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Code No. : 32085 E **Sub. Code : CMCO 31**

B.Com.(CBCS) DEGREE EXAMINATION,
APRIL 2023.

Third Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING

(For those who joined in July 2021 onwards)

Time : Three hours Maximum : 75 marks

PART A — ($10 \times 1 = 10$ marks)

Answer ALL questions.

Choose the correct answer :

1. Under debtor system, branch account is

   (a) real a/c

   (b) asset a/c

   (c) personal a/c

   (d) nominal a/c

2. Depreciation on assets should be divided among the different departments on the basis of

(a) floor space

(b) sales price

(c) purchase ratio

(d) assets value of each department

3. The profit on revaluation of assets at the time of admission must be transferred to the partners in the

(a) capital ratio

(b) old profit sharing ratio

(c) new profit sharing ratio

(d) sacrificing ratio

4. Old profit sharing ratio – New profit Sharing ratio =

(a) Sacrificing ratio

(b) Gaining ratio

(c) Capital ratio

(d) Profit sharing ratio

5. Upon retirement, when a memorandum revaluation a/c is prepared, assets and liabilities appear in the balance sheet.

(a) revised values (b) historical values

(c) added values (d) adjusted values

6. In the absence of partnership agreement, interest on partner's loan is provided at

(a) 4% (b) 5%

(c) 6% (d) 7%

7. Under Garner Vs Murray rule, the insolvency loss should be borne by solvent partners according to

(a) Capital ratio (b) Profit sharing ratio

(c) Final claims ratio (d) Maximum loss ratio

8. A firm is unable to pay its debts when

(a) a partner is insolvent

(b) a partner has debit balance

(c) the firm is insolvent

(d) none of the above

9. The assets, liabilities and capital accounts of the amalgamating firm are closed by opining

(a) Realisation a/c (b) Revaluation a/c

(c) New firm a/c (d) None

10. Proportionate capital method is otherwise called

(a) Relative capital method

(b) Maximum loss method

(c) Capital a/c

(d) None

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) Briefly explain the features of dependent branches.

Or

(b) The following the purchase were made by a business house having three departments.

Dept. A – 1,000 units	At a total cost of Rs. 1,00,000
Dept. B – 2,000 units	
Dept. C – 2,400 units	

Stocks on 1st January were :

Dept. A – 120 units

Dept. B – 80 units

Dept. C – 152 units

Sales were :

Dept. A – 1020 units at Rs. 20 each

Dept. B – 1920 units at Rs. 22.50 each

Dept. C – 2496 units at Rs. 25 each

The rate of gross profits is same in each case. Prepare Departmental trading account.

12. (a) In the absence of partnership agreement, how are the following dealt with in the books of accounts of a partnership firm?

(i) Salaries to partners

(ii) Interest on capital

(iii) Interest on loan.

Or

(b) X and Y are partners sharing profits in the ratio of 3 : 2. They admit 2 into partnership, Z paying a premium of Rs. 2,000 for 1/4th share of profit. The new ratio 3 : 3 : 2. Goodwill account appears in the books at Rs. 2,000. Journalise.

13. (a) Describe the different ways in which payment may be made to a retiring partner?

Or

(b) P, J and R are partners sharing in the ratio of 2 : 2 :1 . J died on 31st March 2011. Accounts are closed on 31st December. Sales for the year 2010 amounted to Rs. 2,40,000. Sales of Rs. 80,000 amounted between the period from 1st January 2011 to 31st March 2011. The profits for the year 2010 amounted to Rs. 24,000. Calculate the deceased partner's share in the profit of the firm.

14. (a) Explain the rules laid down in 'Garner Vs Murray case.

Or

(b) P, Q and R are share profits in proportion of 1/2, 1/4 and 1/4. On the date of dissolution their business Balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Sundry assets	40,000
P's capital	10,000		
Q's capital	10,000		
R's capital	6,000		
	40,000		40,000

The assets realized Rs. 35,500. Creditors were paid in full. Realisation expenses amount to Rs. 1,500. Close the books of the firm.

15. (a) Explain the methods of piecemeal distribution.

Or

(b) Discuss the objectives of amalgamation of firms.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Manian Ltd., of Calcutta has a branch at Patna. Goods are provides 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. Following details prepare the Patna branch A/c for the year 1989.

	Rs.
Stock (1.1.89) (Invoice Price)	1,250
Stock (31.12.89) (Invoice price)	1,500
Debtors (1.1.89)	700
Debtors (31.12.89)	900
Cash sales for the year	5,400
Credit sales for the year	3,500

	Rs.
Goods invoiced from Calcutta	9,100
Rent	400
Wages	340
Sundry expenses	80

Or

(b) Describe the procedure for the preparation of departmental accounts.

17. (a) Ram and Ravi are partners in a firm sharing profits and losses as to 3/4th to Ram and 1/4th to Ravi. Their capitals on 1st January, 1996 amounted to Rs. 18,000 and Rs. 12,000 respectively. During the year ended 31st December 1996, they lost Rs. 10,608 without taking into account interest on capital and drawings. According to Partnership deed, interest on capital is to be allowed at 5% p.a. and charged on drawings at an average rate of 2%. The drawings of Ram and Ravi during the year were Rs. 3,000 and Rs. 2,400 respectively and interest on them worked out to be Rs. 60 and Rs. 48 respectively.

