(FOR THE CANDIDATES ADMITTED DURING THE ACADEMIC YEAR 2021 ONLY)

21UPA203

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI
END-OF-SEMESTER EXAMINATIONS: JULY 2022

B.COM.-PA — **MAXIMUM MARKS: 70**
II SEMESTER — **TIME: 3 HOURS**

PART – III
HIGHER FINANCIAL ACCOUNTING
SECTION - A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.
MULTIPLE CHOICE QUESTIONS. (K1)

1. Goodwill is an asset and any revaluation of such an asset must be effected through__________.
   a)Realisation account b) Revaluation account c) Partner's capital a/c d) Personal a/c
2. Profit or Loss on revaluation when a partner retires is transferred to capital / current accounts in__.
   a) Capital ratio b) Gaining ratio c) Old profit-sharing ratio d) New profit-sharing ratio
3. The decision in Garner Vs Murray is exactly similar to__________.
   a) Sec.48. of the partnership act b) Sec.41 of the partnership act
   c)Sec 44. of the partnership act d) Sec .46 of the partnership act
4. 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 c) dissolution of a partnership
5. The Partners to joint venture are called__________.
   a) Bailor and bailee b) Partners c) Coventurer d) Principal and agent

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES (K2)

6. Explain the Sacrificing ratio.
7. Explain the Gaining Ratio.
8. Define Dissolution of a firm.
9. Explain Garner Vs Murray case law.
10. Explain Joint Venture account.

SECTION – B (5X4=20 MARKS)

ANSWER EITHER (a) OR (b) IN EACH THE FOLLOWING QUESTIONS. (K3)

11. a) The Balance Sheet of Appu and Pappu on 31st March 2016 is set out below, and they share profits and losses in the ratio of 2:1.

Liabilities	Rs.	Assets	Rs
Appu's capital	40,000	Freehold Property	20,000
Pappu's Capital	30,000	Furniture	6,000
General Reserve	24,000	Stock	12,000
Creditors	16,000	Debtors	60,000
		Cash	6,000
		Profit & Loss A/c	6,000
	1,10,000		**1,10,000**

They agreed to admit Kappu into the firm subject to the following terms and conditions:
a) Kappu will bring in Rs.21,000 of which Rs.9,000 will be treated as his share of goodwill to be retained in the business.
b) He will be entitled to one – fourth share of the profits.
c) 50% of the General reserve is to remain as a provision for Bad and Doubtful Debts.
d) Depreciation is to be provided on Furniture @ 5%.
e) Stock is to be revalued at Rs.10,500. Give journal entries to give effect to these arrangements.

(OR)

b) Anu and Banu share profits in the ratio 3:2. On 1st April 2016, they admit Charru as a partner on which date their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Anu's Capital	10,000	Debtors	11,000
Banu's Capital	8,000	Land and Building	8,000
Creditors	12,000	Machinery	10,000
General Reserve	16,000	Stock	12,000
Workmen's compensation fund	4,000	Cash and Bank	9,000
	50,000		**50,000**

The following terms were agreed between them:
a) The new profit-sharing ratio between them 2:2:1.
b) Revaluation of Assets: Land and Buildings Rs.18,000; Stock Rs.16,000.
c) The amount required of workmen's compensation fund is Rs.2,000.
d) Charru to bring in Rs10,000 for goodwill.
e) Charru to bring 20% of the combined capital of Anu and Banu after giving effect to the above adjustments. Prepare Revaluation a/c, Capital a/c and the new balance sheet.

12. a) A, B and C are partners in a business, sharing profits and losses in ratio of 3:2:1. Their Balance sheet on 30th June 2016 was as follows.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	1,600	Cash in Hand	600
Reserve fund	6,000	Cash at Bank	1,000
A's Capital	10,000	Sundry Debtors	9,000
B's Capital	10,000	Stock in hand	7,000
C's Capital	10,000	Machinery	6,000
		Factory building	14,000
	37,600		**37,600**

On the date C retires from business. It is agreed to adjust the values of assets as follows:
a) To make a provision of 5% on sundry debtors for doubtful debts;
b) To depreciate stock by 5% and machinery by 10%;
c) Factory building to be revalued at Rs. 15,100. Show the Revaluation Account and the Partners Capital Accounts and prepare the Balance Sheet of the continuing partners as on July 1, 2016.

(OR)

b) The following is the Balance Sheet of A, B and C on 31st December 2006.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	4,500	Cash in hand	300
Reserve fund	4,800	Cash at bank	7,500
Capital Account: A - 15,000 B - 7,500 C - 7,500	30,000	Stock	9,000
		Sundry Debtors	9,000
		Furniture	12,000
		Tools	1,500
	39,300		**39,300**

C died on 31st March 2007. Under the terms of the partnership deed the Executor of a deceased partner were entitled to:

a) Amount standing to the credit to the partner's capital account.

b) Interest on capital @ 5% p.a.

c) Share of goodwill on the basis of twice the average of the past three years profits.

d) Share of profits from the closing of the financial year to the death on the basis of the last year's profits.

