

III Semester B.Com. Examination, April 2021
(Choice Based Credit System) (2020-21 Batch Onwards) (New Scheme)
Group – I : Core Courses : COMMERCE
Financial Accounting – III

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer any four :

(4×6=24)

1. State the reasons for the admission of a new partner.
2. What is Gain Ratio ? What is the need of Gain Ratio ?
3. State any four differences between Revaluation A/c and Realization A/c.
4. Pranitha and Meghana are partners sharing profits and losses in the ratio of 3 : 2. Soujanya was admitted as a partner and Pranitha surrendered 1/3 of her share in favour of Soujanya and Meghana surrendered 1/2 of her share to Soujanya. Find out the new profit sharing ratio and sacrifice ratio.
5. Motu, Pathlu and Shiva were the partners sharing profits and losses in the ratio of 4 : 3 : 2. Their Balance Sheet as on 1st April 2020 was as follows :

Liabilities	₹	Assets	₹
Creditors	2,35,000	Cash at bank	25,000
Capitals :		B/R	1,40,000
Motu	16,00,000	Debtors	2,60,000
Pathlu	15,00,000	Less : RBD	20,000
Shiva	14,00,000	Stock	4,50,000
		Furniture	1,80,000
		Plant	12,00,000
		Building	25,00,000
	47,35,000		47,35,000



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

- 1) The building be appreciated by ₹ 1,00,000.
- 2) The stock and furniture be depreciated by 10%.
- 3) RBD should be kept at ₹ 15,000.
- 4) Accrued income not appearing in the books ₹ 7,500.

Prepare Revaluation Account on the retirement of Shiva.

6. Stephy, Kamala and Jeba are partners who share profits in the ratio of 5 : 3 : 2. Their Balance Sheet as on 31-03-2020 was as under :

Liabilities		₹	Assets	₹
Creditors		40,000	Debtors	60,000
Stephy's loan		10,000	Stock	30,000
Reserve		20,000	Plant	70,000
Capital : Stephy	45,000		Profit and Loss Account	10,000
Kamala	12,000			
Jeba	<u>43,000</u>	1,00,000		
		1,70,000		1,70,000

Prepare statement showing Surplus Capital for Piecemeal distribution.

SECTION – B

Answer **any four** :

(4×12=48)

7. Amar and Akbar are partners sharing Profits and Losses in the ratio of 2 : 1. Their Balance Sheet as at 31st March 2020 stands as under :

Liabilities		₹	Assets	₹
Creditors		1,04,000	Cash at Bank	30,000
Capitals : Amar	10,00,000		Debtors	85,000
Akbar	8,00,000		Bills Receivables	24,000
			Stock	2,40,000
			Furniture	25,000
			Land and Buildings	15,00,000
		19,04,000		19,04,000



Antony is admitted to partnership from 01-04-2020 on the following terms :

- That he brings in ₹ 8,20,000 as his Capital for $\frac{1}{4}$ share and pays ₹ 80,000 for goodwill.
- To provide for outstanding legal charges ₹ 3,200.
- That the stocks are to be reduced to ₹ 2,25,000 and furniture by ₹ 2,000.
- That 5% provision for doubtful debts is to be created.
- That the value of land and buildings is to be appreciated by 15%.
- That the profit sharing ratio of the old partners will not change.
- The new firm decided to show the assets and liabilities except cash and capital at its original value.

Prepare Memorandum Revaluation A/c.

8. Iron Man, Super Man and Spider Man were partners sharing profits and losses in the ratio of 2 : 3 : 3 and their Balance Sheet as on 31-03-2020 was as follows :

Liabilities		₹	Assets		₹
Creditors		2,70,000	Cash at Bank		35,000
Bills Payable		30,000	Debtors	1,40,000	
Capitals :			Less : RBD	<u>10,000</u>	1,30,000
Iron Man	11,00,000		Stock		2,40,000
Super Man	10,12,500		Motor Car		7,20,000
Spider Man	<u>10,12,500</u>	31,25,000	Building		17,00,000
			Plant		6,00,000
		34,25,000			34,25,000

'Super Man' retires on the above date on the following terms :

- Goodwill of the firm is valued at ₹ 2,00,000.
- Stock and building are to be appreciated by 10%.
- Plant and Motor car depreciated by 10%.
- Provision for doubtful debt is no more necessary.



e) A liability for workmen's compensation to be brought into account for ₹ 14,400.

f) Amount payable to Super Man is transferred to his loan account.

