PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION MAY 2019
(First Semester)

Branch– **COMMERCE (COST AND 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. Define partnership.
2. What is revaluation account?
3. What sacrificing ration?
4. What do you mean my Executors Loan account?
5. What is Net worth method?
6. List out the forms of Amalgamation.
7. What is Realization Account?
8. What do you understand by Garner Vs. Murray?
9. What are Investments?
10. What is an average clause in a Insurance policy?

SECTION - B (25 Marks)

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

11 a Calculate the amount of goodwill at three years purchase of last five years average profits. The profits were: I Year – Rs. 9,600. II year – Rs..14.400. III Year – Rs. 20,000. IV Year – Rs..6.000. V Year – Rs. 10,000.

OR

b A. B & C were sharing profits in the ratio of 4:3:2 D was admitted on 1st January with 1/3rd interest in the business. Calculate the new ratio and sacrificing ratio.

12 a A firm earned net profits during the last three years as follows:

I year - 36,000
II Year - 40.000
III Year - 44.000

The capital investment of the firm is Rs. 1.20.000. 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 P,Q,R and S were partners sharing profits in the ratio of 5:4:3:1. P and S retire from the firm. Calculate the new profit sharing ratio.

13 a How do you deal with Assets and Liabilities not taken over in case of Amalgamation of firms?

OR

b X Ltd. Agreed to purchase the business of Rahim and Karim as on 31.2.2013 Their assets and liabilities on that date were Rs. 4.40.000 and liabilities to outsiders Rs. .1.60.000. For the purpose of sale. it is agreed that 90% of the assets alone will be taken over at 10% discount. Liabilities are to be taken subject to rebate of 5% Good will is deemed worth
Rs. 40.000. Ascertain purchase Consideration.

14 a P.Q. and R share profits in the proportions of ½..and ¼. On the date of dissolution the Balance Sheet showed as follows.

Liabilities	Rs.	Assets	Rs.
Creditors	14.000	Sundry Assets	40.000
Capital.			
P	10.000		
Q	10.000		
R	6,000		
	40.000		40.000

b P,Q and R are partners in a firm [illegible]
Balance Sheet on 31-12.92 is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve fund	18,000	Cash at Bank	8,000
Creditors	64,000	Q's capital	6,000
	1,10,000		1,10,000

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

15 a Manilal bought 4,000 15% debentures of Anwar Ltd. from Mahesh at Rs.96 cum-interest on 1st January 1994. Interest is payable by the company on 30th September and 31st March each year. You are required to give journal entries in the books of both the parties.

OR

b Write a short note on "Loss of Profit: Insurance.

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

16 Balance Sheet of Padma and Renuka on 31st dec.1996 is set out below:
They share profits and losses in the ration of 3:1.

Liabilities	Rs.	Assets	Rs.
Capitals:		Land & Buildings	30,000
Padma	40,000	Furniture	2,000
Renuka	30,000	Stock	8,000
General Reserve	20,000	Sundry Debtors	60,000
Sundry Creditors	20,000	Cash	4,000
		Profit & loss A/c	6,000
	1,10,000		1,10,000

They agreed to admit kavitha into the firm, subject to the following terms and conditions:

i) She will be entitled to one-fourth share of the profits.

ii) She will bring in Rs.21,000 of which Rs.10,000 will be treated as her share of goodwill to be retained in the business.

iii) Depreciation is to be provided on furniture @ 15%

iv) Stock to be revalued at Rs.6,500.

v) 50% of the General reserve is to remain as a provision for Bad and Doubtful debts.

Give necessary journal entries to give effect to these arrangements and construct the balance sheet of the new firm.

17 The balance sheet of X,Y, and Z who were sharing profits in the ratio of 4:3:2 respectively stood as follows on 31st December, 2005:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		4,140	Cash at Bank		3,300
Capital Accounts:			Sundry Debtors	3,045	
X	12,000		Less: Provision	105	2,940
Y	9,000		Stock		4,800
Z	6,000	27,000	Plant & Machinery		5,100
			Land & Building		15,000
		31,140			31,140

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

i) That Land and Building be appreciated by 10 percent

ii) The provision for bad debts is no longer necessary

iii) That stock be appreciated by 20% .

iv) The adjustment be made in the accounts to rectify a mistake previously made [illegible] the firm be valued at Rs. [illegible] be adjusted to that of X and Z who are going to share in future profits in the ratio 2 :1 (f) that the entire capital of the firm, as newly constituted, will be readjusted by bring in or paying of cash so that the future capital of X and Z be in the ratio of 2:1.

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

18 The Balance Sheet of M/s A&B and M/S C&D as on December 31, 1998 were as follows:

Liabilities	A&B	C&D	Assets	A&B	C&D
Capital Accounts:			Land and Workshop	10,000	12,000
A	10,000	-	Machinery and Tools	7,000	8,000
B	10,000	-	Furniture and Fixtures	3,000	3,500
C	-	10,000	Debtors	6,000	8,500
D	-	10,000	Cash at Bank	3,000	1,000
Creditors	15,000	10,000	Stock	8,000	10,000
Loan	-	10,000			
Outstanding expenses	2,000	3,000			
	37,000	43,000		37,000	43,000

The two firms decided to amalgamate to form ABCD & Co., on January 1,1999. The partners continue to share profits equally as they were doing before the merger Prior to amalgamation the following revaluation of assets and liabilities should be made:

Particulars	A&B	C&D
Land and Workshop	10,000	10,000
Machinery and Tools	7,000	8,000
Furniture and Fixtures	2,500	2,500
Debtors	5,500	7,000
Stock	8,000	8,000
Outstanding Expenses	2,000	3,500

In addition the following things are to be carried out:

i)The new firm will not take over the loan of C&D.

ii) The good will of A&B and that of C&D should be valued initially at

Rs. 10,000 and Rs. 5,000 respectively but for the purpose of the new firm the combined goodwill of the firm should be Rs. .12,000.

iii) Each partner should have Rs. 14,000 as capital in the new firm and that cash should be brought in if necessary.

Show i) The two Revaluation Accounts.

ii) Capital Accounts before and after the amalgamation.

iii) The opening Balance Sheet of the new firm.

19 Ramu, Rajesh and Sundar share profits in the ratio 3:2:1. On 31.12.94, their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital		Machinery	25,000
Ramu	20,000	Stock	11,000
Rajesh	15,000	Debtors	9,500
Sundar	10,000	Goodwill	13,000
General Reserve	3,000	Cash	1,500
Creditors	12,000		
	60,000		60,000