Profits for 2004 Rs.9,000; for 2005 Rs. 12,000; For 2006 Rs. 10,500. Profits were shared in the ratio of capitals. Pass the necessary journal entries and find out the amount payable to the heir of C.

13.a) Jyothi and Vikas were equal partners in a manufacturing business. On June 30, 2016, they dissolved the firm on which date their Balance Sheet was as below:

Liabilities	Rs.	Assets	Rs.
Creditors Rs. 28,000 Less: Discounts 1,000	27,000	Cash at Bank	2,500
Reserve and Contingencies	5,000	Debtors Rs. 42,000 Less: Provision For doubtful debts 2,000	40,000
Mrs.Vikas Loan	10,000	Stock	32,000
Reserve Fund	15,000	Furniture	3,500
Jyothi's Loan	8,000	Plant and Machinery	25,000
Jyothi' Capital	21,000	Prepaid Expenses	1,000
Vikas's Capital	18,000		
	1,04,000		**1,04,000**

Stock, Debtors, Plant and Machinery and goodwill realized Rs 27,000; Rs.38,000; Rs.20,000 and Rs.5,000 respectively. Furniture did not realise any value. An amount of Rs.6,000 was paid on account of contingent liabilities. The expenses of realization were Rs.1,000. The firm had previously made some investment in shares of joint stock company and had written off this investment on finding it useless. The investment now realized Rs.1,500. Close the books of the firm and show the necessary Ledger Accounts.

(OR)

b) P,Q and R are partners sharing profits in the ratio of 5:3:2 respectively. On 31st March 2016, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	23,000	Cash	2,000
General Reserve	10,000	Debtors	38,000
P's Capital	20,000	Stock	26,000
Q's Capital	16,000	Patent	6,000
R's Capital	3,000		
	72,000		**72,000**

Due to financial crisis, the firm was dissolved. The assets realized as follows:

Stock Rs. 16,000; Patent Rs1,900; and debtors Rs.22,000. The creditors were paid less discount amounting to Rs.2,100. The expenses of dissolution were Rs.2,000. R became insolvency and only Rs.120 were recovered from him. Prepare the Ledger Accounts following the Garner Vs. Murray Rule.

14.a) A, B and C are in partnership. The following is their Balance Sheet as on March 31, 2016 on which date they dissolve partnership. They share profits in the ratio of 5:3:2.

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Premises	40,000
A's Loan	10,000	Machinery	30,000
A's Capital	50,000	Furniture	13,700
B's Capital	15,000	Stock	40,800
C's Capital	45,000	Debtors	35,500
	1,60,000		**1,60,000**

It was agreed to repay the amounts due to the partners as and when the assets were realized. The assets were realized. The assets realized as under:

1stMay, 2016 Rs. 30,000; 1st July 2016 Rs. 73,000; 1st September 2016 Rs.47,000. Prepare a statement showing how the distribution should be made among the partners by following proportionate Capital Method and Partners' Capital Accounts.

(OR)

b) Fatima, Sara and Mary share profits in the ratio of 4:3:2. They have decided to sell their firm to a limited company on June 30, 2015. Their Balance Sheet on that date was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	17,000	Land and Building	19,000
Fatima's Capital	20,000	Machinery	13,000
Sars's Capital	15,000	Debtors	12,000
Mary's Capital	11,000	Stock	17,000
		Cash	2,000
	63,000		**63,000**

Purchase consideration agreed upon was Rs.55,000. Of this the company has paid Rs.41,250 in its own shares and the balance in cash.

15.a) Distinction between Joint Venture and Partnership.

(OR)

b) A and B enter into joint venture sharing profits 3/5ths and 2/5ths. A is to purchase timber in Madhya Pradesh and forward it to B in Delhi. A purchases timber worth Rs.10,000 and pays Rs.1,000 as expenses. B received the consigned and immediately accepted A's draft for Rs.8,000. A gets discounted for Rs.7,850. B sold the timber for Rs.16,000. He had to spend Rs.350 for fire insurance and Rs.300 for other expenses. Under the agreement he is entitled to a commission of 5% sales. Give ledger accounts in the books of A and B.

SECTION – C (4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS
(16th QUESTION IS COMPULSORY AND ANSWER ANY THREE QUESTIONS
(From Qn.No : 17 to 21) **(K4 (Or) K5)**

16. Anand and Binod are partners in a firm sharing profits and losses in the ratio of 2:1 respectively. On 31stMarch, 2016 their Balance Sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Bills payable	3,000	Cash at Bank	45,000
Sundry Creditors	45,000	Bills Receivable	10,000
General reserve	21,000	Sundry Debtors	50,000
Anand's Capital	1,41,000	Stock	80,000
Binod's Capital	1,20,000	Furniture	20,000
		Machinery	1,25,000
	3,30,000		**3,30,000**

On 1st April 2016, Kamal was admitted into partnership on the following terms:

i) That Kamal brings in cash Rs.30,000 as goodwill for his one-third share in future profits.

ii) That Kamal brings such an amount that his capital will be one-third of the total capital of the new firm.

iii) That the value of stock to be raised to Rs.84,000.

iv) That furniture and machinery be depreciated by 5% and 10% respectively.

v) That a provision for doubtful debts be create at 5% on sundry debtors.

vi) That the capital accounts of the partners be re-adjusted on the basis of their profit-sharing ratio through their current accounts. Prepare the necessary Ledger Accounts and the opening Balance Sheet of the new firm.

