

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION DECEMBER 2017  
(Third Semester)

Branch - CORPORATE SECRETARYSHIP

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 Define depreciation.
- 2 What do you mean realisable value?
- 3 What is mean by partnership deed?
- 4 Point out sacrificing ratio.
- 5 Define gaining ratio.
- 6 Write any four main points which require attention in retirement of a partner.
- 7 What do you mean dissolution by agreement?
- 8 What is firm debts and private debts?
- 9 Define insolvency of a partner.
- 10 What is meant by piece meal distribution?

SECTION - B (25 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 5 = 25)

- 11 a A company purchased a plant for Rs. 1,00,000. The useful life of the plant is 10 years and the residual value is Rs. 20,000. Find out the rate of depreciation under the straight line method.

OR

- b A company acquired a machine on 01.01.2013 at a cost of Rs. 80,000 and spent Rs. 2,000 on its installation. The firm writes off depreciation at 10% on the diminishing balance. The books are closed on 31<sup>st</sup> December of each year. Show the machinery account for 3 years.

- 12 a Ram and Shyam are partners sharing profits in the ratio of 3: 2. They admit Vikaram into partnership, Vikaram paying a premium of Rs. 40,000 for  $\frac{1}{3}$ th share of profit. The new ratio is 3 : 3 : 2. Goodwill account appears in the books at Rs. 4,000. It was decided that goodwill should continue to appear in books at Rs. 3,200. Journalise the above transactions.

OR

- b Write short notes on :  
i) Revaluation methods and ii) Memorandum revaluation method.

- 13 a Following is the balance sheet of Sun, Moon and Noon as at 31.12.2015.

Liabilities	Amount	Assets	Amount
	(Rs.)		(Rs.)
Capital accounts :		Cash in hand	200
Sun	10,000	Cash at bank	5,000
Moon	5,000	Debtors	6,000
Noon	5,000	Stock	4,000
Reserve	3,200	Plant & machinery	6,000
Creditors	2,000	Goodwill	4,000
	25,200		25,200

13 a Cont...

Noon died on 14.03.2015. Under the terms of partnership deed the executors of a deceased partner were entitled to:

- i) Amount standing to the credit of partner's capital account.
- ii) Interest on capital balance at 5% p.a.
- iii) Share of goodwill on the basis of twice the average of the past 3 year's profits.
- iv) Share of profit from the closing of the last financial year to the date of death on the basis of the average of the 3 completed year's profit before the death.

Profit for 2013, 2014 and 2015 were respectively Rs. 6,000; Rs. 7,000 and Rs. 8,000 profits were shared in the ratio of capital.

Pass the necessary journal entries and draw up Noon's account to be rendered to his executors.

OR

b What is joint life policy? Explain its accounting treatment.

14 a Radha, Geetha and Sudha share profits in proportion of  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$ . On the date of dissolution their balance sheet was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	28,000	Sundry assets	80,000
Radha's capital	20,000		
Geeth's capital	20,000		
Sudha's capital	12,000		
	80,000		80,000

The assets realised Rs. 71,000. Creditors were paid in full. Realisation expenses amounted to Rs. 3,000. Close the books of the firm.

OR

Dharma, Beema and Arjuna are partners in a firm sharing profits and losses in the proportion of 3 : 3 : 2. Their balance sheet on 31.12.2015 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	23,750	Bank	27,500
Partner's capitals ;		Stock	34,500
Dharma	37,500	Investments	3,000
Beema	37,500	Debtors	35,000
Arjuna	50,000	Land & buildings	62,500
Partner's current A/c :		Goodwill	12,500
Dharma	7,500		
Beema	12,500		
Arjuna	6,250		
	1,75,000		1,75,000

They decided to dissolve the firm on 01.01.2016. Dharma reports the result of realisation as follows :

Land & Buildings Rs. 45,000; debtors Rs. 30,000;

Investments Rs. 2,750; stock Rs. 37,750; Goodwill -Nil.

The realisation expenses amounted to Rs. 1,000. close the account of the firm.

Cont....

