

(FOR THE CANDIDATES ADMITTED

SUBJECT CODE **22 UPA 203**

DURING THE ACADEMIC YEAR 2022-23 ONLY)

REG.NO.

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

**END-OF-SEMESTER EXAMINATIONS : MAY – 2023**

**B.Com. – P.A.**

**MAXIMUM MARKS: 50**

**II SEMESTER**

**TIME : 3 HOURS**

**PART – III**

**HIGHER FINANCIAL ACCOUNTING**

**SECTION – A**

**(10 X 1 = 10 MARKS)**

**ANSWER THE FOLLOWING QUESTIONS.**

**(K1)**

1. Interpret the interest on capital should be treated as \_\_\_\_\_.  
(a) a change again profits (c) a charge when profit are not available  
(b) an appropriation of profit (d) All of the above
2. When a new partner is admitted, revaluation of assets and liabilities is to be made for the \_\_\_\_\_.  
(a) benefit of old partner (c) mutual benefit of old and new partners  
(b) benefit of new partners (d) None of the these
3. Identify the all accumulated losses are transferred to the capital a/c of the partners in \_\_\_\_\_.  
(a) New profit sharing ratio (c) Capital ratio  
(b) Old profit sharing ratio (d) All of the above
4. Show the Branch account under debtor system is \_\_\_\_\_.  
(a) Real Account (c) Nominal Account  
(b) Personal Account (d) All of the above
5. Identify from the following year of Hire Purchase Act \_\_\_\_\_.  
(a) 1972 (b) 1930 (c) 1949 (d) 1961.

**ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.**

**(K2)**

6. Define “Partnership” .
7. Interpret the “Sacrificing ratio”.
8. Define “Goodwill”.
9. Explain the “ Branch Accounting”.
10. State any two features of Hire Purchase Accounting.

(CONTD.....2)

**SECTION – B****(5 X 3 = 15 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.****K3**

11. (a) Apply the format of Memorandum Revaluation Account.

**[OR]**

- (b) A and B share profits and losses in the ratio of 3: 2. C is admitted with 1/5 share of Profit and he brings Rs. 5,000 towards his share of goodwill and Rs.20,000 towards his capital.

Pass Journal entries.

12. (a) X,Y, and Z are partners sharing profits in the ratio of 4:3:2.Y retires from the firm, X and Z agree to share future Profits in the ratio of 5:3. Find out the gaining ratio.

**[OR]**

- (b) Arun, Lavanya and Shanthi were partners sharing profit in the proportion of 4:3:2 respectively. The balance sheet as at 31<sup>st</sup> March 2007 respectively.

Liabilities		Rs	Assets		Rs
Capital : Arun	60,000	1,50,000	Goodwill		12,000
Lavanya	50,000		Other Assets		1,88,000
Shanthi	40,000				
Other Liabilities					
		50,000			
		<u>2,00,000</u>			<u>2,00,000</u>

Arun retired on 1-4-2007 on which date the goodwill of the firm was estimated at Rs. 21, 000.How will you deal with it in the books of the firm?

13. (a) Explain value of Garner vs Murray.

**[OR]**

- (b) Mani and Gani sharing profit sharing in the ratio 5:3 took out a Joint life Policy of Rs 40,000 on January 1,2003 for 20 years paying an annual premium of Rs 2,200.

Gani died on April 20,2006 and the claim was received on May 25.Show the accounts treating the premium paid as an expenses and is closed every year to the profit and loss account.

(CONTD.....3)

14. (a) The following information relates to Madurai Branch.

	Rs	Rs
Stock on 1-1-2004		11,200
Branch debtors on 1-1-2004		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	
	-----	66,000
Cash Received from Debtors		41,200
Stock on 31-12-2004		13,000
Prepare Branch Account for the year 2004.		

[OR]

- (b) From the following particulars prepare a branch account showing the profit or loss at the branch.

	Rs
Opening stock at the branch	15,000
Goods sent to the branch	45,000
Sales	60,000
Salaries	5,000
Other Expenses	2,000

Closing Stock could not be ascertained but it is known that the branch usually sells cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission.

