

QUESTION PAPERS

B. COM. CBCS : 2017

FINANCIAL ACCOUNTING

Semester: I

Duration: 3 Hours

Maximum Marks: 75

Note : Answers may be written either in English or in Hindi; but the same medium should be used throughout the paper.

(Part A : 2 hours 30 Minutes; Part B : 30 Minutes)

(Part A : 55 Marks; Part B : 20 Marks)

(Write your Roll No. on the top immediately on receipt of this question paper.)

This question paper has two parts. Part A is compulsory for all the students. Part B is meant only for those students who have not offered Computerized Accounts. Show all workings clearly as part of the answer. Use of simple calculator is allowed.

PART A

Q1. What are the differences between cash basis and accrual basis of accounting?

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Ans. 1.

1. Difference between cash basis and accrual basis of accounting

Hint : See Page 19 of Volume I of the Book

Q2. The following is the Trial Balance of Mr. Parveen Trader as at 31st March, 2017:

Particulars	Dr. Balance ₹	Cr. Balance ₹
Drawing and Capital	1,90,000	6,56,900
Stock 1st April, 2016	4,68,000	—
Purchases and Sales	32,17,000	38,96,000
Returns	86,000	58,000

Particulars	Dr. Balance ₹	Cr. Balance ₹
Debtors and Creditors	2,40,000	
Discount	18,000	1,48,000
Bank Loan @ 14% p.a.	—	41,100
Carriage Inward	1,96,000	2,00,000
Rent and Taxes	93,000	
Salaries and Wages	40,000	
Printing and Stationery	87,000	
Interest on Bank Loan	11,000	
Travelling Expenses	8,700	
Postage & Telephone	20,000	
Insurance	64,000	
General Expense	1,27,500	
Furniture	50,000	
Cash Balance	3,800	
Bank Balance	80,000	
	<u>50,00,000</u>	<u>50,00,000</u>

Adjustments:

- (i) Closing stock on 31st March, 2017 was ₹ 7,86,000.
- (ii) Credit Purchases ₹ 4,000 has not been entered in the books.
- (iii) Printing and stationery amounting to ₹ 36,000 is to be carried forward.
- (iv) Interest on bank loan shall be provided for whole year.
- (v) Personal purchase of proprietor amounting to ₹ 6,000 has been recorded in purchase day book.
- (vi) Depreciate furniture by 10% p.a.
- (vii) Provision for Bad and Doubtful Debts is to be created @ 5% on Debtors.
- (viii) Mr. Ashok Hooda included in sundry debtors for ₹ 30,000 due from him and he is also included in sundry creditors for ₹ 10,000 due to him.

Prepare Trading, Profit & Loss A/c for the year ending 31st March, 2017 and a Balance Sheet as on that date.

OR

From the following Income and Expenditure A/c of Medical Club for the year ended 31st March, 2017, prepare Receipts and Payments A/c for the year ended 31st March, 2017 and a Balance Sheet as on that date:

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount	Income	Amount
Salaries	14,800	Subscription	15,600
Stationery	320	Donation	11,600
Postage & Telephone	640	Billiard Room Collections	1,400
Rate and Taxes	1,200	Entrance Fees	2,400
Repairs	1,600	Interest from Investments	540
Table Tennis Balls	240		
Printing of Magazines	400		
Electricity Charges	1,200		
Billiard Room Expenses	600		
Upkeep of Ground	1,880		
Depreciation on Assets	400		
Excess of Income over Expenditure	8,260		
	<u>31,540</u>		<u>31,540</u>

Additional Information:

	As on 1st April, 2016 (₹)	As on 31st March, 2017 (₹)
Fixed assets	9,600	10,400
Investment	5,400	9,400
Cash at Bank	360	?
Subscription Outstanding	600	1,000
Subscription received in advance	1,200	2,000
Expenses Outstanding:		
Stationery	220	180
Telephone	260	240
Electricity	340	260

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Ans. 2.

TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31-3-2017

Dr.

