



**Credit Based Third Semester B.Com. Degree
Examination, October/November 2016
(Semester Scheme)
COMMERCE
Financial Accounting – III
(2016 – 17 Batch Onwards)**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Note : Answer any four questions :

(4×6=24)

1. State three differences between Revaluation A/c and Realisation A/c.
2. State the methods of calculation of purchase consideration on sale of firm to a company.
3. Sindu and Sakshi are partners sharing Profits and Losses in the ratio of 5:3. They admit Deepa and give her $\frac{1}{5}$ share. Sindu and Sakshi agree to share the remaining profits between themselves in the ratio of 2:1. Calculate new profit sharing ratio and sacrifice ratio.
4. Edward, Farooq and Govind are partners in a firm sharing Profits and Losses in the ratio of 2:3:2. Edward retires from the firm. The new profit sharing ratio between Farooq and Govind is equal. Calculate the gain ratio.
5. Godwin, Hameed are partners sharing Profits and Losses in the ratio of 2:1. They admit Ishwar for $\frac{1}{4}$ share. No goodwill appears in the books, but it is valued at ₹ 20,000. Ishwar brings the following towards his capital :

Debtors – ₹ 5,000

Stock – ₹ 4,000

Goodwill – ₹ 3,000

Cash – ₹ 2,000

Creditors – ₹ 2,000

Give Journal Entries on Ishwar's Admission.



6. Ashwini, Anandi and Aarushi carried on business in partnership sharing profits in the ratio of 3:2:1. The Balance Sheet on 31-12-2015 showed their capital being Ashwini ₹ 20,000, Anandi ₹ 15,000 and Aarushi ₹ 10,000. On 31st March 2016, Ashwini died. Prepare her Capital A/c and Executor's A/c having regard to the following facts :
- The firm had insured the partner's lives separately. Ashwini ₹ 10,000, Anandi for ₹ 7,500 and Aarushi for ₹ 5,000. The premiums have been charged to Profit and Loss A/c and surrender value on 31st March 2016 amounted in each case to one half of the sum assured.
 - Ashwini's share of profits for the portion of the current financial year was to be based on the average profits of the last three completed years. The profits for 2013 – ₹ 7,500; 2014 – ₹ 8,000; 2015 – ₹ 9,000.

SECTION – B

Note : Answer any four questions :

(4×12=48)

7. Write a note on :

- Joint and several policies.
- Piecemeal distribution of cash.

8. Satya, Prem and Shanti are partners shared profits in the ratio of 3:2:1. Their balance sheet as on 31st March 2015 was as follows :

Liabilities	₹	Assets	₹
Capitals :		Bank	20,000
A	30,000	Sundry assets	1,80,000
B	50,000		
C	50,000		
Creditors	70,000		
	2,00,000		2,00,000



The firm was dissolved on that date. The expenses of realisation was estimated at ₹ 5,000 for which provision was made and the actual expenses of ₹ 3,000 was met at the time of last realisation. The assets realised as follows :

- 30-4-2015 - ₹ 60,000
- 31-5-2015 - ₹ 68,000
- 30-6-2015 - ₹ 28,000

Prepare a statement of Piecemeal distribution of cash.

9. X, Y and Z sharing profits in the ratio of 2:2:1, took out a joint life policy for ₹ 75,000 on 15-04-2010 by paying an annual premium of ₹ 3,000. The accounts were closed on 31st December every year. Following were the surrender values of the policy 2010 - nil; 2011 - ₹ 500; 2012 - ₹ 1,200; 2013 - ₹ 2,300; 2014 - ₹ 3,500.

X died on 2-3-2014 and the claim was received on 15-3-2014.

Show Joint Life Policy A/c and Joint Life Policy Reserve A/c.

10. The Balance Sheet of Ram and Raheem as on 31st March 2015 is set out below. They share Profits and Losses in the ratio of 2:1.

Liabilities	₹	Assets	₹
Capitals :		Freehold property	20,000
Ram	60,000	Furniture	6,000
Raheem	30,000	Stock	12,000
General Reserve	24,000	Debtors	80,000
Creditors	16,000	Cash	12,000
	1,30,000		1,30,000

They agree to admit Robert into the firm subject to the following terms and conditions :

- a) Robert will bring in ₹ 21,000 of which ₹ 9,000 will be treated as his share of goodwill.
- b) Depreciation is to be provided on furniture at 5%.
- c) Stock is to be revalued at ₹ 10,500.

Prepare Revaluation A/c, Partner's Capital A/c and Balance Sheet of new partnership.



11. Leela, Mala and Neela are partners sharing profits and losses in the ratio of 2:1:1. Their Balance Sheet on 31st March 2015 was as under :

Liabilities	₹	Assets	₹
Capitals :		Buildings	36,000
Leela	32,000	Plant	28,000
Mala	24,000	Furniture	8,000
Neela	20,000	Stock	20,000
Reserves	10,000	Debtors	14,000
Bills payable	4,000	Less : R.B.D.	<u>2,000</u>
Creditors	16,000	Cash	2,000
	1,06,000		1,06,000

Mala retires on that date on the following terms :

- Goodwill of the firm is valued at ₹ 14,000.
- Stock and buildings are to be appreciated by 10%.
- Plant and furniture are to be depreciated by 10%.
- Provision for bad debts is no more necessary.
- Amount payable to Mala is transferred to her Loan A/c.

