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

BCMCMC 232

Choice Based Credit System III Semester B.Com. Degree Examination, April/May 2022
(2020 – 21 Batch Onwards)
COMMERCE
Financial Accounting – III (Group – I)

Time : 3 Hours

Max. Marks : 120

Notes : *i) Provide working notes* ***wherever*** *necessary.*
ii) A single booklet of ***40*** *pages will be issued.* ***No*** *additional sheets will be given.*

SECTION – A

Answer **any four** of the following questions (**6** marks **each**). **(4x6=24)**

1. State any three differences between Revaluation and Realisation Account.
2. State the order in which the payments are made on dissolution of a partnership firm.
3. D'souze and Aravinda are partners with capital of ₹ 3,00,000 and ₹ 5,00,000 respectively. They share profits and losses in the ratio of 3:5. They agreed to admit Amir into partnership and gave him $\frac{1}{6}$th share which he acquires ¼th from D'souza and ¾th from Aravinda. Amir to bring ₹ 4,00,000 for capital and ₹ 1,00,000 for goodwill. Pass Journal entries to records the above transactions.
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 gain ratio.
5. Balance sheet of Amar and Akbar who share profits and losses in the ratio of 3:1 is as follows:

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Creditors		40,000	Cash	40,000
Capitals :			Bills Receivables	6,000
Amar	90,000		Debtors	32,000
Akbar	50,000	1,40,000	Stock	40,000
			Furniture	10,000
			Buildings	52,000
		1,80,000		**1,80,000**

P.T.O.

Antony is admitted as a partner for $\frac{1}{5}^{th}$ share on the following terms :

i) The stock and furniture be appreciated by 10%.

ii) That building is increased by 20%.

iii) That a provision of 5% created on debtors and bills receivables.

Prepare Revaluation Account.

6. M, N and O are partners sharing profits and losses in the ratio of 4:3:2.Their balance sheet as on 31st March, 2022 was as follows :

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Capitals :			Cash at bank	3,00,000
M	10,00,000		Sundry assets	35,00,000
N	7,00,000			
O	4,00,000	21,00,000		
General Reserve		9,00,000		
Creditors		8,00,000		
		38,00,000		**38,00,000**

Prepare a statement showing surplus capital.

SECTION – B

Answer **any four** of the following questions (**12** marks **each**). **(4×12=4**

7. Apple and Banana are partners in a firm sharing profits and losses in the ratio of 3:2 respectively. Their balance sheet as on 31st December, 2021was as follows:

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Capitals:			Bank	20,000
Apple	50,000		Bills Receivables	5,000
Banana	40,000	90,000	Sundry Debtors	50,000
Creditors		30,000	Stock	40,000
Bills payable		25,000	Furniture	20,000
Reserve		60,000	Plant and Machinery	90,000
Workmen's Compensation fund		20,000		
		2,25,000		**2,25,000**

They admit Cherry as a partner for a fifth share in the profits on the following terms :

i) A reserve of 2.5% was to be created for Bad Debts.

ii) Stock was to be reduced to ₹ 25,000.

iii) Plant and Machinery was to be depreciated by 10%.

iv) Liability in respect of Workmen's Compensation Fund was estimated at ₹ 4,000 and the Fund to be maintained at this figure.

v) Cherry is to bring ₹ 10,000 as his share of Goodwill and to introduce as his capital $\frac{2}{5}$ th of the combined adjusted capitals of Apple and Banana.

Prepare the Revaluation Account and Partners' Capital Accounts of the firm.

8. A, B and C are partners sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31st March, 2022 was as follows:

Liabilities	**(₹)**	**Amount (₹)**	**Assets**		**Amount (₹)**
Capitals :			Cash		1,000
A	16,000		Debtors	7,000	
B	12,000		Less: RBD	1,000	6,000
C	10,000	38,000	Furniture		4,000
Reserve		5,000	Stock		10,000
Bills Payable		2,000	Plant		14,000
Creditors		8,000	Buildings		18,000
		53,000			**53,000**

A retires on 31st March, 2022. On A's retirement, the following terms are agreed upon:

i) The Goodwill of the firm is to be valued at ₹ 7,000.

ii) Stock and Buildings are to be appreciated by 10%.

iii) Plant and Furniture are to be depreciated by 10%.

iv) Provision for Bad Debts is no more necessary.

v) Amount payable to A is to be transferred to his Loan Account.

