

Reg. No. : .....

Code No. : 12009 E

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

Fourth Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING – II

(For those who joined in July 2017-2020)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the best answer:

1. Partnership act enacted in which year?
  - (a) 1942
  - (b) 1932
  - (c) 1952
  - (d) 1922
2. Sacrificing ratios equal to
  - (a) Old ratio – New ratio
  - (b) New ratio – old ration
  - (c) Both of the above
  - (d) None of the above

3. On the admission of a partner if the goodwill is raised at full value, it should be debited to \_\_\_\_\_.
- (a) Goodwill account (b) Cash account  
(c) Capital count (d) None of the above
4. Objects of valuation of goodwill in partnership firm 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 case of retirement of a partner, goodwill at its full value is credited to the accounts of \_\_\_\_\_.
- (a) Retiring partner (b) Old partner  
(c) New partner (d) All partners
6. Goodwill bought in by an incoming partner in cash to join a partnership firm is share by the old partner in their
- (a) New ratio (b) Old ratio  
(c) Sacrificing ratio (d) Gaining ratio

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. The decision in Gamer versus Murray was given in \_\_\_\_\_.
- (a) 1905 (b) 1933  
(c) 1804 (d) 1904
9. Purchase consideration received in the form of shares and debentures is distributed among the partners
- (a) In the ratio of fixed amounts due to partners  
(b) In the gaining ratio  
(c) In the profit sharing ratio  
(d) Equally
10. Any balance in the general reserve of the amalgamating firms is transferred to
- (a) Capital / current account  
(b) Revaluation account  
(c) New firm's account  
(d) Bank account

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) Write a detailed note on partnership deed.

Or

- (b) 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.

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  $\frac{1}{10}^{\text{th}}$  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

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- (b) On January 1, 1998, A, B and C enter into partnership contributing Rs 1,50,000, Rs 1,00,000 and 50,000 respectively and sharing the profit in the ratio of 3:2:1 and B are entitled to a Salary of 12,000 and 6000 per annum respectively. 5% on interest on capital is to be allowed. Interest on drawing is also be charged at 5%. A Drew Rs: 3,000, B Rs: 5,000 and C Rs:2,000; interest being: A Rs. 75, B Rs. 125 and C Rs. 50. Profit for year 1998, before the above adjustment, was Rs: 62,750. Show how the Profit is distributed and also prepare the capital Accounts (i) if they are fluctuating: (ii) If they are fixed.

13. (a) Comment on the usage of retirement of partners.

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.

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

Or

(b) A, B and C are partners. They share profits in the ratio of 4:3:1. They decided to dissolve the firm and on the date of dissolution, their balance sheet stood as follows:

| Liabilities       | Rs.           | Assets       | Rs.           |
|-------------------|---------------|--------------|---------------|
| Creditors         | 6,000         | Cash in hand | 1,000         |
| Capital Accounts: |               | Debtors      | 7,500         |
| A                 | 10,000        | Stock        | 6,500         |
| B                 | 7,500         | Plant        | 6,000         |
| C                 | 6,500         | Land and     |               |
|                   |               | Building     | 9,000         |
|                   | <u>30,000</u> |              | <u>30,000</u> |

The assets realized the following: Debtors Rs.7,000; Stock Rs. 6000; Plant Rs. 5500; Land and building Rs. 14,500. The sundry creditors were paid Rs. 5,500 in full satisfaction of their claim. The realization expenses came to Rs. 500. Close the books of the firm.

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

Or

(b) Record necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya at the firm of dissolution.

- (i) There was an old furniture in the firm which had been written-off completely in the books. This was sold for Rs. 3,000.
- (ii) Ashish, an old customer whose Account for Rs. 1,000 was written-off as bad in the previous year, paid 60% of the amount.
- (iii) Paras agreed to take over the firm's goodwill (not recorded in the books of the firm), at a valuation of Rs. 30,000.
- (iv) There was an old typewriter which had been written-off completely from the books. It was estimated to realize Rs. 400. It was taken away by Priya at an estimated price less 25%.
- (v) There were 100 shares of Rs. 10 each in Star Limited acquired at a cost of Rs. 2,000 which had been written-off completely from the books. These shares are valued @ Rs. 6 each and divided among the partners in their profit sharing ratio.

