

Reg. No. :

Code No. : 12078 E Sub. Code : CMCO 31

B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2022.

Third Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. A business which deals with different kinds of merchandise under the same roof is known as
 - (a) Branch
 - (b) Departmental store
 - (c) Joint Venture
 - (d) Consignment

2. The cash and credit sales of the branch are Rs. 5,000 and Rs. 15,000 respectively. The amount collected from debtors is Rs. 10,000. The amount to be credited to Branch account under the Debtors system will be
- (a) Rs. 25,000 (b) Rs. 5,000
(c) Rs. 15,000 (d) Rs. 10,000
3. The premium paid by the new partner is shared by the old partners in
- (a) Sacrificing ratio (b) Gaining ratio
(c) Capital ratio (d) Profit sharing ratio
4. When goodwill account is raised, credit is given to old partners in
- (a) New ratio
(b) Sacrificing ratio
(c) Old profit sharing ratio
(d) Gaining ratio
5. In case of retirement of a partner, the profit on revaluation is credited to the capital accounts of the partners
- (a) equally
(b) in proportion to their capitals
(c) in gaining ratio
(d) in their old profit sharing ratio

6. Upon retirement if there is any reserve or credit balance of profit and loss account, it should be distributed amongst
- (a) All the partners
(b) The continuing partners
(c) Retiring partner
(d) New partner
7. When the realisation expenses are to be borne by a partner, it is debited to
- (a) Partners capital a/c
(b) Cash a/c
(c) Realization a/c
(d) Profit and loss a/c
8. When all partners are insolvent, the balance in the capital a/c should be transferred to
- (a) Realisation a/c (b) Cash a/c
(c) Surplus a/c (d) Deficiency a/c
9. The liabilities taken over by the new firm at the time of amalgamation will be transferred to
- (a) Revaluation account
(b) Capital account of the partners
(c) Realisation account
(d) New Firm account

10. A partnership firm is sold to the purchasing company for a price known as

- (a) Cash
- (b) Purchase consideration
- (c) Share price
- (d) Amalgamation

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) The following information relates to Madurai branch.

	Rs.
Stock on 1.4.21	24,000
Stock on 31.03.22	18,000
Credit sales	41,000
Cash sales	17,500
Receipts from debtors	37,900
Branch debtors on 31.03.22	9,160
Goods sent to Branch	30,000
Goods Return to H.O	3,600
Cash sent to Branch for expenses	10,400
Prepare Branch account in the books of Head Office.	

Or

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(b) From the following particulars, prepare the departmental trading a/c for the year ending 31.12.17

	Dept. A Rs.	Dept. B Rs.
Stock (1-1-17)	30,000	—
Sales	2,00,000	60,000
Purchases	2,10,000	—
Transfer to B	50,000	50,000
Stock (31-12-17)	40,000	10,000

12. (a) Show how the following items will appear in the capital Accounts of the partners, Babu and Gopu when their capitals are fluctuating:

	Babu Rs.	Gopu Rs.
Capital on 1.1.17	8,00,000	7,00,000
Drawings during 2017	1,60,000	1,40,000
Interest at 5% on drawings	4,000	2,000
Share of profits for 2017	84,000	66,000
Interest on capital at 6%	48,000	42,000
Salary	72,000	Nil

Or

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- (b) P and Q are the partners in the firm sharing profits in the ratio of 4:3. On 1st Jan. 2018 they decide to admit R as a Partner. R brought in Rs. 60,000 as his capital and Rs. 14,000 for 1/3rd share of goodwill premium. On R's admission, goodwill appeared in the books of the firm at Rs. 21,000.

Record the necessary journal entries in the firm's books on R's admission and also ascertain the new profit-sharing ratio and sacrificing ratio.

13. (a) Achuthan, Ananthan and Kailash are partners in a firm sharing profits and losses in the ratio of 4:3:2. Anathan retires and the goodwill is valued at Rs. 54,000. No goodwill appears as yet in the books of the firm. Assuming that Achuthan and Kailash will share profits in the future in the ratio of 5:3. Pass journal entries for goodwill when only Ananthan's share of goodwill is raised and then written off.