Particulars	₹	Particulars	Cr. ₹
To Opening Stock		By Sales	38,96,000
To Purchases	32,17,000	Less : Sales Return	86,000
Add : Omitted Purchases	4,000	By Closing Stock	
	32,21,000		38,10,000
Less : Purchases			7,86,000
Returns	58,000		
Drawings	6,000		
	64,000		
To Carriage Inward	31,57,000		
To Gross Profit (c/d)	1,96,000		
	7,75,000		
	45,96,000		
To Rent and Taxes		By Gross Profit b/d	45,96,000
To Salaries and Wages		By Discount Received	7,75,000
To Printing and Stationery	87,000		41,100
Less : Unexpired	36,000		
To Interest on Bank loan	11,000		
Add : Outstanding	17,000		
	28,000		
To Travelling Expenses			
To Insurance			
	8,700		
To General Expenses			
	64,000		
To Discount Allowed			
	1,27,500		
To Depreciation on Furniture			
	18,000		
To Provision for Doubtful Debts			
	5,000		
To Postage and Telephone			
	11,500		
To Net Profit			
	20,000		
	3,49,400		
	8,16,100		
			8,16,100

BALANCE SHEET as at 31-3-2017

Liabilities	₹	Assets	₹
Capital	6,56,900	Furniture	50,000
Less : Drawing (T.B)	(1,90,000)	Less : Depreciation	5,000
Drawing (Adj.)	(6,000)		45,000
Add : Net Profit	3,44,400	Closing Stock	7,86,000
	8,10,300		

		₹	Assets	₹
<i>Liabilities</i>				
Bank loan		2,00,000	Debtors	2,40,000
Outstanding Interest on Bank loan		17,000	Less : Common Debt	10,000
				2,30,000
			Less : Provision for Doubtful Debts	11,500
Creditors	1,48,000			2,18,500
Add : Omitted Credit Purchases	4,000		Printing and Stationery (unexpired)	36,000
	1,52,000		Cash at Bank	80,000
Less : Common Debts	10,000	1,42,000	Cash in Hand	3,800
		11,69,300		11,69,300

OR

RECEIPTS AND PAYMENTS ACCOUNT
for the year ended 31-3-2017

Dr.	₹	Payments	Cr.
<i>Receipts</i>			₹
To Balance b/d	360	By Salaries	14,800
To Subscription (WN 2)	16,000	By Stationery	320
To Donation	11,600	Add : O/s in the beg.	220
To Billiard Room Collection	1,400	Less : O/s at the end	(180)
To Entrance Fee	2,400	By Postage and Telephone expenses	640
To Interest on Investment	540	Add : O/s in the beg.	260
		Less : O/s at the end	(240)
		By Rates and Taxes	1,200
		By Repairs	1,600
		By Table Tennis Balls	240
		By Electricity	1200
		Add : O/s in the beg.	340
		Less : O/s at the end	(260)
		By Billiards Room Expenses	600
		By Upkeep of Ground	1,880
		By Investment (9400 - 5400)	4,000
		By Printing of Magazines	400
		By Purchase of Fixed Assets (10,400 - 9,600 + 400)	1,200
		By Balance c/d	4,080
	32,300		32,300

BALANCE SHEET AT 31-3-2017

Liabilities		₹	Assets		₹	
Capital Fund (WN1)	13,940	22,200	Fixed Asset		10,400	
Add : Surplus	8,260		Investment		9,400	
Subscription Received in Advance			2,000	Cash at Bank		4,080
Outstanding for Stationery			180	Outstanding Subscription		1,000
Outstanding Telephone Bill			240			
Outstanding Bill			260			
		24,880			24,880	

Working Notes

(1) Balance sheet as at 1-4-2016

Liabilities		₹	Assets		₹
Capital Fund (bal. fig.)	13,940	22,200	Fixed Assets		9,600
Outstanding for Stationery	220		Investment		5,400
Outstanding Telephone Bill	260		Cash at Bank		360
Outstanding Electricity Bill	340		Outstanding Subscription		600
Advance Subscription	1,200				
	15,960				15,960

(2) Calculation of subscription received

Subscription income	15,600
Add : Outstanding subscription at the beginning	600
Advance subscription at the end	2,000
	18,200
Less : Outstanding subscription at the end	1000
Advance subscription at the beginning	1200
	2,200
	16,000