15. (a) On 1-1-86, X purchased machinery on hire purchase system. The payment is to be made Rs. 4,000 down (on signing of the contract) and Rs. 4,000 annually for three years. The cash price of the machinery is Rs. 14,900 and the rate of interest is 5%.

Calculate the interest in each year's instalment.

[OR]

(CONTD.....4)

- (b) On 1-1-93, a firm purchased a truck on instalment system. The Cash price of the machinery was Rs.11,175 and payment was to be made as follows:  
Rs. 3,000 was to be paid on signing of the agreement and the balance in three instalments of Rs.3,000 each at the end of each year. Interest at 5% is charged by the vendor. The firm has decided to write off 10% annually on the diminishing balance of each year.

Give journal entries and ledger accounts in the books of the purchaser and hire vendor.

### SECTION – C

(5 X 5 = 25 MARKS)

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

(K4 / K5)

16. (a) The Balance sheet of Padma and Renuka on 31<sup>st</sup> March 2000 is set out below: They share profits and losses in the ratio of 3:1.

Liabilities	Rs	Assets	Rs
Capital: Padma: 40,000		Land & Buildings	30,000
Renuka: 30,000	70,000	Furniture	2,000
-----		Stock	8,000
General Reserve	20,000	Sundry Debtors	60,000
Sundry Creditors	20,000	Cash	4,000
		Profit & Loss Account	6,000
	<u>1,10,000</u>		<u>1,10,000</u>

They agreed to admit Kavitha into the firm Subject to the following terms and Conditions:

- She will be entitled to one-fourth share of the profits.
- She will bring in Rs.21,000 of which Rs.10,000 will be treated as her share of goodwill to be retained in the balances.
- Depreciation is to be provided on furniture @ 15%.
- Stock to be revalued at Rs.6,500.
- 50% of the General reserve is to remain as a provision for bad and doubtful debts.

Give journal entries to give effect to the rearrangement and construct the Balance Sheet of the new firm.

(CONTD.....5)

**[OR]**

- (b) A and B are partners profits in the ratio of 3:1. Their balance sheet stood as under on 31-03-2004:

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid insurance	1,000
Capital :		Debtors	8,000
A   30,000		Less: Provision	500
B   20,000	50,000		7,500
-----		-	-----
			18,500
		Cash	22,000
		Machinery	30,000
		Building	6,000
		Furniture	
	<u>95,000</u>		<u>95,000</u>

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

- (i) Stock to be depreciated by 5% .
- (ii) Furniture 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.

Pass Journal Entries, Prepare Revaluation Account and Balance sheet after Admission.

17. (a) Following is the balance sheet of X , Y and Z as on 31-12-2004.

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
Sundry Creditors	30,000	Cash in hand	2,000
Reserve Fund	32,000	Cash at bank	50,000
Capital Account:		Debtors	60,000
X :       1,00,000		Stock	60,000
Y:        50,000		Furniture	80,000
Z:        50,000	2,00,000	Tools	10,000
-----			
	<u>2,62,000</u>		<u>2,62,000</u>

(CONTD.....6)

Y died on 31<sup>st</sup> March 2003, Under the partnership agreement, the executor of Y was entitled to:

- (i) Amount standing to the credit of his capital account.
- (ii) Interest on Capital which amounted to Rs.625.
- (iii) His share of Goodwill Rs.35,000
- (iv) His share of profit from the closing date of last financial year to the date of death which amounted to Rs. 4,375. Y's executor was paid Rs.18,000. On 1<sup>st</sup> April 2005 and the balance was to be paid in four equal yearly instalments starting from 31-3-2006 with @ p.a.

Prepare Y's Capital Account, Y's executors account till it is finally paid. Assume profits are shared in the capital ratio.

[OR]

- (b) Kin, Min and Tin are partners sharing profits and loss equally. Their Balance sheet as on 31-12-2011.

