S.Y.B.A.F. (Sem-III) March-2023

Financial Accounting (Special Accounting Areas) - III **Q.P. Code:00000862**

**[Time:2.30 Hrs]** **[ Marks:75]**

Please check whether you have got the right question paper.

N.B:
1. All question are compulsory.
2. Figures to the right indicate full marks.
3. Students answering in the regional language should refer in case of doubt to the main text of the paper in English.

Q.1 (A) **Choose the correct alternatives (any 8 out of 10)** 08

1. Currency other than reporting currency of an enterprise is known as ____
(Non-reporting currency, US Dollors, Foreign Currency, Indian Rupees)
2. Income Tax payable by a firm as on the date of dissolution is treated as __.
(Preferential Liability, Secured Liability, Unsecured Liability, Non-recoverable)
3. If cash is insufficient to pay off all partners' loans, payment is made ____.
(in the PSR, in the ratio of capital, in the ratio of outstanding loan balances, in equal ratio)
4. In a piecemeal distribution, the liabilities of the partnership firm are paid before_____.
(a revaluation of the asset, distribution of cash to partners,
Sale of assets, distribution of losses and gain on realization)
5. Currency used in presenting the financial statements is known as _____
(Reporting Currency, Non-foreign Currency, Official Currency, Indian Rupees)
6. On amalgamation, Realisation account is opened ________
(in the books of New Firm, in the books of old firm,
Purchasing and vendor firm, in the books of the purchasing firm only)
7. In the absence of any agreement. Partners are liable to receive interest on their loans @ __.
(12% p.a, 10% p.a, 8% p.a 6% p.a)
8. On amalgamation, assets and liabilities of vendor firms are transferred to _____ account.
(Assets A/c, Realisation A/c, Liabilities A/c, Current A/c)
9. On Sale of firm to a company, the purchase consideration is calculated by ________.
(Lumpsum Method, Payment Method, Net Assets method, Any of the above)
10. Income accrued is shown on ______ side of Balance Sheet.
(Debit, Assets, Liabilities, Credit)

Q.1 (B) **State whether the following statements are true or false (any 7 out of 10)** 07

1. Carriage outward is debited to Trading Account.
2. Unsecured creditors are those who do not have any security whatsoever.
3. In amalgamation of partnership old firm is continued.
4. Objective of amalgamation is to avoid competition between two firms.
5. Balance in FEF A/c is transferred to Capital Reserve A/c.
6. There is no maximum limits to the number of partners in a firm.
7. On amalgamation, fictitious assets are transferred to realisation account.
8. Conversion of firm into company does not involve dissolution of firm.
9. In piecemeal distribution, liabilities due to outsiders are internal liabilities.
10. Reporting currency is the currency used in presenting financial statements of an enterprise.

Q.2 (A) A, B, and C carrying on business in the partnership decided to dissolve it on and from 30th September 2018. The following was their Balance Sheet on that date: 15

| Liabilities | Amt | Assets | Amt |
|---|---|---|---|
| Creditors | 20,000 | Fixed Assets | 50,000 |
| Capital Accounts:<br>- A<br>- B<br>- C | <br>40,000<br>10,000<br>20,000 | Current Assets | 42,000 |
| General reserve | 12,000 | Bank | 10,000 |
| | **1,02,000** | | **1,02,000** |

As per the arrangements with the Bank, the partners were entitled to withdraw an amount of Rs. 5,000 only at present and the balance amount of Rs. 5,000 could be withdrawn after 1st December 2018. It was actually withdrawn on 20th December 2018. It was decided that after keeping aside an amount of Rs. 2,000 for estimated realization expenses the available cash should be distributed between the partners immediately. The following were the realizations:

| | Fixed Assets | Current Assets |
|---|---|---|
| 31st October 2018 | 10,000 | 19,000 |
| 25th November 2018 | 26,000 | 20,000 |
| 20th December 2018 | 10,000 | 9,000 |

Actual realization expenses amounted to Rs. 1,550 only. Prepare a statement showing the distribution of cash between the partners applying the "Highest relative capitals" method.

