SYBAF/SEM III/REG/FINANCIAL ACCOUNTING-III

Time: 2½ hrs. **Marks:75**

Note:
1. All questions are compulsory with internal options.
2. The figures to the right indicate full marks.
3. Draw a neat diagram wherever necessary.

Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (Attempt any 8) **(08)**

(1) Non monetary items which are carried in terms of historical cost denominated in foreign currency should be reported as on the date of ________.
- (a) Transaction (b) Conversion
- (c) Dissolution (d) Nomination

(2) Current A/c showing debit balance is shown in the balance sheet on _______.
- (a) Liabilities side (b) Asset side
- (c) Profit and loss A/c Cr. Side (d) Profit and loss A/c Dr. side

(3) Following is not an example of a monetary item.
- (a) Cash (b) Debtors
- (c) Fixed assets (d) Creditors

(4) _______ should be applied in accounting for transactions in foreign currencies.
- (a) AS – 10 (b) AS – 11
- (c) AS – 12 (d) AS – 13

(5) The amount finally left unpaid on partner's capital A/c should be divided in ________.
- (a) Profit sharing ratio (b) New ratio
- (c) Capital ratio (d) Equal ratio

(6) Purchase consideration is the amount payable by the purchasing firm to the _______.
- (a) Purchasing firm (b) Limited company
- (c) Vendor firm (d) Amalgamating firm

(7) On amalgamation, profit & loss A/c debit balance of the amalgamating firm is closed by _______.
- (a) Debit to partner's capital A/c (b) Credit to partner's capital A/c
- (c) Debit to cash A/c (d) Credit to cash A/c

(8) Productive wages are debited to _______.
- (a) Trading A/c (b) Profit and loss A/c
- (c) Partner's capital A/c (d) Profit and loss appropriation A/c

(9) On dissolution of firm, payment of unrecorded liability is debited to _________.
- (a) Realisation A/c (b) Goodwill A/c
- (c) Cash A/c (d) Partner's capital A/c

(10) If agreed value is not specified in the problem , then ________ is taken as the agreed value.
- (a) Market value (b) Book value
- (c) Nominal value (d) Face value

(B) State whether the following statements are True or False. (Attempt any 7) **(07)**

(1) Closing rate is the exchange rate at the close of the day on which a transaction takes place.

(2) Assets and liabilities on amalgamation are transferred to realisation A/c at market value.

(3) Preferential creditors include the loans given by partners on preferential terms.

(4) The profit or loss on realisation is transferred to cash A/c.

(5) The liability of partners is limited.

(6) After amalgamation of firms, assets and liabilities of old firm get recorded at their realisable values.
(7) Excess of income over expenditure is net profit.
(8) Conversion of firm into a company does not involve dissolution of firm.
(9) Income tax payable by the firm as on the date of dissolution is treated as secured creditors.
(10) Balance of monetary items should be valued at closing rate.

Q.2 (a) The following is the trial balance of firm as on 31st December, 2013: **(15)**

Trial balance as on 31st December, 2013

Debit	Rs.	Credit	Rs.
Drawings		Capital	
A	15,000	A	24,000
B	7,500	B	12,000
C	1,500	C (including goodwill)	5,000
Furniture	10,500	Sales	1,80,000
Purchases	1,10,000	Creditors	13,500
Stock	25,000		
General expenses	5,200		
Salary	12,000		
Rent and taxes	5,900		
Debtors	31,000		
Bank	10,900		
Total	2,34,500	Total	2,34,500

Additional information:
1. A and B were partners sharing profits and losses equally.
2. Mr. C was admitted to partnership on 1st July, 2013.
3. On 31st December, 2013 stock was valued at Rs, 23,500.
4. Rent and taxes paid in advance Rs. 900.
5. General expenses were outstanding Rs. 800.
6. Charge depreciation on furniture @ 10% p.a.
7. Share of goodwill of new partner was valued at Rs.1,000 on 1st July, 2013 and yet to be adjusted.

You are required to prepare trading, profit and loss account , partner's capital account and balance sheet as on 31st December, 2013.

OR

Q.2 (p) Following is the trial balance of Leo, Tiger and Panther as on 31st December, 2018. **(15)**

Debit	Rs.	Credit	Rs.
Purchases	2,08,000	Capital :	
Returns	3,000	Leo	60,000
Opening stock	32,000	Tiger	60,000
Salary	36,000	Panther	60,000
Rent (paid for 11 months)	22,000	Sales	3,68,000
Bad debts	2,800	Returns	4,000
Discount	4,000	Reserve for doubtful debts	12,000
Freight inward	6,000	Bank loan	27,000
Carriage on sales	9,000	Creditors	1,02,000
Debtors	1,34,000	Bills payable	3,500
Bills receivable	3,000	Loan from Singh	6,500
Bank	11,200	Discount	3,000
Cash	3,000		
Investment	56,000		
Building	80,000		
Machinery	48,000		

Drawings: Leo Tiger Panther	16,000 16,000 16,000		
Total	7,06,000	Total	7,06,000

Additional information:

On 1st July, 2018 Leo retired. Following adjustments are to be considered.

