CREDIT BASED THIRD SEMESTER B.Com.DEGREE EXAMINATION

OCTOBER 2012

FINANCIAL ACCOUNTING - III

Time: 3 Hrs **Max. Marks: 80**

SECTION – A

Answer any THREE questions: **3X20=60**

1. The balance sheet of X and Y who were sharing profits in the ratio of 5:3 respectively as on 31^{st} March 2011 was as follows:

Liabilities	`	Assets	`
X's capital	2,55,000	Goodwill	80,000
Y's capital	1,95,000	Land and Building	1,90,000
Profit and Loss	56,000	Plant and Machinery	85,000
Trade creditors	27,400	Furniture	54,740
		Stock	72,630
		Debtors	30,000
		Cash at bank	21,030
	5,33,400		5,33,400

On the above date, 2 was admitted on the following terms:-

a) 2 would get $^1/_5$ share in the profit.
b) 2 would pay `1,20,000 as capital
c Machinery would be depreciated by 10% and buildings would be appreciated by 30%. A provision for bad debts at 5% on debtors would be created. An unrecorded liability amounting to `3,000 for repairs would be recorded in the books of accounts.
d) Immediately after 2's admission, Goodwill Account would be written off. Thereafter the capital accounts of the old partners would be adjusted through the necessary current accounts in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

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

2. A, B, and C are in partnership sharing profits and losses in the ratio of 3:2:1. The balance sheet of the firm as on 31.12.2011 was as follows:

Liabilities		`	Assets	`
Capital accounts:			Sundry Fixed Assets	80,000
A	40,000		Stock	50,000
B	34,000		Debtors	30,000
C	26,000	1,00,000	Joint Life Policy	20,000
General Reserve		20,000	Bank	10,000
Bank Loan		40000		
Sundry Creditors		30,000		
		1,90,000		1,90,000

On 1st April 2012, A wants to retire B and C agreed to continue at 2:1. Joint Life Policy was taken on 1.4.1998 for `1,00,000 and its surrender value as on 31.3.2012 was `25,000. For the purpose of A's retirement, goodwill of the firm was raised at `1,00,000. B and C did not want to show goodwill account after A's retirement. Sundry fixed assets were revalued at `1,10,000. But B and C decided to show all the assets in the Balance Sheet at their original values.

Prepare Memorandum Revaluation Account, Goodwill Account, Partners Capital Accounts and Balance Sheet of B and C after A's retirement.

3. A, B, and C are partners in a business showing profit and losses in the ratio of 2:2:1 respectively. Their balance sheet as on 31st December 2011 was as follows:

Liabilities		`	Assets	`
Creditors		50,000	Cash at bank	10,000
Capital accounts:			Bills receivable	15,000
A	30,000		Debtors	40,000
B	50,000		Stock	30,000
C	20,000	1,00,000	Furniture	15,000
			Buildings	40,000
		1,50,000		1,50,000

C died on 30th April 2012 and the partnership deed provided the following:

a) The deceased partner will be entitled to his share of profits up to the date of death, calculated on the previous year's profits.
b) He will be entitled to his share of the goodwill of the firm, calculated on the basis of 3 years purchase of average profits of the last 4 years.

The profits for the past four years are given below.

2008	`80,000	2017	`40,000
2009	`50,000	2018	`30,000

The drawings of the deceased partner up to the date of his death amounted to `2,000. Interest on capital was to be allowed at 6% per annum.

The executors of the deceased partner and the surviving partners agreed that 5,400 should be paid to the executors immediately and the balance in 3 years instalments with interest at 6% on the outstanding balance.

Show the Capital Account and Executors Account of the deceased partner until it is paid off.

4. The following is the balance sheet of the firm A and B as on 31st December 2011.

Liabilities	`	Assets	`
Sundry creditors	30,000	Cash in hand	500
Bills payable	8,000	Cash at bank	8,000
Mrs. A loan	5,000	Stock	5,000
Mrs. B loan	10,000	Investments	10,000

B’s Capital A/c	10,000	Buildings Goodwill Profit and Loss A/c	15,000 4,000 3,500
	84,000		84,000

The firm was dissolved on 31st December.

a) A promised to pay off Mrs. A’s Loan and took away stock at `40,000
b) B took away the investments at 10% discount.
c) Debtors realized `19,000
d) Creditors were paid immediately on 31st December at 6% discount.
e) Plant realized `25,000, building 40,000, goodwill `6,300.
f) There was an old typewriter in the firm which has been written off completely from the books. It is now estimated to realize `300. It was taken away by B at this estimated price.
g) Realisation expenses were `1,000

Show the realization accounts, cash account and the accounts of the partners.