Prepare the Revaluation Account and Partners' Capital Accounts and Balance Sheet of the new firm.

9. A and B are partners sharing profits and losses in the ratio of 3:2, took out a joint life policy on January 2018 for ₹ 20,000 for 20 years. The annual premium of ₹ 1,000 being payable by the firm. The firm closes its accounts on 31st December every year. The surrender value of the policy for the first 5 years was as follows :

Year	2018	2019	2020	2021	2022
Surrender Value (₹)	NIL	200	550	780	900

B died on 10th February, 2022 and the claim on the policy was collected on 15th March, 2022. Prepare the Joint Life Policy Account and Joint Life Policy Reserve Account.

10. R, S and P are partners sharing profits and losses in the ratio of 5:3:2. The following was their balance sheet as on 31st December, 2020 when was dissolved:

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Capitals :			Premises	40,000
R	45,000		Plant	30,000
S	12,000		Stock	30,000
P	43,000	1,00,000	Debtors	60,000
Reserve Fund		10,000		
Creditors		40,000		
R's loan		10,000		
		1,60,000		1,60,000

It was agreed to repay the amount due to the partners as and when the assets realised. The assets realised as follows: 01st February, 2021 ₹ 30,000; 01st April 2021 ₹ 73,000 and 01st June, 2021 ₹47,000. Prepare Statement showing cash distribution.

11. A, B and C were in partnership sharing profits equally. C died on 31st March, 2022.The balance sheet of the firm as at 31st December, 2021 was as under :

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Creditors		15,600	Cash in hand	4,000
General Reserve		6,000	Debtors	18,000
Investment Fluctuation Fund		2,100	Stock	28,000
Reserve for Doubtful Debts.		1,800	Investment	8,000
Capitals :			Freehold property	30,000
A	30,000		Goodwill	13,500
B	25,000			
C	21,000	76,000		
		1,01,500		1,01,500

On the date of death, it was found that :

i) Freehold property was worth ₹ 57,000.

ii) Debtors were all good.

iii) Stock was valued at ₹ 25,000.

iv) Investments were valued at ₹ 7,500.

v) A liability for Workmen's Compensation Fund for ₹ 3,000 was to be provided for.

vi) Goodwill was to be valued at one year's purchase of average profits of last 5 years.

vii) C's share of profits up to the date of death was to be calculated on the basis of last year's profit. The profits of the last 5 years are: 2021 ₹ 12,000; 2020 ₹10,000; 2019 ₹ 8,000; 2018 ₹ 12,500 and 2017 ₹11,500.

Prepare C's Executor's Accounts.

12. A, B and C were in partnership sharing profits in the ratio of 3:2:1 had their Balance Sheet as on 31st March 2022 as under :

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Creditors		2,00,000	Cash	9,500
Bills payable		50,000	Stock	1,55,000
A's Loan		60,000	Debtors	3,20,000
Reserve fund		1,20,000	Furniture	50,000
Profit and Loss Account		60,000	Plant	2,10,000
Capitals :			Goodwill	39,500
A	2,00,000		C's Capital	56,000
B	1,50,000	3,50,000		
		8,40,000		**8,40,000**

The firm was dissolved, the amount realised as follows: Stock ₹ 1,22,000, Debtors ₹ 3,05,000, Furniture ₹ 42,000, Plant was taken over by A at ₹ 1,80,000. Realisation expenses amounted to ₹ 6,000. Prepare Realisation Account, Partners Capital Account, A's Loan Account and Bank Account.

SECTION – C

Answer **any two** of the following questions (**24** marks **each**). **(2×24=48)**

13. Anil and Sunil sharing profits in proportions of ¾ and ¼ had the following Balance sheet on 31-12-2021.

Liabilities	(₹)	Amount (₹)	Assets		Amount (₹)
Reserve		15,000	Bank		51,000
Creditors		87,000	Stock		40,000
Capitals :			Debtors	33,000	
Anil	60,000		Less : RDB	1,000	32,000
Sunil	20,000	80,000	Furniture		2,000
			Building		50,000
			Profit and loss Account		7,000
		1,82,000			**1,82,000**

They admit Rahul into Partnership on 01-01-2022 on the following terms :

i) That Rahul pays ₹ 20,000 as his capital for a fifth share in future profits.
ii) That Goodwill is valued at ₹ 50,000.
iii) Rahul has to bring in his share of Goodwill in cash.
iv) That stock and furniture be reduced by 10%.
v) Reserve for Bad Debts was to be brought up to 10% of the Debtors.
vi) That the value of Buildings be appreciated by 15%.
vii) Capital of partners in the new firm should be in the NPSR on the basis of Rahul's Capital.
viii) The excess amount of Capital (if any) is to be paid off.