Liabilities	Rs	Assets	Rs
Sundry Creditors	47,000	Cash	36,000
General Reserve	30,000	Debtors	84,000
Capital Account:		Less: PBDD	6,000
Kin: 82,000			-----
Min: 82,000		Stock	19,000
Tin: 90,000	2,54,000	Fixture	42,000
		Furniture	56,000
		Machinery	1,00,000
	<u>3,31,000</u>		<u>3,31,000</u>

Tin Died on 1<sup>st</sup> April 2011 and the following agreement was to be put into effect:

- (i) Goodwill was valued at Rs.60,000 and Tin was to be credited with his share.
- (ii) Assets were revalued: Machinery to Rs.1,17,000; Furniture to Rs.46,000; Stock to Rs.15,000;
- (iii) Rs. 21,000 was to be paid away to the Tin's executors on 1<sup>st</sup> April 2011.

Pass Journal entries and Prepare revaluation Account, Capital Account and Balance sheet of new firm.

(CONTD.....7)

18. (a) The following is the balance sheet of X, Y and Z on 31-3-94.

Liabilities	Rs	Assets	Rs
Capital Account:		Furniture	40,000
X	50,000	Plant & Machinery	20,000
Y	30,000	Stock	40,000
General Reserve	30,000	Sundry Debtors	20,000
Sundry Creditors	40,000	Cash at Bank	12,000
		Z's Capital	18,000
	<u>1,50,000</u>		<u>1,50,000</u>

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 expenses amounted to Rs.5,000.

Give accounts to close the books of the firm if the capital are fluctuating;

[OR]

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

Liabilities	Rs	Assets	Rs
Capital Account:		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve Fund	18,000	Cash at Bank	8,000
Creditors	64,000	Q's Capital	6,000
	<u>1,10,000</u>		<u>1,10,000</u>

The Partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debit to the firm. Machinery realized Rs 30,000 and furniture Rs 6,400. Only Rs 24,000 was received from debtors. Creditors were paid at a discount of 5%.

Prepare the necessary account in the books of the firm when the capitals are fluctuating. Apply Garner vs Murray rule.

19. (a) Relationship between "Branch Accounting and Departmental Accounting"

**K4**

[OR]

(CONTD.....8)

- (b) A Hotel proprietor has two department viz., Apartment department and Meals department, Following is the trial balance of his business.

Debit	Rs	Credit	Rs
Provisions	15,500	Income from apartment & attendance department	46,000
Stocks of Provisions in the beginning	1,020	Income from meals department	32,000
Cash in hand and at bank	10,000	Capital	2,20,000
Customer's debit balance	800	Supplier Account	9,800
Building 1/10 <sup>th</sup> Used for meals department)		Provision for depreciation on building	24,000
Furniture and Equipment	2,10,000	interest	1,130
General expenses	60,000		
Interest accrued	27,410		
Life insurance	200		
Income tax	1,600		
Wages	400		
	6,000		
	<b>3,32,930</b>		<b>3,32,930</b>

**Additional information:**

- The servants in the Apartment Dept.had occupied a room worth Rs.120 and took meals worth Rs.60.Similarly, servants in the meals dept,had occupied a room worth Rs.150 and took meals worth Rs.90.
- Wages are charged in the proportion of  $\frac{1}{2}$  to the Apartment department  $\frac{1}{4}$ <sup>th</sup> to the provision department and remaining to the general Profit & loss Account.
- Increase provision for depreciation of building to Rs 30,000.
- A Sum of Rs.800 representing accommodation Rs.240 and meals Rs.560 to be charged to proprietor of the hotel.

You are required to Prepare Profit and Loss Account and Balance sheet as on 31-3-2002.

(CONTD.....9)



20. (a) Relationship between “Hire purchase Accounting and Instalment Accounting”

**[OR]**

- (b) Knight purchased a truck for Rs. 1,60,000 from S Waugh on 1-1-93 payment to be made Rs.40,000 down and Rs.46,000 at the end of first year Rs.44,000 at the end of second year and Rs.42,000 at the end of third year. Interest was charged at 5% Knight depreciates the truck at 10% per annum on written down value method.

Knight, after having paid down payment and first instalment at end of the first year, could not pay second instalment. The seller took possession of the truck and after spending Rs.4,000 on repairs of the assets, sold it away for Rs.91,500.

Give journal entries and ledger accounts in the books of both the parties.