SECTION – B

Answer any THREE questions: **3X5=15**

5. A and B are equal partners in a firm sharing profits and losses in the ratio of 3:2. C joins the firm for a ¼ share in the future profits. Ascertain the future profits sharing ratio of the partners in each of the following cases.

a) If ‘C’ acquires his share of profits from the original partners in their original profit sharing ratio.
b) If ‘C’ acquires his share of profits from the original partners in equal proportions

6. Pradeep and Prakash are partners sharing profits and losses in the ratio of 3:2. They took out A joint life policy for 1st January 2005 for `50,000 for 20 years. Annual premium is `2,000.

The surrender value of the policy were 2005 – Nil, 2006 – `500, 2007 – `1,500 and 2008 – `2,700 and 2009 – `4,000.

Pradeep died on 8th March 2009 and the claim due was received on 30th April 2009.

Show the joint life policy account and joint life policy reserve account.

7. Preetam and Deepam are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31st March 2008 was as follows:

Liabilities	`	Assets	`
Sundry creditors	6,000	Cash in hand	2,000
Bills payable	2,000	Bills receivable	3,000
Capital Accounts		Sundry Debtors	8,000
Preetham 30,000		Stock	20,000
Deepam 20,000	50,000	Furniture	4,000
		Machinery	6,000
		Building	15,000
	58,000		58,000

They agree to take Sanam into partnership giving him ¼ share. The following adjustments are to be made before Sanam's admission:

a) A reserve of 5% on debtors to be created for doubtful debts.
b) Stock to be valued at `18,000
c) Furniture is to be depreciated by 5%.
d) Machinery is to be reduced by 10%
e) Buildings are to be appreciated by 20%
f) Investments worth `2,000 not mentioned in the balance sheet are to be taken into account.
g) A reserve of 3% is to be created on sundry creditors as discount.
h) A reserve of `800 is to be made for outstanding legal charges.

Prepare the revaluation account.

8. On January 1st 2008, A, B and C entered into partnership contributing `1,50,000, `1,00,000 and `50,000 respectively and sharing profits in the ratio of 3:2:1. A and B are entitled to a salary of `12,000 and `6,000 per annum respectively. 5% interest on capital is to be allowed. Interest on drawings is also to be charged at 5%. A drew `3,000, B `5,000 and C `2,000, interest on drawings being A `75, B `125 and C `50 profit for the year 2008 before the above adjustments was `62,750. Show Profit and Loss Appropriate A/c and also prepare the Capital Accounts if they are fluctuating.

SECTION – C

Answer all the questions: **5X1=5**

9. B and C are in partnership sharing profits and losses as 3:1. They admit D in to the firm. D bring in goodwill of `15,000 in cash for $^{1}/_{3}$ share of the profits. As between themselves B and C agree to share future profits and losses equally. Pass journal entries showing the treatment of goodwill.

10. A, B, and C are partners sharing profits and losses in the ratio of $^{6}/_{14}$, $^{5}/_{14}$ and $^{3}/_{14}$ respectively. They admit D into partnership and give him $^{1}/_{8}$ share in the profits.
Calculate the new profit sharing ratio.

11. What do you mean by dissolution of a partnership firm?

12. Differentiate between sacrifice ratio and new profit sharing ratio.

13. State the rules in garner Vs Murray case.

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CREDIT BASED THIRD SEMESTER B.Com. DEGREE EXAMINATION OCTOBER 2013
COMMERCE
FINANCIAL ACCOUNTING – III

Time: 3 Hrs **Max. Marks: 80**

SECTION – A

Answer any Three questions: **3X20=60**

1. 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.

Creditors	37,800	Cash at Bank	3,780
B/P	12,600	Debtors	52,920
General Reserve	21,000	Stock	58,800
Capitals:		Furniture	14,700
A	70,800	Land & 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 $^1/_8$ share on the following terms:

1. That furniture be written down by 1700 and stock be depreciated by 10%
2. That a provision of 2000 be made for outstanding repair bills.
3. That the value of land and buildings be brought up to `1,19,000.
4. That the value of goodwill brought up to `28,000.
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.

Prepare necessary Ledger A/c's and Balance Sheet after admission.

2. A, B, and C were in partnership sharing profit and losses in the ratio of 3:2:1 on 31-3-2010, their Balance Sheet stood as follows:

Creditors	1,50,500	Premises	3,50,000
Bank loan	88,000	Plant	5,50,000
Capitals:		Stock	86,400
A	2,60,000	Debtors	1,00,000
B	3,00,000		

B	65,400		
C	52,000		
	10,86,400		10,86,400

All the partners decided to dissolve the firm with effect from 31-3-10. The assets were realized as under.

Premises : 3,70,000
Plant : 3,50,000
Debtors : 90,800

Stock was realized at book value less 5%. Realization expenses amounted to `25,000. The Bank Loan is discharged and the creditors are paid in full and a liability for discounted bill dishonoured to the extent of `12,500 was also paid.

