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BCMCMC 217

**III Semester B.Com. Degree Examination,
October/November 2019**

(Credit Based Semester Scheme)

(2016-17 Batch Onwards)

(Common to all Batches)

Sri Dharmasthala Manjunatheswara
College of Business Management Library
MANGALORE - 575 003

Financial Accounting — III

Time : 3 Hours]

[Max. Marks : 120

Instructions : Provide working notes wherever necessary.

SECTION – A

Answer **any four** questions :

(4 × 6 = 24)

1. Write a note on joint life policy.
2. State the reasons for dissolution of a partnership firm.
3. Seetha, Geetha and Neetha are partners sharing profits and losses in the ratio of 4 : 3 : 2. Geetha retires from the firm. The new profit sharing proportion of Seetha and Neetha is 5/8 and 3/8.
Compute the gain ratio.
4. A and B are sharing profits equally. They admit C with 1/5 share in future profits. The value of existing goodwill in the books of A and B is Rs. 10,000. C brings his share of goodwill Rs. 15,000 in cash.
Give entries for goodwill treatment.
5. Balance Sheet of Amar and Akbar who share profits in the ratio of 3 : 1 is as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash	1,00,000
Capitals :		Bills receivable	15,000
Amar	2,25,000	Debtors	80,000
Akbar	1,25,000	Stock	1,00,000
		Fixtures	25,000
		Buildings	1,30,000
	<u>4,50,000</u>		<u>4,50,000</u>

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Axar is admitted as partner for 1/5 share on the following terms :

- (a) That stock and fixtures be appreciated by 10%.
 - (b) That buildings be increased by 20%.
 - (c) That a provision of 5% created on debtors.
 - (d) That a provision of Rs. 2,500 be made for outstanding bills.
- Prepare Revaluation Account.

6. Rakesh, Raveesh and Ramesh are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Their Balance Sheet as on 31.03.2019 was as follows :

Liabilities	Rs.	Assets	Rs.
Capitals :		Sundry assets	4,50,000
Rakesh	1,50,000		
Raveesh	1,05,000		
Ramesh	60,000		
General reserve	1,35,000		
	<u>4,50,000</u>		<u>4,50,000</u>

Prepare a statement showing surplus capital for piecemeal distribution.

SECTION - B

Answer **any four** questions :

(4 × 12 = 48)

7. Mohan and Sohan are partners sharing profits and losses in the ratio of 2 : 1. Their Balance Sheet as at 31st March, 2019 stands as under :

Liabilities	Rs.	Assets	Rs.
Creditors	44,000	Cash	17,000
Capitals :		Debtors	19,000
Mohan	30,000	Stock	25,000
Sohan	20,000	Fixed assets	33,000
	<u>94,000</u>		<u>94,000</u>

Jagan is admitted on 1.4.2019 on the following terms :

- (a) He brings in Rs. 15,000 as his capital for 1/4 share in profits.
 - (b) He brings Rs. 6,000 towards goodwill in cash.
 - (c) Stock to be reduced to Rs. 23,000.
 - (d) Fixed assets to be appreciated by Rs. 8,000.
 - (e) A provision of 10% to be made for doubtful debts.
 - (f) A bill of Rs. 2,450 for electric charges to be provided for.
- Prepare Revaluation A/c and Partners' Capital Accounts.



8. On 31st March 2019, the Balance Sheet of Anil, Sunil and Bimal sharing profits and losses in the proportion of their capitals stood as follows :

Liabilities	Rs.	Assets	Rs.
Capitals :		Land and Buildings	2,00,000
Anil	3,00,000	Machinery	3,00,000
Sunil	2,00,000	Stock	1,00,000
Bimal	2,00,000	Debtors	1,00,000
Creditors	1,00,000	Bank	1,00,000
	<u>8,00,000</u>		<u>8,00,000</u>

On that date Anil desired to retire from the firm. It was decided as follows :

- Land and Buildings be appreciated by 30%.
- Machinery be depreciated by 20%.
- Stock be valued at Rs. 75,000.
- Provision for bad debts be made at 5%.
- Goodwill of the entire firm be valued at Rs. 1,40,000 and Anil's share be adjusted to the capitals of Sunil and Bimal.
- Amount due to Anil settled 50% in cash and the balance transferred to his loan account.

