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

Fourth Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING – II

(For those who joined in July 2017 – 2020)

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Balance sheet items like profit and loss balance must be transferred to ———— of the time of refinement a partner.

   (a) Revaluation a/c

   (b) Partner's Capital a/c

   (c) Memorandum revaluation a/c

   (d) None of these

2. The balance of reserves and other accumulated profits at the time of admission of a new partner are transferred to

(a) all partners in the new ratio

(b) old partners in the new ratio

(c) old partners in the old ratio

(d) old partners in the sacrificing ratio

3. Partner's salaries will be debited to

(a) Trading a/c

(b) P and L a/c

(c) P and L Appropriation a/c

(d) Capital a/c

4. Object of valuation of goodwill is

(a) Benefit of old partners

(b) Benefit of new partners

(c) Mutual benefit of old and new partners

(d) Benefit of old partners who are sacrificing

5. In the case of retirement of partner, profit on revaluation is credited to the capital accounts of the partners————

(a) equally

(b) in profits sharing ratio

(c) in capital ratio

(d) only to retiring partner

6. General reserve at the time of admission of a new partners is transferred to

(a) Partner's capital a/c

(b) P and L adjustment a/c

(c) Trading a/c

(d) Balance sheet

7. What do you mean by super profit?

(a) Total profit by the number of years

(b) Average profit plus normal profit

(c) Average profit minus normal profit

(d) None of the options are correct

8. On the death of a partner, the amount of joint life policy should be credited to the capital a/c of:

(a) all partners including the deceased partners in their profit sharing ratio

(b) remaining partners in the new profit sharing ratio

(c) neither the deceased partner nor the remaining partner

(d) all of these

9. A, B and C are partners sharing profits in the ratio of 2:2:1. C retired. The new profit sharing ratio between A and B will be:

(a) 3:2 (b) 2:1

(c) 1:1 (d) 1:2

10. In the event of amalgamation of partnership firms, the goodwill of each business is credited to the partners of the respective firms in their

(a) Old profit sharing ratio

(b) New profit sharing ratio

(c) Capital ratio

(d) Final claim ratio

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) Why is profit and loss adjustment account prepared? Explain.

Or

(b) A partner withdraws Rs. 5,000 on Feb 01, Rs. 3,000 on May 01, Rs. 5,000 on Sep. 30 and Rs. 1,000 on Dec. 31 and the rate of interest on drawings is 10% p.a. The firm closes its book on December 31.

12. (a) X and Y share profit and loss in the ratio of 2:1 and as from Jan 1,2018 they admit Z who is to have 1/10th share of profit with a guarantee minimum of Rs. 32,000, X and Y continue to share of profits as before. The profit of the firm for the year was Rs. 2,00,000. Prepare a profit and loss Appropriation account.

Or

(b) Aakriti and Bindu entered into partnership for making garment on April 01, 2016 without any partnership agreement. They introduced capitals of Rs. 5,00,000 and Rs. 3,00,000 respectively on October 01, 2016. Aakriti Advanced. Rs. 20,000 by way of loan to the firm without any agreement as to interest. Profit and Loss account for the year ended March 2017 showed profit of Rs. 43,000. Partners could not agree upon the question of interest and the basis of division of profit. You are required to divide the profits between them giving reason for your solution.

13. (a) Ram, Raj and George are partners sharing profits in the ratio 5: 3 : 2. According to the partnership agreement George is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year 2013 amounted to Rs. 40,000. Prepare the profit and loss appropriation account.

Or

(b) P, Q, R and S are partners in a firm sharing profits in the ratio of 2:1:2:1. On the retirement of R, the firms' goodwill was valued at Rs. 45,000. P, Q and S decided to share the future profits equally. Pass journal entry for goodwill.

14. (a) Discuss the decision in Garner vs. Murray.

Or

(b) On dissolution, how you deal with partner's loan if it appears on the

(i) Assets side of the balance sheet

(ii) Liabilities side of the balance sheet

15. (a) Describe the accounting procedure under fixed capital method.

Or

(b) Distinguish between firm's debts and partner's private debts.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Amann, Babita and Suresh are partners in a firm. Their profit sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of Rs. 10,000 as share of profit, every year. Any deficiency on that account shall be met by Babita. The profits for two years ending December 31, 2016 and December 31, 2017 were Rs. 40,000 and Rs. 60,000, respectively. Prepare the Profit and Loss Appropriation Account for the two years.

Or

(b) Simmi and Sonu are partners in a firm, sharing profits and losses in the ratio of 3:1. The profit and loss account of the firm for the year ending March 31, 2017 shows a net profit of Rs. 1,50,000. Prepare the profit and loss appropriation account by taking into consideration the following in the following information :

(i) Partners capital on April 1, 2016

Simmi Rs. 30,000; Sonu, Rs. 60,000;

(ii) Current accounts balances on April 1, 2016;

Simmi Rs. 30,000 (cr); Sonu, Rs. 15,000 (cr);

(iii) Partners drawings during the year amounted to

Simmi, Rs. 20,000; Sonu, Rs. 15,000;

(iv) Interest on capital was allowed @ 5% p.a.;

(v) Interest on drawing was to be charged @ 6% p.a. at an average of six months;

(vi) Partners' salaries : Simmi Rs. 12,000 Sonu Rs. 9,000. Also show the partners' current accounts.

17. (a) The following is the Balance Sheet of A, B and C on 31st December 2008.

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		4,500	Cash in hand	300
Reserve fund		4,800	Cash at bank	7,500
Capital Accounts :			Sundry	
A	6,000		debtors	9,000
B	7,500		Furniture	12,000
C	7,500	21,000	Tools	1,500
		30,300		30,300

C died on 31st March 2009. Under the terms of Partnership deed the executors of a deceased partner were entitled to :

(i) Amount standing to the credit to the partner's capital account.

