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(FOR THE CANDIDATES ADMITTED

DURING THE ACADEMIC YEAR 2024 ONLY)

24UCC204

REG.NO. :

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

END-OF-SEMESTER EXAMINATIONS : MAY - 2025

B.Com.-C.A **MAXIMUM MARKS: 75**

SEMESTER: II **TIME : 3 HOURS**

PART - III

HIGHER FINANCIAL ACCOUNTING

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS. **(K1)**

1. Partners' salaries will be debited to: _____
   a) Trading A/c b) P&L A/c c) P&L Appropriation A/c d) Partners salary A/c

2. Revaluation A/c is:__________
   a) A nominal A/c b) A real A/c c) A personal A/c d) An impersonal A/c

3. Profit or loss on revaluation at the time of retirement must be transferred to the partners in:___
   a) Capital ratio b) Old profit sharing ratio c) Gaining ratio d) New profit sharing ratio

4. The amount of general reserve is transferred to Partners' Capital accounts in:__________.
   a) New profit sharing ratio b) Capital ratio
   c) Old profit sharing ratio d) Sacrificing ratio

5. Under Garner vs Murray Rule, the insolvency loss should be borne by solvent partners according to ______________.
   a) Profit sharing ratio b) Capital gain c) Final claims ratio d) Maximum loss ratio

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

6. What is Partnership deed?
7. Write a short note on Sacrificing ratio.
8. What is the difference between gain ratio and sacrificing ratio?
9. What is surrender value?
10. Distinguish between Revaluation Account and Realisation Account.

SECTION – B (5 X 5 = 25 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 Accounts of the partners, Babu and Gopu when their capitals are fluctuating:

	Babu (Rs.)	**Gopu (Rs.)**
Capital on 1.1.2007	8,00,000	7,00,000
Drawings during 2007	1,60,000	1,40,000
Interest at 5% on drawings	4,000	2,000
Share of profits for 2007	84,000	66,000
Interest on capital at 6%	48,000	42,000
Salary	72,000	Nil

(CONTD………2)

(OR)

b) A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1 subject to the following:

(i) C's share of profits is guaranteed to be not less than Rs.24,000 p.a.

(ii) Any excess amount to be paid to C (i.e the difference between the minimum guaranteed and his share of profit) is to be borne by B.

The profit for the year ending 31st December 2011 amounts to Rs.1,20,000. You are required to show the distributions of profits.

12. a) A and B are partners sharing profits and losses in the ratio of 5:3. They admit C as a Partner. C acquires his share 4/20 from A and 2/20 from B. Find out the new profit sharing ratio and sacrificing ratio.

(OR)

b) A firm earned net profits during the last three years as follows:

	Rs.
I Year	- 36,000
II Year	- 40,000
III Year	- 44,000

The capital investment for the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of Goodwill on the basis of 3 years purchase of super profits.

13.a) P, Q, R and S are partners in a firm sharing profits in the ratio of 2:1:2:1. On the retirement of R, the firm's goodwill was valued at Rs.45,000. P, Q and S decided to share the future profits equally. Pass journal entry for goodwill.

(OR)

b) M,N and O were partners in a firm sharing profits in the ratio of 3:2:1. O retired and the new profit sharing ratio between M and N was 1:2. On the O's retirement the goodwill of the firm was valued at rs.18,000. Pass Journal entry for goodwill.

14.a) A, B,C D and E were partners in a firm sharing profits and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately D and E met with an accident in which both of them died. The goodwill of the firm was valued at Rs.75,000 and A, B and C decided to share the future profits and losses in the ratio of 4:6:5 respectively. Give the Journal entry to record the above relating to goodwill.

(OR)

b) M, L and P are in partnership sharing profit in the ratio of 4:3:1 respectively. It is provided in the partnership deed that on the death of any partner, his share of goodwill is to be valued at half of the profits credited to his account during the previous four completed years. L died on 1st April 2020. The firm's profit / losses for the last four years ended 31st March 2017 Rs.24,000, 2018- Rs.12,000, 2019 – Rs.4,000(loss), 2020- Rs.16,000. Pass the Journal entry for adjustment of good will assuming that profit sharing ratio between M and P in future will be 3:2.