Write up: i) Realisation A/c ii) Capital A/c's and Bank A/c

3. Amar and Bhuvan were carrying on business in partnership sharing profits and losses equally. It was agreed that Amar should retire from the firm on 31-3-08 and that Chandan should join from 1-4-08 and should be entitled to $^{1}/_{3}$ profits. The balance sheet of Amar and Bhuvan was as follows:

Creditors	29,500	Cash at Bank	33,000
Capitals:		Debtors	48,000
Amar	1,02,000	Stock	33,000
Bhavan	84,500	Furniture	12,000
		Building	60,000
		Goodwill	30,000
	2,16,000		2,16,000

On 31-3-08 Goodwill was valued at `60,000, Buildings `1,00,000 and stock `30,000. It was agreed that enough money should be introduced to enable Amar to be paid out and leave `30,000 cash by way of working capital. Bhuvan and Chandan were to provide such sums as would make their capitals proportionate to their share of profits.

Prepare Revaluation A/c, partner's Capital A/c and Balance Sheet of Bhuvan and Chandan.

4. 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:

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	(-) 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 the Balance Sheet.

SECTION – B

Answer any Three questions: **3X5=15**

5. A, B and C sharing profits and losses in the ratio of 5:3:2 took out Joint life policy for `30,000, paying an annual premium of `2,000 starting from 1-1-2001. The surrender value of the policy was as follows:

For 2001-Nil, 2002-600; 2003-1100 and 2004-2000: B died on 15-11-04 and the life insurance company paid the amount on 20-12-04. Prepare Joint Life Policy A/c and Joint Life Policy Reserve A/c.

6. Akash, Vinay and Arun carried on business in partnership sharing profits in the ratio of ½, $^{1}/_{3}$ and $^{1}/_{6}$ respectively.
The balance sheet on 31-12-08 showed their capitals to be Akash `1,50,000; Vinay `1,80,000 and Arun `1,00,000.
On 31st March 2009 Akash died and you are required to prepare an account to be presented to his executor's having regard to the following facts;
   1. Allow interest on capital at 9%p.a.
   2. The firm has insured partners lives severally, Akash for `20,000, Vinay `15,000 and Arun `12,000.
      The premiums have been charged to Profit & Loss A/c and surrender value on 31-3-2009 amounted in each case to one half of the sum assured.
   3. Akash's drawings to the date of death amounted to `28,000.
   4. Akash's share of profit till the date of death is to be calculated on the basis of average profits of the last three years.
   5. Goodwill is to be calculated on the basis of two years purchase of the average profits of the last three years. The profits for the past three years were:
      2006-`30,000; 2007-`40,000; 2008-`48,000.

7. A, B and C were partners sharing profits and losses in the ratio of 5:3:2. Their balance sheet as on 31-3-10 stood as follows:

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.

1. Stock be depreciated by 10%
2. RBD be brought up to 5% on debtors
3. Buildings be appreciated by 20%
4. A provision of `700 be made for bill dishonoured.

Prepare Memorandum Revaluation A/c.

8. On 1st January 2010, A, B and C entered into partnership contributing 60,000, 40,000 and 20,000 respectively and sharing profits and losses in the ratio of 3:2:1. A and B are entitled to a salary of `10,000 and 5,000 per annum respectively. 5% interest on capital is to be allowed. Interest on drawings is also be charged at 4%. A drew `10,000, B-5,000 and C-9,000, interest on drawings A-500, B-250 and C-450. Profit for the year 2010 before the above adjustments was `1,25,000.

   Show Profit and Loss Appropriation A/c and also prepare the capital Accounts if they are fluctuating.

SECTION – C

Answer all the questions: **5X1=5**

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

10. 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 $^5/_9$ and $^4/_9$.

    Calculate the gain ratio.

11. A, B and C are partners in a firm sharing profits in the ratio of 4:3:2. B retires from the firm. Goodwill of the firm is valued at `36,000.

    Pass entries for goodwill created and written off on retirement.

12. State the two rules of Garner V/S Murray Case.

13. State any two differences between Revaluation A/c and realization account.

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CREDIT BASED THIRD SEMESTER B.Com. DEGREE EXAMINATION OCTOBER 2014

COMMERCE

FINANCIAL ACCOUNTING – III

Time: 3 Hrs **Max. Marks: 80**

SECTION – A

Answer any Three questions: **3×20=60**

1. A and B share profit and loss in the proportion of ¾ and ¼. Their Balance Sheet as on 31st March 2014 was as follows:

Liabilities	`	**Assets**	`
Sundry creditors	41,500	Cash at bank	12,500
Capital Accounts		Bills receivable	13,000
A	80,000	Debtors	16,000
B	66,000	Stock	60,000
		Furniture	11,000
		Land and buildings	75,000
	1,87,500		2,31,000

On 1st April 2014, C was admitted into partnership on the following terms:

a) That C pays `40,000 as his capital for $^{1}/_{5}$ share.

b) That he pays `20,000 for goodwill, half of the sum is to be withdrawn by A and B.

c) That stock and furniture be reduced by 10% and a provision for doubtful debts amounting to `950 be created on Sundry debtors.

d) That the value of Land and Buildings be appreciated by 20%.

e) There being a claim against the firm for damages of `1,000. Provision should be made for the same.

f) An item of `650 included in Sundry Creditors in not likely to be claimed and hence should be written off.

