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

Third Semester

Commerce – core

ADVANCED FINANCIAL ACCOUNTING

(For those who joined in July 2021-2022)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

1. Dependent Branch fully depends on
  - (a) Register office
  - (b) Head Office
  - (c) Branch office
  - (d) None of these
  
2. In departmental accounts, advertisement expenses is allocated on the basis of
  - (a) opening stock
  - (b) purchases
  - (c) sales
  - (d) closing stock

3. When goodwill account is raised, credit is given to old partners in

- (a) new ratio                      (b) sacrificing ratio
- (c) old ratio                      (d) gaining ratio

4. Revaluation account is a

- (a) Personal account    (b) Real account
- (c) Nominal account    (d) None of these

5. Sacrificing ratio is calculated as follows

- (a) old ratio less new ratio
- (b) new ratio less old ratio
- (c) old ratio plus new ratio
- (d) new ratio less gaining ratio

6. At the time of retirement, the retiring partner's remaining balances is transferred to

- (a) capital account
- (b) loan account
- (c) revaluation account
- (d) none of these

7. In case of Garner Vs Murray, the loss has to be borne by the

- (a) Insolvent partners
- (b) Solvent partners
- (c) Old partners
- (d) New partners

8. Unrecorded liability when paid a dissolution of firm is debited to

- (a) Partners capital account
- (b) Liability account
- (c) Realisation account
- (d) None of these

9. In the case of a sale to a company, the profit or loss on sale is ascertained through

- (a) Revaluation a/c    (b) Realisation a/c
- (c) Capital a/c        (d) Deficiency a/c

10. 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

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.	Rs.
Stock on 1.1.22		11,200
Branch debtors on 1.1.22		6,300
Goods sent to Branch		51,000
Cash sent to Branch for :		
Rent	1,500	
Salaries	3,000	
Petty Cash	500	5,000
Sales at Branch:		
Cash	25,000	
Credit	39,000	64,000
Cash received from Debtors		41,200
Stock on 31.12.22		13,600

Prepare Branch account for the year 2022.

Or

- (b) From the following particulars, prepare the departmental trading and profit and loss A/c for the year ending 31.12.22.

	Dept. X Rs.	Dept. Y Rs.
Stock (1-1-22)	9,000	8,400
Sales	42,000	36,000
Purchases	27,000	21,600

Direct expenses	5,490	8,520
Postage	360	360
Stock (31-12-22)	10,800	4,800

Indirect expenses for the entire business was Rs.3,900 which was are to be divided in the proportion of sales of the two departments.

12. (a) X and Y are partners in a firm sharing profits and losses equally. On 1<sup>st</sup> April 2018, their capitals were Rs.20,000 and Rs.10,000 respectively. Interest on capital is to be allowed at 5% p.a. from profits prior to division thereof. The net profit for the year ending 31<sup>st</sup> March 2019, before allowing interest on capital amounted to Rs.9,500. Give the journal entries and prepare profit and loss appropriation account as on 31<sup>st</sup> March 2019, showing the division of profit between X and Y.

Or

- (b) A and B are partners sharing profits in the ratio of 2:1. They admit 'C' as a partner for 1/4 share. His share of goodwill is Rs.9,000. Give journal entries in the following cases:

- When the goodwill is received in cash and retained in the business.
- When the goodwill is received in cash and withdrawn by old partners.

13. (a) A, B and C were partners in a firm with capitals of Rs.20,000, Rs.16,000 and Rs.12,000 respectively and sharing profits in the ratio of 3:2:1. On 31<sup>st</sup> March, 2018 B retires. For the purpose of retirement, the goodwill of the firm was valued at Rs.36,000. Pass necessary journal entries under the following cases:
- Total Goodwill is raised and maintained in the books.
  - Total Goodwill is raised but written off later on
  - 'B' is given his share of goodwill without raising goodwill account.

Or

- (b) A, P and R were partners in a firm. R died on 28<sup>th</sup> Feb.2011. His share of profits from the closure of the last accounting year till the date of death was to be calculated on the basis of the average profits of these completed years before death. Profit for 2008, 2009 and 2010 were Rs.55,000, Rs.66,000 and Rs.77,000 respectively.

