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**BCMCMC 217**

**Credit Based III Semester B.Com. Degree Examination, Oct./Nov. 2017
(2016 – 17 Batch Onwards)
Commerce
FINANCIAL ACCOUNTING – III**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer any four of the following :

(4×6=24)

1. State any three differences between Revaluation Account and Realisation Account.
2. State the adjustments to be made at the time of retirement of a partner.
3. State the order in which the payments are made on dissolution of a partnership firm.
4. Sushmitha and Ankitha are partners sharing profits and losses in the ratio of 6 : 4. They admitted Sriraksha and gave her 6/20 share which she obtained 4/20 from Sushmitha and 2/20 from Ankitha. Calculate New Ratio and Sacrifice Ratio.
5. Radhakrishna, Sawan and Sajan are partners in a firm sharing profits in the ratio of 4 : 3 : 2. Radhakrishna retires from the firm. Goodwill of the firm is valued at Rs. 36,000. The new ratio is 2 : 1.
Compute gain ratio and pass entry for Goodwill.
6. Vaishnavi, Shifa and Afreena are partners who share profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2016 was as under.

Liabilities	Rs.	Assets	Rs.
Capitals :		Sundry Assets	2,60,000
A	30,000		
B	50,000		
C	<u>50,000</u>		
	1,30,000		
Reserve	60,000		
Creditors	70,000		
	2,60,000		2,60,000

Prepare statement showing Surplus Capital.

P.T.O.

SECTION – B

Answer any four of the following :

(4×12=48)

7. The Balance Sheet of Sandhya and Prathvi, who share profits and losses in the ratio of 3 : 1 was as follows as on 31-3-2016.

Liabilities	Rs.	Assets	Rs.
Creditors	41,500	Cash at Bank	22,500
Reserve	4,000	Bills Receivable	3,000
Sandhya's Capital A/c	27,000	Debtors	16,000
Prathvi's Capital A/c	15,000	Stock	20,000
		Furniture and fixtures	1,000
		Building	25,000
	87,500		87,500

Ms. Sanchiksha was taken as a new partner on the following terms. She has to pay Rs. 10,000 as her capital and Rs. 5,000 as goodwill for 1/5th share in the future profits.

- Stock and furniture and fixtures reduced by 10%.
- 5% provision is to be created on debtors and bills receivables.
- Building to be appreciated by 20%.
- A provision of Rs. 1,000 was to be made for outstanding repair bills.
- An item of Rs. 650 included in the creditors is not likely to be claimed and hence should be written off.

Prepare Revaluation Account, Partners Capital Account.

8. Mallya, Rao and Kamath were partners sharing profits and losses in the ratio of 2/5, 3/10 and 3/10 and their Balance Sheet as on 31-3-2016 was as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	8,000	Building	18,000
Bills Payable	2,000	Plant	14,000
Capital		Stock	10,000
Mallya	18,000	Motor Car	4,000
Kamath	13,500	Debtors	7,000
Rao	<u>11,500</u>	– RBD	<u>1,000</u>
	43,000	Cash	1,000
	53,000		53,000



'Rao' retires on the above date on the following terms :

- a) Goodwill of the firm is valued at Rs. 7,000.
- b) Stock and building are to be appreciated by 10%.
- c) Plant and Motor Car depreciated by 10%.
- d) Provision for doubtful debt is no more necessary.
- e) Amount payable to 'Rao' is transferred to her loan account.

Prepare Revaluation Account and Partners Capital Account.

9. Following is the Balance Sheet of X, Y and Z as on 31-3-2016 who are sharing profits and losses in the ratio of 2 : 2 : 1.

Liabilities		Rs.	Assets		Rs.
Creditors		15,000	Cash		2,000
Capital X	15,000		Debtors		24,000
Y	12,000		Stock		20,000
Z	<u>4,000</u>	31,000			
		46,000			46,000

The firm was dissolved and the assets were realized as follows :

Assets were realised gradually Rs. 10,000 at the beginning, Rs. 15,000 second time and Rs. 9,000 third time.

Show the statement showing distribution of cash.

10. Arpan and Charan are sharing profits or loss in ratio of 2 : 3. They had taken a joint life policy on 1st Jan. 2013 for Rs. 10,000 for 10 years. The premium of policy amounts to Rs. 1,000 p.a.

Charan died on 1st March 2016 and the claim was received on 1st May 2016. The books of the firm closed on 31st December every year.

The surrender value of the policy for the year 2013, 2014, 2015 and 2016 were Nil, Rs. 200, Rs. 600 and Rs. 1,200 respectively.

Prepare JLP Account and Policy Reserve Account.



11. Arun, Ashok and Anand carried on business sharing in the ratio of 1/2, 1/3, 1/6. Their Balance Sheet on 31-3-2016 showed the capital Rs. 20,000, Rs. 15,000, Rs. 10,000 respectively. On 30-6-2016, Arun died. Prepare Executors A/c having regard to the following information :

- a) The firm had insured the partner's life separately. Arun Rs. 10,000, Ashok Rs. 7,500 and Anand Rs. 5,000.
- b) Premium has been charged to profit and loss account.
- c) Surrender value of these policies on 30-6-2016 amounted to 1/2 of the amount insured in each case.
- d) Capital carried interest at 6% p.a.
- e) Arun's drawings till date of death amounted to Rs. 3,500.
- f) Arun's share of profit for the portion of current financial year was to be based on average profits of last three completed years. 2014 – Rs. 7,500, 2015 – Rs. 8,000, 2016 – Rs. 9,000.
- g) Arun's share of goodwill was to be calculated on the basis of 2 years purchase of average profit of the last 3 years.