Prepare revaluation A/c, Partner's Capital A/c and New Balance Sheet.

12. A, B and C sharing Profits and Losses in the ratio of 3:2:1 had their Balance Sheet as on 31st March 2015 as follows :

Liabilities	₹	Assets	₹
Creditors	2,00,000	Cash	9,500
Bills payable	50,000	Stock	1,55,000
A's Loan	60,000	Debtors	3,20,000



Reserve Fund	1,20,000	Furniture	50,000
Profit and Loss A/c	60,000	Plant	2,10,000
Capitals :		Goodwill	39,500
A	2,00,000		
B	1,50,000	C's Capital	56,000
	8,40,000		8,40,000

The firm was dissolved the amount realised as follows :

Stock ₹ 1,22,000, Debtors ₹ 3,05,000, Furniture ₹ 42,000. Plant was taken over by 'A' at ₹ 1,80,000. Realisation expenses amounted to ₹ 6,000.

Prepare Realisation A/c, Partner's Capital A/c, A's Loan A/c and Bank A/c.

SECTION – C

Note : Answer any two questions :

(2×24=48)

13. Ravi and Swamy are partners sharing Profits and Losses in the ratio of 3:2. Their Balance Sheet as at 31st March 2015 stands as under :

Liabilities	₹	Assets	₹
Creditors	44,000	Cash	17,000
Capitals :		Debtors	15,000
Ravi	30,000	Bills receivable	4,000
Swamy	20,000	Stock	25,000
		Furniture	3,000
		Land and buildings	30,000
	94,000		94,000



Theja is admitted to Partnership from 1-4-2015 on the following terms :

- That he brings in ₹ 15,000 as his Capital for $\frac{1}{4}$ share and pays ₹ 6,000 for Goodwill, half of which is to be withdrawn by Ravi and Swamy.
- That there is likely to be claim for damages of ₹ 1,500 is to be made.
- That a bill for ₹ 1,300 for electric charges to be provided for
- That the stocks are to be reduced to ₹ 23,000 and furniture by ₹ 1,000
- That 5% provision for doubtful debts is to be created.
- That the value of land and buildings is to be appreciated by 20%.
- That an item of ₹ 1,200 included in creditors, which is not to be paid and has to be written back.
- That the profit sharing ratio of the old partners will not change.
- That ₹ 1,000 is to be received as commission by Ravi and Swamy has to be accounted for.

Prepare Memorandum revaluation A/c, Partners Capital A/c and Balance Sheet.

14. The Balance Sheet of Umesh, Usman and Urban who were sharing Profits and Losses in the proportion of their Capitals stood as follows on 31-3-2015.

Liabilities	₹	Assets	₹
Capitals :		Land and Buildings	2,50,000
Umesh	2,00,000	Plant and Machinery	85,000
Usman	1,50,000	Stock	80,000
Urban	1,00,000	Debtors	50,000
General Reserve	45,000	Less : R.B.D.	<u>1,000</u>
Profit and Loss A/c	45,000		49,000
Creditors	69,000	Cash at Bank	1,45,000
	6,09,000		6,09,000



Usman retires on that date and the following adjustments have been agreed upon :

- a) The stock to be depreciated at 10%.
- b) The R.B.D. be brought up to 5% on debtors.
- c) The Land and Buildings to be appreciated by 20%.
- d) That a provision for outstanding repair bills for ₹ 900 has been provided.
- e) That the goodwill of the entire firm be fixed at ₹ 90,000 and the Usman's share be adjusted to the Capitals of Umesh and Urban.
- f) That the values of Assets and Liabilities are to appear in the new Balance Sheet at their old figures.
- g) Usman shall be paid ₹ 1,00,000 immediately and the balance will be transferred to his Loan A/c carrying 9% interest.

- Prepare :**
- 1) Memorandum revaluation A/c.
 - 2) Partner's capital A/c.
 - 3) Bank A/c.
 - 4) Balance sheet of new firm.

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 31st 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
	81,500		81,500



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, Partner's Capital A/c and Bank A/c in the books of the firm.

16. Yuvaraj and Shehajad were partners in a firm sharing profits in the ratio of their Capitals. Their Balance Sheet on December 31, 2015 is as follows :

Liabilities	₹	Assets	₹
Creditors	55,000	Cash	4,500
Reserve Fund	7,000	Debtors	40,000
Capitals :		Stock	37,000
Yuvaraj	75,000	Plant	85,000
Shehajad	50,000	Investments	20,500
	1,87,000		1,87,000

The firm was sold to Prince Co. Ltd. on the following terms :

- The Company was to purchase the whole concern excepting cash and investments at 10% less than the book value.
- The creditors were taken over at the book figure.
- The Company agreed to pay ₹ 5,000 for goodwill.
- The purchase consideration was paid half in cash and half in fully paid shares of ₹ 10 each of the company.

The firm Realised its own investments and the shares at 5% less.

Prepare realisation A/c, Prince Co. Ltd. A/c, Equity Shares A/c, Partner's Capital A/c and Bank A/c.