Prepare important ledger accounts and also prepare the Balance Sheet of the firm immediately after C's admission.

2. The balance sheet of P, Q and R who were sharing profits and losses in the proportion of their capitals stood as it was on 31.3.2014.

Liabilities		`	Assets		`
Sundry creditors		69,000	Cash at bank		1,45,000
Capital Accounts			Debtors	50,000	
P	2,00,000		Less: RBD	1,000	49,000
Q	1,50,000		Stock		80,000
R	1,00,000	4,50,000	Plant and Machinery		85,000
General Reserve		90,000	Land and buildings		2,50,000
		6,09,000			6,09,000

Q retired on the above date and the following adjustments were agreed upon:

a) The Stock be depreciated by 10%.
b) The RBD be brought up to 5% on debtors.
c) The land and buildings be appreciated by 25%.
d) That a provision for outstanding repair bills be made at `900.
e) That the goodwill of entire firm be valued at `90,000 and Q's share of goodwill be adjusted in to the capitals of P and R. No goodwill account be raised.
f) That the assets and liabilities are to appear in the balance sheet at their old figures.
g) Q will be paid `1,00,000 immediately and the balance will be transferred to his loan account at 9% interest.

You are required to prepare:-

a) Memorandum revaluation account
b) Capital accounts of partners and
c) Balance sheet of P and R after Q's retirement.

3. X, Y, and Z are partners in a firm sharing profits and losses in the ratio of 5:3:2. X died on March 1, 2012. The balance sheet as on that date was as given below.

Liabilities	`	Assets	`
Capitals:		Goodwill	6,000
X	12,000	Machinery	35,000
Y	16,000	Furniture	6,000
Z	12,000	Stock	9,000
General Reserve	12,000	Debtors	15,000
Creditors	22,000	Bank	3,000
	74,000		74,000

The firm had three life policies in the name of each partner, for insured value of `20,000 each. The premium of which were charged to profit and loss account. As per partnership deed, on death of a partner, the assets and liabilities are to be revalued, which is as under:

i) Goodwill `21,900; Machinery `45,000; Debtors are subject to a provision for doubtful debts at 10% and furniture `7,000.
ii) Provision for taxation made for `15,000.
iii) Death claim for policy in the name of X was realized in full and surrender values of the other two policies were `7,500 each.

Y and Z will continue the business and share profits and losses equally.

Prepare Revaluation Account, Capital Accounts and the New Balance sheet of the firm.

4. Ram, Laxman and Bharath were partners in a firm. They shared profits and losses in the ratio of 4:3:3. The firm was dissolved and Laxman was appointed to realize the assets and distribute the profits. Laxman is to receive 5% commission on the amounts realized from sale of assets and is to bear all expenses of realization.

The following was the Balance Sheet on the date of dissolution.

Liabilities	`	**Assets**		`
Creditors	29,500	Cash		750
Capital Accounts		Debtors	22,750	
Ram	15,000	Less: RBD	1,250	21,500
Laxman	10,000	Stock		30,000
		Bharath Capital overdrawn		2,250
	54,500			54,500

`17,500 was collected from debtors in final settlement. Stock realized `22,500, goodwill `1,000, creditors were paid `28,750 in full settlement. In addition outstanding creditors for `250 were also paid. The expenses of dissolution amounted to `300.

Ram and Laxman received `1,500 from Bharath in full settlement of accounts.

Show the Realization account, the Cash account and the Capital accounts of the partners in the books of the firm.

SECTION – B

Answer any Three questions: 3×5=15

5. A and B started partnership business on 1st January 2009 with capitals of `1,50,000 and `1,00,000 respectively. On 30th June 2009 A introduced further capital of `50,000 drawings during the year amounted to `30,000 and `20,000 respectively for A and B. Interest on capital to be allowed at 5% p.a. No interest is to be charged on drawings. B is

to be allowed a salary of `500 per month. The profit for the year before charging salary and interest amounted `2,00,000.
You are required to prepare profit and loss appropriation accounts.

6. Ramesh, Sathish and Prakash are carrying on business in partnership sharing profits and losses in the ratio of 5:3:2. On 1st January 2005 they took out a joint life policy for `30,000 paying an annual premium of `1,500. The surrender value of the policy is as under.
Payment of I premium – Nil
Payment of II premium – 20%
Payment of III premium – 30% of the total premium paid except I one
Payment of IV premium – 40%
Payment of V premium – 50%
Payment of VI premium – 60%
On 20.9.2007, Ramesh died and the policy amount is immediately realized.
Show the Joint Life Policy Account and the Joint Life Policy reserve account.

