

(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2023-24 ONLY)

SUBJECT CODE **23 UCO 203**

REG.NO.

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

END-OF-SEMESTER EXAMINATIONS : MAY – 2024

B.Com. (AIDED & SF)

MAXIMUM MARKS: 75

II SEMESTER

TIME : 3 HOURS

**PART – III
HIGHER FINANCIAL ACCOUNTING**

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS. (K1)

MULTIPLE CHOICE QUESTIONS

- If at the time of admission, some profit and loss account balance appears in the books, it will be transferred to _____.
a) All partners' Capital Account b) Revaluation Account
c) Old partners' Capital Accounts d) Profit and Loss Adjustment Account
- Retiring partner is compensated for parting with the firm's future profits in favour of remaining partners. The remaining partners contribute to such compensation amount in.....
a) Gaining Ratio b) Capital Ratio c) Sacrificing Ratio d) Profit-Sharing Ratio
- The amount realised from an unrecorded asset is credited to _____ on the dissolution of a firm.
a) Partners' capital accounts b) Cash account
c) Realisation account d) Revaluation account
- Unrecorded liabilities, when paid, are shown in _____.
a) Debit side of realisation account b) Debit side of bank account
c) Credit side of realisation account d) Credit side of bank account
- When unsold stock is taken away by a co-venturer, then account is debited
a) Joint Stock b) Joint Venture
c) Joint e Bank Account d) Co – venturers capital account

ANSWER THE FOLLOWING ONE OR TWO SENTENCES. (K2)

- State the meaning of sacrificing ratio.
- Give a short note on Sacrificing Ratio.
- When can a court dissolve a partnership?
- Who is insolvent partner?
- What is called joint venture?

(CONTD 2)

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

(5 X 5 = 25 MARKS)

(K3)

11. a) A and B are partners sharing profit and losses equally. They decided to admit C as a new partner with $\frac{1}{4}$ the share in future profits. Calculate the new profit-sharing ratio.

(OR)

- b) The books of Ram and Bharat showed that the capital employed on 31.12.2016 was Rs.5,00,000 and the profits for the last 5 years: 2015 Rs.40,000; 2014 Rs.50,000; 2013 Rs.55,000; 2012 , Rs.70,000 and 2011 Rs.85,000. Calculate the value of goodwill on the basis of 3 years' purchase of the average super profits of the last 5 years, assuming that the normal rate of return is 10%.
12. a) Arun, Tarun and Neha are partners sharing profits in the ratio of 3 : 2 : 1 Neha dies on 31st May 2014. Sales for the year 2013-2014 amounted to Rs.4,00,000 and the profit on sales is Rs. 60,000. Accounts are closed on 31 March every year. Sales from 1st April 2014 to 31st May 2014 is Rs. 1,00,000.

(OR)

- b) Roopa, Sunder and Shalu are partners sharing profit in the ratio of 5 : 3 : 2. Roopa retired, when their capitals were: Rs. 46,000, Rs. 42,000 and Rs. 38,000 respectively after making all adjustments on retirement. Sunder and Shalu decided to have a total capital of the firm at Rs. 84,000 in the proportion of 7 : 5. Calculate actual cash to be paid or brought in by each partner and make necessary journal entries.
13. a) P, Q and R share profits in proportion of $\frac{1}{2}$, $\frac{1}{4}$ and $\frac{1}{4}$. On the date of dissolution their Balance Sheet was as follows:

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Sundry Assets	40,000
P's Capitals	10,000		
Q's Capitals	10,000		
R's Capitals	6,000		
	40,000		40,000

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

(OR)

(CONTD3)

- b) X, Y and Z are partners sharing profits & losses in the ratio of 2: 2: 1 respectively. Y is insolvent and his estate is unable to contribute anything. You are required to pass two journal entries as per Garner vs. Murray rule from the following information:

Realisation loss Rs. 1,20,000

Deficiency in Y's Capital A/c: Rs. 22,000

Capital Ratio of X and Z: 73: 25

14. a) Vickram of Chennai owes the following sums:

	Rs.
Income Tax	4,000
Corporation Tax	600
Wages to 2 Servants	500
Salaries to 4 clerks	2,700
Rent to Land Lord for 3 months	3,000

Determine the amount payable by him as preferential creditors and unsecured creditors, if he became insolvent.

(OR)

- b) Why do you prepare the deficiency account?
15. a) Murugan and Ganesh entered into a joint venture to sell timber. They agreed to share the profits and losses equally. Murugan provided timber from stock at a mutually agreed value of Rs 5,000. He paid expenses amounting to Rs.250. Ganesh incurred further expenses on cartage and storage of Rs. 650 and received cash from sales Rs.3,000. He also took over goods to the value of Rs. 1,000 for his use in his own business. At the close Murugan took over the balance of stock in hand which is valued at Rs. 1,100.

Prepare joint venture account and Co-venture's account in the books of Murugan.

(OR)

- b) A and B enter into a Joint venture to take a building contract for Rs.2,40,000. They provide the following information regarding the expenditure incurred by them.

(CONTD4)

	A (Rs.)	B (Rs.)
Materials	68,000	50,000
Cement	13,000	17,000
Wages	-	27,000
Architect's Fee	10,000	-
License Fee	-	5,000
Plant	-	20,000

Plant was valued at Rs.10,000 at the end of the contract and B agreed to take it at that value. Contract amount of Rs.2,40,000 was received by A. Show the Joint venture account in the books of A.

