VidyaVikasMandal's

Shree Damodar College of Commerce and Economics, Margao-Goa

First Year B.Com, Semester-I, Supplementary Examination May/June 2016

FINANCIAL ACCOUNTING (OLD COURSE)

Duration: 2 hrs **Max Marks: 80**

Instructions: 1. Attempt any FOUR questions from Q 1 to Q 6.
2. All Questions carry equal marks.

1. On 1st January 2011 a Lease was acquired for Rs. 50,000 for a period of 5 years. It was decided to set up a Depreciation Fund for its replacement. Investments were expected to fetch 5% interest. A reference to the Depreciation Fund tables shows that the annual amount of depreciation to be provided at 5% interest is Rs.9,050.
Prepare Lease A/c, Depreciation Fund A/c and Depreciation Fund Investments A/c for five years. 20

2. A and B are partners of AB Co. sharing profits & losses as 3:2. C and D are partners of CD Co. sharing profits equally. Their Balance Sheets on 31st December 2015 were as follows when they decided to amalgamate and form a new firm ABCD & Co. : 20

Liabilities		Rs.	Rs.	Assets	Rs.	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
Loans :	X	20,000		Bank	10,000	5,000
	Y		10,000			
Creditors		15,000				
		2,00,000	1,50,000		2,00,000	1,50,000

Terms of amalgamation:

a) The new firm shall take over all assets and liabilities of both the firms.
b) R.D.D. to be created at 5% on Debtors.
c) Goodwill of AB Co. was to be valued at Rs.82,000 and that of CD Co. Rs.60,000.
d) Machinery of AB Co. to be revalued at Rs.75,000.
Prepare in the books of both the firms Revaluation A/c, Partners Capital A/cs and New Firm's A/c and the Opening Balance Sheet of the New firm ABCD Co.

3. A Ltd. was formed on 1st January 2016 with an Authorised Capital of Rs.7,00,000 divided into 50,000 Equity Shares of Rs.10 each and 2,000 Preference Shares of Rs.100 each to acquire the business of B & Co. as a going concern. The Balance Sheet of B & Co. on the date of acquisition was as follows : 20

Liabilities	Rs.	Assets	Rs.
Capital	1,57,000	Land & Building	57,000
A;s Loan	15,500	Plant & Machinery	70,000
Creditors	7,500	Furniture	3,500
		Stock	36,000
		Debtors	9,700
		Bank	3,800
	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. took over the Creditors but not A's Loan. All assets of B & Co. were taken over at their book values except Stock which was valued at Rs.40,000. A provision of 5% was created on Debtors.

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

Pass journal entries in the books of A Ltd. to effect the above and prepare the Opening Balance Sheet.

4. Machinery was purchased for Rs.20,000 on 1st January 2011 the life of which was expected to be 3 years. The scrap was expected to fetch Rs.2,500. An Insurance Policy was taken for Rs.17,500 to provide for its replacement. The annual premium payable was Rs. 5,500. Prepare Machinery A/c, Depreciation Fund A/c and Insurance Policy A/c for three years. **20**

5. P,Q and R were partners with a profit-sharing ratio of 3:2:2. Following was their Balance Sheet on 31st December 2015 when they decided to convert their firm into a Company: **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

a) The Company agreed 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 by P for Rs. 10,000) and assumed the liabilities. It also agreed to pay Rs.30,000 for Goodwill.

c) The partners distributed the shares among themselves in profit-sharing ratio.

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

6. Write short notes on any FOUR : **20**

a) Accounting Conventions

b) Accounting Vouchers

c) Accounting Concepts

d) Purchase Consideration

e) Benefits of Converting Partnership into Company

f) Revaluation Method of Depreciation