7. Aravind, Bimal, Charan and Deepak are equal partners in a firm. Their balance sheet as on 31.12.2005 is as follows:

Liabilities		`	**Assets**		`
Bills payable		5,000	Cash at bank		1,600
Sundry creditors		13,000	Bills receivables		8,000
Outstanding expenses		3,000	Sundry Debtors	12,000	
Loan		5,000	Less: RBD	600	11,400
Capital Accounts			Stock		14,000
Aravind	15,000		Investments		5,000
Bimal	12,000		Motor van		10,000
Charan	8,000		Buildings		16,000
Deepak	5,000	40,000			
		66,000			66,000

They agree to admit Pratham in to partnership giving him $^1/_6$ share. Before his admission the following adjustments are to be made.

a) The RBD is to be reduced to `400
b) Depreciation is to be provided on Motor Van at 10%.
c) Buildings to be raised to `20,000
d) A provision of 5% is to be created on Bills Receivables.
e) Outstanding expenses are to be valued at `6,000.
f) Provide for claim for damages `600.

g) Stock to be valued at `12,500
h) An item of `400 included in sundry creditors is not likely to be claimed.

Prepare the Revaluation account.

8. A and B were partners. The partnership deed provided that

a) The accounts be made up to 31st December each year.
b) The profits be divided as follows – A $^{3}/_{5}$ B $^{2}/_{5}$.
c) In the event of death of a partner, his representatives be entitled to
   i) The capital to his credit at the date of death.
   ii) His proportion of profits to the date of death based on the average profits of the last three completed years.
   iii) His share of goodwill calculated on the basis of total profits for three preceding completed years.

On 31st December 2005, the ledger balances were

		Dr. `	Cr.`
Capital Accounts	A		90,000
	B		60,000
Reserve			30,000
Creditors			30,000
Bills receivable		20,000	
Investments		50,000	
Cash		1,40,000	
		2,10,000	2,10,000

The profits for the last three years were 2003 `42,000, 2004 `39,000 and 2005 `45,000. B died on 1 May 2006.

Show the B's Executor's Accounts.

SECTION – C

Answer all the questions: **5×1=5**

9. Differentiate between Fixed and Fluctuating Capital system.

10. Explain the need for valuation of goodwill.

11. Sunil and Anil are partners sharing profits and losses in the Ratio of $^{7}/_{10}$ and $^{3}/_{10}$. They admit Suman as partner. Sunil sacrificed $^{1}/_{3}$ of his share and Anil $^{1}/_{3}$ of his share in favour of Suman. Find the new profit sharing ratio.

12. A and B share profits and losses in the ratio of 3:2. C is admitted with $^{1}/_{5}$ share and the new ratio is A $^{2}/_{5}$, B $^{2}/_{5}$ and C $^{1}/_{5}$. C brings `2,500 towards goodwill.

Pass journal entries for goodwill.

13. State the order of payment of liabilities on dissolution of a partnership firm.

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CREDIT BASED THIRD SEMESTER B.Com. DEGREE EXAMINATION
OCTOBER 2015
COMMERCE
FINANCIAL ACCOUNTING - III

Time: 3 Hrs **Max. Marks: 80**

SECTION – A

Answer any THREE questions: **3×20=60**

1. Sheela and Neela are in partnership sharing profits or losses in the ratio of 3:2. On 1-1-2013 their balance sheet is as under.

Liabilities	`	Assets		`
Creditors	20,000	Fixed assets		45,000
General reserve	5,000	Stock		30,200
Capitals		Debtors	26,600	
Sheela	40,000	Less: RBD	1,600	25,000
Neela	30,000	Cash		800
Bank overdraft	6,000			
	1,01,000			1,01,000

On the above date, Prameela is admitted as the new partner for 20% profits in the firm.

The terms are

a) The goodwill of the firm is fixed at `30,000. Goodwill account is to be raised and written off immediately.
b) Fixed assets are revalued at `50,000 and the provisions is raised to `2,100 against debtors.
c) Prameela brings necessary amount of cash, and stock worth `2,000 and debtors `3,000 as her share of capital.
d) The total capital of the firm [now] is fixed at `1,00,000 and the partners agreed to provide capital in the new profit sharing ratio.
e) Sheela and Neela agreed 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 effect and draft the Balance Sheet of the new firm.

2. Ashwin and Aryan were carrying on a business as equal partners. It was agreed that Ashwin should retire from the firm on 31st March 2013 and that his son Basker should join Aryan from 1st April 2013 and should be entitled to one third in the profits. The Balance Sheet on 31st March was as follows.

Liabilities	`	Assets	`
Ashwin's capital	34,000	Cash at bank	11,000
Aryan's capital	28,200	Sundry debtors	16,100
Sundry liabilities	9,800	Furniture	14,200
		Buildings	20,700
		Goodwill	10,000
	72,000		72,000

On 31st March 2013 the Goodwill was valued at `22,000,and Buildings at `24,000.