Prepare Revaluation Account and Partner's Capital Accounts.

9. Dhoni, Virat and Rohit were partners sharing profits and losses in the ratio of 2 : 1 : 1. On 31st March 2020 their Balance Sheet was as under :

Liabilities	₹	Assets	₹
Creditors	2,20,000	Cash at Bank	40,000
Loan from Sachin	17,000	Stock	3,10,000
Dhoni's Loan	30,000	Debtors	1,80,000
Reserve Fund	20,000	Less : RBD	<u>8,000</u>
Capitals : Dhoni	4,50,000	Joint Life Policy	1,72,000
Virat	2,00,000	Plant and Machinery	6,00,000
Rohit	2,00,000		
	11,37,000		11,37,000

The firm was dissolved on that date. Stock realized ₹ 3,00,000, Debtors ₹ 1,70,000 and Plant and Machinery ₹ 5,80,000. JLP was taken over by Dhoni at ₹ 16,000. All Liabilities were paid and a total discount of ₹ 2,000 was allowed by the creditors. Expenses of realisation came to ₹ 5,000.

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

10. Puneeth, Sudeep and Ganesh share profits in the ratio of 5 : 3 : 2 ratio. Ganesh died on 1st October 2020. The Balance Sheet on 31-03-2020 was as under :

Liabilities	₹	Assets	₹
Creditors	2,45,000	Cash at Bank	32,000
General Reserve	32,000	Debtors	1,45,000
Capital :		Stock	1,90,000
Puneeth	6,00,000	Investments	90,000
Sudeep	4,80,000	Building	12,00,000
Ganesh	4,00,000	Goodwill	1,00,000
	17,57,000		17,57,000



The following arrangements were agreed upon :

- Building be valued at ₹ 12,80,000; Investments at ₹ 85,000, Stock ₹ 1,84,000.
- Ganesh's share of profit to the date of death is ₹ 4,800.
- Allow salary for six months @ ₹ 20,000 p.m.
- Allow Interest on capital @ 15% for six months.
- Goodwill be valued at two years purchase of average profits of the past five years. The profits of the last five years were : 2019 – 20 – ₹ 52,000, 2018 – 19 – ₹ 44,000, 2017 – 18 – ₹ 46,000, 2016 – 17 – ₹ 60,000, 2015 – 16 – ₹ 64,000.

Prepare Ganesh's Executors Account.

11. Arun, Varun and Tharun were partners sharing profits in the ratio of 2 : 2 : 1. The firm took out a joint life policy on 10th January 2017 for ₹ 1,00,000, the annual premium was ₹ 5,400. Varun died on 12-02-2020 and the policy amount is immediately realized. Surrender Value of the policy 2017 – Nil, 2018 – ₹ 1,200, 2019 – ₹ 2,300.

Prepare Joint Life Policy A/c and Joint Life Policy Reserve A/c assuming that the books are closed on 31st March every year.

12. X, Y and Z are the partners sharing profits and losses in the ratio of 2 : 2 : 1. On the date of dissolution their Balance Sheet was as follows :

Liabilities	₹	Assets	₹
Creditors	50,000	Cash	30,000
X's Loan	30,000	Sundry assets	2,70,000
Capital : X	1,10,000		
Y	80,000		
Z	30,000		
	3,00,000		3,00,000

The assets realised as follows :

First realisation ₹ 70,000

Second realisation ₹ 80,000

Final realisation ₹ 1,00,000

Show the distribution of cash under Proportionate Capital Method.