Or

- (b) Explain the methods of treating Joint Life Policy and the premium paid thereon in accounts.

14. (a) A, B and C are in partnership sharing profits and losses in the proportion 4:3:2. Their balance sheet on March 31, 2018 stood as follows.

	Rs.		Rs.
Capital accounts:		Land and building	5,500
A: 4,000		Stock in trade	2,000
B: 2,000		Debtors	1,000
C: 500	6,500	Cash in hand	1,500
Creditors	3,500		
	<u>10,000</u>		<u>10,000</u>

They agree to dissolve partnership as from 31st March 2018. A agree to take over the stock at a valuation of Rs. 700 (no cash passes). The land and building are sold at auction for Rs. 2,700.

Close the books of the firm.

Or

- (b) A and B are the partners sharing profits and losses in the ratio of 5:2:3 respectively. C become insolvent and was able to contribute only 40 paise in the rupee. Calculate deficiency in C's capital A/c and how it will be share by A and B from the following information:

C's capital : Rs.6,360 (Dr).
 Reserve : Rs. 4,000
 Realisation loss : Rs.4,900
 A's Capital A/c : Rs.10,000
 B's Capital A/c : Rs.5,000

15. (a) Raja and Bhoja, partners in Raja & Co., decided to amalgamate their business with Vazir & Co. to form a new partnership firm Empire & Co. Raja's capital was Rs. 80,000 and Bhoja's capital Rs. 60,000. Reserve fund balance is Rs. 16,000 and P&L A/c debit balance is Rs. 24,000. Goodwill stood in the books at Rs. 30,000 but it is now revalued at Rs. 46,000. Revaluation profit is arrived at Rs. 8,000. If they share profit and losses in 3:2 ratio, compute their adjusted capitals for the purpose of amalgamation with Vazir & Co.

Or

- (b) P Ltd was formed for taking over the business of Mr. Ganapathi. The purchase consideration was Rs. 1,92,000 which will be settled by issue of 960 shares of Rs.100 each at a discount of 5% and balance in cash. Assets taken over were Rs. 2,08,000 and liabilities taken over were Rs. 28,000.

Give journal entries in the books of P Ltd.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) From the following data prepare Departmental Trading and P and L A/c and thereafter the combined income account revealing the concern's true results for the year ended 31-12-2013.

	Dept A Rs.	Dept B Rs.
Stock (January 1)	40,000	—
Purchases from outside	2,00,000	20,000
Wages	10,000	1,000
Transfer of goods from Dept. A	—	50,000
Stock (December 31 st at cost to the dept.)	30,000	10,000
Sales to outsiders	2,00,000	71,000

Administrative expenses came to Rs. 15,000 to be allocated to A and B in the ratio of 4:1 respectively. B's entire stock represents goods from Department A which transfers them at 25% above cost.

Or

- (b) M Ltd., of Calcutta has a branch at Patna. Goods are invoiced to the Patna branch, the selling price being cost plus 25%. The Patna branch keeps its own sales ledger and transmits all cash received to Calcutta. All expenses are paid from Calcutta. From the following details prepare the Patna branch a/c for the year 2015.

	Rs.
Stock (1-1-2015) (invoice price)	1,250
Stock (31-12-2015) (invoice price)	1,500
Debtors (1-1-2015)	700
Debtors (31-12-2015)	900
Cash sales for the year	5,400
Credit sales for the year	3,500
Goods invoiced from Calcutta	9,100
Rent	400
Wages -	340
Sundry expenses	80

17. (a) On 1st April 2017, X and Y entered into a partnership on the following terms:
- X and Y are to contribute capital of Rs. 1,00,000 and Rs. 60,000 respectively.
 - Profit and losses are to be share in the ratio of 3:2

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- Interest on drawings is to be charged at 2% per annum and on capitals at 5% p.a
- X is to get a salary of Rs. 1,000 per month.
- Y is to get commission at 2% on the net profit of the firm before charging any of the above.