Q3. ABC Ltd. purchased a Machinery (M1) on 1st January, 2014 for ₹ 6,00,000. On 1st July, 2014 additional machinery (M2) costing ₹ 1,90,000 was purchased and ₹ 10,000 spent on its installation. On 1st October, 2015 the machine (M1) purchased on 1st January, 2014, got damaged therefore it was auctioned for ₹ 3,38,500 and on the same date new machinery (M3) was purchased at a cost of ₹ 4,00,000. Company purchased another new machinery (M4) for ₹ 3,00,000 on 1st April, 2016. During the financial year 2016 the management of ABC Ltd.

has decided to change method of providing depreciation from Written Down Value Method @ 10 per cent per annum to Straight Line Method @ 15 per cent per annum. Company closes its books every year on 31st December and it follows Charging to the Assets Account Method of recording depreciation in its books. You are required to prepare necessary ledger accounts in the books of ABC Ltd. from 2014 to 2016 and show the effect of change in method retrospectively. **13**

OR

Receipts and issue of certain units of goods in ABC Ltd. for the month of September 2017 are given below:

Date	Particulars
1st September, 2017	Opening balance 350 units @ ₹ 30 each.
4th September, 2017	Purchase 115 units @ ₹ 35 each.
6th September, 2017	Issue 250 units
9th September, 2017	Issue 125 units
15th September, 2017	Purchase 575 units @ 20 each.
19th September, 2017	Issue 400 units
26th September, 2017	Purchase 180 units @ 50 each.
29th September, 2017	Issue 65 units

You are required to find out the value of closing stock and cost of goods sold (COGS) for the month of September 2017, by using perpetual system of recording of inventory and following methods of valuation of inventory:

(a) FIFO Method

(b) Weighted Average Price Method.

13**Ans. 3.**

Dr.		MACHINERY ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
1-1-14	To Bank A/c (m1)	6,00,000	31-12-14	By Dep. A/c (m1)	60,000	
1-7-14	To Bank A/c (m2)	1,90,000		m2	10,000	
1-7-14	To Bank A/c (m2 - installation)	10,000		By Balance c/d		
				m1	5,40,000	
				m2	1,90,000	
		8,00,000			7,30,000	
					8,00,000	

Date	Particulars	₹	Date	Particulars	₹
1-1-15	To Balance b/d		1-10-15	By Bank A/c (Sale proceeds of m1)	3,38,500
	m1	5,40,000	1-10-15	By Dep. A/c (m1)	40,500
	m2	1,90,000	1-10-15	By Loss on Sale of Mach. A/c	1,61,000
1-10-15	To Bank A/c (m3)	4,00,000	31-12-15	By Dep. A/c (m2)	19,000
				m3	10,000
			"	By Balance c/d	29,000
				m2	1,71,000
				m3	3,90,000
		11,30,000			5,61,000
1-1-16	To Balance b/d		31-12-16	By Depreciation A/c (Additional depreciation due to change of method as per AS6)	11,30,000
	m2	1,71,000	31-12-16	By Depreciation A/c (As per new method)	21,000
	m3	3,90,000		m2	30,000
1-4-16	To Bank A/c (m4)	3,00,000		m3	60,000
				m4	33,750
			31-12-16	By Balance c/d	1,23,750
				m2	1,25,000
				m3	3,25,000
				m4	2,66,250
		8,61,000			7,16,250
					8,61,000

Working Note 1 : Calculation of profit or loss on sale of machine 1

	₹
Original cost	6,00,000
Less : Dep. (2013)	(60,000)
	5,40,000
Less : Dep. (2014)	40,500
Book Value as on 1-10-14	4,99,500
Less : Sale Proceeds	3,38,500
Loss on Sale (m1)	1,61,000

Working Note 2 : Calculation of depreciation as on 31-12-2016 as per new method i.e. 15% straight line method

	m2	m3	Total
Dep. (2013)	15,000	—	15,000
Dep. (2014)	30,000	15,000	45,000
	45,000	15,000	60,000
Depreciation already charged :			
	m2	m3	Total
Dep. (2013)	10,000	—	10,000
Dep. (2014)	19,000	10,000	29,000
	29,000	10,000	39,000