Prepare Revaluation Account, Capital Accounts of Partners, and the Opening Balance Sheet of the new firm.

14. Red and White were carrying on a business as equal partners. It was agreed that, Red should retire from the firm on 31st March, 2022 and that his son Blue should join White from 01st April,2022 and should be entitled to one-third in the profits. The Balance Sheet on 31st March, 2022 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Red Capital	34,000	Cash at bank	11,000
White Capital	28,200	Sundry Debtors	16,100
Sundry Liabilities	9,800	Furniture	14,200
		Building	20,700
		Goodwill	10,000
	72,000		**72,000**

On 31st March, 2022 the Goodwill was valued at ₹ 22,000 and Building at ₹ 24,000. It was also agreed that enough money should be introduced to enable Red to be paid out and leave ₹ 10,000 cash by way of working capital. White and Blue were to provide such sum as would make their capital proportionate to their share of profits. Red agreed to make a Loan to Blue by transfer from his Capital Account half the amount which Blue had to provide. White and Blue paid in cash due from them and the amount due to Red was paid off. Prepare necessary Ledger Account and Balance Sheet of the firm.

15. Following is the Balance Sheet of Hema, Jaya and Suma on 31st March, 2022. They share profits in the ratio 3:2:3.

Balance Sheet as at 31st March, 2022

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Creditors		20,000	Cash	8,500
Mortgage Loan		4,000	Debtors	30,000
Reserve Fund		10,000	Stock	22,100
Capitals :			Furniture	5,000
Hema	32,000		Property	9,000
Suma	15,500	47,500	Capital : Jaya	4,900
			Profit and Loss Account	2,000
		81,500		**81,500**

The firm was dissolved on the above date and the assets realised as under: Property ₹ 5,000, Furniture ₹ 1,000, Stock ₹ 10,000, 50% of the Debtors realised at a discount of 75 paise in a rupee. Hema took over ¼th of the remaining Debtors at ₹ 2,000 and balance of Debtors realised ₹ 2,500. Dissolution expenses amounted to ₹ 2,000. Creditors agreed to take 75 paise in a rupee in full satisfaction. Jaya 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. Prepare Realisation account, Capital accounts of partners and Bank accounts in the books of the firm.

16. Megha Ltd., was formed to acquire the business of Harish and Girish who were sharing profits and losses in the ratio 2:1. Their Balance Sheet on 31st December, 2021 was as follows:

Liabilities	(₹)	Amount (₹)	Assets	Amount (₹)
Capitals :			Cash at Bank	9,600
Harish	64,000		Investments	4,800
Girish	40,000	1,04,000	Stock	24,000
Mrs. Harish's loan		3,200	Debtors	23,200
Sundry Creditors		21,600	Bills Receivables	6,400
Bills payable		7,200	Machinery	20,000
			Land and Buildings	40,000
			Goodwill	8,000
		1,36,000		**1,36,000**

It was agreed by the purchasing company to take over the assets in their book values with the exception of Land and Buildings and Stock which are taken over at ₹ 45,000 and ₹ 20,000 respectively. The value of the Goodwill is fixed at ₹ 28,800. The investments are retained by the firm and sold by them for ₹ 4,000.

The firm also discharged Mrs. Harish's Loan at its book value. The purchasing company took over the remaining liabilities Sundry Creditors and Bills payable at their book values. The purchase consideration was discharged by issuing 10,000 Equity Shares of ₹10 each and the balance is paid in cash. The partners decided to distribute the equity shares in their final capital ratio.

Prepare Realisation Account, Partners Capital Accounts, Megha Ltd. Account, Equity Shares in Megha Ltd. Account and Bank Account.
