



**Credit Based III Semester B.Com. Degree Examination, Nov./Dec. 2015**  
**COMMERCE**

**Financial Accounting – III**  
**(2015-16 Batch Onwards)**

Time : 3 Hours

Max. Marks : 120

*Instruction : Provide working notes wherever necessary.*

**SECTION – A**

**Note : Answer any four :**

**(4×6=24)**

1. Write a note on capital deficiency.
2. State the methods of calculation of purchase consideration on sale of firm to a company.
3. A and B are equal partners in a firm sharing profits and losses in the ratio of 3 : 2. C joins the firm for a quarter share in future profits. Ascertain new ratio of partners in each of the following cases :
  - a) If C acquires his share of profit from the original partners in their original profit sharing ratio.
  - b) If C acquires his share of profit from the original partners in the ratio of 2 : 3.
4. Mohan and Sohan are partners in a business sharing profits and losses in the ratio of 3 : 2. Sohan died on 31<sup>st</sup> May 2015 and his executors are entitled to the following :
  - a) His capital as on 31-03-2015 ₹ 1,00,000.
  - b) His salary for two months @ ₹ 15,000 p.m.
  - c) Interest on capital @ 18% for two months.
  - d) Goodwill of the entire firm ₹ 50,000.
  - e) Profit of the firm till the date of Sohan's death ₹ 30,000.

Prepare Sohan's Executors A/c.



5. Vanitha, Sunitha and Vinutha are partners in a firm sharing profits in the ratio of 5 : 3 : 2. Sunitha retires from the firm and her share of goodwill is determined at ₹ 1,20,000. New profit sharing ratio of Vanitha and Vinutha is 2 : 1.

Compute the Gain Ratio and pass entry for goodwill treatment.

6. Rakesh, Mahesh and Ramesh are partners in a firm sharing Profits and Losses in the ratio of 5 : 4 : 3. Their Balance Sheet on 31-03-2015 was as follows :

Liabilities	₹	Assets	₹
Capitals :		Sundry Assets	1,60,000
Rakesh	50,000		
Mahesh	35,000		
Ramesh	15,000		
General Reserve	60,000		
	<b>1,60,000</b>		<b>1,60,000</b>

Prepare a statement showing excess capital.

SECTION – B

**Note : Answer any four :**

(4x12=)

7. Write a note on :
- Order of payment on dissolution of a partnership firm.
  - Joint life and several life policies.
8. The following is the Balance Sheet of A, B and C who were equal partners as on 31<sup>st</sup> March 2015 :

Liabilities	₹	Assets	₹
Bills Payable	6,600	Cash	2,400
Creditors	12,000	Debtors	21,600
Capitals :		Stock	22,800
A	32,000	Furniture	4,800
B	24,000	Buildings	39,000
C	16,000		
	<b>90,600</b>		<b>90,600</b>



They agreed to take D into partnership from 1-4-2015 and give him a fourth share in the profits on the following terms :

- 1) That D should bring in ₹ 24,000 for goodwill and ₹ 36,000 towards capital.
- 2) That one half of goodwill is withdrawn by partners.
- 3) That stock and furniture be depreciated by 10%.
- 4) That a provision of 5% on debtors be created for doubtful debts.
- 5) That the buildings be valued at ₹ 60,000.
- 6) That a liability for ₹ 2,760 be created.
- 7) That the values of assets and liabilities other than cash are not to be altered.

Prepare Memorandum Revaluation A/c and Partners' Capital Accounts.

9. The Balance Sheet of Geetha, Seetha and Neetha who were sharing profits and losses in the proportion of their capitals stood as follows on 31<sup>st</sup> March 2015 :

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors	6,900	Bank	14,500
General Reserve	9,000	Debtors	5,000
Capitals :		Less : RBD	<u>100</u>
Geetha	20,000	Stock	8,000
Seetha	15,000	Plant and Machinery	8,500
Neetha	10,000	Land and Buildings	25,000
	<b>60,900</b>		<b>60,900</b>

Seetha retired on the above date and the following adjustments have been agreed upon :

- 1) That stock be depreciated by 6%.
- 2) That RBD be brought upto 5% on debtors.
- 3) That Land and Buildings be appreciated by 20%.
- 4) That a provision of ₹ 770 be made in respect of outstanding legal charges.
- 5) That the goodwill of the entire firm be fixed at ₹ 10,800 and Seetha's share of the same be adjusted into the capitals of Geetha and Neetha.