It was also agreed that enough money should be introduced to enable Ashwin to be paid out and leave `10,000 cash by way of working capital. Aryan and Basker were to provide such sums as would made their capitals proportionate to their share of profits. Ashwin agreed to make a loan to Basker by transfer from his capital account half the amount, which Basker had to provide. Aryan and Basker paid in cash due from them and the amount due to Ashwin was paid out.

Asuming the agreement was carried out, prepare the Ledger Accounts and the Balance Sheet of the new firm.

3. X, Y and Z were partners sharing profits in the ratio of 5:3:2. Their balance sheet as on 31.12.2012 is as follows.

Liabilities	`	Assets	`
Capitals		Cash	12,400
X	26,000	Stock	36,800
Y	20,000	Debtors	34,000
Z	18,000	Investments	28,000
Creditors	38,000	Furniture	14,000
Bills payable	28,000	Bills receivables	21,800
Reserves	15,000	Goodwill	10,000
Profits and Loss A/c	12,000		
	1,57,000		1,57,000

Z died on 1st October 2013. Profits of the deceased partner to the date of death be calculated on the basis of average of the 3 proceeding years.

The goodwill of the firm to be taken at 2 years purchase of the average profits of the proceeding four years.

Profits of the past four years were

	`
2009	6,800
2010	3,600
2011	4,200
2012	3,600

Bad debts `2,000, Reserve for Bad and doubtful debts 5%, Depreciate Stock 5%, Furniture 15%, Appreciate Investments 10%, prepaid rent amounts to `400.

Prepare Revaluation Account, Capital Accounts of partners and the Balance Sheet.

4. Ajay, Vishwas and Vikas were partners sharing profits and losses in the ratio of 3:3:1. On 31st December 2013, their Balance Sheet was as follows.

Liabilities	`	Assets	`
Sundry Creditors	30,000	Bank	9,500
Bills Payable	5,000	Stock	15,500
Ajay's Loan A/c	6,000	Debtors	32,000
Reserve Fund	12,000	Furniture	5,000
Profit & Loss A/c	6,000	Machinery	21,000
Capitals		Drawings:	
Ajay	20,000	Ajay	4,000
Vishwas	15,000	Vishwas	1,000
		Vikas's Capital	6,000
	94,000		94,000

The assets realized as follows.

Stock `12,200
Debtors `30,100
Furniture `4,200

Machinery is taken over by Ajay `18,000. The realization expenses amounts to `1,200 Vikas is insolvent and his estate paid `1,900.

Prepare the necessary ledger accounts to close the books of the firm in accordance with the decision in Garner Vs Murray.

SECTION – B

Answer any THREE questions: **3×5=15**

5. P, Q and R are partners sharing profits and losses in the ratio of 3:1:1

Balance Sheet as on 31-12-2012

	`		`
Creditors	8,000	Cash at bank	3,000
J.L.P. Reserve	10,000	Joint life policy	
Capitals		(for `30,000)	18,000
P	22,000	Debtors	14,000
Q	20,000	Furniture	10,000
R	15,000	Goodwill	12,000
		Stock	18,000
	75,000		75,000

On 31.3.2013, R died and his executors are entitled to

a) His capital as per previous Balance Sheet
b) His share of goodwill based on 2 years purchase of the average profits for the last three years.
c) His share of profits up to the date of death on the basis of previous years profits. The profits for the previous three years are

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His salary @ `1,000 per month. Interest on his capital @ 6% per annum. Drawings of the deceased partner up to the date of death is `5,300. Ascertain the amount payable to R's Executor.

6. The following is the Balance Sheet of M. N. and O as at 31.12.2012. The partners shared profits and losses in the proportions of their capitals.

Liabilities	`	Assets	`
Creditors	12,000	Good will	8,000
Reserve fund	8,000	Buildings	10,000
M's capital	16,000	Stock	20,000
N's capital	8,000	Debtors	10,000
O's capital	8,000	Bank	4,000
	52,000		52,000

N wishes to retire from 1.1.2013. The following revaluation of assets are made.
Goodwill `10,000, Buildings `12,000, Stock `19,200
Provision of 10% to be made on debtors. Prepare Revaluation Account and the partners capital accounts. The amount due to retiring partner should be treated as loan.

7. A, B and C were partners sharing profits and losses in the ratio of 5:3:2. Their Balance sheet as on 31.3.2013 stood as follows.

Liabilities	`	Assets	`
Creditors	6,900	Cash at Bank	14,500
General Reserves	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) R.B.D. to be brought up to 5% on debtors.
c) Buildings to be appreciated by 20%.
d) A provision `770 to be made for bill dishonoured.

Prepare Memorandum Revaluation A/c.

