

20. (a) The following is the balance sheet of M/s. A, B and C who share profits and losses in the ratio of 2 : 2: 1 respectively:

Liabilities	Amount	Assets	Amount
Sundry creditors	1,05,000	Furniture and fittings	70,000
Capital accounts		Sundry debtors	84,000
A	1,05,000	Stock	1,54,000
B	84,000	Cash at bank	14,000
C	28,000		
	<u>3,22,000</u>		<u>3,22,000</u>

The firm was dissolved and the assets were realized gradually; Rs 70,000 were received once, Rs 1,05,000 another time and Rs. 63,000 finally. Show how each installment is to be distributed.

Or

- (b) Illustrate the steps for steps on piecemeal distribution.

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B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2019.

Fourth Semester

Commerce – Main

ADVANCED FINANCIAL ACCOUNTING - II

(For those who joined in July 2016 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

- Partnership Act was passed in the year _____
(a) 1932 (b) 1956
(c) 1947 (d) 1950
- Partnership is the result of contract between the _____
(a) Employees (b) Suppliers
(c) Creditors (d) Partners



3. In the absence of any agreed _____, profit/loss will be shared equally
- (a) Capital ratio
 - (b) Gaining ratio
 - (c) Sacrificing ratio
 - (d) Profit sharing ratio
4. In case of banking business, the number of partners is restricted to _____
- (a) 10 (b) 15
 - (c) 20 (d) 25
5. A _____ is an insurance policy taken on the Joint lives of the partners
- (a) Single Life Policy
 - (b) Group Life Policy
 - (c) Joint Life Policy
 - (d) Partner Life Policy
6. When one or more partners leaves the firm and the remaining partners continue to do the business of the firm, it is known as _____ of a partner
- (a) Admission (b) Retirement
 - (c) Insolvency (d) Death

7. Under simple average profit method, goodwill is value with the help of _____ formula
- (a) $\text{Average Profit} \times \text{Number of year of purchase}$
 - (b) $\text{Super profit} \times \text{Number of year of purchase}$
 - (c) $\text{Divided profit} \times \text{Number of year of purchase}$
 - (d) $\text{Total profit} \times \text{Number of year of purchase}$
8. The credit balance of Revaluation account shows _____
- (a) Reserves (b) Profit
 - (c) Loss (d) Goodwill
9. In case of dissolution of partnership, _____ account is prepared.
- (a) Revaluation (b) Realization
 - (c) Reconstruction (d) Remedial
10. Under _____, assets of the firm are disposed off, liabilities are paid off and the accounts of all the partners are also settled
- (a) Admission of a partner
 - (b) Retirement of a partner
 - (c) Dissolution of a firm
 - (d) Amalgamation of firms



PART B — (5 × 5 = 25 marks)

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

11. (a) A and B are partners sharing profits in the ratio of 3:2 with capitals of Rs. 50,000 and Rs. 30,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of Rs. 2,500. During 2006, the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to Rs. 12,500. A provision of 5% of the profits is to be made in respect of Manager's commission. Prepare an account showing the allocation of profits and partners' capital accounts.

Or

- (b) List out the contents in partnership deed.
12. (a) List out the adjustments which are necessary for admission of a partner.

Or

- (b) Neha and Parteek are partners, sharing profit in the ratio of 5 : 3. They admit Nisha as a new partner for $\frac{1}{6}$ share in profit. She acquires this share as $\frac{1}{8}$ from Neha and $\frac{1}{24}$ share from Parteek. Calculate the new profit sharing ratio and sacrificing ratio.

13. (a) Ashish, Barmon, and Chander are partners sharing profits and losses in the ratio of 2:1:2 respectively. Chander retires and Ashish and Barman decide to share the profits and losses equally in future. Calculate the gaining ratio.

Or

- (b) On 31st March 2014, D retired from a partnership firm leaving Rs. 15,000 in the firm as a loan to be repaid in three annual installments of Rs. 5,000 each plus interest at 8% p.a on outstanding balance. Show D's loan account.

14. (a) What is realization account? What is the importance of preparing it?

Or

- (b) What journal entries will be passed for the following transactions in case of dissolution of partnership?
- (i) Payment of unrecorded liabilities Rs. 3,200
 - (ii) Stock worth Rs. 7,500 is taken by Partner Rohit.
 - (iii) Profit on realization Rs. 18,000 is distributed to Arun and Banu on 5: 7
 - (iv) An unrecorded asset realized Rs. 5,500.