SECTION – C

Answer any two :

(2×24=48)

13. Amitha and Neha are partners in the firm sharing profits and losses equally. On 31-03-2020, their balance Sheet stood as follows :

Liabilities	₹	Assets	₹
Creditors	70,000	Stock	1,05,000
Bills Payable	50,000	Debtors	1,41,500
General reserve	50,000	Furniture	7,500
Amitha's Capital	1,00,000	Investments	10,000
Neha's Capital	50,000	Bank	56,000
	3,20,000		3,20,000

Shraddha is admitted into the firm on the following terms :

- 1) To write off bad debts amounting to ₹ 5,500.
- 2) To write down furniture by 10%.
- 3) To depreciate stock by ₹ 5,000.
- 4) To provide for outstanding legal charges ₹ 4,750.
- 5) Shraddha to introduce ₹ 50,000 as goodwill and ₹ 2,00,000 as her capital for a fifth share in the profits.
- 6) To adjust the capitals of Amitha and Neha according to the new profit sharing ratio based on the capital of Shraddha, through current accounts.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after Shraddha's admission.

14. Ashok, Santhosh and Sandesh were partners sharing profits and losses in the ratio of 4 : 3 : 2. The following was the Balance Sheet as on 31st March, 2020 on which date the firm was dissolved :

Liabilities	₹	Assets	₹
Creditors	20,000	Bank	8,500
Mortgage Loan	4,000	Debtors	30,000
Reserve Fund	9,000	Stock	22,100
Capitals : Ashok	32,000	Furniture	5,000
Sandesh	16,500	Property	9,000
		Capital : Santhosh	4,200
		Profit and Loss A/c	2,700
	81,500		81,500



They realised the assets as under :

Property ₹ 6,000, Furniture ₹ 3,000, Stock ₹ 12,000, Debtors realised 40% less than book value. Expenses of realisation amounted ₹ 2,000. Creditors agreed to take 75 paise in the Rupee in full satisfaction. Santhosh had become insolvent and a dividend of 40% was received from his private asset. As per Partnership Deed, any capital deficiency should be shared equally by solvent partners.

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

15. David and John are in partnership with 3 : 2 as their profits sharing ratios. The Balance Sheet of the firm on 31-03-2020 is given below :

Liabilities	₹	Assets	₹
Creditors	28,640	Fixed Assets	42,000
John's Loan	6,000	Stock	22,400
Reserves	12,400	Debtors	39,200
Capital : David	48,000	Cash at Bank	7,440
John	16,000		
	1,11,040		1,11,040

Sagar Ltd. agreed to takeover Fixed Assets and Stock for a price of ₹ 96,000, which it pays in cash ₹ 32,000, in 320, 8% Preference Shares of ₹ 100 each and the balance in 3,200 equity shares of ₹ 10 each.

The debtors realized ₹ 38,400 and the creditors were fully paid off for ₹ 28,000. Partners agreed to divide equity shares in the profit sharing ratio, but preference shares equally after adjusting preference shares against John's loan to the extent required. David takes over furniture of the value of ₹ 16,000 at an agreed value of ₹ 16,500. Final settlement were made in cash.

Prepare :

- 1) Realization A/c
- 2) Partners' Capital Accounts
- 3) Sagar Ltd.'s A/c
- 4) Equity Shares A/c
- 5) Preference Shares A/c
- 6) Bank A/c.



16. Praveen and Iqbal were carrying on business in partnership sharing profits and losses equally. It was agreed that Praveen should retire from the firm on 31-03-2020 and that Arun should join Iqbal from 01-04-2020 and should be entitled to 1/3 profits. The Balance Sheet of Praveen and Iqbal was as follows :

Liabilities	₹	Assets	₹
Creditors	59,000	Cash at Bank	66,000
Capitals : Praveen	2,04,000	Debtors	96,000
Iqbal	1,69,000	Stock	66,000
		Furniture	24,000
		Buildings	1,20,000
		Goodwill	60,000
	4,32,000		4,32,000

On 31-03-2020 Goodwill was valued at ₹ 90,000, Buildings at ₹ 1,80,000, Stock at ₹ 60,000 and Furniture at ₹ 20,000. It was agreed that enough money should be introduced to enable Praveen to be paid out and leave ₹ 30,000 cash by way of working capital. Iqbal and Arun were to provide such sums as would make their capitals proportion to their share of profits.

Prepare Revaluation A/c, Partners Capital Accounts and the New Balance Sheet.