Q3 (OR)

Store ledger Account (FIFO)

Date	(Receipts)			(Issues)			(Balance)		
	Units	Rate (₹)	Amount	Units	Rate	Amount (₹)	Units	Rate (₹)	Amount (₹)
1/9/16	—	—	—	—	—	—	350	30	10,500
4/9/16	115	35	4,025	—	—	—	350	30	10,500
							115	35	4,025
6/9/16	—	—	—	250	30	7,500	100	30	3,000
							115	35	4,025
9/9/16	—	—	—	100	30	3,000	90	35	3,150
				25	35	875			
15/9/16	575	20	11,500	—	—	—	90	35	3,150
							575	20	11,500
19/9/16	—	—	—	90	35	3,150	265	20	5,300
				310	20	6,200			
26/9/16	180	50	9,000	—	—	—	265	20	5,300
							180	50	9,000
29/9/16	—	—	—	65	20	1,300	200	20	4,000
							180	50	9,000
						22,025			

Value of Closing Stock = 4000 + 9000 = 13,000

Cost of goods sold = 22,025

Store Ledger Account (Weighted Average)

Date	(Receipts)			(Issue)			(Balance)		
1/9/16	—	—	—	—	—	—	350	30	10,500
4/9/16	115	35	4,025	—	—	—	465	31.2366	14,525
6/9/16	—	—	—	250	31.2366	7809	215	31.2366	6,716
9/9/16	—	—	—	125	31.2366	3905	90	31.2366	2,811
15/9/16	575	20	11,500	—	—	—	665	21.5203	14,311
19/9/16	—	—	—	400	21.5203	8608	265	21.5203	5,704
26/9/16	180	50	9,000	—	—	—	445	33.0426	14,704
29/9/16	—	—	—	65	33.0426	2,148	380	33.0426	12,556
						22,470			

Value of Closing Stock = 12,556

Cost of goods sold = 22,470

Q4. On 15th September, 2017, Mr. Suraj Prakash of Dharamsala, Himachal Pradesh sent 5000 units of glass frame on consignment to Mr. Sham Sharma of Ludhiana, Punjab at cost price of ₹ 300 per glass frame. He spent ₹ 5,000 for freight and ₹ 10,000 for packing, etc. Mr. Sham Sharma took the delivery of 4,910 units of glass frames because 90 units of glass frames were destroyed in accident in transit. Mr. Sham Sharma spent ₹ 15,000 on clearing charges and ₹ 5,000 on unloading. He paid godown rent ₹ 7,500 and selling expense ₹ 3,500. He sold 4,500 units at ₹ 475 per unit. He was entitled to a commission @ 10 per cent of sale. You are required to make necessary ledger accounts in Mr. Suraj Prakash books and Mr. Sham Sharma books. 13

OR

On 1st January, 2017, Agrim Theatre owner Mr. Ajay Verma and his friend Mr. Kapil Sharma enter into a joint venture to produce a film for the Himachal Pradesh Government's project on road safety awareness. Himachal Pradesh Government agree to pay ₹ 5,00,000 on completion. Mr. Ajay Verma contributes ₹ 2,30,000 and Mr. Kapil Sharma ₹ 2,20,000. These amounts are deposited into Joint Bank Account. Payments made out of joint bank accounts were:

Purchase of camera	₹ 90,000
Hire of lighting and recording equipment	₹ 75,000
Wages to theatre artists	₹ 1,50,000
Office expense	₹ 65,000

Mr. Ajay Verma paid ₹ 15,000 for the licensing fee and Mr. Kapil Sharma paid ₹ 12,000 for evaluation expense to expert. On the completion of project on 1st September, 2017, Himachal Pradesh Government paid ₹ 4,85,000 instead of ₹ 5,00,000 because there is a little defect in the film. Mr. Kapil Sharma agrees to take over the camera for ₹ 49,000. You are required to make necessary ledger accounts with separate set of books for Joint Venture Method. Profit & loss sharing ratio between Mr. Ajay Verma and Mr. Kapil Sharma is 3:2. 13

Ans. 4.

