

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS) .
BCoin DEGREE EXAMINATION MAY 2019
(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 What is written down value?
- 2 Define Annuity method.
- 3 What do you mean by Super profit?
- 4 Write the methods of valuation of Goodwill.
- 5 Define lump sum payment method. •
- 6 What is Joint life policy?
- 7 Write about dissolution of partnership firm. •
- 8 The realization profit or loss transferred to which account?
- 9 Define maximum loss method.
- 10 Who is insolvent partner?

*** SECTION - B (25 Marks!**

Answer **ALL** Questions

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

- 11 a What are the causes for depreciation?

- .. OR

- b A company whose accounting year is the calendar year, purchased on 1.1.2013 an amount of Rs.20,000 for machine. It purchased further machinery on 1st Oct. 2013 for Rs.10,000 and on 1st July 2014 for Rs.5,000.

On 1.7.2015, of the machinery installed on 1.1.2013 became obsolete and was sold for Rs.3,400.

Show how the machinery account would appear in the books of the company for all 3 the years under diminishing balance method. Depreciation is to be provided at 10% p.a.

- 12 a Bharani and Dharani are partners sharing profits in the ratio of 3 :2. They admit Saran into Partnership. Saran paying a premium of Rs.2,000 for share of profit. No Goodwill account appears in the books. They withdraw the amount of Goodwill. Journalise.

OR

- b Show how the following items will appear in the capital accounts of the partners Siva and Visva when their capitals are following:

	Siva (Rs.)	Visva (Rs.)
Capital on 01.01.2012	4,00,000	3,50,000
' Drawings during 2012	80,000	70,000
Interest at 5% on drawings	2,000	1,000
Share of profit for 2012	42,000	33,000
Interest on capital at 6%	24,000	21,000
Salary	36,000	NIL

- 13 a Distinguish between Sacrificing Ratio and Gaining Ratio.

OR

- b Amutha, Kumutha and Lalitha are equal partners in a firm and their B/S as

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	20,250	Machinery	21,750
Reserve	2,250	Furniture	750
Capital:		Debtors	15,000
Amutha	7,500	Stock	7,500
Kumutha	6,000		
Lalitha	9,000		
	45,000		45,000

Lalitha retired on 31.12.2011 and assets were revealed as under:

Machinery Rs.25,500; Furniture Rs.600; Debtors Rs.14,250; Stock Rs.7,350. Goodwill of the firm is valued at Rs. 4,500 and Lalitha's share of goodwill is to be adjusted to continuing partner's capital without raising goodwill account. Prepare necessary ledger accounts and new Balance sheet.

- 14 a The following was the Balance sheet of Kavin and Navin on 31.12.2013.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	19,000	Cash at bank	5,750
Kavin's loan	5,000	Stock in trade	3,000
Navin's loan	7,500	Debtors	10,000
Reserve Fund	2,500	Less: Provisions	500
Kavin's Capital	5,000	Fixture & Fittings	2,000
Navin's Capital	4,000	Plant & Machinery	14,000
		Investments	5,000
		P & L A/c	3,750
	43,000		43,000

A firm was dissolved on 31.12.2013 and the following was the result:

- (i) Kavin took over the investment at an agreed value of Rs.4,000 and agreed to pay off the loan to Kavin.

- (ii) The assets realized as follows:

Stock Rs.2,500; Debtors Rs.9,250; Fixture & Fittings Rs.2,250 and Plant & Machinery Rs. 12,500

- (iii) The expenses were Rs.550

- (iv) The Sundry Creditors were paid off less 2 1/2% discount.

Kavin and Navin shared profits & losses in the ratio of 3:2. Show necessary ledger accounts.

OR

- b What are the rules laid down under sec.48 of the Indian Partnership Act 1932 for settlement of accounts after dissolution?

- 15 a Explain the accounting treatment in case of all partners of a firm are insolvent.

OR

- b The following is the Balance sheet of Raman, Lakshman and Bharathan on 31.03.2014.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Accounts:		Furniture	80,000
Raman	1,00,000	Plant & Machinery	40,000
Lakshman	60,000	Stock	80,000
General Reserve	60,000	Sundry Debtors	40,000

15 b Cont...

