying on partnership business sharing profits and losses in the ratio of 3:2 respectively. They closed their books of account every year on 31.12.2013. Their Balance Sheet was as follows:

| Liabilities | | Rs. | Assets | Rs. |
|---|---|---|---|---|
| Capitals: A | 22,500 | | Cash | 7,500 |
| B | 15,000 | 37,500 | Sundry Debtors | 12,500 |
| Creditors | | 5,000 | Stock | 5,000 |

13 a Cont...

B died on 1.5.204. Under the terms of partnership deed, the executors of deceased partner were entitled to be paid out:
i) Capital to his credit at the date of death.
ii) His share of reserve at the date of the last balance sheet.
iii) His share of profits to the date of his death based on the average profits of the last three accounting years.
iv) By way of goodwill his share of total profits for the preceding three accounting years.

The profits for the three preceding accounting years were as follows:
2011:Rs.10,450
2012: Rs.9,800
2013: Rs.11,250

Prepare B's capital account transferring amount due to B's executors A/c.

OR

b List out the forms of Amalgamation.

14 a A, B and C are partners sharing profits and losses in the ratio of 3:2:1 respectively. The firm was dissolved on 31.12.95 on which date its balance sheet was as follows:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Capital Accounts: | | Plant & Machinery | 28,500 |
| A | 45,000 | Stock | 25,000 |
| B | 5,000 | Sundry Debtors | 25,000 |
| C | 5,000 | Cash at Bank | 1,500 |
| A's current A/c | 750 | B's Current A/c | 1,000 |
| Sundry Creditors | 20,000 | C's Current A/c | 2,500 |
| Bills Payable | 3,500 | Profit & Loss A/c | 750 |
| Bank Loan | 5,000 | | |
| | 84,250 | | 84,250 |

Plant & Machinery realized for Rs.20,000; Stock realised Rs.15,000; Debtors realised Rs.21,000; Goodwill was sold for Rs.300. The dissolution expenses amounted to Rs.600. C is insolvent and a dividend of 50 paise in the rupee is received from his private estate. Prepare the necessary accounts in the books of the firm.

OR

b X, Y and Z are partners sharing profits and losses as 2:2:1. Their Balance Sheet as at 31.12.93 stood as under:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Capitals: | | Sundry Assets | 2,00,000 |
| X | 70,000 | Z's Capital A/c | 20,000 |
| Y | 30,000 | | |
| Creditors | 1,20,000 | | |
| | 2,20,000 | | 2,20,000 |

The firm is dissolved as on that date. Sundry Assets realize Rs.1,00,000. Y and Z both are insolvent. Y's private estate has got a surplus of Rs.6,000 and that of Z Rs.16,000. Close the books of the firm.

15 a Briefly explain the special features of "Investment Accounts".

OR

b A fire occurred at the premises of a trader on 31.5.94 destroying a great part of his goods. His stock at 1.1.94 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

## SECTION - C (30 Marks)

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

16 Messrs A, B and C is a firm sharing profits and losses in the ratio of 2:2:1. Their balance sheet as on 31st March, 2006 is as below:

| Liabilities | | Rs. | Assets | Rs. |
|---|---|---|---|---|
| Sundry Creditors | | 12,850 | Land and Buildings | 25,000 |
| Outstanding Liabilities | | 1,500 | Furniture | 6,500 |
| General Reserve | | 6,500 | Stock | 11,750 |
| Capital Accounts: | | | Sundry Debtors | 5,500 |
| A | 12,000 | | Cash in hand | 140 |
| B | 12,000 | | Cash at bank | 960 |
| C | 5,000 | 29,000 | | |
| | | 49,850 | | 49,850 |

The partners have agreed to take D as a partner with effect from 1st April, 2006 on the following terms:

i) D shall bring Rs.5,000 towards his capital.
ii) The value of stock should be increased by Rs.2,500
iii) Provision for Bad and Doubtful Debts should be provided at 10% of the debtors.
iv) The furniture depreciated by 10%.
v) The value of Land & Buildings should be enhanced by 20%.
vi) The value of the goodwill is Rs.15,000 and is to be adjusted through capital accounts.
vii) General Reserve will be transferred to the partner's capital accounts.
viii) The new profit sharing ratio shall be – A 5/15 B 5/15 C 3/15 D 2/15

The outstanding liabilities include Rs.1,000 due to E which has been paid by A. Necessary entries were not made in the books.