In books of Mr. Suraj Prakash

CONSIGNMENT ACCOUNT (AT COST PRICE)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goods Sent on Consignment A/c (5,000 × 300)	15,00,000	By Sham Sharma (Sales) (4500 × 475)	21,13,750
To Bank A/c (Exp.)		By Abnormal Loss	
Freight -	5,000	Cost : 90 × 30 =	27,000

Particulars	Amount (₹)	Particulars	Amount (₹)
Packing -	10,000	Add: Proportionate exp. of Consignor $15000 \times \frac{90}{5000}$	270
To Mr. Sham Sharma A/c	15,000	By Consignment Stock Cost - $410 \times 300 =$	1,23,000
Unloading Charges	5,000	+ Consigner exp. $15000 \times \frac{410}{5000} =$	1,230
Clearing Charges	15,000	+ Consignee exp. $(5000 + 15000) \times \frac{410}{4910} =$	1,670
Godown rent	7,500		
Selling exp.	3,500		
To Ms. Sham Sharma (Ordinary Comm.)	31,000		
To Profit and Loss A/c	2,13,750		
	5,30,920		
	<u>22,90,670</u>		<u>22,90,670</u>

Dr. **MR. SHAM SHARMA ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Consignment A/c (Sales)	21,37,750	By Consignment A/c	
		Unloading Charges	5000
		Cleaning Charges	15000
		Godown rent	7500
		Selling exp.	3500
		By Consignment (Comm.)	2,13,750
		By Balance c/d	18,92,750
	<u>21,37,750</u>		<u>21,37,750</u>

In books of Mr. Sham Sharma

Dr. **MR. SURAJ PRAKASH ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Bank A/c (Exp.)		By Bank A/c (Sales)	21,37,500
Unloading	5000		
Clearing Charges	15000		
Godown rent	7500		
Selling Exp.	3500		
	<u>31,000</u>		

Particulars	₹	Particulars	₹
To Commission A/c	2,13,750		
To Bank A/c bal. fig.	18,92,750		
	<u>21,37,500</u>		<u>21,37,500</u>

4 (OR)

Dr.		JOINT VENTURE ACCOUNT		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Joint Bank A/c		By Joint Bank A/c			
Purchase of Camera	90,000	(Payment received from Himachal Pradesh Govt.)	4,85,000		
Hire of lighting & recording Equipment	75,000	By Mr. Kapil Sharma A/c (Camera)	49,000		
Wages to theatre artists	1,50,000				
Office Exp.	65,000				
	<u>3,80,000</u>				
To Mr. Ajay Verma A/c (License fee)	15,000				
To Mr. Kapil Sharma A/c (Evaluation expert fee)	12,000				
To Profit transferred					
Mr. Ajay Verma	76,200				
Mr. Kapil Sharma	50,800				
	<u>1,27,000</u>				
	<u>5,34,000</u>				<u>5,34,000</u>

Dr.		CO-VENTURE'S CAPITAL ACCOUNT				Cr.	
Particulars	Ajay Verma	Kapil Sharma	Particulars	Ajay Verma	Kapil Sharma		
To Joint venture (Camera)	—	49,000	By Joint Bank A/c	2,30,000	2,20,000		
To Joint Bank (bal. fig.)	3,21,200	2,33,800	By Joint Venture A/c (License fee)	15,000	—		
			By Joint Venture A/c (evaluation expert fee)	—	12,000		
			By Joint Venture (Profit)	76,200	50,800		
	<u>3,21,200</u>	<u>2,82,800</u>		<u>3,21,200</u>	<u>2,82,800</u>		

JOINT BANK ACCOUNT

To Mr. Ajay Verma A/c	2,30,000	By Joint Venture A/c (Exp.)	
To Mr. Kapil Sharma A/c	2,20,000	Purchase of Camera	90,000
To Joint Venture A/c (Proceeds)	4,85,000	Hire of lighting & recording equip.	75,000

	Wages to theatre artist	1,50,000
	Officer Exp.	65,000
	By Mr. Ajay Verma A/c	3,21,200
	By Mr. Kapil Sharma A/c	2,33,800
	9,35,000	9,35,000

Q5. Reliance Ltd. has a head office in Mumbai. Following is the information regarding its Nagpur Branch. It supplies goods to its Nagpur Branch at 25% profit on cost price. Accounts are kept at head office from where all expenses (except petty expenses) are paid. Such petty expenses are paid by the branch which are allowed to maintain petty cash balance of ₹ 2,500 on imprest system.

