(FOR THE CANDIDATES ADMITTED **SUBJECT CODE** **22UCO203**

DURING THE ACADEMIC YEAR 2022-23 ONLY) **REG.NO**

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : MAY – 2023

B.Com. (AIDED & S.F) **MAXIMUM MARKS: 50**

II SEMESTER **TIME : 3 HOURS**

PART - III

HIGHER FINANCIAL ACCOUNTING

SECTION – A [10X1=10 MARKS]

ANSWER ALL QUESTIONS.

MULTIPLE CHOICE QUESTIONS **[K1]**

1. How is the partnership created?

   [a] Agreement [b] Friendship [c] Birth [d] Status

2. When should the Balance in a retiring partner's capital A/c be transferred?

   [a] Executor /a [b] Loan a/c [c] Cash a/c [d] None of these

3. In Garner VS Murray, insolvency loss borne by solvent partners in-----------.

   [a] Profit sharing ratio [b] Capital ratio [c] Final claims ratio [d] none of these

4. On the dissolution of a firm, the profit or loss is shared by the partners--------.

   [a] In the profit sharing ratio [b] In the ratio of capital balance

   [c] Equally [d] None of the above.

5. Joint venture is ----------- account.

   [a] Real account [b] nominal account [c] Personal account [d] Memorandum account

SHORT ANSWERS **[K2]**

6. Define partnership firm.

7. Explain the gaining ratio.

8. Indicate the causes of dissolution of the firm.

9. Explain the deficiency account in partnership firm.

10. Write any two features of joint venture.

SECTION – B (5 X 3 = 15 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. **[K3]**

11. [a] Show how the following items will appear in the Capital Account of the partners, Bubu and Gopu when their capitals are fluctuating:

(CONTD………..2)

	Babu Rs.	Gopu Rs.
Capital on 1.1.87	8,00,000	7,00,000
Drawings during 1987	1,60,000	1,40,000
Interest at 5% on drawings	4,000	2,000
Shares of Profits for 1987	84,000	66,000
Interest on Capital at 6%	48,000	42,000
Salary	72,000	Nil

(OR)

[b] P and Q are partners sharing profits in the ratio of 3:2. They admit R for 1/5th share which acquires equally from P and Q. Calculate new profit-sharing ratio and sacrificing ratio of old partners.

12. [a] K,L and M share profits and losses in the ratio of 5:3:2. From 1st April 2008 L retires and for that purpose, the following adjustments were agreed upon:

[i] Increase the value of premises by Rs.48,000.
[ii] Depreciate stock by Rs.4,000, furniture by Rs.1,000 and machinery by Rs.4,600.
[iii] Provide for an outstanding liability Rs.200.
Build revaluation a/c.

(OR)

b] X,Y and Z were partners in a business sharing profits in the ratio of 6:1:1 and their balance sheet on 31.12.07was as follow:

Liabilities	Rs.	Assets	Rs.
Creditors	50,000	Plant	1,00,000
Capital X	1,00,000	Debtors	70,000
Y	60,000	Stock	40,000
Z	50,000	bank	50,000
	2,60,000		2,60,000

Z dies on 30th September, 2008 and the partnership deed provided the following:
[i] The deceased partner will be entitled to his share of profit till the date of his death on the basis of previous year profit. The profit of last four year is 2004-Rs.1,60,0000, 2005 – Rs.1,20,000, 2006 – Rs. 80,000 and 2007 –Rs.40,000.
[ii] Z will be entitled to his share of Goodwill of the firm calculated on 3 years purchase of last 4 year's average of profit. Construct Z's capital a/c.

13. [a] Explain the Garner Vs. Murray case.

(OR)

[b] A,B and C share profits in the proportion of 1/2,1/4 and 1/4. On the date of dissolution, their balance sheet is as follows.