8. A and B sharing profits and losses in the ratio of 2:3 took out a Joint Life Policy on 1^{st} January 2010 for `10,000 for 10 years. The premium for the whole year is `1,000. B died on 1^{st} March 2013 and the claim was received on 1^{st} May 2013. The books of the firm are closed on 31^{st} December each year. The surrender values of the policy at the end of 2010, 2011, 2012 and 2013 were nil, `200, `600 and `1,200 respectively.

Show Joint Life Policy and Joint Life Policy Reserve Account.

SECTION – C

Answer all the questions: **5×1=5**

9. Bhat and Shet are partners with capitals of `20,000 and `10,000 sharing profits in the ratio of 4:3. They admit Shenoy in to partnership for $^1/_3$ share. Shenoy is required to pay `10,000 for his capital and `3,500 for his share of goodwill. Shenoy is unable to pay his share of goodwill in cash. So goodwill is raised. Pass necessary Journal Entries.

10. James, Josepha and Jerry are partners sharing profits and losses in the ratio of 3:2:1. Jerry retires and his share is gained by James and Joseph as $^1/_{24}$ and $^1/_8$. Calculate the new profit sharing ratio of James and Joseph.

11. C, D and E are partners sharing profits or losses in the ratio of 3:2:1. The books of accounts are closed on 31st December, every year. C dies on 1st April 2011. The sales of the firm for the year 2010 amounted to `6,00,000 and the sales of the firm from 1st January 2011 to 31st March 2011 are `2,00,000. The profits of the firm for the year 2010 are `45,000. Ascertain C's share of accrued profits till the date of his death on the basis of sales.

12. Write any two differences between fixed capital system and Fluctuating Capital System.

13. Write a note on order of payment on dissolution.

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COM 301 Reg. No. ....

CREDIT BASED THIRD SEMESTER B.Com. DEGREE EXAMINATION OCTOBER 2016
COMMERCE
FINANCIAL ACCOUNTING - III

Time: 3 Hrs. **Max. Marks: 80**

SECTION – A

Answer any THREE questions: **3×20=60**

1. Mahesh, Ramesh and Suresh are partners in a firm sharing profits and losses in the ratio of 3:2:3. The following was the Balance Sheet on 31-3-2011 on which date the firm was dissolved.

Liabilities	₹	Assets	₹
Creditors	20,000	Cash	8,500
Reserve Fund	10,000	Debtors	30,000
Mortgage Loan	4,000	Stock	22,100
Capitals:		Furniture	5,000
Mahesh	32,000	Property	9,000
Suresh	15,500	Remesh's Capital	4,900
		Profit & Loss A/c	2,000
	81,500		81,500

They realized the assets as under:

Property ₹5,000, Furniture ₹1,000, Stock ₹10,000. 50% of the debtors realized at a discount of 75 paise in a Rupee. Mahesh took over ¼ of the remaining debtors at ₹2,000. Balance of debtors realized ₹2,500. Expenses of realization amounted to ₹2,000. Creditors agreed to take 75 paise in the rupee in full settlement. Ramesh had become insolvent and a dividend of ₹500 was received from him. Prepare ledger accounts to close the books of the firm. Apply Garner Vs Murray rule.

2. Arathi and Bharathi were working as equal partners as on 31-12-2003. Arathi decided to retire and in her place Keerthi was to be admitted to the firm being Arathi's daughter on 1-1-2004 for $^2/_5$ share in profits. The Balance Sheet of Arathi and Bharathi as on 31-12-2003 was as follows:

Liabilities	₹	Assets	₹
Bills Payable	6,000	Debtors	32,500
Creditors	24,000	Stock	70,000
Capitals:		Machinery	92,500
Arathi	75,000	Goodwill	10,000
Bharathi	1,00,000		
	2,05,000		2,05,000

At the time of Arathi's retirement firms goodwill was valued at ₹40,000. Stock was written up to ₹80,000. ₹2,500 of debtors were considered bad and a reserve of 5% for doubtful debts is necessary. Machinery is written down to ₹80,000.

Keerthi was admitted on the condition that enough money should be introduced by her and Bharathi, to enable Arathi to be paid out and leave ₹5,000 cash at bank in the manner as would make their capitals proportionate to their share of profits. Arathi agreed to give a gift by transfer from her capital account 50% of the amount which Keerthi had to provide.

Show the necessary ledger accounts and Balance Sheet of Bharathi and Keerthi.

3. Arun, Tarun and Varun are partners with capitals ₹90,000, ₹67,500 and ₹45,000 respectively. Tarun and Varun are entitled to salaries of ₹4,500 and ₹6,750 respectively which is payable before distributing profits. Interest on capital is allowed at 5% per annum but interest is not charged on drawings.
It is agreed that out of the divisible profit of any year, first ₹27,000 is shared between the partners in the ratio of 5:3:2 respectively and remaining profits if any are to be shared between the partners equally.
The profit for the year ending 31-12-2000 was ₹45,225 after debiting partners salaries but before charging interest on capital. The partners drawings for the year were Arun ₹18,000, Tarun ₹16,875 and Varun ₹9,000. The balance in the current accounts of partners on 1-1-2000 were Arun ₹6,750 (Cr), Tarun ₹1,125(Cr.) and Varun ₹2250 (Dr).
You are required to prepare profit and loss appropriation account and partners' capital accounts under fixed and Fluctuating Capital System.