Prepare Revaluation A/c, Partners' Capital Accounts and Balance Sheet of the new firm.



10. Ajay, Vijay and Sujay were partners sharing profits and losses in the ratio of 3 : 2 : 1. On 31<sup>st</sup> March, 2015 their Balance Sheet was as under :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Creditors	15,400	Cash at Bank	3,500
Bills Payable	3,600	Stock	19,800
Ajay's Loan	10,000	Debtors	15,000
Reserve Fund	12,000	Less : RBD	<u>1,000</u>
Capitals :		Joint Life Policy	4,000
Ajay	20,000	Plant and Machinery	43,700
Vijay	16,000		
Sujay	8,000		
	<b>85,000</b>		<b>85,000</b>

The firm was dissolved on that date. Joint Life Policy was taken over by Ajay at ₹ 5,000. Stock realised ₹ 18,000, Debtors ₹ 14,500 and Plant and Machinery ₹ 36,000. Liabilities were paid in full. Expenses of realisation came to ₹ 700.

Prepare Realisation A/c, Partners' Capital A/cs and Bank A/c.

11. A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on the date of dissolution was as follows :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Creditors	75,000	Cash	20,000
Capitals :		S. Assets	2,80,000
A	1,25,000		
B	75,000		
C	25,000		
	<b>3,00,000</b>		<b>3,00,000</b>

The assets were realised piece meal as under :

First Realisation – ₹ 60,000

Second Realisation – ₹ 70,000

Final Realisation – ₹ 1,00,000.

Prepare a statement showing piece meal distribution of cash under proportionate capital method.



12. Arun, Kiran and Varun were partners in a firm sharing profits and losses in the ratio of 2 : 1 : 2. They decided to convert the firm into Exide Ltd., on which date their Balance Sheet stood as under :

Liabilities	₹	Assets	₹
Capitals :		Goodwill	80,000
Arun	25,000	Machinery	50,000
Varun	85,000	Stock	50,000
Varun's Loan	50,000	Debtors	80,000
Bank Overdraft	30,000	Cash	10,000
Creditors	60,000	Capital :	
Bills Payable	50,000	Kiran	30,000
	<b>3,00,000</b>		<b>3,00,000</b>

All assets [except cash] and all liabilities are taken over by company for a consideration of ₹ 2,00,000 to be discharged through 20000 Equity Shares of ₹ 10 each fully paid. The shares were allocated among partners in profit sharing ratio.

Prepare :

- 1) Realisation A/c
- 2) Partners' Capital Accounts
- 3) Exide Ltd's. A/c
- 4) Equity Shares A/c
- 5) Bank A/c.

SECTION – C

Note : Answer any two :

(2x24=48)

13. The following is the Balance Sheet of Bhavya and Ramya as at 31<sup>st</sup> March, 2015. Kavya is admitted as a partner on that date when the position of the firm was as follows :

Liabilities	₹	Assets	₹
Capitals :		Debtors	16,000
Bhavya	15,000	Buildings	15,000



Ramya	12,000	Machinery	15,000
Creditors	12,000	Stock	20,000
Reserves	26,000	Cash at Bank	3,000
Workmen Compensation Fund	4,000		
	<b>69,000</b>		<b>69,000</b>

Bhavya and Ramya shared profits in the ratio of 3 : 2. The following terms of admission are agreed upon :

- 1) Revaluation of assets : Buildings ₹ 25,000, Stock ₹ 26,000, Debtors to be reduced by ₹ 2,000.
- 2) Kavya brought her share of goodwill ₹ 12,000 in cash.
- 3) The liability on workmen Compensation Fund is determined at ₹ 3,000.
- 4) Kavya was to bring further cash as would make her capital equal at 25% of combined capital of Bhavya and Ramya, after the above adjustments.
- 5) The future profit sharing ratio is 2 : 2 : 1.