Draw up the profit and loss Appropriation a/c and the capital accounts of the partners as on 31st December 1996.

Or

(b) A and B are partners sharing profits in the ratio 3 : 1. Their balance sheet stood as under 31.3.2004.

Liabilities		Rs.	Assets		Rs.
Salary due		5,000	Stock		10,000
Creditors		40,000	Prepaid insurance		1,000
Capital			Debtors	8,000	
A	30,000		(–) Provision	500	7,500
B	20,000	50,000	Cash		18,500
			Machinery		22,000
			Building		30,000
			Furniture		6,000
		95,000			95,000

C's admitted as a new partner introducing a capital of Rs. 20,000 for his 1/4th share in future profits.

Following revaluations are made :

(i) Stock be depreciated by 5%

(ii) Furniture be depreciated by 10%

(iii) Building be revalued at Rs. 45,000

(iv) The provision for doubtful debts should be increased to Rs. 1,000.

Prepare revaluation a/c and balance sheet after admission.

18. (a) A and B are partners in a business sharing profits and losses as 3/5th and 2/5th. Their balance sheet as on 1st January 2005 is given below:

Liabilities		Rs.	Assets	Rs.
Capital			Machinery	19,500
A	20,000		Stock	16,000
B	15,000	35,000	Debtors	15,000
Reserve		15,000	Cash at bank	6,000
Sundry creditors		7,500	Cash in hand	1,000
		57,500		57,500

B decides to retire from the business owing to illness and A takes it over and the following revaluation are made:

(i) Goodwill of the firm is valued at Rs. 15,000.

(ii) Depreciate machinery by 7.5% and stock by 15%.

(iii) A Bad debts provision is raised against debtors at 5% and a discount reserve against creditors at 2.5%.

Prepare ledger accounts and the balance sheet of A.

Or

(b) Show the procedure to be followed in setting the accounts of a retiring partner.

19. (a) A and B were in equal partnership. Their balance sheet stood as under on 31st December 2005 when the firm was dissolved:

Liabilities	Rs.	Assets	Rs.
Creditors	3,200	Machinery	1,200
A's capital	400	Furniture	300
		Debtors	500
		Stock	400
		Cash	180
		B's drawings	1,020
	3,600		3,600

The assets realised as under:

Machinery Rs. 600, Furniture Rs. 100, Debtors Rs. 400, Stock Rs. 300

The expenses of realization amounted to Rs. 140. A's invate estate is not sufficient even to pay his private debts, whereas in B's private estate is a surplus of Rs. 140 only.

Give necessary accounts to close the books of the firm.

Or

(b) R, S and M are partners sharing profits and losses as 2 : 2 : 1. Their Balance sheet at 30.6.91 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	4,000	Bank	5,000
Capital		Debtors	4,000
R	10,000	Stock	5,000
S	4,000	Fixtures	2,000
M	2,000	Machinery	9,000
Reserve fund	5,000		
	25,000		25,000

They decide to dissolve the business. The following are the amounts realized. Machinery Rs. 8,500, Furniture Rs. 1,500, Stock Rs. 7,000 and debtors Rs. 3,700.

Creditors allowed a discount of 2% and R agreed to bear all realization expense. For this service, R is paid Rs. 120 Actual expense amounted to Rs. 900 which was withdrawn by him from the firm. There was unrecorded asset of Rs. 500 which was taken over by S at Rs. 400.

Prepare revaluation a/c, capital a/c and bank a/c.

20. (a) The following are the Balance sheets of two firm M/s. R & S and M/s. T & U as on 31st March 2002.

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Bills payable	30,000	—	Cash	2,00,000	2,00,000
Trade creditors	15,000	1,25,000	Bank	50,000	75,000
Bank overdraft	—	51,500	Debtors	1,00,000	1,50,000
Capital:			Stock	1,50,000	1,75,000
R	2,50,000		Buildings	25,000	1,00,000
S	2,50,000		Furniture	10,000	1,500
T		2,62,500	Investments	10,000	—
U		2,62,500			
	5,45,000	7,01,500		5,45,000	7,01,500

The partners of both firms have decided to amalgamate their business into a new firm, named as Revathi & Co. The following terms were agreed upon:

(i) The buildings of both firms are to be taken over at 20% above their took values.

(ii) M/s. T&U should be credited with Rs. 1,00,000 for some valuable copy rights possessed by them, but not shown in their books.

(iii) All other assets were taken over at book values except the investments of M/s. R&S.

(iv) Both firms to discharge their own liabilities.

Pass necessary journal entries to close the books of old firms.

Or

(b) The following is the Balance sheet of X, Y and Z as at 30.12.94.

Liabilities	Rs.	Assets	Rs.
Capital		Plant and machinery	50,000
X	75,000	Land and buildings	1,00,000
Y	22,500	Stock	20,000
Z	67,500	Debtors	70,000
Y's loan	13,000		
Creditors	62,000		
	2,40,000		2,40,000

On the above date, they decide to dissolve the firm and to repay the amounts due to partners as and when the assets were realized viz.

	Rs.
I realisation	45,000
II realisation	1,09,500
III realisation	70,500

Prepare the statement showing how the distribution should be made by using maximum loss method.