15 a Ganga and Yamuna are in equal partnership. Their balance sheet stood as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Ganga's capital	1,200	Plant & Machinery	2,950
Sundry creditors	7,800	Furniture	800
		Debtors	1,000
		Stock	1,250
		Bank	600
		Yamuna's capital	2,400
	<u>9,000</u>		<u>9,000</u>

The assets were realised as follows: Stock Rs. 700; Furniture Rs. 400; Debtors Rs. 1,000 and Plant & Machinery Rs. 1,400. The cost of collecting and distributing the estate amounted to Rs. 300.

Ganga's private estate is not sufficient even to pay his private liabilities, whereas in Yamuna's private estate, there is a surplus of Rs. 100.

Prepare Realisation A/c, Cash A/c, Creditors A/c capital A/c's and the Deficiency A/c of the partners.

OR

b What is piece meal distribution? Explain the methods of making such distribution.

### SECTION - C (30 Marks)

Answer any THREE Questions

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

16 A firm purchases a 5 years lease for Rs. 1,60,000 on 1<sup>st</sup> January. It decides to write off depreciation on the Annuity method, presuming the rate of interest to be 5% p.a. The annuity tables show that a sum of Rs. 36,956 should be written off every year. Show the least account for five years. Calculations are to be made to the nearest rupee.

Arun and Dharun are partners sharing profits in the ratio of 3 : 1. Their balance sheet stood as under on 31.12.2015.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital:		Stock	20,000
Arun	60,000	Prepaid insurance	2,000
Dharun	40,000	Debtors	16,000
Salary due	10,000	Less: Provisions	<u>1,000</u>
Creditors	80,000	Cash	37,000
		Machinery	44,000
		Buildings	60,000
		Furniture	12,000
	<u>1,90,000</u>		<u>1,90,000</u>

Varun is admitted as a new partners introducing a capital of Rs. 40,000, for his Vith share in future profit.

Following revaluations are made:

- Stock depreciated by 5%
- Furniture be depreciated by 10%
- Building by revaluated at Rs. 90,000
- Provision for doubtful debts should be increased to Rs. 2,000.

Pass journal entries, prepare revaluation A/c, balance sheet after admission.

- 18 Santhi, Jayanthi and Sumathi 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 31.12.2014 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	50,000	Buildings	1,00,000
Loan payable	30,000	Machinery	80,000
Reserve fund	32,000	Furniture	20,000
Capital :		Stock	50,000
Santhi	60,000	Debtors	36,000
Jayanthi	80,000	Less: Provisions	L000
Sumathi	50,000	Cash	17,000
	3,02,000		3,02,000

Sumathi retires on 31.12.2014 subject to the following conditions:

- a) A goodwill account is created in the books for Rs. 48,000
- b) Machinery to be depreciated by 10%
- c) Furniture to be depreciated by 5%
- d) Stock to be appreciated by 15% and buildings to be appreciated by 10%.
- e) Reserve for doubtful debts to be raised to Rs. 4,000.

Prepare necessary ledger accounts and show the balance sheet of the new firm.

- 19 Nisanth, Prasanth and Vasanth are partners sharing profits and losses as  $2 : 2 : 1$ . Their balance sheet as at 30.06.2015 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	8,000	Bank	10,000
Capital:		Debtors	8,000
Nisanth	20,000	Stock	10,000
Prasanth	8,000	Fixtures	4,000
Vasanth	4,000	Machinery	18,000
Reserve fund	10,000		
	50,000		50,000

They decide to dissolve the business. The following are the amounts realised.

Machinery Rs. 17,000; Fixtures Rs. 3,000; Stock Rs. 14,000; and Debtors Rs. 7,400.

Creditors allowed a discount of 2% and Nisanth agreed to bear all realisation expenses. For this service, Nisanth is paid Rs. 240. Actual expenses amounted to Rs. 1,800 which was withdrawn by him from the firm.

There was an unrecorded assets of Rs. 1,000 which was taken over by Prasanth at Rs. 800.

Close the books of the firm.

- 20 Explain the different modes in which a partnership firm may be dissolved.