Reg. No. | | | | | | | | |

**BCMCMC 232**

## Choice Based Credit System Third Semester B.Com. Degree Examination, February/March 2023
## (2020-21 and 2021-22 Batches)
## FINANCIAL ACCOUNTING – III (Group – I)

Time : 3 Hours Max. Marks : 120

### SECTION – A

Answer **any four** questions : **(6×4=24)**

1. State any four differences between Revaluation Account and Realisation Account.

2. State the reasons for dissolution of partnership firms.

3. X and Y are partners sharing profit and losses in the ratio of 2 : 1. They admit Z into partnership by giving him 1/4th share in the future profits. X and Y continue to share future profits in the same old ratio.
Calculate: (1) New Profit-Sharing Ratio (2) Sacrifice Ratio.

4. Ram, Bharath and Laxman are partners sharing profits and losses in the ratio of 2 : 2 : 1. Ram retires. His share is shared by Bharath and Laxman in the ratio of 3 : 2. Calculate : (1) New Profit-Sharing Ratio (2) Gain Ratio.

5. A, B and C are partners sharing profit and loss in the ratio of 2 : 1 : 1 decided to dissolve the firm on 31-3-2021.

**Balance Sheet as on 31-3-2021**

| **Liabilities** | **Amount Rs.** | **Assets** | **Amount Rs.** |
|---|---|---|---|
| Creditors | 35,000 | Sundry Assets | 1,70,000 |
| Reserves | 10,000 | Cash | 3,000 |
| A's loan | 15,000 | | |
| Capitals : | | | |
| A | 50,000 | | |
| B | 40,000 | | |
| C | 23,000 | | |
| | **1,73,000** | | **1,73,000** |

Prepare statement showing Surplus Capital.

**P.T.O.**

6. The Balance Sheet of X, Y and Z was as follows :

**Balance Sheet as on 31-3-2021**

| **Liabilities** | **Amount Rs.** | **Assets** | | **Amount Rs.** |
|---|---|---|---|---|
| Creditors | 38,000 | Cash at Bank | | 20,000 |
| Capitals : | | B/R | | 60,000 |
| X | 6,00,000 | Stock | | 1,20,000 |
| Y | 6,00,000 | Debtors | 70,000 | |
| Z | 6,50,000 | Less : RBD | 2,000 | 68,000 |
| | | Furniture | | 1,20,000 |
| | | Plant | | 5,00,000 |
| | | Buildings | | 10,00,000 |
| | **18,88,000** | | | **18,88,000** |

The partners share profits and losses in the ratio of 5 : 3 : 2.

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

1. The stock and furniture be depreciated by 5%.
2. The RBD be brought upto 5% on Debtors.
3. The buildings be appreciated by 10%.
4. That a provision for outstanding repair bill be made at Rs. 5,200.

Prepare Revaluation A/c on the retirement of 'X'.

SECTION – B

**Note** : Answer **any four** questions : **(12×4=48)**

7. Write a note on :
   a) Joint and several policies.
   b) Piecemeal distribution of cash.

8. A, B and C were partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as on 31-3-2022 stood as follows.

| **Liabilities** | **Rs.** | **Assets** | | **Rs.** |
|---|---|---|---|---|
| Creditors | 6,900 | Cash at Bank | | 14,500 |
| General Reserve | 9,000 | Debtors | 5,000 | |
| Capitals : | | Less : RBD | 100 | 4,900 |
| A | 20,000 | Stock | | 8,000 |
| B | 15,000 | Machinery | | 8,500 |
| C | 10,000 | Buildings | | 25,000 |
| | **60,900** | | | **60,900** |

'D' is admitted for 2/12 share in future profits on the following terms :

a) Stock to be depreciated by 6%.

b) RBD be brought upto 5% on debtors.

c) Buildings be appreciated by 20%.

d) A provision of Rs. 770 to be made for bill dishonored.

Prepare Memorandum Revaluation A/c.

9. Amar, Akbar and Antony carrying on business as partners sharing in the ratio of 5 : 3 : 2. They took a joint life policy for Rs. 60,000 paying annual premium of Rs. 3,000 on 1-1-2018. The surrender value of the policy ; 2018 – Nil, 2019 – Rs. 600, 2020 – Rs. 1,800, 2021 – Rs. 3,600, 2022 – Rs. 6,000. On 20-9-2022 Amar died and the policy amount is immediately realised. Prepare Joint Life Policy A/c and Joint Life Policy Reserve A/c. Assuming that the books of the firm closed on 31st December every year.