On 31st March 2018, their trading profits before giving effect to the above terms was Rs. 1,20,000. During the year, X has withdrawn Rs. 2,000 and Y Rs. 1,000 from the firm on which interest is to be charged for the whole year.

You are required to prepare P and L Appropriation A/c and Partners capital a/c in cases when

- Their capitals are fixed and
- Their capitals are fluctuating.

Or

- (b) The balance sheet of Padma and Renuka on 31st March 2018 is set out below; They are sharing profits and losses in the ratio of 3:1.

Liabilities	Rs.	Assets	Rs.
Capitals:		Land and building	30,000
Padma	40,000	Furniture	2,000

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Liabilities	Rs.	Assets	Rs.
Renuka	30,000	Stock	8,000
General reserve	20,000	Sundry debtors	60,000
Sundry creditors	20,000	Cash	4,000
		Profit & loss A/c	6,000
	<u>1,10,000</u>		<u>1,10,000</u>

They agreed to admit Kavitha into the firm, subject to the following terms and conditions:

- She will be entitled to one forth- share of the profits
- She will bring in Rs. 21,000 of which Rs. 10,000 will be treated as her share of goodwill to be retained in a business.
- Depreciation is to be provided on furniture @ 15%
- Stock to be revalued at Rs. 6,500.
- 50% of the general reserve is to remain as a provision for bad and doubtful debts. Prepare necessary ledger accounts and construct the balance sheet of the new firm.

18. (a) A, B and C were in partnership sharing profits equally. C died on 31st March, 2005. the balance sheet of the firm as at 31st December 2004 was as under:

Liabilities	Rs.	Assets	Rs.
Sundry creditors	15,600	Cash in hand and at bank	4,000
General Reserve	6,000	Debtors	18,000
Investment Fluctuation Fund	2,100	Stocks	28,000
Reserve for doubtful Debts	1,800	Investments (at cost)	8,000
Capital: Rs.		Freehold Property	30,000
A 30,000		Goodwill	13,500
B 25,000			
C 21,000	<u>76,000</u>		<u>1,01,500</u>
	<u>1,01,500</u>		<u>1,01,500</u>

On the date of death it was found that:

- Freehold property was worth Rs. 57,000;
- Debtors were all good;
- Stock was valued at Rs. 25,000;
- Investment was valued at Rs. 7,500 and was taken over by A at that value;

- (v) A liability for workmen's compensation for Rs. 3,000 was to be provided for;
- (vi) Goodwill was to be valued at one year's purchase of average profits of last 5 years.
- (vii) C's share of profit up to the date of death was to be calculated on the basis of last year's profit.

The profit of the last 5 years was as under:

2000 Rs. 11,500; 2001 Rs. 12,500; 2002 Rs. 8,000; 2003 Rs. 10,000; 2004 Rs. 12,000.

Prepare: (1) Revaluation Account, (2) Capital Account of C and (3) Balance Sheet of the remaining partners.

Or

- (b) Malathi and Revathi are partners in a business sharing profits and losses in the ratio of 3:2. Their balance sheet as on 1st January 2018 was as given below:

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Machinery	20,000
Malathi	20,000	Stock	16,000
Revathi	15,000	Debtors	15,000
Reserve Fund	15,000	Cash at Bank	6,000

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Liabilities	Rs.	Assets	Rs.
Creditors	7,500	Cash in hand	500
	<u>57,500</u>		<u>57,500</u>

Revathi retires from the business on 01.01.08 owing to illness and Malathi takes it over. The following revaluation was made:

- (i) The goodwill of the firm was valued at Rs. 25,000.
- (ii) Depreciate Machinery by 7½% and stock by 15 %
- (iii) Create a provision for bad debts at 5% on debtors.
- (iv) Create a provision for discount on creditors at 2%.