Balances as on 1st January, 2016:

	₹
Building	95,000
Petty cash at branch	2,500
Debtors	18,700
Stock in hand at branch at sale price	42,000
Furniture and fixtures at branch	37,500

Transactions for the year during 2016 were as follows:

Bad debts to be written off	1,350
Goods sent to branch (at invoice price)	2,15,000
Goods returned by branch to head office	5,000
Cash sales at branch	1,95,000
Credit sales at branch	65,000
Discount to debtors	1,200
Cash received from customers	55,000
Goods transfer to Delhi Branch (at invoice price)	22,000
Normal loss of goods	3,000
Goods-in-transit	15,000

Payment made by head office during 2015

Rent for one year	2,400
Salaries	2,500
Insurance paid for the year	1,800

Payments made by the branch during 2016

Petty expenses	1,200
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Balances on 31st December, 2016

Stock at cost price (to H.O.)	40,000
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Provide depreciation on furniture at 20% p.a. and 10% p.a. on building.

You are required to ascertain Profit or Loss at Nagpur Branch in the books of Reliance Ltd. by using Stock and Debtor Method. 13

OR

(a) Explain any two of following concepts:

- (i) Materiality concept
- (ii) Consistency concept
- (iii) Conservation concept
- (iv) Timeliness concept
- (v) Industry practice concept

4×2=8

(b) "To avoid confusion and to achieve uniformity, accounting process is applied within the conceptual framework of Generally Accepted Accounting Principles (GAAP)." Comment on it. 5

Ans. 5.

In the books of Reliance Ltd.

Dr. NAGPUR BRANCH STOCK ACCOUNT (AT INVOICE PRICE) Cr.

Particulars	₹	Particulars	₹
To Balance b/d	42,000	By Cash A/c (Sales)	1,95,000
To Goods Sent to Branch A/c	2,15,000	By Branch Debtors A/c (Credit Sales)	65,000
To Branch Adjustment (Surplus) A/c	98,000	By Goods Sent to Branch A/c (goods return)	5,000
		By Goods Sent to Branch A/c (goods transfer to another branch)	22,000
		By Branch adjustment A/c (Normal Loss)	3,000
		By Balance c/d	
		Closing Stock (I.P.) $\left(40,000 \times \frac{125}{100}\right)$ -	50,000
		Goods-in-transit -	15,000
	3,55,000		3,55,000

Dr. NAGPUR BRANCH DEBTORS ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	18,700	By Cash A/c (Cash Collected)	55,000
To Branch Stock A/c (Credit Sales)	65,000	By Branch Exp. A/c (Bad Debt)	1,350
		(Allowance to debtors)	1,200
		By Balance c/d (c/f)	26,150
	83,700		83,700

BRANCH ADJUSTMENT ACCOUNT

Cr.

Dr.	₹	Particulars	₹
	13,000	By Stock Res. (Opening Stock)	8,400
To Stock Reserve $\left(65,000 \times \frac{25}{125}\right)$		$\left(42,000 \times \frac{25}{125}\right)$	
To Goods Sent to Branch A/c (goods return) $\left(5,000 \times \frac{25}{125}\right)$	1,000	By Goods Sent to Branch A/c (Loading on good sent)	43,000
To Goods Sent to Branch A/c (goods transferred) $\left(22,000 \times \frac{25}{125}\right)$	4,400	$\left(2,15,000 \times \frac{25}{125}\right)$	
To Branch Stock A/c (normal Loss)	3,000	By Branch Stock A/c (Surplus)	98,000
To Gross Profit c/d	1,28,000		
	1,49,400		1,49,400
To Branch Expenses A/c		By Gross Profit b/d	1,28,000
Rent	2,400		
Salaries	2,500		
Insurance	1,800		
Petty Expenses	1,200		
Bad Debts	1,350		
Discount to Debtor	1,200		
Dep. on Furniture	7,500		
Dep. on Building	9,500	27,450	
To General Profit and Loss A/c	1,00,550		
	1,28,000		1,28,000

BRANCH EXPENSES ACCOUNT

Cr.