10. Sanjana, Shivani and Likitha are partners sharing profits and losses in the ratio of 5 : 3 : 2. Following is their Balance Sheet as at 31-3-2021 when they decided to dissolve the business.

| Liabilities | Amount Rs. | Assets | Amount Rs. |
|---|---|---|---|
| Creditors | 40,000 | Premises | 40,000 |
| M's loan | 10,000 | Plant | 30,000 |
| Capitals : | | Stock | 30,000 |
| Sanjana | 50,000 | Debtors | 60,000 |
| Shivani | 15,000 | | |
| Likitha | 45,000 | | |
| | **1,60,000** | | **1,60,000** |

It was agreed to distribute the amount due to the partners as and when the assets were realized.

1-2-2022 – Rs 30,000

1-4-2022 – Rs 73,000

1-6-2022 – Rs. 47,000

Prepare the statement showing the distribution of cash.

11. P, Q and R are the partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. The capital as on 31st December 2020 stood as follows :

P – Rs. 3,00,000

Q – Rs. 3,60,000

R – Rs. 2,00,000

On 31st March 2021 'R' died and his Executor claimed the following :

1) Allow interest on capital at the rate of 6% per annum.
2) The firm has insured partner's life individually P – Rs. 40,000, Q – Rs. 30,000 and R – Rs. 24,000. The surrender values of these policies on the date of death amounted to half of the sums assured.
3) R's share of goodwill is to be calculated on the basis of two years purchase of the average profits of last three years. The profits for last three years were : 2020 – Rs. 60,000, 2019 – Rs. 80,000, 2018 – Rs. 1,00,000.
4) R's share of profit till the date of death is to be calculated on the basis of immediate previous year's profit.
5) R's drawings till the date of death amounted to Rs. 50,000.
6) Immediately on the date of death Rs. 2,00,000 is paid to the R's Executor and the balance is retained in the firm.

Prepare R's Executors A/c.

12. Awin, Naveen and Praveen were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31-3-2021 and the Balance Sheet as on that date was :

**Balance Sheet as on 31-3-2021**

| **Liabilities** | **Amount Rs.** | **Assets** | **Amount Rs.** |
|---|---|---|---|
| Capitals : | | Plant | 80,000 |
| Awin | 60,000 | Furniture | 45,000 |
| Naveen | 40,000 | Motor car | 25,000 |
| Praveen | 30,000 | Stock | 30,000 |
| Creditors | 1,35,000 | Debtors | 71,000 |
| | | Cash | 14,000 |
| | **2,65,000** | | **2,65,000** |

The terms of dissolution were :

1) Plant costing Rs. 40,000 was taken over by Awin at Rs. 45,000 and the remaining plant realised Rs. 50,000.
2) Motor car was taken over by Naveen for Rs. 30,000.
3) Furniture realised Rs. 40,000.
4) Debtors included bad debts for Rs. 1,200 and the rest was realised at a discount of 10%.
5) Stock worth Rs. 5,000 was taken over by and the Praveen rest realised Rs. 30,000.
6) A creditor for Rs. 2,000 was not traceable and other creditors were paid at a discount of 15%.
7) Realisation expenses Rs. 5,000.

Prepare necessary ledger accounts to close the books.

## SECTION – C

Answer **any two** questions : **(24×2=48)**

13. Anusha and Sahana were partners sharing profit and losses equally. It is agreed that Anusha should retire from the business on 31-03-2021 and her daughter Vidya should join with Sahana and should entitle to 1/3rd share in the future profits.

**Balance sheet as on 31-03-2021**

| **Liabilities** | **Amount Rs.** | **Assets** | **Amount Rs.** |
|---|---|---|---|
| Creditors | 9,800 | Bank | 11,000 |
| Capital : | | Debtors | 16,100 |
| Anusha | 34,000 | Furniture | 14,200 |
| Sahana | 28,200 | Building | 20,700 |
| | | Goodwill | 10,000 |
| | **72,000** | | **72,000** |

On 31-3-2021 goodwill valued at Rs. 22,000 and buildings Rs. 24,000. It was agreed that enough money should be introduced so as to payoff Anusha and to leave Rs. 10,000 as working capital.