Calculate R's share of profits till his death and pass the necessary journal entry for the same.

14. (a) P, Q and R were in partnership. Their profit sharing ratio was 2:1:1. Their Balance sheet on the date of dissolution was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Assets	40,000
Capital			
P	10,000		
Q	10,000		
R	6,000		
	<u>40,000</u>		<u>40,000</u>

Assets realized Rs.35,000 Creditors were paid in full. Realization expenses amounted to Rs.1,500. Prepare Realization account.

Or

- (b) Explain the ruling in Garner vs Murray.

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) What journal entries would be passed for the following transactions on the Dissolution of a firm, after various assets (other than cash) and third party liabilities have been transferred to realisation a/c?

- (i) Bank loan Rs.12,000 is paid
- (ii) Stock worth Rs.6,000 is taken over by partner B
- (iii) Expenses on dissolution amounted to Rs.1,500 and were paid by partner A
- (iv) A typewriter completely written off in the books of account was sold for Rs.200.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) The following purchases 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	

Stock on :1<sup>st</sup> January were:

Dept. A	-	120 units
Dept. B	-	80 units
Dept. C	-	152 units

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Sales were:

Dept. A	-	1,020 units at Rs.20 each
Dept. B	-	1,920 units at Rs.22.50 each
Dept. C	-	2,496 units at Rs.25 each

The rate of gross profit name is same in each case. Prepare departmental trading account.

Or

(b) Naga of Trichy has a branch at Madras. Goods are sent by head office at invoice price which is at the profit of 20% on cost price. All expenses of the branch are paid by head office. From the following particulars, prepare branch account in the H.O, books, showing goods at invoice price.

	Rs.
Opening Balance:	
Stock at invoice price:	11,000
Debtors	1,700
Petty Cash	100
Goods sent to branch at invoice price	20,000
Expenses paid by H.O.	
Rent	600
Wages	200
Salary	900

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	Rs.
Remittance made to H.O.	
Cash Sales	2,650
Cash collected from debtors	21,000
Goods returned by branch at invoice price	400
Balance at the end	
Stock at invoice price	13,000
Debtors	2,000
Petty Cash	25

17. (a) Mala and Kala are in partnership with capitals of Rs.30,000 and Rs.20,000 respectively. Mala is entitled for a salary of Rs.400 per month which is not yet drawn. Interest at 5% is allowed on capitals. There is no interest on drawings. During the year 2018, Mala withdrew Rs.3,000 and Kala Rs.2,000. The profit for the year 2018 before making any of the above adjustments is Rs.12,000. Of the divisible profits Mala is entitled for 60% and Kala 40% on the first Rs.2,000. Over that amount, profit is shared equally.

Show partners' capital accounts and also the account showing the allocation of profits.

Or

- (b) Atul and Asha are partnerships business sharing profits and loss in the ratio of 1:1. The position of their business as on 31<sup>st</sup> March, 2018 was as under:

	Rs.		Rs.
Atul's capital	60,000	Land and Building	60,000
Ash's capital	40,000	Furniture	10,000
General Reserve	10,000	Stock	15,000
Sundry creditors	30,000	Debtors	10,000
Bank A/c	5,000	less: bad debt reserve	500
		Cash in hand	50,500
	<u>1,45,000</u>		<u>1,45,000</u>

On 1.4.2018 Arjun was admitted as a partner with 1/5<sup>th</sup> share in future profits. Following are the terms for his admission.

- (i) Land and Buildings be valued at Rs.80,000.
- (ii) Value of furniture and stock be reduced by 10%.
- (iii) Goodwill Rs.10,000 brought in cash by Arjun.
- (iv) Arjun to bring Rs.20,000 as his capital.
- (v) Provision for bad and doubtful debts increased to Rs.1,000.

Prepare necessary ledger accounts and Balance sheet of the newly constituted firm.

18. (a) A, B and C are partners in a firm sharing profits and losses in the ratio of 1/3:1/2:1/6 respectively. Their balance sheet as on 31.3.2018 was as follows.

