

**NGM COLLEGE (AUTONOMOUS) POLLACHI
END-OF-SEMESTER EXAMINATIONS: MAY- 2023**

**B.COM-BANKING AND INSURANCE
II SEMESTER**

**MAXIMUM MARKS: 50
TIME: 3 HOURS**

**PART - III
FINANCIAL ACCOUNTING II**

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

(K1)

1. If there is no specific agreement among partners, profit must be shared _____.
(a) equally (b) in capital ratio
(c) on the basis of discussion between partners (d) drawings
2. A&B shares profit in the ratio of 3:2. C obtains 1/5 th share from A. then new profit sharing ratio will be _____.
(a) 1:2:2 (b) 2:2:1 (c) 3:2:1 (d) 4:3:5
3. A firm is unable to pay its debts when _____.
(a) A partner is insolvent (b) A partner has debit balance
(c) The firm is insolvent (d) Profit & loss
4. The amount of deficiency is given under _____.
(a) List A (b) List B (c) List C (d) List H
5. The average clause in a loss of stock policy discourage _____.
(a) Over insurance (b) Under insurance
(c) Consequential loss (d) Consequential profit

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

6. What do you understand by “Hidden goodwill”?
7. What do you understand by ‘Adjustment of capital’ on admission?
8. Distinguish between Revaluation Account and Realization Account
9. Why do you prepare a deficiency account? What are its contents?
10. What is the purpose of fire insurance?

SECTION – B (5 X 3 = 15 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K3)

11. a) Describe various different methods of treating goodwill on the admission of anew partners.
(OR)
- b) P, Q and R are in partnership sharing profit & loss in the ratio of 5:4:1respectively. Two new partners X and Y are inducted. The profit is to be shared in the ratio of 3:4:2:1respectvely. X is to pay RS 60,000 for of his share of goodwill but Y is not in a position to pay cash for goodwill. Both the new partner introduced Rs 80,000 eachas their capital. Show journal entries.

12. a) Assess the different ways in which payments may be made to a retiring partner?
(OR)
 b) Sunil, Devan and Ravi are equal partners in a firm and their balance sheet as on 31/12/90 is given below:

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

Ravi retired on 31/12/90 and assts were revalued as under:

Machinery Rs 51,000. Furniture Rs 1,200, debtors Rs 28,500, stock Rs 14,700. Goodwill of the firm is valued at Rs 9,000 and Ravi's share of goodwill is to be adjusted to continuing Partener's capital accounts.

13. a) The following is the balance sheet of X, Y and Z on 31/3/94.

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

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

Sundry debtors: Rs 15,000; furniture Rs 28,000

stock Rs 32,000; plant and machinery Rs 14,000.

The dissolution expenses amounted to Rs 5,000.

Compute the accounts to close the books of the firm if the capital are fluctuating:

(OR)

b) Describe the rule laid down in "GARNER VS MURRAY" CASE.

14. a) Describe statement of affairs? How does it differ from balance sheet?

(OR)

b) A&B are equal partners. Insolvency petition was filed on 30/6/95. The balance sheet as on 30/3/95 is as follows:

Mortage loan(on freehold)	40,000	Freehold(1,20,000)	1,60,000
Bank overdraft(secured by 2 nd mortgage of freehold)	1,60,000	Plant&machinery(72,000)	1,20,000
Preferential creditors	6,000	Fixtures(4,000)	12,000
Unsecured creditors	2,00,000	Stock(40,000)	80,000
Capital- A	88,000	Debtors(60,000)	1,00,000
		Cash	2,000
		B- capital overdrawn	20,000
	4,94,000		4,94,000

The overdraft is secured in addition to second mortgage, by A's personal guarantee against which his investment have been deposited. A's investment are estimated to realize Rs 68,000 and after meeting his guarantee his private estate was insolvent. B was solvent and Rs 38,000 was available from his estate for firm's creditors.

Compute

(i) statement of affairs

(ii) Deficiency A/c

(iii) Capital accounts in the ledger

(CONTD 3)

15. a) Explain average clause and its significance.

(OR)

b) A fire occurred in the business premises of Raghavan on 19/07/89. From the following particulars ascertain the loss of stock and calculate a claim for insurance.

Stock on 1/1/88-----36,720
 Stock on 31/12/88-----32,400
 Sales for 1988-----2.16, 000
 Purchase for 1988-----1,46,400
 Purchase from 1.1.89 to 19.7.89-----1,76,400
 Sales from 1/1.89 to 19/7/89-----180,000

The stocks were always valued at 90% of cost. The stock saved from the fire was Rs 21,600. the amount of the policy was Rs 75,000. There was an average clause in the policy.