Sahana and Vidya were to provide such amount as would make their capital proportionate to their share of profits. Anusha agreed to make loan to Vidya by transferring from her capital A/c half of the amount which Vidya had to provide. Sahana and Vidya paid in cash due from them and the amount due to Anusha was paid.

Prepare necessary Ledger Accounts and Balance Sheet of Sahana and Vidya.

14. Abhay and Rajath are partners sharing profits in the ratio of 3 : 2. On 1-1-2022 their Balance Sheet is as under :

| **Liabilities** | **Amount Rs.** | **Assets** | | **Amount Rs.** |
|---|---|---|---|---|
| Creditors | 20,000 | Fixed assets | | 45,000 |
| General reserve | 5,000 | Stock | | 30,200 |
| Bank overdraft | 6,000 | Debtors | 26,600 | |
| Capital : | | Less : RBD | 1,600 | 25,000 |
| Abhay | 40,000 | Cash | | 800 |
| Rajath | 30,000 | | | |
| | **1,01,000** | | | **1,01,000** |

On the above date, Rahul is admitted as the new partner for 20% profit in the firm. The terms are :

a) Goodwill of the firm is fixed at Rs. 30,000. Goodwill account is to be raised and written off immediately.

b) Fixed assets are revalued at Rs. 50,000 and the provision for doubtful debts to be raised to Rs. 2,100.

c) Rahul brings necessary amount of cash and stock worth Rs. 2,000 and debtors Rs. 3,000 as her share of capital.

d) The total capital of the new firm is fixed at Rs. 1,00,000 and the partners agree to provide capital in the new profit-sharing ratio.

e) Abhay and Rajath agree to share future profits equally, excess and shortage of capital arising out of the adjustments are to be transferred to their newly opened current accounts.

Prepare the necessary ledger accounts to the above effects and draft the Balance Sheet of the new firm.

15. Finalox Ltd., was formed to acquire the business of Suraj and Sudhir who share profits in the ratio of 2 : 1. The Balance Sheet on the date of acquisition was follows :

| Liabilities | Amount Rs. | Asset | Amount Rs. |
|---|---|---|---|
| Bills payable | 14,400 | Property | 80,000 |
| Creditors | 43,200 | Machinery | 40,000 |
| Mrs. Suraj's loan | 6,400 | Stock | 48,000 |
| Capitals : | | Debtors | 46,400 |
| Suraj | 1,28,000 | Bills Receivable | 12,800 |
| Sudhir | 80,000 | Investments | 9,600 |
| | | Cash at bank | 19,200 |
| | | Goodwill | 16,000 |
| | **2,72,000** | | **2,72,000** |

It was agreed by the company to take over the assets at book values with the exception of property and stock which are taken over at Rs. 90,000 and Rs. 40,000 respectively and the value of goodwill is fixed at Rs. 57,600. The investments are retained by the firm and sold for Rs. 8,000. They also discharged the loan of Mrs. Suraj. The company takes over the remaining liabilities. Cash at bank is retained by the firm.

The purchase consideration is discharged by the issue of 20,000 equity shares Rs. 10 each and the balance in cash. Shares were distributed among the partners in profit sharing ratio.

Prepare necessary ledger accounts in the books of the firm.

16. Amar, Bharath and Chethan were partners sharing profits and losses in the ratio of 3 : 2 : 3. The following was the Balance Sheet as on 31st March 2021 on which date the firm was dissolved :

| Liabilities | Amount Rs. | Assets | Amount Rs. |
|---|---|---|---|
| Creditors | 20,000 | Cash | 8,500 |
| Mortgage Loan | 4,000 | Debtors | 30,000 |
| Reserve Fund | 10,000 | Stock | 22,100 |
| Capitals : | | Furniture | 5,000 |
| Amar | 32,000 | Property | 9,000 |
| Chethan | 15,500 | Capital : | |
| | | Bharath | 4,900 |
| | | Profit and Loss A/c | 2,000 |
| | **81,500** | | **81,500** |

They realised the assets as under :

Property – Rs. 5,000, Furniture – Rs. 1,000, Stock – Rs. 10,000, 50% of the debtors realised at a discount of 75 paise in a rupee. Amar took over 1/4 of the remaining debtors at Rs. 2,000. Balance of debtors realised Rs. 2,500. Expenses of realisation amounted to Rs. 2,000. Creditors agreed to take 75 paise in the rupee in full satisfaction. Bharath 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 Account, Partners' Capital Accounts and Bank Account in the books of the firm.