Financial Accounting

2010 December

Commerce SYBCom

Semester 3

University Exam

Mangalore University

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

BCMCMC 202

Credit Based Third Semester B.Com. Degree Examination, Nov./Dec. 2010
(Semester Scheme)
COMMERCE (Optional)
Financial Accounting – III
(Common to Freshers and Repeaters)

Time : 3 Hours | Max. Marks : 120

Instructions : *1) Provide* ***working*** *note.*
2) Calculations to be made to the nearest rupee.

SECTION – A

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

1. State the reasons for dissolution of partnership firms.

2. Write a note on sacrifice ratio and gain ratio.

3. A, B and C were partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as on 31-3-2010 stood as follows :

Liabilities	₹	Assets		₹
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**

P.T.O.

D is admitted for $\frac{2}{12}$ share in future profits on the following terms :

a) Stock be depreciated by 6%.

b) RBD be brought upto 5% on debtors.

c) Buildings be appreciated by 20%.

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

Prepare Memorandum Revaluation A/c.

4. Arun, Kiran and Raman are partners sharing profits and losses in the ratio of 5 : 4 : 3. Kiran retires from the firm. The new profit sharing proportion of Arun and Raman is $\frac{5}{9}$ and $\frac{4}{9}$.

Calculate the gain ratio.

5. Ram, Raheem and Robert were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Raheem retires from the firm. Goodwill of the firm is valued at ₹ 1,20,000.

Pass entries for goodwill created and written off.

6. Anil, Sunil and Vimal are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Their Balance Sheet as on 31-3-2010 was as follows :

Liabilities	₹	Assets	₹
Capitals :			
Anil	1,00,000	S. Assets	3,00,000
Sunil	70,000		
Vimal	40,000		
General Reserve	90,000		
	3,00,000		**3,00,000**

Prepare a statement showing surplus capital under Piecemeal distribution.

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SECTION – B

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

7. State the meaning of joint life policy and individual life policies.

8. A, B and C are in partnership sharing profits equally. Their Balance Sheet on 31-3-2010 stood as follows :

Liabilities	₹	Assets		₹
Creditors	13,000	Bank		5,000
General Reserve	4,200	Debtors	10,000	
Capitals		Less : RBD	800	9.200
A	30,000	Stock		10,000
B	20,000	Investments		5,000
C	20,000	Property		40,000
		Goodwill		18,000
	87,200			**87,200**

C died on 30th June, 2010. On the date of death it was agreed :

1) Property be valued at ₹ 58,000.
2) Investments be valued at ₹ 4,800.
3) Debtors were all good.
4) Stocks are valued at ₹ 9,400.
5) Goodwill be valued at one year's purchase of the average profits of the past five years.
6) C's share of profit to the date of death be calculated on the basis of average profits of the preceeding three years.

The last five years profits were :

	₹
31-3-2006	11,500
31-3-2007	14,000
31-3-2008	9,000
31-3-2009	8,000
31-3-2010	10,000

You are required to prepare necessary accounts and Balance Sheet of the remaining partners.

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9. Leela, Mala and Neela were partners sharing profits and losses in the ratio of 4 : 3 : 3. Their Balance Sheet on 31st March, 2010 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 : RBD	2,000	12,000
Creditors	16,000	Cash		2,000
	1,06,000			**1,06,000**

Mala retires on that date on the following terms :

1) The goodwill of the firm is valued at ₹ 14,000.
2) Stock and Buildings are to be appreciated by 10%.
3) Plant and Furniture are to be depreciated by 10%.
4) Provision for bad debts is no more necessary.
5) It is decided to write off goodwill.
6) Amount payable to Mala is transferred to her Loan A/c.

Prepare necessary accounts and redraft Balance Sheet.

10. A, B and C are partners sharing profits and losses in the ratio of 4 : 3 : 3. They decide to dissolve and appoint B to realise the assets and distribute the proceeds. B is to receive 5% of the amount realised from stock and debtors as his remuneration and is to bear all the expenses of realisation personally. The following is the Balance Sheet as on 31-3-2010 :

Liabilities	₹	Assets		₹
Creditors	50,000	Cash		17,000
Capitals :		Debtors	45,500	
A	30,000	Less : RBD	2,500	43,000
B	20,000	Stock		60,000
C	20,000			
	1,20,000			**1,20,000**

B reports the result of realisation as follows :

1) Debtors ₹ 35,000, stock ₹ 45,000 and goodwill is sold for ₹ 2,000.
2) Creditors were paid ₹ 48,500 in full settlement.
3) Outstanding liability of ₹ 500 have also been paid.
4) The expenses of realisation came to ₹ 600.

Prepare necessary accounts to close the books of the firm.

11. A, B and C are partners shared profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2010 was as under :

Liabilities	₹	Assets	₹
Capitals :		Bank	20,000
A	30,000	S. 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 :

30-4-2010	₹ 60,000
31-5-2010	₹ 68,000
30-6-2010	₹ 28,000

Prepare a statement of Piecemeal distribution of cash.

