Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics, Margao-Goa

FYB.COM, SEM I, SUPPLEMENTARY EXAMINATION, MAY/JUNE 2015

FINANCIAL ACCOUNTING (Old Course)

Time: 2 Hrs **Max Marks: 80**

*Instructions: 1) Answer **any four** Question From Q1 to Q6*
2) Figures to the right indicate full marks.

Q1. On 1st January 2011 Machinery was purchased for Rs.60,000. The life of the Machinery was expected to be 3 years, at the end of which it would have a scrap value of Rs.7, 500. **(20)**

An Insurance Policy was taken for Rs.52, 500 at a yearly premium of Rs.16,500 payable at the beginning of each year. Following were the surrender values of the policy:

At the end of the first year Rs 1,800

At the end of second year Rs.13,500

At the end of the third year the amount of the Policy was duly received. The scrap realized Rs.7,000 only. Prepare Machinery A/c, Depreciation Fund A/c and Depreciation Insurance Policy A/c for the three years.

Q2. A and B are partners of AB Co. sharing profits and losses as 3:2. C and D are partners of CD Co. sharing profits equally. Their Balance Sheets as on 31st December 2013 were as follows: **(20)**

Liabilities		AB Co. Rs.	CD Co. Rs.	Assets	AB Co. Rs.	CD Co. Rs.
Capitals -	A	75,000		Goodwill		25,000
	B	50,000		Machinery	60,000	
	C		60,000	Furniture	5,000	5,000
	D		55,000	Stock	50,000	70,000
Reserves		40,000	25,000	Debtors	75,000	45,000
Loan from X		20,000		Bank	10,000	5,000
Loan from Y			10,000			
Creditors		15,000				
		2,00,000	1,50,000		2,00,000	1,50,000

They decided to amalgamate and form a new firm ABCD &Co. under the following terms:

a) The new firm shall take over all the assets and liabilities of both the firms.
b) Provision for doubtful debts to be made at 5% on debtors.
c) Goodwill to be valued at 2 years purchase of the last 4 years average profits which were :

	AB Co. Rs.	CD Co. Rs.
2010	30,000	20,000
2011	45,000	40,000
2012	35,000	30,000
2013	54,000	30,000

d) Machinery of AB Co. to be revalued at Rs.75,000.
Prepare Revaluation A/c, Partners' Capital A/c's and New Firm's A/c in the books of the old firms and the opening Balance Sheet of the new firm.

Q3. A Ltd. was formed on 1st January 2014 to acquire the business of B & Co. as a going concern. The Authorised Capital of the Company was Rs. 7,00,000 divided into 50,000 Equity shares of Rs.10 each and 2,000 Preference shares of Rs.100 each. The Balance Sheet of B & Co. on 31st December 2013 was as below: **(20)**

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	7,500	Bank	3,800
Bank Loan	15,500	Sundry Debtors	9,700
Capital	1,57,000	Stock	36,000
		Furniture	3,500
		Plant & Machinery	70,000
		Land & Building	57,000
	1,80,000		1,80,000

The Purchase Consideration was to be discharged by A Ltd. by issue of 15,000 Equity shares of Rs. 10 each and 500 Preference shares of Rs.100 each and Rs.20,000 in cash. A Ltd. agreed to take over the Creditors but did not take over the Bank Loan. All assets of B & Co. were taken over at their book values except Stock which was revalued at Rs.40,000. A provision of 5% was created on Debtors.

The Company issued the remaining Equity shares to the public at 10% premium and all cash was duly received. Preliminary expenses of Rs.15,000 were incurred by the Company.

Pass journal entries in the books of the Company and prepare the Opening Balance Sheet.

Q4 On 1st January 2011, a 3years Lease was acquired for Rs.30,000. A Depreciation fund was created for its replacement, the rate of interest being 5% p.a. Sinking Fund tables show that Re.0.317208 at 5% invested each year will in 3 years produce Re.1. At the end of the third year the Investments realized Rs.20,500. Prepare Lease A/c, Depreciation Fund A/c and Depreciation Fund Investments A/c for the 3 years. **(20)**

Q5. P, Q and R were partners with a profit-sharing ratio of 3:2:2 whose Balance Sheet on 31st December 2013 was as follows: **(20)**

Liabilities	Rs.	Assets	Rs.
Capitals - P	97,000	Land & Building	96,000
Q	58,000	Machinery	28,000
R	25,000	Stock	12,000
Creditors	16,000	Bills Receivable	24,000
		Debtors	36,000
	1,96,000		1,96,000

The partners decided to convert their firm into a private limited company on the above date on the following terms:

a) The Company to issue 16,200 equity shares of Rs.10 each and to pay the balance of purchase consideration in cash.

b) The Company took over all assets (except stock, which was taken over by P for Rs.10,000) and assumed all liabilities. The Company also agreed to pay Rs.30,000 for Goodwill.

Prepare in the books of the partnership firm Realisation A/c, Partners' Capital A/c's, Cash A/c and the Purchasing Company's A/c.

Q6. Write short notes on **any FOUR** of the following: **(5X4=20)**

a) Accounting period concept.
b) Convention of Consistency.
c) Accounting Equation.
d) Benefits of amalgamation.
e) Depletion method of Depreciation.
f) Reasons for converting Partnership firm into Company.

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