Prepare (i) The Revaluation A/c (ii) the capital A/c's of the partners and (iii) the Balance Sheet of the firm as newly constituted.

17 L and H were carrying on business as equal partners. It was agreed that L should retire from the firm and his son C should join the firm on the same date for ⅓rd of the profits of the business.

The Balance sheet of the firm as on 31.3.1992 was as follows:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Creditors | 9,800 | Bank | 11,000 |
| Capitals: | | Debtors | 16,100 |
| L | 34,000 | Furniture | 14,200 |
| H | 28,200 | Building | 20,700 |
| | | Goodwill | 10,000 |
| | 72,000 | | 72,000 |

On 31.3.92, goodwill was valued at Rs.27,000 and building a Rs.24,000. It was agreed that enough money should be introduced to enable L to be paid out and leave Rs.10,000 by way of working capital. H and C were to provide such sums as would make their capitals proportionate to their share of profits. L agreed to provide half of the capital which C had to provide.

Give journal entries, prepare necessary accounts and the balance sheet of H and C.

18 Shri A, Shri B and Shri C are equal partners of M/s ABC & Co. The

18 Cont...

| Liabilities | Amount | Assets | Amount |
|---|---|---|---|
| Shri A's Account | 5,00,000 | Land | 5,00,000 |
| Shri B's Account | 10,00,000 | Plant & Machinery | 20,00,000 |
| Loan from Banks | 50,00,000 | Buildings | 7,00,000 |
| Creditors | 10,00,000 | Stocks | 30,00,000 |
| | | Debtors | 10,00,000 |
| | | Shri C's Account | 3,00,000 |
| | **75,00,000** | | **75,00,000** |

On that date, it is decided to convert the partnership into a limited company on the following terms:

a) Land to be valued at Rs.15,00,000.
b) Plant & Machinery to be valued at Rs.25,00,000.
c) Depreciation amounting to Rs.2,00,000 to be written off buildings.
d) A provision of 10% of book value to be made for obsolete stocks.
e) A provision for doubtful debts to be made at 10% of the debtors.
f) A discount of 6% would be earned on creditors when paid out.
g) The new company will issue 12,000 equity shares of Rs.100 each credited as fully paid up, such share capital being valued at Rs.15,00,000 and the balance payable is to be charged by issue of 8% debenture certificates of Rs.1,000 each.

Show the necessary ledger accounts to close the books of ABC & Co. and show the opening balance sheet of the new company. You may assume that (i) all partners are solvent and have sufficient cash resources as may be necessary for purposes of settling accounts, and (ii) shares and cash are divide equally among the partners.

19 Orange, Apple and Banana were in partnership sharing profits and losses in the ratio of 3:2:1. They decided to dissolve the partnership and to distribute the sale proceeds as and when realized. The partners capitals were: Orange Rest.10,000 Apple Rest.9,000 and Banana Rs.5,000. Apple's loan (cr.) amounted to Rs.3,000.

Sundry Creditors amounted to Rs.6,000.
The assets were realised as under:

| | Stock | Furniture | Debtors | Expenses |
|---|---|---|---|---|
| July | 3,000 | 300 | 2,000 | 500 |
| August | 2,000 | 100 | 1,500 | 200 |
| September | 2,500 | --- | 2,000 | 300 |
| October | 3,000 | --- | 1,500 | 200 |

You are required to draw up a statement showing the distribution of cash and the journal entry for closing finally the capital accounts of the partners by following the proportionate capital method.

20 Explain the procedure to ascertain stock on the date of fire. How do you compute the claim for loss of stock?

Z-Z-Z END