Dr.	₹	Particulars	₹
To Branch Debtors A/c		By Branch Profit and Loss A/c	27,450
Bad Debts	1,350		
Discount to Debtors	1,200		
To Branch Cash A/c			
Rent	2,400		
Salary	2,500		
Insurance	1,800		
Petty Cash	1,200	7,900	

Particulars	₹	Particulars	₹
To Branch Fixed Assets			
Dep. on Furniture	7500		
Dep. on Building	9500	17,000	
		<u>27,450</u>	<u>27,450</u>

PART B

Q6. A, B and C are partners sharing profit in the ratio of 5 : 3 : 2. They decided to dissolve the firm on 31st March, 2016 and their balance sheet as on that date is given below:

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Partner Capital A/cs:		Bank	70,000
- Partner A	4,00,000	Debtors	50,000
- Partner B	3,00,000	Stock	1,60,000
- Partner C	3,00,000	Furniture	1,25,000
Partner Current A/cs:		Patents	1,35,000
- Partner A	40,000	Machineries	2,00,000
- Partner B	10,000	Building	5,20,000
Profit and Loss A/c	1,50,000	Partner Current A/c	
Trade Creditors	70,000	- Partner C	10,000
	<u>12,70,000</u>		<u>12,70,000</u>

Following transactions took place at the time of dissolution:

- Realization expenses were to be fully borne by partner A for which he is to get a credit of ₹ 10,000. Actual realization expense paid out of firm's bank A/c amounted to ₹ 12,000.
- B took over stock for ₹ 55,000 and C took over building for ₹ 9,00,000.
- Other Assets are realized as Debtors ₹ 48,000; Furniture ₹ 1,17,000 and Machineries ₹ 1,80,000.
- Patents didn't realize anything and trade creditors were settled in full by paying them ₹ 65,000.

Prepare realization A/c, Partners capital and current A/c and Bank A/c

20

OR

- The Balance Sheet of A, B and C who shared profit and loss in the ratio of 2:2:1, was as follows as on 31st March, 2016, the date of dissolution:

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	2,20,000	Cash	50,000
B/P	60,000	Stock	60,000
Bank Loan		Building	1,75,000
(with a charge on stock)	1,50,000	Machinery	1,45,000
Partners Capital A/cs:	5,00,000	Furniture	3,00,000
- Partner A	3,00,000	Partner Capital A/c	
- Partner B	2,00,000	- Partner C	2,00,000
	9,30,000		9,30,000

Assets realized as explained below:

Stock	52,000
Machinery	1,20,000
Building	81,000
Furniture	50,000

Expenses on realization amounted to ₹ 10,000. Assuming that all partners are insolvent, prepare the necessary ledger accounts to close the books of the firm. **15**

(b) Explain the rule of Garner v/s Murray. **5**

Ans. 6.

Dr.		REALIZATION ACCOUNT		Cr.	
Particulars	₹	Particulars			₹
To Debtors	50,000	By Creditors			70,000
To Stock	1,60,000	By B's Current A/c (Stock)			55,000
To Furniture	1,25,000	By C's Current A/c (Building)			9,00,000
To Patents	1,35,000	By Bank A/c			
To Machineries	2,00,000	Debtors :	48,000		
To Building	5,20,000	Furniture :	1,17,000		
To A's Current A/c (Exp.)	10,000	Machinery :	1,80,000		3,45,000
To Bank (Creditors)	65,000				
To Partners Current A/cs					
A :	52,500				
B :	31,500				
C :	21,000				
	1,05,000				
	13,70,000				13,70,000