1. Goodwill to be valued at Rs. 1,20,000.
2. Amount due to Leo to be treated as Leo's Loan A/c on which no interest is payable.
3. Stock in trade as at 31st December, 2018 was valued at Rs. 6,000.
4. Rent is outstanding for one month.
5. Write off further bad debts Rs. 1,200 and RDD should be kept at Rs.6,000.
6. Depreciate machinery by 10% p.a. and building by 15% p.a.
7. 10% p.a. interest is to be allowed on partners opening capital balances.
8. Each partner should be allowed salary Rs. 4,000 p.a.

Prepare final accounts for the year ended 31st December, 2018.

Q.3 **(a)** A, B and C were partners in a firm which was dissolved with effect from 1st January, 2014. On the date of dissolution, their balance sheet was as follows: **(15)**

Balance sheet as on 1st January, 2014

Liabilities	Rs.	Assets	Rs.
Capital :		Cash at bank	17,000
A	45,000	Debtors	23,000
B	20,000	Furniture	10,000
C	10,000	Stock	18,000
General reserve	5,000	Machinery	42,000
B's loan	5,000		
Creditors	25,000		
Total	1,10,000	Total	1,10,000

The assets were realised piecemeal as follows:

On 31st January, 2014	Rs. 11,000
On 28th February, 2014	Rs. 7,000
On 31st March, 2014	Rs. 17,000
On 30th April, 2014	Rs. 36,000

The partners shared profit and loss in the ratio 3:1:1 respectively. It was agreed that cash should be distributed as and when realised. Dissolution expenses were originally provided for an estimated amount of Rs. 2,000. The actual expenses amounted to Rs. 1,000 spent on 30th April, 2014.

Prepare statement showing surplus capital and statement showing distribution of cash.

OR

Q.3 **(p)** Following is the balance sheet of two firms as on 31st March, 2017. **(15)**

Balance sheet

Liabilities	AB & Co.	CD & Co.	Assets	AB & Co.	CD & Co.
Capital account			Premises	-	20,000
A	46,000	-	Computer	40,000	-
B	46,000	-	Furniture	20,000	28,000
C	-	72,000	Inventory	36,000	32,000
D	-	48,000	Debtors	24,000	56,000
General reserve	-	12,000	Bank	8,000	16,000
Creditors	20,000	16,000	Cash	4,000	8,000
Bills payable	20,000	12,000			
Total	1,32,000	1,60,000	Total	1,32,000	1,60,000

The terms of amalgamation were as follows:

1. Premises was valued at Rs. 40,000 and computer at Rs. 48,000.
2. Furniture was not taken over by new firm.

3. A reserve of 10% is to be created on debtors.
4. Goodwill was valued as M/s AB & Co. at Rs. 40,000 and that of M/s CD & Co. at Rs. 60,000.
5. The new firm also assumed other assets and liabilities of old firm at book value.
6. PSR for AB & Co. was 1:1 and for CD & Co. was 3:2.

You are required to prepare:
(a) Statement of purchase consideration
(b) Necessary ledger accounts in the books of old firm and balance sheet of new firm

Q.4 (a) Pass journal entries for the following transactions in foreing currency and also prepare foreign exchange fluctuation account in the books of NSD Ltd. **(15)**

NSD Ltd. imported raw materials worth US $ 40,000 on 12th December, 2012. The exchange rate for US $ 1 as on 12-12-2012 was Rs. 46.50.

The payment for the above transaction was made as under:

Date of payment	Payment	Exchange rate for 1 US $
23-02-2013	US $ 18,000	Rs. 47.75
21-03-2013	US $ 12,000	Rs. 48.25
10-04-2013	US $ 10,000	Rs. 48.50

The accounting year of the company ended on 31st March. The exchange rate as on 31st March, 2013 for US $ 1 was Rs. 45.

OR

Q.4 (p) Nitin and Kiran carry on business in partnership sharing profits and losses in the ratio of 1:1. On 31st March, 2017, they agreed to sell their business to Shiva Ltd. Their balance sheet as on that date was follows: **(15)**

Liabilities	Rs.	Assets	Rs.
Nitin's capital	6,25,000	Land and building	6,00,000
Kiran's capital	5,00,000	Plant and machinery	5,25,000
Reserves	75,000	Stock	2,87,500
Secured loan	2,00,000	Sundry debtors	1,87,500
Sundry creditors	2,25,000	Cash in hand	25,000
	16,25,000		16,25,000

The company took the following assets at an agrred values.
Land and building – Rs. 7,62,500
Plant and machinery – Rs. 3,97,500
Stock – Rs. 2,75,000
Sundry debtors – Rs. 1,75,000
Goodwill – Rs. 1,25,000

The company agreed to pay the creditors Rs. 2,20,000. The company paid Rs. 10,15,000 in shares to be distributed equally and the balance in cash. Expenses on realisation amounted to Rs. 4,000. Prepare statement of purchase consideration and necessary ledger accounts.

Q.5 (a) Explain adjustments in final account on admission of partner. **(08)**
(b) Explain conversion of firm into company. **(07)**

OR

Q.5 (p) **Write short notes on (Attempt any 3)** **(15)**
(1) Partnership deed
(2) Foreign exchange fluctuation account
(3) Purchase consideration
(4) Proportionate capital method
(5) Rules in case of death of a partner

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