12. Lal and Sinha were partners sharing profits and losses in the ratio of 2 : 1. Their Balance Sheet as on 31st March, 2010 on which date they have agreed to convert their business into a company called Convergent Ltd., was as under :

Liabilities	₹	Assets	₹
Creditors	30,000	Cash	7,000
Mortgage loan	10,000	Debtors	26,000
Capitals :		Stock	16,000
Lal	20,000	Plant	5,000
Sinha	10,000	Premises	16,000
	70,000		**70,000**

The company takes over all the assets and liabilities except mortgage loan for a price of ₹ 60,000 payable ₹ 24,000 in cash and the balance in shares. The partners agreed to share the shares in the profit sharing ratio.

Prepare necessary ledger accounts to close the books of firm.

SECTION – C

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

13. Sathish and Nithish were partners sharing profits equally. It was agreed that Sathish should retire from the firm on 31-3-2010 and Naresh should join on 1-4-2010 and should be entitled to $\frac{1}{3}$ of the profits. The Balance Sheet on 31-3-2010 was as follows :

Liabilities	₹	Assets	₹
Capitals :		Cash at Bank	11,000
Sathish	34,000	Debtors	16,100
Nithish	28,200	Furniture	14,200
S. Liabilities	9,800	Buildings	20,700
		Goodwill	10,000
	72,000		**72,000**

On that date goodwill was valued at ₹ 20,000 and Buildings at ₹ 24,000. It was also agreed that enough money should be introduced to enable Sathish to be paid out and leave ₹ 10,000 cash by way of working capital. Nithish and Naresh were to provide such sums as would make their capitals proportionate to their share of profits. Sathish agreed to make a loan to Naresh by transfer from his capital a/c, half the amount which Naresh had to provide. Nithish and Naresh paid the cash due from them and the amount due to Sathish was paid out.

Prepare necessary accounts and redraft the Balance Sheet.

14. The following is the Balance Sheet of A, B and C sharing profits and losses in the ratio of 6 : 5 : 3 on 31st March, 2010 :

Liabilities	₹	Assets	₹
Creditors	37,800	Cash at Bank	3,780
Bills Payable	12,600	Debtors	52,920
General Reserve	21,000	Stock	58,800
Capitals :		Furniture	14,700
A	70,800	Land and Buildings	90,300
B	59,700	Goodwill	10,500
C	29,100		
	2,31,000		**2,31,000**

They agreed to take D into partnership and give him $\frac{1}{8}$ share on the following terms :

1) That furniture be written down by ₹ 1,840 and stock be depreciated by 10%.
2) That a provision of ₹ 2,640 be made for outstanding repair bills.
3) That the value of land and buildings be brought upto ₹ 1,19,700.
4) That the value of goodwill be brought upto ₹ 28,140.
5) That D should bring in ₹ 29,400 as his capital.
6) That after making above adjustments the capital accounts of old partners be adjusted on the basis of proportion of D's capital to his share in the business i.e., actual cash to be paid off or brought in by the old partners as the case may be.

Give necessary ledger accounts and prepare Balance Sheet after admission.

15. Amitha and Namitha are partners in a firm sharing profits and losses in the ratio of their capitals. The Balance Sheet on 31st March, 2010 is as follows :

Liabilities	₹	Assets	₹
Creditors	1,10,000	Cash	9,000
Reserve Fund	14,000	Debtors	80,000
Capitals :		Stock	74,000
Amitha	1,50,000	Plant	1,70,000
Namitha	1,00,000	Investments	41,000
	3,74,000		**3,74,000**

The firm was sold to Phalguni Ltd., on the following terms :

1) The company was to purchase the whole concern except cash and investments at 10% less than the book values.
2) The creditors were taken over at the book value.
3) The company agreed to pay ₹ 10,000 for goodwill.
4) The purchase price was paid half in cash and half in fully paid shares of ₹ 10/- each of the company.
5) The firm realised its own investments and the shares 5% less.

Prepare necessary ledger accounts to close the books of the firm.

16. Nithya, Sathya and Mithya were partners sharing profits and losses in the ratio of 3 : 2 : 1. The partnership was dissolved on 31-3-2010 on which date the Balance Sheet of the firm was as folows :

Liabilities	₹	Assets	₹
Capitals :		S. Assets	67,500
Nithya	80,000	Debtors	34,150
Sathya	40,000	Bills Receivable	25,180
Reserves	36,000	Stock	45,160
Creditors	1,73,130	Mithya's Capital	1,25,000
		Cash at Bank	32,140
	3,29,130		**3,29,130**

The lives of partners were insured severally for Nithya ₹ 1,00,000, Sathya ₹ 50,000 and Mithya ₹ 60,000. The premia were charged to Profit and Loss A/c. On the date of dissolution the surrender value of each policy was 30% of the sum assured. Nithya took over his policy and the policies of Sathya and Mithya were surrendered.

In the course of realisation it was found that :

a) A liability of ₹ 15,000 for goods purchased has been omitted from the Balance Sheet and the goods have been included in stock.

b) Bills Receivable amounting to ₹ 35,000 which was discounted with the bank was dishonoured and proved to be valueless.

Nithya agreed to takeover the goodwill of the firm at ₹ 25,000. Bills receivable were retired by the acceptors for ₹ 24,000. The remaining assets realised ₹ 1,14,790. The expenses of realisation amounted to ₹ 6,000. Mithya is insolvent and his estate paid ₹ 11,200. The Partnership Deed provided that the capital deficiency should be shared by the solvent partners in the capital ratios as appeared in the Balance Sheet.

Prepare necessary ledger accounts to close the books of the firm.