Bharathan is insolvent but his estate to pay Rs.8,000. It is decided to dissolve partnership.

The assets realized as follows:

Sundry Debtors Rs.30,000; Furniture Rs.56,000; Stock Rs.64,000-
Plant & Machinery Rs.28,000.

The dissolution expenses' amounted to Rs. 10,000

Give accounts to close the books of the firm if the capitals are fluctuating.

SECTION ^ C (30 Marks)

Answer any **THREE** Questions

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

16 Briefly explain various methods of providing for depreciation of fixed assets.

17 On 1st January 2011 Kala and Mala entered into Partnership an contributed Rs.40,000 and s.30,000 respectively. They share profits and losses in the ratio 3:2. Mala is to be allowed a salary of Rs.8,000 per year. Interest on Capital is to be allowed at 5% p.a. 5% interest is to be charged on drawings. During the year, Kala withdrew Rs.6,000 and Mala Rs. 12,000, interest being Kala Rs.140 and Mala Rs. 100. Profit in 2011 before the above noted adjustments was Rs.21,160. Show the distribution of profit between the partners and prepare capital accounts:

(i) When they are fluctuating

(ii) When they are fixed.

18 Pari, Oori and Kumaran were equal partners. Kumarn retire a on 31.03.2013. Th balance sheet ofthe firm on 31.12.2012, stood as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Account:		Goodwill	25.000
Pari	50.000	Buildings	50.000
Oori	30.000	Investment(cost)	10.000
Kumaran	30.000	Stock	12,000
Investment fluctuation fund	2,000	Debtors 20,000	
Contingency reserve	6,000	Less: Provision 1.000	19.000
Creditors	22.000	Cash in hand	2,000
		Cash at bank	22.000
	1,40,000		1,40,000

On the date of retirement it was found that:

(a) Building be valued at Rs.60,000

(b) Investment fluctuation fund be brought to Rs. 1,100

(c) Debtors being all good; no reserve is required.

(d) Stock be taken at Rs. 11,000

(e) Goodwill will be valued at 2 years purchase of the average profit of the past 5 years.

(f) Kumanan's share of profit to the date of retirement be calculated on the basis of average profit of the preceding 3 years. The profit for the preceding 5 years were as under:

2008:Rs. 12,000; 2009:Rs.13,500; 2010:Rs.8,000; 201 1:Rs.10,000;
2012: Rs.9,000.

Pass journal entries, give partner's capital account and the revised balance sheet.

- 19 Sathiya, Nithiya and Vithiya sharing profits in the proportion of 3:2:1 decided to dissolve partnership on 31.12.2013. Their balance sheet on that date was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Accounts:		Leasehold premises	6,250
Sathiya	15,000	Goodwill	10,000
Nithiya	5,000	Machinery ■	15,260
Vithiya	5,000	Stock	3,775
Bank loan	5,750	Investments	3,165
Leasehold		Joint Life Policy	6,000
redemption fund	3,000	Sundry Debtors	2,900
Life policy fund	6,000	Less: Reserve	250
Sundry Creditors	8,100	Cash at bank	750
	47,850		47,850

The joint life policy is surrendered for Rs.5,000. The investments are taken over by Nithiya for Rs.4,000. Sathiya agreed to discharge the bank loan. The remaining assets are sold for Rs.43,350. The expenses of realization amount to Rs.425

Show necessary ledger accounts including the accounts of the partners.

- 20 Kannan, Krishnan, Raman and Govindan are partners sharing 4:3:2:1. Their position statement was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Accounts :		Cash at bank	2,250
Kannan	45,000	Machinery	66,000
Krishnan	30,000	Stock	30,000
Sundry Creditors	60,000	Debtors	60,000
Bank loan	30,000	Capital Accounts:	
		Raman	■ ' 5,250
		Govindan	1,500
	1,65,000		1,65,000

The firm is dissolved. All assets realized Rs. 1,23,000. The Sundry Creditors and Bank loan were paid Rs.88,500 in full satisfaction. The expenses of dissolution are Rs.900. Govindan became insolvent and Raman paid only Rs.4,500.

Prepare ledger accounts to close the books of the firm.

Z-Z-Z

END