Liabilities	Rs.	Assets	Rs.
Capital: A	10,000	Sundry assets	40,000
B	10,000		
C	6,000		
Sundry creditors	14,000		
	40,000		40,000

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

(CONTD………..3)

14. [a] P, Q and R were partners sharing profits and losses in the ratio of 2:2:1. The partnership was dissolved on December 31, 2007 and their balance sheet on that due was as follows:

Liabilities	Rs.	Assets	Rs.
Capital: P	16,000	Cash	2,000
Q	10,000	Other assets	38,000
R	3,000		
Profit and loss a/c	5,000		
Sundry creditors	6,000		
	-----------		---------
	40,000		40,000

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

(OR)

[b] A, B and C share profits in the proportion of 1/2, 1/4 and 1/4. On the date of dissolution, their balance sheet is as follows.

Liabilities	Rs.	Assets	Rs.
Capital: A	10,000	Sundry assets	40,000
B	10,000		
C	6,000		
Sundry creditors	14,000		
	40,000		40,000

The assets realized Rs.34,000 which were received in insalments of Rs.14,000, Rs.10,000 and Rs.10,000 respectively. Show how the proceeds should be distributed as and when received.

15. [a] Compare joint venture with partnership firm.

(OR)

[b] Arun and Balu were partners in a joint venture sharing profits and losses in the ration of 3:2. Arun supplied goods for Rs.6,000 and incurred Rs.200 as expenses. Balu supplied goods worth Rs.5,000 and spent Rs.300 as expenses. Balu sold all the goods for Rs.18,000. Baluis entitled to a commission of 4% on sales. He settled his account by sending a bank draft to Arun.
Prepare Joint venture account in the books of Arun.

SECTION – C (5X5=25 MARKS)
ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. [K4 & K5]

16. [a] Explain the contents of Partnership deed.?

(OR)

[b] A & B are partners sharing profits in the ratio of 3:1. Their Balance Sheet stood as under on 31.12.95:

Liabilities	Rs.	Assets	Rs.
Capital		Stock	10,000
A 30,000		Prepaid Insurance	1,000
B 20,000		Debtors 8,000	
---------	50,000	Less: Provision 500	
Salary due	5,000	--------	7,500
Creditors	40,000	Cash	18,500
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
	---------		---------
	95,000		95,000

(CONTD………..4)

C is admitted as a new partner introducing a capital of Rs.20,000, for his 1/4th share in future profit.
Following revelations are made:
(i) Stock be depreciated by 5%
(ii) Furniture be depreciated by 10%
(iii) Buildings be revalued at Rs.45,000
(iv) The provisions for doubtful debts should be increased to Rs.1,000.
Prepare Revaluation A/c and Balance Sheet after admission.

17. [a] Sunil, Devan and Ravi are equal partners in a firm and their Balance sheet as on 31.12.90 is given below:

Liabilities	Rs.	Assets	Rs.
Creditors	40,500	Machinery	43,500
Reserve	4,500	Furniture	1,500
Capital:	15,000	Debtors	30,000
Sunil	12,000	Stock	20,000
Devan	18,000		
Ravi	---------		---------
	90,000		95,000

Ravi retired on 31.12.90 and assets were revalued as under:
Machinery Rs.51,000. Furniture Rs.1,200, Debtors Rs.28,500, Stock Rs.19,700. Goodwill of the firm is valued at Rs.9,000 and Ravi's share of goodwill is to be continuing partners capital without raising goodwill account.
Give journal entries, prepare necessary ledger accounts and new balance sheet.

(OR)

[b] X,Y and Z were partners sharing profits equally. Z died on 31.3.91. the Balance sheet of the firm as at 31.12.90 was as under:

Liabilities	Rs.	Assets		Rs.
Capital		Goodwill		40,500
X	90,000	buildings		90,000
Y	75,000	Investment (cost)		24,000
Z	63,000	Debtors	54,000	
Reserve Fund	18,000	Less: Provision	5,400	48,600
Investment fluctuation fund	6,300		---------	
Creditors	46,800	Stock		84,000
		Cash at bank		12,000
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	2,99,100			2,99,100

On the date of death,it's found that:
(i) Debtors were all good
(ii) Investments were valued at Rs.22,500 and were taken over by X at that value.
(iii) Stocks were valued at Rs.75,000
(iv) Buildings was valued at Rs.1,71,000
(v) Goodwill was to be valued at one year's purchase of average profits of last 5 years.
(vi) Z's Share of profit upto the date of death was to be calculated on the basis of last year's profit.
The profit of the last 5 years were as under:
1986- Rs.34,500; 1987- Rs.37,500; 1988- Rs.24,000; 1989-Rs.30,000; 1990 – Rs.36,000
Prepare Revaluation a/c, Capital a/c and Balance sheet of the remaining partners,