Prepare Revaluation A/c, Partners' Capital A/c and Balance Sheet of the new firm.

14. Arjun and Adarsh were carrying on business in partnership sharing profits and losses equally. It was agreed that Arjun should retire from the firm on 31-03-2015 and that Arun should join Adarsh from 1-04-2015 and should be entitled to  $\frac{1}{3}$  profits. The Balance Sheet of Arjun and Adarsh was as follows :

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors	29,500	Cash at Bank	33,000
Capitals :		Debtors	48,000
Arjun	1,02,000	Stock	33,000
Adarsh	84,500	Furniture	12,000
		Buildings	60,000
		Goodwill	30,000
	<b>2,16,000</b>		<b>2,16,000</b>





On 31-03-2015 Goodwill was valued at ₹ 60,000, Buildings at ₹ 1,00,000 and Stock at ₹ 30,000. It was agreed that enough money should be introduced to enable Arjun to be paid out and leave ₹ 30,000 cash by way of working capital. Adarsh and Arun were to provide such sums as would make their capitals proportionate to their share of profits.

Prepare Revaluation A/c, Partners' Capital A/cs and the New Balance Sheet.

15. Anu, Banu and Chanu were partners sharing profits and losses in the ratio of 3 : 2 : 3. The following was the Balance Sheet as on 31<sup>st</sup> March, 2015 on which date the firm was dissolved :

Liabilities	₹	Assets	₹
Creditors	20,000	Cash	8,500
Mortgage Loan	4,000	Debtors	30,000
Reserve Fund	10,000	Stock	22,100
Capitals :		Furniture	5,000
Anu	32,000	Property	9,000
Chanu	15,500	Capital :	
		Banu	4,900
		Profit and Loss A/c	2,000
	<b>81,500</b>		<b>81,500</b>

They realised the assets as under :

Property ₹ 5,000

Furniture ₹ 1,000

Stock ₹ 10,000

50% of the debtors realised at a discount of 75 paise in a rupee. Anu took over

$\frac{1}{4}$  of the remaining debtors at ₹ 2,000. Balance of debtors realised ₹ 2,500.

Expenses of realisation amounted to ₹ 2,000. Creditors agreed to take 75 paise in the rupee in full satisfaction. Banu had become insolvent and a dividend of 50% was received from her private asset. As per Partnership Deed, any capital deficiency should be shared equally by solvent partners.

Show Realisation A/c, Partners' Capital Accounts and Bank A/c in the books of the firm.



16. Ram and Shyam are in partnership with 3 : 1 as their profit sharing ratios. The Balance Sheet of the firm on 31-3-2015 is given below :

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors	14,320	Fixed Assets	21,000
Shyam's Loan	3,000	Stock	11,200
Reserves	6,200	Debtors	19,600
Capitals :		Cash at Bank	3,720
Ram	24,000		
Shyam	8,000		
	<b>55,520</b>		<b>55,520</b>

Sunrise Ltd., agreed to takeover Fixed Assets and Stock for a price of ₹ 48,000 which it pays in cash ₹ 16,000, in 160, 8% Preference Shares of ₹ 100 each and the balance in 1600 Equity Shares of ₹ 10 each.

The debtors realised ₹ 19,200 and the creditors were fully paid off for ₹ 14,000. Partners agreed to divide Equity Shares in the profit sharing ratio, but Preference Shares equally after adjusting preference shares against Shyam's Loan to the extent required. Ram takes over Motor Car of the value of ₹ 4,100 at an agreed value of ₹ 4,200. Final settlements were made in cash.

Show :

- 1) Realisation A/c
- 2) Partners' Capital Accounts
- 3) Sunrise Ltd.'s A/c
- 4) Equity Shares A/c
- 5) Preference Shares A/c
- 6) Bank A/c.