SECTION – C

(5 X 8 = 40 MARKS)

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

(K4/K5)

16. a) Explain in detail the methods of valuation of Goodwill

(OR)

b) Rajesh and Ramesh are partners sharing profits in the ratio 3:2. Raman is admitted as a new partner and the new profit sharing ratio is decided as 5:3:2. The following revaluations are made. Pass journal entries and prepare revaluation account

- a) The value of building is increased by Rs.15,000
- b) The value of the machinery is decreased by Rs.4,000.
- c) Provision for doubtful debt is made for Rs.1,000.

17. a) L, M and N are partners sharing profit in the ratio M 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)

(CONTD5)

- b) A, B and C are partners in a firm sharing profits in the ratio 5 : 3 : 2. On 31st December 2014 their Balance Sheet was as under:

Liabilities	Amount (Rs.)	Assets	Amount(Rs.)
Creditors	52,000	Building	60,000
Reserve Fund	15,000	Plant	50,000
Capitals:		Stock	27,000
A 60,000		Debtors	25,000
B 45,000		Cash	10,000
C <u>30,000</u>	1,35,000	Bank	30,000
	2,02,000		2,02,000

'A' died on 1 July 2015. It was agreed between her executor and the remaining partners that:

- (i) Goodwill to be valued at $2\frac{1}{2}$ years purchase of the average profits of the last Four years, which were: 2011 Rs.25,000; 2012 Rs.20,000; 2013 Rs.40,000 and 2014 Rs.35,000.
- (ii) Building is valued at Rs.70,000; Plant at Rs.46,000 and Stock at Rs.32,000.
- (iii) Profit for the year 2015 is taken as having accrued at the same rate as that of the previous year.
- (iv) Interest on capital is provided at 9% p.a.
- (v) On 1 July 2015 her drawings account showed a balance of Rs..20,000.
- (vi) Rs.25,950 are to be paid immediately to her executor and the balance is transferred to her Executors Loan Account.

Prepare 'A' Capital Account and A's Executor's Account as on 1st July 2015.

18. a) R, S and N 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.
Capitals		Machinery	40,000
R	16,000	Furniture	16,000
N	12,000	Debtors	40,000
Reserve fund	18,000	Cash at Bank	8,000
Creditors	64,000	S's capital	6,000
	1,10,000		1,10,000

(CONTD6)

The Partnership is dissolved due to insolvency of S who is unable to contribute anything in the payment of his debt to the firm. Machinery realised Rs.30,000 and furniture Rs.6,400. Only Rs.24,000 was recovered from debtors. Creditors were paid at a discount of 5%. Prepare the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner vs. Murray rule.

(OR)

- b) Ram, Rahim and Suresh share profits in the ratio 3:2:1. On 31.12.94, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	12,000	Machinery	25,000
General Reserve	3,000	Stock	11,000
Capital:		Debtors	9,500
Ram	20,000	Goodwill	13,000
Rahim	15,000	Cash	1,500
Suresh	10,000		
	60,000		60,000

On the above date, the firm was dissolved. The assets except cash realised Rs.60,000. The Creditors were settled at Rs.11,500. Dissolution expenses amounted to Rs.800. Give necessary ledger A/c.

19. a) The assets of Mr. X of Mumbai on 30th June 1990 as shown by his books were Rs.28,000 and his liabilities were Rs. 22,000. He filed his petition in the Insolvency court and estimated his deficiency to be Rs. 15,000. After making the above estimate, he found the following items were not passed through his books of account.
- (a) Interest at 6% on his capital from 1-1-90.
- (b) A contingent liability for Rs. 1,250 on bills discounted by him for Rs. 5,000.
- (c) Amounts due for wages Rs. 300; Salaries Rs. 200; Rent Rs. 100 and Rates & taxes Rs. 150 (All are preferential).
- Prepare his statement of affairs and deficiency account.

(OR)

- b) Explain in detail the salient features of insolvency of a partnership firm

(CONTD7)

20. a) B, V and S entered a Joint venture of a contract. Rs.1,00,000 is the contract price. Rs 40,000, Rs.20,000 and Rs.20,000 were invested by B, V & S respectively and a Joint Bank a/c was opened. They purchased materials for Rs.60,000; architect fees of Rs.1,000 was paid by B, V paid for sundry expenses Rs. 2,000 and S paid Rs.4,000 for Cement.

The contract was duly carried out. All the transactions were done through Joint Bank A/C

Prepare necessary ledger accounts.

(OR)

- b) X and Y entered a joint venture. They agreed to share profit and losses in the ratio of 2: 1 respectively. Following transactions took place

1999	
April 1	X and Y paid into a joint bank account Rs. 36,000 and Rs. 18,000 respectively.
5	Paid rent of the Shop Rs. 600
7	Purchased goods for Cash Rs. 36,000; Paid freight etc. Rs. 500
15	X paid advertising Rs. 100 from his private account. 28 Sold goods and money deposited in joint bank account Rs. 19,600
28	Sold goods and money deposited in joint bank account Rs.19,600
May 8	Sold goods for Cash Rs. 26,000
15	Purchased goods for Cash Rs. 6,000; Cartage; Insurance and other expenses Rs. 60 paid by Y from private account.
17	Sold goods for Cash Rs. 14,000
25	X took away the balance of goods left unsold at an agreed price Rs. 4,000.

Assume final settlement was made on May 31.

Prepare the ledger accounts as they would appear in separate set of books of joint venture.