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Prepare Revaluation A/c and Partners' Capital Accounts.

9. A, B and C were in partnership sharing profits and losses in the ratio of 4 : 3 : 3. The balances in the books of the firm on 31st March, 2019 were as follows :

Liabilities	Rs.	Assets	Rs.
Capitals :		Land and Buildings	1,50,000
A	1,50,000	Furniture	1,45,000
B	90,000	Debtors	75,000
C	75,000	Stock	90,000
Creditors	45,000	Bank	50,000
Profit and Loss A/c	1,50,000		
	<u>5,10,000</u>		<u>5,10,000</u>



C died on 30th September, 2019. On the date of death it was agreed:

- (a) Allow interest on capital at 10% p.a.
- (b) The firm has insured partners lives severally: A – Rs. 50,000; B – Rs. 40,000 and C – Rs. 40,000. The surrender value of each policy amounted to half of the sum assured.
- (c) C's drawings to the date of death amounted to Rs. 18,000.
- (d) C's share of profit till the date of death is to be calculated on the basis of average profits of the last three years.
- (e) Goodwill of the firm is to be valued on the basis of two year's purchase of the average profits of the last three years. The profits of the last three years were:

	Rs.
2017	35,000
2018	45,000
2019	55,000

Prepare C's Executors Account.

10. Raksha, Deeksha and Sudheeksha are equal partners, decided to dissolve the firm. Their Balance Sheet on 31st March, 2019 is furnished below :

Liabilities	Rs.	Assets	Rs.
Capitals:		Land and Buildings	5,00,000
Raksha	4,50,000	Plant and Machinery	2,00,000
Deeksha	4,50,000	Furniture	50,000
Sudheeksha	2,00,000	Stock	3,00,000
General reserve	2,10,000	Debtors	5,00,000
Creditors	2,90,000	Bank	50,000
	16,00,000		16,00,000

The assets realised as follows :

Assets	Rs.
Land and Buildings	3,50,000
Plant and Machinery	1,50,000
Furniture	20,000
Stock	2,00,000
Debtors	2,50,000

Prepare in the books of the firm :

- (a) Realisation A/c.
- (b) Partners' Capital Accounts.
- (c) Bank A/c.



11. P, Q and R were in partnership sharing profits and losses in the ratio of 4 : 2 : 1. Their Balance Sheet as on 31st March 2019 was as follows :

Liabilities		Rs.	Assets		Rs.
Creditors		20,000	Bank		15,000
General reserve		14,000	Sundry assets		1,90,000
Profit and Loss A/c		7,000			
Capitals :					
P		28,000			
Q		74,000			
R		62,000			
		<u>2,05,000</u>			<u>2,05,000</u>

- (a) The partners decided that an amount of Rs. 3,000 should be set aside for expenses of realisation.
- (b) Actual expenses after all realisation came to Rs. 2,000.
- (c) The assets were realized piecemeal as under :

	Rs.
First realisation	50,000
Second realisation	95,000
Third realization	34,000

Show the piecemeal distribution of cash.

12. X, Y and Z were partners sharing profits in the ratio of 2 : 2 : 1. They took out a joint life policy on 10.1.2010 for Rs. 2,50,000, the annual premium being Rs. 6,250. Y died on 15.2.2013. The surrender values of the policy were :
2010 - Nil; 2011 - Rs. 1,750; 2012 - Rs. 3,000.
Prepare joint life policy and joint life policy reserve account.

SECTION - C

(2 × 24 = 48)

Answer **any two** questions :

13. The following is the Balance Sheet of A, B and C sharing profits and losses in the ratio of 6 : 5 : 3 respectively.

Liabilities		Rs.	Assets		Rs.
Creditors		18,900	Bank		1,890
Bills payable		6,300	Debtors		26,460
General reserve		10,500	Stock		29,400
Capitals:			Furniture		7,350
A		35,400	Land and Buildings		45,150
B		29,850	Goodwill		5,250
C		14,550			
		<u>1,15,500</u>			<u>1,15,500</u>

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They agreed to take D into partnership and give him 1/8 share on the following terms :

- That furniture be depreciated by Rs. 920.
 - That stock be depreciated by 10%.
 - That a provision of Rs. 1,320 be made for outstanding repair bills.
 - That the value of Land and Buildings having appreciated be brought upto Rs. 59,850.
 - That the value of goodwill be Rs. 16,800 and D's share of goodwill is adjusted through capital accounts.
 - That D should bring in Rs. 16,100 as his capital.
 - That after making the above adjustments the total capital of the firm should be Rs. 1,12,000 and be adjusted on the basis of the new profit sharing ratio. Actual cash to be paid off or brought in by the partners as the case may be.
- Prepare Revaluation A/c, Partners' Capital Accounts and Balance Sheet of the new firm.