(ii) Interest on Capital @ 5% p.a

(iii) Share of Goodwill on the basis of twice the average of the past three years profits.

(iv) Share of profits from the closing of the last financial year to the death on the basis of the last year's profits.

Profits for 2006 Rs. 9,000; For 2007 Rs. 12,000 and for 2008 Rs. 10,500. Profits were shared in the ratio of capitals. Pass the necessary Journal entries and find out the amount payable to the heir of C.

Or

(b) Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs. 80,000 and Rs. 60,000 respectively. The firm started business on April 1, 2016. According to the partnership agreement, interest on capital and drawings are 12% and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs. 2,000 and Rs. 3,000 respectively. The profits for year end March 31, 2017 before making above appropriations was Rs. 1,00,300. The drawings of Ramesh and Suresh were Rs. 40,000 and Rs. 50,000, respectively. Interest on drawing amounted to Rs. 2,000 for Ramesh and Rs. 2,500 for Suresh. Prepare profit and loss appropriation account and partners' capital accounts, assuming that their capitals are fluctuating.

18. (a) Explain the Various methods of valuation goodwill.

Or

(b) A, B and C were partners sharing profits in the ratio of 3:2:1. Their balance sheet on 31.12.2013 was as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Cash at bank	1,10,000
Capitals :		Machinery	1,20,000
A	1,40,000	Goodwill	1,00,000
B	1,00,000		
C	60,000		
	3,30,000		3,30,000

The following steps were taken on 1.1.94

(i) C retired and his interest in the firm was valued at Rs. 80,000. It was purchased by A and B from their private resources in their profit sharing proportion.

(ii) D was admitted and become entitled to 1/6th share of profits on the condition that A and B should be credited proportionately for goodwill amounting to Rs. 60,000 to be brought in cash by D and he should bring in capital equal to 1/4 of the combine of A and B after adjustments.

Prepare partner's capital account and show the opening balance sheet of the reconstituted firm as on 1.1.2014.

19. (a) The following is the balance sheet of Arun, Babu, Cheran and David on 31.12.94. They shared profits and losses in the ratio of 4:3:2:1.

Liabilities	Rs.	Assets	Rs.
Capitals :		Fixed assets	20,000
Arun	15,000	Current assets	6,000
Babu	10,000	Goodwill	5,000
Cheran	1,500	David's capital	500
Sundry creditors	5,000		
	31,500		31,500

David has no separate assets and liabilities. The partners decided to dissolve the business. Fixed assets realized Rs. 15,000 and current assets realized Rs. 5,000. The Goodwill is valueless. Realization expenses amount to Rs. 1,500. Cheran can contribute only Rs. 250 from his separate resources. Prepare necessary accounts according to Garner vs Murray assuming that both Cheran and David have become insolvent.

Or

(b) State the difference between dissolution of partnership and dissolution of partnership firm.

20. (a) B and S partners of S & Co. sharing profits and losses in the ratio 3:1. S and T are partners of T and Co. sharing profits and losses in the ratio 2:1. On 31-12-2001 they decided to Amalgamate and form a new firm M/s. BST & Co. where in B, S and T would be partners sharing Profits and Losses in the ratio of 3:2:1. Their balance sheets on the dare were as under :

Liabilities	S & Co.	T & Co.	Assets	S & Co.	T & Co.
	Rs.	Rs.		Rs.	Rs.
Due to X & Co.	80,000	–	Cash in hand	20,000	10,000
Due to S & Co.	–	1,00,000	Cash at Bank	30,000	40,000
Other creditors	1,20,000	1,16,000	Due from T & Co.	1,00,000	–
Reserve	50,000	1,00,000	Due from X & Co.	–	60,000
Capitals :			Other debtors	1,60,000	2,00,000
B	2,40,000	–	Stock	1,20,000	1,40,000
S	1,60,000	2,00,000	Furniture	20,000	6,000
T	–	1,00,000	Vehicles	–	1,60,000
			Machinery	1,50,000	–
			Building	50,000	–
	6,50,000	6,16,000		6,50,000	6,16,000

The amalgamated firm took over the business on the following terms :

(i) Goodwill of S & Co. was worth Rs. 1,20,000 and that of T & Co Rs. 1,00,000. Goodwill account was not to be opened in the books of the new firm, the adjustments being recorded through capital accounts of the partners.

(ii) Building, machinery and vehicles were taken over at Rs. 1,00,000 Rs. 1,80,000 and 2,00,000 respectively.

(iii) Provision for doubtful debts has to be carried forward at Rs. 8,000 in respect of debtors of S and Co and Rs. 10,000 in respect of debtors of T & Co.

You are required to :

(1) Compute the adjustment necessary for goodwill

(2) Assuming that excess deficit capital (taking T's Capital as base) with reference to share in profits are to be transferred to current accounts.

Or

(b) P, Q and R were partners sharing profits and losses in the ratio of 2:2:1. The partnership was dissolved on December 31, 1988 and their Balance Sheet on that date was as follows :

Balance sheet of P, Q, R

Liabilities	Rs.	Assets	Rs.
Sundry creditors	6,000	Cash in hand	2,000
Capital accounts :		Other assets	38,000
P	16,000		
Q	10,000		
R	3,000		
Profit and Loss A/c	5,000		
	40,000		40,000

The assets were realized gradually Rs. 10,000 was received in the first instalment; Rs. 10,000 the second time and Rs. 13,000 finally. Show how the cash was distributed under Proportionate capital method.