4. Rose, Lilly and Jasmine are partners in a firm sharing profits and losses in the ratio of 5:3:2. Rose died on February 1, 2006. The balance sheet as on that date was as follows:

Liabilities	₹	Assets	₹
Capital accounts:		Goodwill	6,000
Rose	12,000	Machinery	35,000
Lilly	16,000	Furniture	6,000
Jasmine	12,000	Stock	9,000
Rose's Loan	5,000	Debtors	15,000
General Reserve	7,000	Bank	3,000
Creditors	22,000		
	74,000		74,000

The firm had three life policies in the name of each partner for insured value of ₹20,000 each. The premium of which were charged to profit and loss account. As per partnership deed, on death of a partner, the assets and liabilities are to be revalued which is as under:

a) Goodwill ₹21,000, Machinery ₹45,000, debtors are subject to a provision of doubtful debts at 10% and furniture ₹7,000.
b) Provision for outstanding liabilities ₹15,000.
c) Death claim for policy in the name of Rose was realized in full and the surrender value of the other two policies were ₹7,500 each.

Lilly and Jasmine will continue the business and share profits and losses equally. The balance due to Rose is transferred to her executor's account which will be paid off later. Prepare revaluation account, capital accounts and the new balance sheet of the firm.

SECTION – B

Answer any THREE questions: **3×5=15**

5. Write up the capital and current accounts of the partners Charan and Sharan from the following:

Particulars	Charan ₹	Sharan ₹
Capital on 1-1-2014	8,00,000	7,00,000
Drawings during 2014	1,60,000	1,40,000
Interest at 5% on drawings	4,000	2,000
Share of profits for 2014	84,000	66,000
Interest on capital at 6%	48,000	42,000
Salary	36,000	----

6. S and P are partners in a firm sharing profits and losses as 3:1. On 1-1-2015 their position was given below:

Liabilities	₹	Assets	₹
Creditors	40,000	Cash at bank	40,000
Capital Accounts:		Debtors	60,000
S 1,00,000		Stock	20,000
P 60,000	1,60,000	Plant	80,000
	2,00,000		2,00,000

Q is admitted as a partner and he agreed to pay the partners ₹40,000 by way of goodwill and introduces ½ of the combined capital of the two existing partners after depreciating plant and stock at 20% and 10% respectively and raising a provision of 10% against debtors.

You are required to prepare the Revaluation Account and Partners Capital Account.

7. Iqbal and Kapoor are in partnership sharing profits and losses in the ratio of 3:2. They insured their lives jointly for ₹75,000 at an annual premium of ₹3,400 to be debited to the business. Kapoor dies 3 months after the date of the last balance sheet. According to the partnership deed, the legal representatives of Kapoor are entitled to the following payments:
a) His capital as per the last balance sheet
b) Interest on capital at 3% per annum to the date of death
c) His share of profit to the date of death calculated on the basis of last year's profit.
His drawings are to bear interest at an average rate of 2% on the amount iirrespective of the period.
The net profits for the last three years were ₹20,000, ₹25,000 and ₹30,000 respectively.

Kapoor's capital as per last balance sheet was ₹40,000 and his drawings up to the date of death were ₹5,000. Draw Kapoor's Executor's Account.

8. A & B are sharing profits & losses in the ratio of 3:2. They took out a Joint life policy on 1-1-2007 for ₹1,50,000 for 10 years. The premium for the whole year is ₹15,000.

B died on 1-3-2010 and claim was received on 1-5-2010. The books of the firm are closed on 31st December each year. The surrender values of the policy at the end of 2007, 2008, 2009 and 2010 were: Nil, ₹3,000, ₹9,000 and ₹18,000 respectively.
Prepare Joint Life Policy Account and Joint Life Policy Reserve Account.

SECTION – C

Answer ALL questions: **5×1=5**

9. What are the different methods of maintaining capital accounts?

10. Calculate the value of goodwill on the basis of four years' purchase of the average profits of the last three years. The profits were:
2013 – Profit ₹30,000; 2014 – Loss ₹10,000; 2015 – Profit ₹40,000.

11. X, Y & Z are partners in a firm sharing profits in the ratio 3:2:1. Y retires. Calculate gain ratio and New Profit sharing ratio.

12. A & B are partners sharing profits & losses in the ratio of 5:3. They admit C into partnership. The new profit sharing ratio being 4:3:2, calculate the sacrifice ratio.

13. Mention the rule in Garner Vs Murray case on the insolvency of a partner.

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