PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)-
BCom (CS) DEGREE EXAMINATION MAY 2017
(Third Semester)'

Branch*—CORPORATE SECRETARYSHIP

FINANCIAL ACCOUNTING - III

Time : Three Hours
Maximum : 75 Marks
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Section - A
(Answer all questions - Each 2 marks) (2x10=20 marks)

1. What are depreciable assets?
2. **State any two objectives of providing depreciation.**
3. Define partnership. ' ..
4. Enumerate any two factors that affect the valuation of Goodwill.
5. What is Revaluation account?
6. What is Joint Life Policy?
7. What do you understand by Surrender Value?
8. What is the difference between dissolution of the firm and partnership dissolution? •
9. What is piecemeal distribution of cash?
10. State.the order of payments under piecemeal distribution of cash.

Section - B
(Answer all questions - Each 5 marks) (5x5=25 marks)

1 La) Machinery Account in the books of a concern was shown as follows:

a. Balance as on 1st January 2009	7,450
b. Purchase of Machinery on 1st July 2009	2,200 •
c. Sale of Machinery on 1st October 2009	1,000

The original cost of the machinery sold was 3,000 on 1st July 2007. Machinery is being depreciated at 10 percent per annum on diminishing balance of the asset.

Show Machinery Account in the books of the concern. The books are • closed on 31st December 2009.

(OR)

b) Ram Brothers purchased a machine on 1st July 2009 at a cost of . CooL

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Rs. 14,000 and spent Rs. 1,000 on it installation. The firm writes off depreciation at 10% of original cost every year. The books are closed on 31st December every year. The machine was sold for Rs.9,500*'on 31.3.2012.
Show Machinery A/'c.

12. a) Enumerate the different methods used for valuation of Goodwill.

’ v **(OR)** *

b) A firm earns Rs.66,000 as its annual profits, the rate of normal profit being 10%. The assets of the above firm amount to Rs,7,00,000 and its liabilities to Rs.2,00,000/

Find out the value of goodwill by capitalization method.

13. a) What is Memorandum Revaluation Account? What purpose does it serve? How does it differ from a revaluation account?

. (OR)

b) A and B who shared profits in the ratio of 3:2 took a joint life policy on • May 1, 2006 for Rs.30,000. The annual premium was Rs. 1,300. The surrender value of the policy was: ' ‘ ,

2006 - Nil: 2007 - Rs.4Q0; 2008 - Rs.900 and 2009 - Rs. 1,450.
B died on September -15, 2009 and the amount of the policy was received on Dec.31, 2006. The books are closed on December 31 each year.

Show joint life policy account and joint life policy reserve account assuming that premium is written off through Joint Life policy Reserve Account.

14. a) Distinguish between Realization Account and Revaluation Account.

■> (OR)

b) Balance Sheet of X, Y and Z as on 31-3-2010 is as follows:

Liabilities	Rs.	Assets	Rs.
X’s Capital	5,000	Buildings	5,000
X’s Capital	4,000	Investment	2,000
X’s Capital	3,000	Debtors	1,000
Creditors	2,000	Cash	- 3,000
	14,000		14,000

The firm was dissolved on the above date, Creditors were paid at a discount of 5%, X agreed to take over buildings at Rs.9,000. Y took over investments at Rs. 1,500 and Z took over book debts at Rs.600, Expenses of realization Rs. 110. Prepare Realization Account.------------ :-------------L'

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15. a) Explain two important decisions of Gamer Vs. Murray.

(OR)

b) X, Y and Z were partners. Their Balance Sheet stood as under on the date when the firm was dissolved.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	60,000	Sundry Assets	55,000
X 's Capital Account	22,000	Profit & Loss A/c	12,000
Z 's Capital Account	10,000	Y 's Capital A/c	25,000
	92,000	»	92,000

The assets realized Rs.41,000. The expenses of realization amounted to Rs. 1,000. The position of the partners was as follows:

*

	Private Estate	Private Liabilities
X	18,000	20,000
Y	12,000	• 21,000
Z	12,000	10,000

Prepare necessary ledger accounts to close the books of the firm.