**OR**

Q.2 (B) Partnership of U, M and K was dissolved on 31st October 2018 on which date 15 their Balance Sheet stood as under:

| Liabilities | Amt | Assets | Amt |
|---|---|---|---|
| Capital A/cs:<br>- U<br>- M<br>- K | <br>2,40,000<br>2,60,000<br>1,80,000 | Goodwill<br>Buildings<br>Furniture<br>Stock | 1,60,000<br>1,05,000<br>20,000<br>3,04,000 |
| Reserve | 1,20,000 | Debtors | 2,71,000 |
| Creditors | 80,000 | Cash | 20,000 |
| | **8,80,000** | | **8,80,000** |

The partners were sharing Profits and Losses in the ratio of 3:2:1 respectively. They decided to distribute the cash as and when it was received. U agreed to work as Receiver on a remuneration of Rs. 10,000 and to bear all expenses of realization. When it was completed he found that he had spent Rs. 2,100 towards the expenses. Following details of realisation were available:

December 2018 Rs. 90,000
January 2019 Rs. 2,42,000
February 2019 Rs. 2,28,000

There was some stock of the book value of Rs. 18,000 lying unsold and it was taken over by K at an agreed value of Rs. 10,000. You are required to prepare the following (using excess capital method)

1. Statement of surplus capital
2. Statement showing monthly distribution of cash available.

Q.3 (A) Following were the balance sheets as at 31.12.2018 of the two firms M/s Maharashtra Traders and M/s Gujrat Traders: 15

| Liabilities | Maharashtra Traders | Gujrat Traders | Assets | Maharashtra Trader | Gujrat Trader |
|---|---|---|---|---|---|
| Creditors | 40,000 | 60,000 | Cash | 11,200 | 23,400 |
| Mrs. A' s | 10,000 | - | Stock | 40,800 | 36,600 |
| Capital Accounts<br>A<br>B<br>C<br>D | <br>80,000<br>40,000<br><br> | <br><br><br>48,000<br>32,000 | Debtors<br>Furniture<br>Building<br>Investment | 30,000<br>8,000<br>80,000<br>- | 40,000<br>10,000<br>-<br>30,000 |
| | **1,70,000** | **1,40,000** | | **1,70,000** | **1,40,000** |

The two firms decided to amalgamate their business from 01.01.2019 under the name "Bharat Traders" as per the following Terms of Agreement

1. Mrs. A's loan should be repaid
2. Investment of M/s Gujarat traders not to be taken over by the new firm.
3. Goodwill of Maharashtra traders was fixed at Rs. 16,000 and that of

Gujarat traders at Rs. 20,000

4. Building was revalued at Rs. 1,00,000
5. Stock of Maharashtra traders was found over-valued by Rs. 8,000.
6. Stock of Gujarat traders was under-valued by Rs. 4,000.
7. RDD @ 5% is to be created on all the debtors.
8. Total capitals of Bharat traders was to be Rs. 1,60,000 and the capitals of A, B, C, D were to be in their PSR, which was to be 3:2:3:2.
9. Goodwill is to be written off in the new firm. Any surplus or deficit shall be adjusted in cash.

Prepare Realisation A/c, Partners Capital A/c and New Firm A/c in the books of both the old firms and Balance sheet of the new firm.

**OR**

Q.3 (B) Jaya and Bhaduri were in partnership sharing profit in the ratio of 3:2. From 1st January, 2020, they admitted Amit into partnership giving him 1/6th share in profit. He brought Rs. 10000 cash, of which Rs. 3,000 was considered as being in payment for his share of goodwill and the balance as his capital. You are given: 15

Trail Balance as on 31st December 2020

| **Particulars** | **Amount** | **Particulars** | **Amount** |
|---|---|---|---|
| Drawings | | Rent Payable | 928 |
| - Jaya | 4,000 | Outstanding Wages | 2,719 |
| - Bhaduri | 3,500 | Sales | 2,63,150 |
| - Amit | 2,500 | Return Outward | 3,120 |
| Purchases | 1,66,405 | Reserve for Doubtful Debts | 1,200 |
| Return Inward | 4,250 | Creditors | 30,106 |
| Debtors | 40,200 | Bills Payable | 8,950 |
| Opening Stock | 27,225 | Dividend | 825 |
| Wages | 20,137 | Capital | |
| Salaries | 8,753 | - Jaya | 14,500 |
| Building | 6,750 | - Bhaduri | 8,300 |
| Addition to Building (on 01st July 2020) | 500 | Cash paid by Amit (on 01st April 2020) | 10,000 |
| Patents | 7,300 | | |
| Postage & Telegram | 3,226 | | |
| Power & Fuel | 1,850 | | |
| General Expenses | 3,314 | | |
| Rent, rates & taxes | 3,517 | | |
| Bad debts | 525 | | |
| Loan to "P" at 6% p.a. (given on 01st | 5,000 | | |

| | | | |
|---|---|---|---|
| September 2020) | | | |
| Investments | 11,500 | | |
| Prepaid Insurance | 524 | | |
| Cash/bank | 5,752 | | |
| Bills Receivable | 17,070 | | |
| | **3,43,798** | | **3,43,798** |