15. (a) Calculate purchase consideration from the following given Balance Sheet under net assets method

Liabilities	Amount	Assets	Amount
Share capital	3,00,000	Cash	80,000
6% debentures	1,00,000	Stock	1,00,000
Sundry creditors	50,000	Creditors	70,000
General reserve	35,000	Stock	80,000
P & L a/c	15,000	Debtors	60,000
		Cash	75,000
		Preliminary expenses	20,000
		Discount on shares	15,000
Total	5,00,000	Total	5,00,000

The transferee company takes over the business of transferor company on the following terms and valuation:

The values place on the various assets are:

Goodwill	Rs. 60,000
Land	Rs. 1,20,000
Plant	Rs. 60,000

Stock Rs. 75,000

Debtors Rs. 55,000

Cash not taken over Creditors to be satisfied at Rs. 40,000.

Or

- (b) State the methods for distribution of cash under piecemeal distribution method.

PART C — (5 × 8 = 40 marks)

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

16. (a) P and Q are partners with capitals of Rs. 6,00,000 and Rs. 4,00,000 respectively. The profit and Loss Account of the firm showed a net Profit of Rs. 4,26,800 for the year. Prepare Profit and Loss account after taking the following into consideration:

- Interest on P's Loan of Rs. 2,00,000 to the firm
- Interest on capital to be allowed @ 6% p.a.
- Interest on Drawings @ 8% p.a. Drawing were; P Rs. 80,000 and Q Rs. 25,000.



- (iv) Q is to be allowed a commission on sales @ 3%. Sales for the year was Rs. 10,00,000.
- (v) 10% of the divisible profits is to be kept in a Reserve Account.

Or

- (b) X and Y share profit and Losses in the ratio of 2:1 as from 1st April, 2013, they admitted Z as a partner who was to have one-tenth share of profit with a guaranteed amount of 1,60,000. X and Y continue to share profit as before. The profit for the year ended 31st March 2014 amounted to 10,00,000. Prepare partner's appropriation account.

17. (a) Karan and Tarun are partners sharing profit and losses in the ratio of 2: 1. Their Balance Sheet was as follows:

Balance Sheet of Karan and Tarun as on December 31, 2006

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	10,000	Cash in hand	7,000
Bills payable	7,000	Debtors	26,000
Capitals:		Investment	15,000
Karan	40,000	Machinery	13,000
Tarun	30,000	Building	20,000
		Stock	6,000
Total	87,000	Total	87,000

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Nikhil is admitted as a partner and assets are revalued and liabilities reassessed as follows:

- (i) Create a Provision for doubtful debt on debtors at Rs. 800.
- (ii) Building and investment are appreciated by 10%.
- (iii) Machinery is depreciated at 5%
- (iv) Creditors were overestimated by Rs. 500.

Make journal entries and prepare revaluation account before the admission of Nikhil.

Or

- (b) On 31st December 2005, their balance sheet stood as under:

	Rs.		Rs.
Sundry Creditors	37,500	Cash at bank	22,500
Capitals:		Bills Receivable	3,000
X	40,000	Sundry debtors	16,000
Y	10,000	Stock	20,000
		Furniture	1,000
		Buildings	25,000
	87,500		87,500

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On that date they admit Z as a new partner on the following terms:

- (i) To create a goodwill in the firm for Rs. 20,000.
 - (ii) Stock and Furniture to be depreciated by 10%.
 - (iii) Buildings to be appreciated by 20%.
 - (iv) Reserve for doubtful debts to be created to the extent of 5% on Debtors
 - (v) Z pays Rs 10,000 as his share of Capital
- Pass journal entries to give effect to these arrangements.

18. (a) Mudit, Mohit and Sonu are partners sharing profit in the ratio 3 : 2 : 1. Mudit retires from the partnership. In order to settle his claim, the following revaluation of assets and liabilities was agreed upon: (i) The value of Machinery is increased by Rs. 25,000. (ii) The value of Investment is increased by Rs 2,000. (iii) A provision for outstanding bill standing in the books at Rs. 1,000 is now not required. (iv) The value of Land and Building is decreased by Rs. 12,000. Give journal entries and prepare Revaluation account.

Or

- (b) Differentiate Revaluation Account and realization account.

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19. (a) Supriya and Monika are partners, who share profit in the ratio of 3:2. Following is the balance sheet as on March 31, 2014.

**Balance Sheet of Supriya and Monika as on
March 31, 2014**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Supriya's Capital	32,500	Cash and Bank	40,500
Monika's Capital	11,500	Stock	7,500
Sundry Creditors	48,000	Sundry debtors	21,500
Reserve fund	13,500	Less: Provision for doubtful debts	500
		Fixed Assets	36,500
	<u>1,05,500</u>		<u>1,05,500</u>

The firm was dissolved on March 31, 2014. Close the books of the firm with the following information:

- (i) Debtors realised at a discount of 5%
- (ii) Stock realised at Rs. 7,000
- (iii) Fixed assets realised at Rs. 42,000
- (iv) Realisation expenses of Rs. 1,500
- (v) Creditors are paid in full.

Prepare necessary ledger accounts.

Or

- (b) State the causes of general dissolution of partnership.

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