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PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) A and B are partners sharing in the ratio 3:2  
Their Balance sheet is given below:

Balance sheet of A & B as on January 1

| Liabilities      | Rs.           | Assets         | Rs.           |
|------------------|---------------|----------------|---------------|
| Capital Account  |               |                |               |
| A                | 8,000         | Goodwill       | 2,500         |
| B                | 8,000         | Assets – fixed |               |
|                  |               | and current    | 17,500        |
| Reserved account | 4,000         |                |               |
|                  | <u>20,000</u> |                | <u>20,000</u> |

On January 1, they decided to admit C in the firm with 1/3 share of profit. He however, brought in cash his share of capital Rs. 8,000 and Rs. 2,000 for his share of goodwill which is agreed to be Rs. 3,000. Prepare Balance sheet of the new firm.

Or

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- (b) In the absence of partnership deed, specify the rules relating to the following:

- Sharing of profits and losses
- Interest on partner's capital
- Interest on Partner's drawings
- Interest on Partner's loan.

17. (a) The following is the Balance sheet of A,B and C on 31<sup>st</sup> 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: Rs. |               | Sundry debtors | 9,000         |
| A                     | 6,000         | Furniture      | 12,000        |
| B                     | 7,500         | Tools          | 1,500         |
| C                     | 7,500         |                |               |
|                       | <u>21,000</u> |                |               |
|                       | <u>30,300</u> |                | <u>30,300</u> |

C died on 31<sup>st</sup> March 2009. Under the Terms of Partnership deed the executors of a deceased partner were entitled to:

- Amount standing to the credit to the partner's capital account.
- Interest on Capital @ 5% P.A.

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- (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. Pass the necessary Journal entries and find out the amount payable to the heir of C.

Or

- (b) How do you ascertain share of profit and amounts due to a dead partner make payment to his legal representatives?
18. (a) Explain the Various methods of valuation good will.

Or

- (b) A and B are Partners sharing profits in the ratio of 3:1 their balance sheet stood as under on 31.3.2004.

| Liabilities | Rs.    | Assets | Rs.    |
|-------------|--------|--------|--------|
| Salary Due  | 5,000  | Stock  | 10,000 |
| Creditors   | 40,000 |        |        |

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| Liabilities | Rs.           | Assets            | Rs.           |
|-------------|---------------|-------------------|---------------|
| Capital     |               | Prepaid Insurance | 1,000         |
| A           | 30,000        | Debtors           | 8,000         |
| B           | <u>20,000</u> | Less: Provision   | <u>500</u>    |
|             | 50,000        | Cash              | 18,500        |
|             |               | Machinery         | 22,000        |
|             |               | Buildings         | 30,000        |
|             |               | Furniture         | <u>6,000</u>  |
|             | <u>95,000</u> |                   | <u>95,000</u> |

C admitted as a new partner introducing a capital of Rs. 20, 000 for his 1/4<sup>th</sup> Share in future profits. Following revaluation is made:

- (i) Stock be depreciated by 5%
- (ii) Furniture to 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 account and Balance sheet after admission.

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19. (a) P and Q were working in partnership sharing profit and loss equally. On Dec 31, 2017, P decided to retiring and in his place, his son R was admitted as partner from January 1, 2018, with 1/3 share of profit.

Balance sheet ass on December 31, 2017

| Liabilities     | Rs.             | Assets            | Rs.             |
|-----------------|-----------------|-------------------|-----------------|
| Sundry Creditor |                 | Goodwill A/c      | 15,000          |
| Capital Account | 14,700          | Land and Building | 40,050          |
| P               | 54,300          | Motor car         | 12,000          |
| Q               | 48,000          | Furniture         | 9,300           |
|                 | 1,02,300        | Sundry debtor     | 24,150          |
|                 |                 | Cash at bank      | 16,500          |
|                 | <u>1,17,000</u> |                   | <u>1,17,000</u> |

It was decided that

- (i) The goodwill should be raised to Rs. 20,000
- (ii) The motor car would be taken over by Q at its book value.
- (iii) The value of the land and building would be increase by. Rs. 8,280

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- (iv) Q and R would introduce sufficient capital to pay off P and leave thereafter a sum of Rs. 7,350 as bank balance, so as to make their capital proportionate to their share of profit.

- (v) The capital payable by R was to be gifted to him by his father.

- (vi) The new partners decided not to show goodwill an asset.

The new arrangements were duly complied with. Show the partner's capital account and the bank account.

Or

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

20. (a) What do you understand by 'Piecmeal Distribution'? Explain the different methods of making such distribution.

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 as follows:

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### 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 realised 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.