Section - C

(Answer any THREE - Each 10 marks) (10x3=30 marks)

16. Metropol Ltd. acquired a machine for Rs.5,40,000 on 1st April 2007. Depreciation was to be charged at 20% on straight line method. During 2009-10, a modification was made to improve its technical reliability at a cost of Rs.50,000 which it was considered would extend the useful life of the machine for two years. At the same time an important component of the machine was replaced at a cost of Rs. 10,000 because of excessive wear and tear.

Routine maintenance during the said accounting period cost Rs.7,500.

Show the machine account, provision for depreciation of machine account for three years ending 31st March 2010.

State the amount of depreciation to be charged to Profit and Loss Account for the year ending 31st March 2010 only.

17. Following is the balance Sheet of A,B and C sharing profits and losses in the proportion of 6:5:3 respectively.

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A

Liabilities	Rs.	Assets	Rs.
Creditors	18,900	Cash	1,890
Bill Payable	6,300	Debtors	26,460
General Reserver	10,500	Stock	29,400
A's Capital	35,400	Furniture	7,350
B's Capital	29,850	Land and Buildings	45,150
C's Capital	14,550	Goodwill	5,250
	1,15,500		1,15,500

They agreed to take D into partnership and give him 1/8 share on the following terms:

That furniture be depreciated by Rs.920;
That stock be depreciated by 10%;
That a provision of Rs. 1,320 be made for outstanding repair bills;
That the value of land and building having appreciated be brought upto Rs.59,850;
That the value of goodwill Rs. 16,800 and D's share of goodwill is adjusted through capital accounts;
That D should then bring in Rs. 16,100 as his capital;
That after making the above adjustments the total capital of the firm should be Rs. 1,12,000 and be adjusted on the basis of the new profit sharing ratio in the business, actual cash to be paid off or brought in by the partners, as the case may be.

Prepare Revaluation Account, Partners' capital Accounts and Balance Sheet of the new firm.

18. Balance Sheet of X,Y and Z who were sharing profits in the ratio 4:3:2 respectively stood as follow on 31st December 2009:

Liabilities		Rs.	Assets		Rs.
			Cash at Bank		3,300
Sundry Creditors		4,140	Sundry debtors	3,045	
Capitals:			Less : Provisions,	105	2,940
X	12,000				
Y	9,000		Stock *		4,800
Z	6,000	27,000	Plant and Machinery		5,100
			Land and Buildings		15,000
		31,140			31,140

Y, having given notice to retire from the firm, the following adjustments in the books of the firm was agreed upon:

a. That Land and Building be appreciated by 10 per cent;
b. The provision for bad debts is no longer necessary;
c. That the stock be appreciated by 20 per cent; C'

^ ^d. The adjustment be made in the accounts to rectify a mistake previously
_ - J ' made whereby Y was credited in excess by Rs.810 while X and Z were
\ debited in excess by Rs.420 and Rs.390 respectively;

^ e. That the goodwill of the firm be valued at Rs.5,400 and Y's share of the same adjusted to that of X and Z who are going to share in future profits in * the ratio of 2:1 ;

f. That the entire capital of the firm, as newly constituted, will be readjusted by bringing in or paying in of cash so that the future capital of X and Z be , in the ratio 2:1.

Pass journal entries and prepare the Balance Sheet of the new firm, showing Y's balance as loan.

19.. . Following was the Balance Sheet as on 31sl July,'2010 of the firm of Arun and Aditya whowere sharing profits and losses in the ratio of 3:2.

Liabilities	" Rs.	Assets	Rs. ,
Sundry Creditors	97,500	Land and Building	30,000
Capital A/c's		Motor Vehicles	18,300
Arun	77,500	Stock	72,800
Aditya	58,000	Debtors	90,750
General Reserve	- 12,500	Cash	33,650
/	2,45,500		2,45,500

The partners decided to dissolve the firm on and from the date of Balance Sheet. Motor vehicles and stocks were sold for cash at Rs. 16,950 and Rs.77,600 respectively. All debtors accounts were realized in full. Aditya took over Land and Buildings at an agreed valuation of Rs.43,500. Creditors were paid off subject to a discount of Rs. 1,700. Expenses of realization were Rs. 1,260.

Prepare and close Realization Account, Cash Account' and Capital Accounts of partners.

20. 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 capital were Orange Rs. 10,000, Apple Rs.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 realized 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 by Proportionate Capital Method.

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