Dr. PARTNER'S CURRENT ACCOUNTS

Dr.			Cr.				
Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Balance b/d	—	—	10,000	By Balance b/d	40,000	10,000	—
To Bank A/c (Realization Exp. paid)	12,000	—	—	By P & L A/c	75,000	45,000	30,000
To Realization A/c (Building)	—	—	9,00,000	By Realization A/c (Profit)	52,500	31,500	21,000
To Realization A/c (Stock)	—	55,000	—	By Realization A/c (Exp. Credit)	10,000	—	—
To Capital A/c (bal. fig.)	1,65,500	31,500	—	By Capital A/c (bal. fig.)	—	—	8,59,000
	<u>1,77,500</u>	<u>86,500</u>	<u>9,10,000</u>		<u>1,77,500</u>	<u>86,500</u>	<u>9,10,000</u>

Dr. PARTNERS CAPITAL ACCOUNT

Dr.			Cr.				
Particulars	A	B	C	Particulars	A	B	C
To Current A/c	—	—	8,59,000	By Balance b/d	4,00,000	3,00,000	3,00,000
To Bank (bal. fig.)	5,65,000	3,31,500	—	By Current A/c	1,65,000	31,500	—
				By Bank (bal. fig.)	—	—	5,59,000
	<u>5,65,000</u>	<u>3,31,500</u>	<u>8,59,000</u>		<u>5,65,000</u>	<u>3,31,500</u>	<u>8,59,000</u>

Dr. BANK ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	70,000	By A's Current A/c	12,000
To Realization A/c (Asset)	3,45,000	By Realization A/c (creditors)	65,000
To C's Capital A/c	5,59,000	By A's Capital	5,65,500
		By B's Capital	3,31,500
	<u>9,74,000</u>		<u>9,74,000</u>

6 (OR)

Dr. REALIZATION ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Stock	60,000	By Cash Stock -	52,000
To Building	1,75,000	Machine -	1,20,000
To Machinery	1,45,000	Building -	81,000
To Furniture	3,00,000	Furniture -	50,000
			<u>3,03,000</u>

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash (Realization Exp.)	10,000	By Partners Capital A/cs:	
		A	1,54,800
		B	1,54,800
		C	77,400
			<u>3,87,000</u>
	<u>6,90,000</u>		<u>6,90,000</u>

BANK LOAN ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash A/c	1,50,000	By Balance b/d	1,50,000
	<u>1,50,000</u>		<u>1,50,000</u>

SUNDRY CREDITORS ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash A/c	1,51,643	By Balance b/d	2,20,000
To Deficiency A/c	68,357		
	<u>2,20,000</u>		<u>2,20,000</u>

BILLS PAYABLE ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash A/c	41,357	By Balance b/d	60,000
To Deficiency A/c (B/F)	18,643		
	<u>60,000</u>		<u>60,000</u>

CASH ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	50,000	By Realization A/c (Exp.)	10,000
To Realization A/c (Assets)	3,03,000	By Bank loan A/c	1,50,000
		By Sundry Creditor A/c $\left(1,93,000 \times \frac{11}{14}\right) = 1,51,643$	
		By Bills Payable A/c $\left(1,93,000 \times \frac{3}{14}\right) = 41,357$	
			<u>1,93,000</u>
	<u>3,53,000</u>		<u>3,53,000</u>

Dr.

PARTNER CAPITAL ACCOUNT

Particulars	Dr.			Cr.			
	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Balance b/d	—	—	2,00,000	By Balance b/d	3,00,000	2,00,000	—
To Realization A/c (loss)	1,54,800	1,54,800	77,400	By Deficiency A/c (B/F)	—	—	2,77,400
To Deficiency A/c (B/F)	1,45,200	45,200	—				
	3,00,000	2,00,000	2,77,400		3,00,000	2,00,000	2,77,400

Dr.

DEFICIENCY ACCOUNT

Cr.

Dr.		Cr.	
To C's Capital A/c	2,77,400	By Sundry Creditor A/c	68,357
		By Bills Payable A/c	18,643
		By A's Capital A/c	45,200
		By B's Capital A/c	1,45,200
	2,77,400		2,77,400