Liabilities	Rs.	Assets	Rs.
Reserve fund	16,000	Building	50,000
Capital A	30,000	Machinery	40,000
B	40,000	Furniture	10,000
C	25,000	Stock	25,000
Loan payable	15,000	Debtors	18,000
Sundry creditors	25,000	Less: Provision	<u>500</u>
		Cash	8,500
	<u>1,51,000</u>		<u>1,51,000</u>

'C' retires on 31.3.2016 subject to the following conditions:

- Goodwill of the firm is valued at Rs.24,000
- Machinery to be depreciated by 10%
- Furniture to be depreciated by 5%
- Stock to be appreciated by 15% and buildings to be appreciated by 10%
- Reserve for doubtful debts to be raised to Rs.2,000.

Prepare necessary ledger accounts and show the balance sheet of the new firm.

Or

- (b) What is Joint Life policy? Explain the methods of treatment joint life policy premium in partnership accounts.

19. (a) X and Y and Z sharing profits in the proportion of 3:2:1 decided to dissolve partnership on 31.12.90. Their balance sheet on that date was as under:

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Lease hold premises	12,500
X	30,000	Goodwill	20,000
Y	10,000	Machinery	30,520
Z	10,000	Stock	7,550
Bank loan	11,500	Investments	6,330
Leasehold redemption fund	6,000	Joint Life policy	12,000
Life Policy Fund	12,000	Sundry debtors	5,800
Sundry Creditors	16,200	Less: Reserve	<u>500</u>
		Cash at bank	1,500
	<u>95,700</u>		<u>95,700</u>

The joint life policy is surrendered for Rs.10,000. The investments are taken over by Y for Rs.8,000. X agreed to discharge the bank loan. The remaining assets are sold for Rs.86,700. The expenses of realisation amount to Rs.850.

Show the necessary ledger accounts including the accounts of the partners.

Or

- (b) A, B and C were in the partnership sharing profit and losses in the ratio 8:5:3 respectively. The capital accounts were fixed under the partnership agreement, and as the result of continuous losses, the firm resolved to dissolve the partnership. The balance sheet of the firm was as follows:

Balance sheet as on 31<sup>st</sup> December 2018

Liability	Rs.	Assets	Rs.
		Current accounts:	
Capital accounts:		A	4,390
A	10,000	B	3,466
B	4,000	C	3,040
C	2,000	Plant	2,100
Sundry creditors	5,906	Stock	12,118
Bank Loan	11,000	Sundry Debtors	7,144
		Cash	648
	<u>32,906</u>		<u>32,906</u>

The firms' assets were realised as follows:

	Rs.
Plant	1,200
Stock	10,460
Debtors	7,110

C adjudicated as insolvent and could contribute nothing towards his deficiency in the firm. You are required to close the books of the firm in accordance with decision in Garner Vs. Murray.

20. (a) Partners A B, and C share profits in the proportion of 1/2, 1/3 and 1/6. Their Balance Sheet is as follows:

Liabilities	Rs.	Rs.	Assets	Rs.
Capital Accounts :			Assets	80,000
A	30,000			
B	30,000			
C	<u>20,000</u>	80,000		
		<u>80,000</u>		<u>80,000</u>

The firm is dissolved and the assets are realised as follows:

First realisation	10,000	}	50,000
Second realisation	15,000		
Third and final realisation	25,000		

Prepare a statement showing the distribution should be made.

Or

- (b) The Balance sheet of a firm stood as follows on 31.12.2017.

Liabilities	Amount	Assets	Amount
Creditors	17,000	Cash at bank	6,200
Bills payable	1,200	Debtors	20,000
Capital A/c		(-) Provision	1,000
Amir	20,000	Stock	22,000
Balu	20,000	Plant and Machinery	15,000
Cherian	10,000	Fixtures	1,500
		Good will	4,500
	<u>68,200</u>		<u>68,200</u>

It was decided to sell the business to Andawar Ltd which agreed to allot 6,000 fully paid shares of Rs.10 each in full satisfaction of the purchase consideration. The company assumed liabilities except bills payable and took over all the assets excepting the bank balance. The partners, Amir, Balu and Cherian shared profits and losses in proportions of  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$  respectively.

Prepare necessary ledger accounts showing the final, settlements as regards partners, assuming that the shares were duly allotted.

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