(CONTD…5)

17. A, B and C are partners in a firm sharing profits and losses as 8:5:3. Their Balance Sheet as an 31st March, 2016 was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	1,50,000	Cash	40,000
General Reserve	80,000	Bills Receivable	50,000
A's Loan accounts	40,000	Sundry Creditors	60,000
B's Loan accounts	30,000	Stock	1,20,000
A's Capital	1,00,000	Fixed Assets	2,80,000
B's Capital	80,000		
C's Capital	70,000		
	5,50,000		**5,50,000**

From 1st April, 2016 they agreed to alter their profit-sharing ratio as 5:6:5. It is also decided that:
a) The fixed assets should be valued at Rs.3,31,000.
b) A provision of 5% on sundry debtors be made for doubtful debts.
c) The goodwill of the firm at this date be valued at three year's purchase of the average net profit of the last five years before charging insurance premium; and
d) The stock be recorded to Rs.1,12,000.

There is a joint life insurance policy Rs. 2,00,000 for which an annual premium of Rs.10,000 is paid, the premium being charged to profit and loss account. The surrender value of the policy on 31st March, 2016 was Rs.78,000.

The net profits of the firm for the last 5 years were Rs.14,000, Rs.17,000, Rs.20,000, Rs.22,000 and Rs.27,000. Goodwill and the surrender value of the joint life policy was not be appear in the books. Draft journal entries necessary to adjust the capital accounts of the partners and prepare the revised Balance Sheet.

18. R, K and J were partners in a firm sharing profits in 5:4:3 ratio. Their Balance Sheet as on 31st March, 2016 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	20,845	Goodwill	22,000
R's Capital	67,965	Furniture	4,100
K's Capital	47,560	Closing stock	78,650
J's Capital	30,585	Debtors	46,750
		Cash at Bank	15,455
	1,66,955		**1,66,955**

On the above date, R gave notice that he wished to retire. The partners agreed for the following adjustments:
i)The P & L a/c for the year ended 31st March 2016, which showed a net profit of Rs.24,000 was to be reopened.
ii) K was to be paid bonus Rs.2,000.
iii) Goodwill was valued on the date of retirement at Rs. 7,700.
iv) R, K and J decided to share profits and losses in the ratio 3:4:4 as from 1-4-2015.
v) Further K and J agreed to share profits and losses in the ratio of 4:3; to create a provision for doubtful debts at 6% and value furniture at Rs.5,490.
Give journal entries for the above arrangements and prepare the Balance Sheet of K and J. Calculations are to make to the nearest rupees.

19. Classify the modes of dissolution of partnership firm.

20. X, Y and Z are partners sharing profits and losses. In the ratio of 4:2:3. On 1st April 2016, they agreed to dissolve the partnership. Their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Profit and Loss	4,500	Buildings	45,000
Reserve Fund	12,600	Machinery	15,000
Bills payable	4,100	Furniture	3,700
Sundry Creditors	9,000	Stock	19,400
Loan from X	4,000	Debtors	31,000
Z's Capital a/c	3,000	Investments	24,000
Y's Capital a/c	46,000	Bills receivables	5,600
X's Capital a/c	68,000	Cash at Bank	6,500
		Cash in hand	1,000
	1,51,200		**1,51,200**

The assets realized: Investments Rs.20,400; Bills receivable and Debtors Rs.28,200; Stock Rs.14,550; Furniture Rs.2,050; Machinery Rs.8,600; Buildings Rs.26,400. All the liabilities were paid off. The cost of realization was Rs.600, Z had become bankrupt and Rs.1,024 only was recovered from his estate once and for all. Partners were finally paid off. Show realization account, Bank account and Capital accounts of the partners when the capitals are fluctuating.

21. A and B enter joint venture. A agrees to bring capital in cash. Accordingly, a Joint Banking Account is opened by A for a sum of Rs.80,000. B buys goods worth Rs.50,000 as part of his share of capital. Further goods worth Rs.1,18,000 were purchased from C paying Rs.60,000 and balance by a promissory note signed by A and B.

The goods were sent to Kolkata for sale. Expenses totaling Rs.5,000 were incurred in sending the goods. Part of goods were damaged and a sum of Rs. 25,000 were recovered from the insurance company. The balance goods were sold for Rs. 2,20,000.

Give journal entries to record the above transactions. Also prepare Joint Venture Account, Joint Bank Account and accounts of A and B assuming that the promissory note was duly honoured.

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