(CONTD………..5)

18. [a] The following was the Balance Sheet of A and B on 31.12.1983.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	38,000	Cash at Bank	11,500
Mrs.A's Loan	10,000	Stock-in-trade	6,000
B's.Loan	15,000	Debtors 20,000	
Reserve Fund	5,000	Less: Provision 1,000	
A's Capital	10,000	---------	19,000
B's Capital	8,000	Fixture & Fittings	4,000
		Plant & Machinery	28,000
		Investments	10,000
		P&L a/c	7,500
	---------		---------
	86,000		86,000

The firm was dissolved on 31.12.83 and the following was the result:

(i) A took over the investment at an agreed value of Rs.8,000 and agreed to pay off the loan to Mrs.A.

(ii) The assets realized as follows:
Stock Rs.5,000; Debtors Rs.18,500; Fixtures & fittings Rs.4,500 and Plant & machinery Rs.25,000.

(iii) The expenses were Rs.1,100.

(iv) The Sundry Creditors were paid off less 2 ½ % discount.

A and B shared profits & losses in the ratio of 3:2. Journalise the entries to made on dissolution.

(OR)

[b] The following is the balance sheet of X,Y and Z on 31.3.94.

Liabilities	Rs.	Assets	Rs.
Capital A/c's	50,000	Furniture	40,000
X	30,000	Plant & Machinery	20,000
Y	30,000	Stock	40,000
General reserve	40,000	Sundry debtors	20,000
Sundry creditors		Cash at Bank	12,000
		Z's capital	18,000
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	1,50,000		1,50,000

Z is insolvent but his estate pays Rs.4,000. It is decided to dissolve the partnership. The assets realized as follows:

Sundry debtors: Rs.15,000; Furniture Rs.28,000 ; Stock Rs.32,000; Plant & machinery Rs.14,000.

The dissolution expenses amounted to Rs.5,000.

Give accounts to close the books of the firm if the capitals are fluctuating.

19. [a] Following is the Balance Sheet of M/s. A , B and C who share profits and losses in the ratio of 2:2:1.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	30,000	Cash	4,000
Capital s:		Sundry debtors	44,000
A	30,000	stock	44,000
B	24,000		
C	8,000		
	-----------		------------
	92,000		92,000

The firm was dissolved and that assets were realised gradually Rs.20,000 was received first. Rs.30,000 was received next and Rs.18,000 finally. Show how distribution of cash is made.

(CONTD………..6)

(OR)

[b] A, B, C share profits in proportion of 1/2 ,1/3 and 1/6. Their Balance sheet is as follows:

Liabilities	Rs.	Assets	Rs.
A's Capital	60,000	Assets (less liabilities)	1,60,000
B's Capital	60,000		
C's Capital	40,000		
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	1,60,000		1,60,000

The partnership is dissolved and the assets are realized as follows:
First realisation Rs.20,000, second realization Rs.30,000, third and final realization Rs.50,000.
Prepare a statement showing how the distribution should be made.

20. [a] P & B under took jointly to construct a building for Z Ltd. for a contract price of Rs.1,60,000. The price was to be paid Rs.80,000 in cash and the balance in shares of Z Ltd. A banking account was opened jointly, P contributing Rs.45,000 and B Rs.40,000. They agreed to share profit or loss in proportion of 3:2. The joint venture transactions were as under. Materials purchased Rs.74,000; wages paid Rs.46,000; Establishment expenses paid Rs.6,000.

The contract was completed and the price was received. The shares we sold for Rs.70,000. B took over the unused materials at Rs.2,000.

Show the necessary accounts.

(OR)

[b] Ramu and Chand enter into a joint venture to share the results as to 2:1. The joint venture transactions are as under:

	Ramu [Rs.]	**Chand [Rs.]**
Goods supplied	60,000	30,000
Expenses paid	8,000	2,000
Sale proceeds received	80,000	56,000

Show the journal entries and ledger in the books of Ramu.

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