Prepare, Partner's capital accounts, Revaluation account and Balance sheet of Malathi.

19. (a) Chopra, Shah and Patel were carrying on business as manufactures of sports goods. The profit sharing ratio was 3:2:1 respectively. Their balance sheet as on 30th June was as under:

Liabilities	Rs.	Assets	Rs.
Sundry creditors	1,50,000	Plant and machinery	1,60,000

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Liabilities	Rs.	Assets	Rs.
Mrs. Chopra Loan	1,30,000	Stock	1,50,000
Repairs and renewals reserve	12,000	Sundry Debtors	2,00,000
Capital accounts:		Less: provision	<u>10,000</u>
Chopra 10,000		Prepaid insurance	4,000
Shah 1,50,000		Investment	30,000
Patel 20,000	2,70,000	Cash	28,000
	<u>5,62,000</u>		<u>5,62,000</u>

On this date the firm was dissolved. The assets realised as under:

Plant and machinery	Rs. 1,00,000
Stock	Rs. 1,20,000
Sundry debtors	Rs. 1,60,000

The investment taken over by Chopra at a value of Rs. 20,000. He also agreed to par Mrs. Chopra's loan. During the course of realisation it was found that a bill for

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Rs. 50,000 previously discounted by the firm was dishonoured and had to be paid. Expenses of realisation come to Rs. 8,000.

Prepare realisation account, partner's capital account and cash account.

Or

- (b) P, Q and R are partners in a firm - They share profits and losses equally. Their balance sheet on 31-12-92. is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve fund	18,000	Cash at Bank	8,000
Creditors	64,000	Q's Capital	6,000
	<u>1,10,000</u>		<u>1,10,000</u>

The partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debt to the firm. Machinery realised Rs.30,000 and furniture Rs.6,400. Only Rs.24,000 was recovered from debtors. Creditors were paid at a discount of 5%. Prepare the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner Vs. Murray rule.

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20. (a) A, B and C carry on a business in partnership sharing profits and losses in the ratio 4:3:1. On 31-12-97 they agreed to sell their business to a joint stock company. The position was as follows

Liabilities	Rs.	Assets	Rs.
Capitals		Building	18,000
A	20,000	Machinery	12,000
B	15,000	Book debts	15,000
C	13,000	Stock	13,000
Sundry creditors	12,000	Cash at bank	2,000
	<u>60,000</u>		<u>60,000</u>

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

Building Rs. 22,000, book debts Rs. 14,000, goodwill Rs. 4,000, machinery Rs. 11,000 and stock Rs. 12,000

The purchase price of building and machinery was paid by the company in its shares for Rs. 33,000, and book debts, stock and goodwill were paid for in cash, sundry creditors were

paid off at a discount of 2.5% and the expenses of realisation amounted to Rs. 500 share are to be distributed in the profit sharing ratio.

Show the necessary ledger accounts to close the books of the firm.

Or

- (b) Suresh, Ramesh and Girish are in partnership. The following is their balance sheet as on 31st December 2017, on which date they dissolve their firm. They share profits and losses in the ratio of 4:3:2.

Balance sheet as on 31st December 17

Liabilities	Rs.	Assets	Rs.
Sundry creditors	9,500	Cash in hand	200
Reserve	3,600	Sundry Debtors	27,000
Capitals		Stock-in-trade	13,000
Suresh	22,400	Furniture	15,800
Ramesh	12,900		
Girish	7,600		
	<u>56,000</u>		<u>56,000</u>

It is decided to repay the amounts due to the partners as and when the assets are realised.
Assets realised as follows:

	Debtors Rs.	Stock Rs.	Furniture Rs.
I Instalment	2,000	1,000	300
II Instalment	6,000	3,000	2,000
III Instalment	10,000	6,500	5,200
IV Instalment	6,000	1,500	6,000

Prepare a statement showing how the distribution should be made.