14. Ram, Rahim and Robert are partners sharing profits and losses in the ratio of 5 : 3 : 2. It was decided that Robert would retire on 31st March, 2019 and in his place, Richard would be admitted as a partner with new profit sharing ratio between Ram, Rahim and Richard at 3 : 2 : 1. The Balance Sheet on that date:

Liabilities	Rs.	Assets	Rs.
Capitals:		Bank	1,20,000
Ram	1,00,000	Debtors	5,00,000
Rahim	1,50,000	Stock	2,00,000
Robert	2,00,000	Plant and Machinery	3,00,000
General reserve	2,00,000	Land and Buildings	5,30,000
Creditors	8,00,000		
Richard's loan	2,00,000		
	<u>16,50,000</u>		<u>16,50,000</u>

Retirement of Robert and admission of Richard is on the following terms :

- Plant and Machinery to be depreciated by Rs. 30,000.
- Land and Buildings to be valued at Rs. 6,00,000.
- Stock to be valued at 95% of book value.
- Provision for doubtful debts at 10% provided on debtors.
- The firm's goodwill to be valued at Rs. 90,000.



- (f) Out of the amount due to Robert Rs. 2,00,000 would be retained as loan and the balance will be settled immediately.
- (g) Richard's capital should be equal to 50% of the combined capital of Ram and Rahim; he brings in necessary cash after transferring from his loan a/c.

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

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15. A, B, C and D are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2 : 1. The following is their Balance Sheet as on 31st March, 2019 :

Liabilities	Rs.	Assets	Rs.
Creditors	3,00,000	Bank	1,40,000
Capitals :		Debtors	3,50,000
A	7,00,000	Less : RBD	50,000
B	3,00,000	Stock	2,00,000
		Other assets	3,10,000
		Capitals :	
		C	2,00,000
		D	1,50,000
	<u>13,00,000</u>		<u>13,00,000</u>

On 31st March 2019, the firm dissolved and the following points are agreed upon :

- (a) A to take over debtors at 80% of book value.
- (b) B to take over the stock at 95% of the value.
- (c) C to discharge the creditors.
- (d) Other assets realized Rs. 3,00,000 and expenses of realization came to Rs. 30,000.
- (e) D becomes insolvent and Rs. 17,000 is realized from his estate.
- (f) A, B and C decided to share D's deficiency in profit sharing ratio.

Prepare :

- (i) Realisation A/c.
- (ii) Partners' Capital Accounts.
- (iii) Bank A/c.



16. Ramu and Somu were in partnership sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March 2019 was as under :

Liabilities	Rs.	Assets	Rs.
Creditors	70,000	Bank	10,000
Bills payable	30,000	Investments	30,000
Ramu's loan	40,000	Debtors	60,000
Reserve fund	50,000	Stock	2,00,000
Capitals :		Furniture	30,000
Ramu	2,00,000	Machinery	2,10,000
Somu	1,50,000		
	5,40,000		5,40,000

On 1.4.2019 Ajantha Ltd was incorporated to take over certain assets and liabilities of the firm :

- (a) The company takes over all assets [except cash and investments] and all liabilities [except Ramu's loan].
- (b) The purchase consideration was agreed at Rs. 6,00,000 payable 1/5 in cash and the balance in equity shares of Rs. 10 each.
- (c) The firm sold investments and paid off Ramu's loan.
- (d) The expenses of dissolution amounted to Rs. 10,000.
- (e) Equity shares are to be distributed between the partners in the ratio of 5 : 3.

Show the following ledger accounts:

- (i) Realisation A/c.
- (ii) Partners' Capital Accounts.
- (iii) Ajantha Ltd's A/c.
- (iv) Equity Shares A/c.
- (v) Bank A/c.