12. Swathi, Sakshi and Salma were equal partners agreed to dissolve firm on 31-3-2016.

Liabilities	Rs.	Assets	Rs.
Creditors	20,000	Sundry Assets	30,000
Bills Payable	5,000	Drawings Account	
Sakshi's loan account	1,500	Sakshi	1,500
Capital Swathi	11,500	Salma	1,500
Sakshi	3,000	Bank	1,000
Salma	<u>2,000</u>	P&L	9,000
	43,000		43,000

Assets realized Rs. 28,000, expenses of realization amounted to Rs. 400. Sakshi and Salma were insolvent. Prepare necessary ledger accounts.



SECTION – C

Answer any two of the following :

(2×24=48)

13. Prajwal and Dhanush are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31-3-2016 was as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Bank	20,000
Bills Payable	25,000	Bills Receivable	5,000
Reserve	60,000	Debtors	50,000
Workmen's compensation fund	20,000	Stock	40,000
Capital of Prajwal	50,000	Furniture	20,000
Capital of Dhanush	40,000	Machinery	90,000
	2,25,000		2,25,000

They admit Shravan as a partner for 1/5th share in future profits for the following terms :

- Reserve of 2.5% to be created for bad debts.
- Stock to be reduced to Rs. 25,000.
- Machinery is depreciated by 10%.
- Liability in respect of workmen's compensation was maintained at Rs. 4,000 and the fund to be maintained at this figure.
- 'Shravan' has to bring Rs. 10,000 as his share of Goodwill and he introduces Rs. 60,300 as his capital.

Prepare Revaluation A/c, Partners Capital A/c and Balance Sheet after admission.

14. Devika and Deeksha are equal partners and their Balance Sheet as on 31-3-2016 was as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	1,300	Debtors	6,500
Bank O.D.	4,700	Stock	14,000
Capital		Machinery	18,500
Devika	15,000	Goodwill	2,000
Deeksha	35,000		
	41,000		41,000



On 1st April 2016, Devika decided to retire and in her place her daughter Rashmi is admitted as a new partner for 40% share in the profits of the new firm on the following terms :

Goodwill was valued at Rs. 18,000, Stock was written up to Rs. 16,000 whereas Machinery was written down to Rs. 16,000, Debtors to the extent of Rs. 500 were considered bad and a reserve of 5% for doubtful debts is required.

Rashmi was admitted on the condition that enough money should be introduced to enable Devika to be paid out and leave Rs. 1,000 cash at Bank for working capital, in the manner as would make their capitals proportionate to their share of profit. Devika agreed to make Rashmi a gift by transfer from her Capital Account 60% of the amount which Rashmi had to provide.

Prepare necessary Ledger Accounts and Balance Sheet of Deeksha and Rashmi.

15. Dishanth, Rakshan and Vishal sharing profits and losses in the ratio of 3 : 2 : 1, agreed to dissolve firm on 31-3-2016.

Balance Sheet as on 31-3-2016

Liabilities	Rs.	Assets	Rs.
Creditors	18,500	Machinery	40,500
Mrs. Dishanth's loan	10,000	Investments	20,830
Life Policy Fund A/c	14,000	Stock	7,550
Investment Fluctuation Fund A/c	6,000	Debtors	9,300
Dishanth's capital	40,000	– RBD	<u>600</u>
Rakshan's capital	20,000	Bank	5,420
		JLP	14,000
		Capital of Vishal	11,500
	1,08,500		1,08,500

The life policy was surrendered for Rs. 12,000. Dishanth took over the investment at Rs. 17,500 and agreed to discharge his wife's loan. Rakshan takes over all the stock at Rs. 7,000 and debtors amounting to Rs. 5,000 at Rs. 4,000. Remaining debtors realized at 50% of book value, machinery realized Rs. 53,800. Expenses of realization amounted to Rs. 870. Investments not recorded, worth Rs. 3,000 was taken over by one of the creditors at the same value.

Prepare Realisation Account, Partners Capital Account and Bank Account.



16. A and B carrying on business under partnership for a number of years decided to convert their business into Swapnal Ltd. Company on 31-3-2016. Partners sharing profit and loss in the ratio of 3 : 2.

Liabilities	Rs.	Assets	Rs.
Creditors	70,000	Bank	66,000
Outstanding expenses	30,000	Debtors	40,000
A's capital	3,00,000	Stock	1,80,000
B's capital	3,86,000	Furniture	1,00,000
		Building	4,00,000
	7,86,000		7,86,000

Additional information :

- 1) Company to took over all assets except cash and debtors for an agreed value of Rs. 8,00,000 to be discharged by issue of 2000, 8% debentures of Rs. 100 each, 6000 equity shares of Rs. 100 each.
- 2) The firm realized from the debtors 90% of the amount due and paid all outstanding liability.
- 3) A discount of 10% received from creditors while settling their account.
- 4) Realization expenses amounted to Rs. 9,000.
- 5) Debentures taken over by B at their face value, whereas, shares were distributed equally among the partners.
- 6) Settlements were to be made in cash.

Prepare necessary Ledger Accounts.