SECTION – C (5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K4 (Or) K5)

16. a) P and k are partners sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31 /3/2011 as follows;

Liabilities	Amount	Assets	Amount
Creditors	72,000	Cash	24,000
Bankloan	18,000	Debtors- 38,000 Less PBDD 4,000	34,000
General reserve	20,000	Stock	46,000
Capital A/C's P	70,000	Investment	40,000
K	60,000	Furniture	30,000
		Machinery	66,000
	2,40,000		2,40,000

On the above date, they admitted R for $\frac{1}{4}$ th share in profit on the following terms:

- R brings in capital proportionate to his share after all adjustments and Rs 16,000 for goodwill out of his share of share of Rs 20,000.
- Depreciate furniture by 5%.
- Half of investment were taken over by P&k in their profits sharing ratio and remaining valued at Rs 28,000.
- New ratio will be 3:3:2. Prepare the revaluation a/c, capital A/c's and balance sheet after R's admission

(OR)

b) A and B are partners in a firm. They share profit and losses in the ratio of 3:1. Their balance sheet as follows:

Liabilities	Amount	Assets	Amount
Capital A	80,000	Building	1,00,000
B	40,000	Plant	25,000
Reserve	40,000	Stock	40,000
Creditors	60,000	Debtors	70,000
Bills payable	20,000	Cash	5,000
	2,40,000		2,40,000

C is admitted into partnership for $\frac{1}{5}$ th share of the business on the following terms:

- Building is revalued at 1,20,000.
- Plant is depreciated to 80%.
- Provision for bad debts is made at 5%
- Stock is revalued at Rs 30,000.
- C should introduce 50% of the adjusted capital of both A and B. open various accounts and the new balance sheet after the admission of C.

17. a) A, B and C are partners in a firm sharing profit and losses in the ratio of 1/3, 1/2, 1/6 respectively. Their balance sheet as on 31/3/2006 was as follows;

Liabilities	Amount	Assets	Amount
Capital A	30,000	BUILDING	50,000
B	40,000	Machinery	40,000
C	25,000	Furniture	10,000
Reserve fund	16,000	Stock	25,000
Creditors	25,000	Debtors 18,000	
		Less provision 500	17,500
Bills payable	15,000	Cash	8,500
	1,51,000		1,51,000

C retires on 31/3/2006 subject to the following conditions:

- (a) Goodwill is valued at 24,000..
- (b) Machinery is depreciated to 10%.
- (c) Furniture to be depreciated by 5%
- (d) Stock to be appreciated by 15% and building to be depreciated by 10%
- (e) 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) Discuss the accounting treatment of ' joint life policy' at the time of death of a partner.

18. a) P, Q and R share profit in proportion of 1/2, 1/4 and 1/4. On the date of dissolution their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	14,000	Sundry assets	40,000
P's capital	10,000		
Q's capital	10,000		
R's capital	6,000		
	40,000		40,000

The assets was realized Rs 35,000. Creditor's were paid in full. Realization expenses amounted Rs 1,500. Close the books of the firm.

(OR)

b) P, Q and R are partners in a firm. They share profit and losses equally. Their balance sheet on 31/12/92 is given as under:

Liabilities	Amount	Assets	Amount
Capital P	16,000	MACHINERY	40,000
R	12,000	Furniture	16,000
Reserve fund	18,000	Debtors	40,000
Creditors	64,000	Cash at bank	8,000
		Q's capital	6,000
	1,10,000		1,10,000

The partnership is dissolved due to insolvency of Q who was unable to contribute anything in the payment of his debt to the firm. Machinery realized Rs 30,000 and furniture Rs 64,000. Only Rs 24,000 was recovered from debtors. Creditors were paid at a discount of 5%.

Prepare necessary accounts

(CONTD 5)

19. a) Mr. X is insolvent. He supplies to you the following information as on 3/12/92.

Cash in hand ----- Rs 1,000
 Creditors for goods-----Rs 5, 25,000
 Salary due to clerks-----Rs 7,000
 Taxes due to government-----Rs 21,000
 Bank loan secured by lien on stock of the book value of Rs 35,000----- 1, 75,000
 Furniture(expected to realize RS 35,000)-----Rs 70,000
 Stock (expected to realize 60%)-----5,25,000
 Book debts (good) -----70,000
 Book debts(doubtful, expected to realize 40%)-----1,75,000
 Bills receivable (Rs 52,500 bad)-----87,500
 Bills discounted (Rs 35,000 bad) -----Rs 1, 05,000
 Loan from Mrs 'X' -----Rs 1, 75,000

Mr. 'X' started business six years ago with a capital of Rs 4, 37,500. He drew Rs 87,500 each year for private purpose but did not maintain proper books of accounts. Mrs 'X' gave up her jewellery valued at Rs 70,000 to the receiver. Prepare the statement of affairs and deficiency account.

(OR)

b) Discuss the various procedures for preparing necessary accounts under insolvency act.

20. a) On 1.7.1988 a fire took place in the godown of ram which destroyed all stock

Sales in 1986	2,00,000
Sales in 1987	60,000
Gross profit in 1986	60,000
Gross profit in 1987	60,000
Stock on 1.1.88	2,70,000
Purchase from 1.1.88	4,00,000
Sales from 1.1.88 to 30.6.88	7,20,000

Additional information;

(i) Stock as on 31.12.87 had been undervalued by 10%
 (ii) A Stock taking conducted in march 1988 had revalued that stock Rs 80,000 were lying in a damaged condition. 50% of that stock had been sold in May 1988 at 50% of the cost and the balance were expected to be sold at 40% of the cost.

(OR)

b) How do you deal with abnormal items and abnormal practices in computation of claim for loss of stock?