Adjustments

1. Closing stock was valued at Rs. 15,760
2. Goods costing Rs. 1,000 have been stolen but not entered in the books.
3. Write off 1/5th of patents
4. Bills receivable include dishonoured bill of Rs. 1,050
5. Maintain reserve for doubtful debts @ 5%.
6. Depreciate building @ 10% p.a.
7. Necessary adjustment in connection with admission is to be made through current accounts of the partners.
8. Goodwill should not appear in the books.
   Prepare final accounts.

Q.4 (A) Journalise the following transactions in the books of M/s Shankar Ltd. for the year ended 31st March 2020 applying AS – 11. 15

| Date | Transactions |
|---|---|
| 30-11-2019 | Export goods worth US $ 60000 to M/s. Jackson Ltd. |
| 16-12-2019 | Export of goods worth US $ 70000 to M/s. Max Ltd. |
| 27-12-2019 | Import of goods worth US $ 40000 from M/s. Macmillan Ltd. |
| 13-01-2020 | Received US $ 25000 from M/s. Jackson Ltd. |
| 17-01-2020 | Received from M/s. Max Ltd. US $ 30000 |
| 27-01-2020 | Paid to M/s. Macmillan Co. US $ 20000 |
| 10-02-2020 | Received from M/s. Max Ltd. US $ 20000 |
| 19-02-2020 | Received from M/s. Jackson Ltd. US $ 25000 |
| 08-03-2020 | Received from M/s. Max Ltd. US $ 10000 |
| 21-03-2020 | Paid to M/s Macmillan Co. US $ 10000 |
| 25-03-2020 | Imported Spare parts from M/s Bush Ltd. worth US $ 5000 in cash |
| 31-03-2020 | Export of goods worth US $ 20000 to M/s Philips Ltd in cash. |

Exchange Rate per US $ was a under:

| Date | Exchange Rate | Date | Exchange Rate |
|---|---|---|---|
| 30-11-19 | 47 | 10-02-20 | 47 |
| 16-12-19 | 48 | 19-02-20 | 45 |
| 27-12-19 | 48 | 08-03-20 | 49 |
| 13-01-20 | 50 | 21-03-20 | 46 |

| | | | |
|---|---|---|---|
| 17-01-20 | 49 | 25-03-20 | 47 |
| 27-01-20 | 49 | 31-03-20 | 49 |

**OR**

Q.4 (B) A, B and C carry on business in partnership sharing profits and losses in the proportions of ½, 3/8 and 1/8 respectively. On 31st March 2018, they agreed to sell their business to a limited company. Their position on that date was as follows: 15

| Liabilities | Amt | Assets | Amt |
|---|---|---|---|
| A' Capital | 40,000 | Machinery | 48,000 |
| B's Capital | 30,000 | Furniture | 42,000 |
| C's Capital | 26,000 | Stock | 23,000 |
| Loan on mortgage | 16,000 | Book debts | 15,000 |
| Sundry creditors | 18,000 | Cash | 2,000 |
| **Total** | **1,30,000** | **Total** | **1,30,000** |

The company took the following assets at the valuation shown below:

Machinery Rs. 61000
Furniture Rs. 31800
Stock Rs. 22000
Book debts Rs. 14000
Goodwill Rs. 10000

The company also agreed to pay the creditors which were agreed at Rs. 17700. The company paid Rs. 67000 in fully paid shares of Rs. 10 each and the balance in cash. The expenses amounted to Rs. 1500. Other liabilities are settled by the firm through cash.

Prepare necessary ledger accounts in the books of the firm

Q.5 (A) What is Amalgamation of Partnership Firm 08

(B) State briefly as to how accounting of foreign currency transactions differs from transaction in home currency? 07

**OR**

Q.5 Write Short Note on (Any 3 out of 5) 15

1. Foreign Exchange Fluctuation
2. Monetary and Non-monetary items
3. Purchase consideration
4. Piecemeal distribution of cash
5. Steps for conversion of partnership firm into Joint Stock Company.