15.a) P, Q and R share profits in proportion of ½, ¼ , and ¼. On the date of dissolution their Balance sheet was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	14,000	Sundry Assets	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
Total	**40000**	**Total**	**40000**

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

(CONTD………3)

(OR)

b) A and B are in equal Partnership. Their Balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Capital A:	600	Plant & Machinery	1,475
Sundry creditors	3,900	Furniture	400
		Debtors	500
		Stock	625
		Bank	300
		B's capital	1,200
Total	**4,500**	**Total**	**4,500**

The assets were realized as follows:
Stock Rs.350, Furniture Rs.200, Debtors Rs.500 and Plant& Machinery Rs.700. The cost of collecting and distributing the estate amounted to Rs.150. A's private estate is not sufficient even to pay his private liabilities, where as in B's private estate, there is a surplus of Rs.50.
Prepare Realisation A/c, and Capital A/c of the partners.

SECTION – C (5 X 8 = 40 MARKS)

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

(K4 (Or) K5)

16. a) On 1st January 2011, Kavitha and Sumathy entered into partnership and contributed Rs.80,000 and Rs.60,000 respectively. They share profits and losses in the ratio of 3:2. Sumathy is to be allowed a salary of Rs.16,000 per year. Interest on capitals is to be allowed at 5% per annum. 5% interest is to be charges on drawings. During the year, Kavitha withdrew Rs.12,000 and Sumathy Rs.24,000, Interest being Kavitha Rs.280 and Sumathy Rs.200. Profit in 2011before the above noted adjustments was Rs.42,320. Show the distribution of profits between the partners and prepare Capital accounts (i) When they are fluctuating (ii) when they are fixed.

(OR)

b) Three chartered Accountants G, B and R from a partnership, sharing profits and losses in the ratio of 3:2:1 subject to the following conditions.
(i) R's Share of profits is guaranteed to be not less than Rs.90,000 p.a.
(ii) B gives guarantee to the effect that the gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the preceding five years when he was carrying on profession alone (which on average works out Rs.1,50,000).
The profit for the first year of the partnership is Rs,4,50,000. The gross fee earned by B for the firm are Rs.96,000. You are required to to show the P& L A/c and Current A/c of the partners.

17.a) A and Bare partners sharing profits in the ratio of 3:1. Their balance sheet stood as under on 31.3.2023.

Liabilities	Rs.	Assets	Rs.
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid insurance	1,000
Capital		Debtors 8,000	
A: 30,000		Less: Provisions 500	7,500
B : 20000	50000	Cash	18,500
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
Total	**95,000**	**Total**	**95,000**

C is admitted as a new partner introducing a capital of Rs.20,000, for his 1/4th share in future profits.

Following revaluations are made:

(i) Stock 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 the journal entries, prepare Revaluation A/c and Balance sheet after admission.

(OR)

b) Bindra and Chandra are partners in a firm. They share profits and losses in the ratio of 3:2. Their Balance sheet as on 31st March 2011 was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	75,000	Cash at Bank	60,000
Bills payable	40,000	Debtors 1,00,000	
Outstanding rent	10,000	Less : PBDD 10,000	90,000
Capital A/cs:		Stock	25,000
Bindra 1,50,000		Prepaid Expenses	5,000
Chandra 75,000	2,25,000	Plant & Machinery	1,70,000
Total	**3,50,000**	**Total**	**3,50,000**

They admitted Indra as a new partner on 1st April 2011 on the following terms:

(i) Indra will bring in Rs.1,00,000 as capital and the necessary amount for goodwill.

(ii) The new ratio will be 5:3:2.

(iii) The amount of goodwill is to be based on Indra's share in profits and capital contributed by her.

(iv) Stock to be depreciated by 10%

(v) The provision for doubtful debts is to be only Rs.2,500.

(vi) Plant & Machinery are to be depreciated by 5%.

Prepare Revaluation A/c, Capital A/cs and Balance sheet of new firm.

18. a) A, B and C are partners in a firm sharing profits 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	Rs.	Assets	Rs.
Reserve Fund	16,000	Building	50,000
Capital: A	30,000	Machinery	40,000
B	40,000	Furniture	10,000
C	25,000	Stock	25,000
Loan payable	15,000	Debtors 18,000	
Sundry creditors	25,000	Less : Provision 500	17,500
		Cash	8,500
Total	**1,51,000**	**Total**	**1,51,000**

C retires on 31.3.2006 subject to the following conditions:

(i) Goodwill of the firm is valued at Rs.24,000.

(ii) Machinery to be depreciated by 10%.

(iii) Furniture to be depreciated by 5%.

(iv) Stock to be appreciated by 15% and buildings to be appreciated by 10%.

(v) 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) Sunil, Devan and Ravi are equal partners in a firm and their Balance Sheet as on 31.12.2020 is given below.

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

(CONTD…….5)

Ravi retires on 31.12..2020 and assets 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 partners' capital accounts. Give Journal entries; prepare necessary ledger accounts and new balance sheet.

19.a) Following is the Balance sheet of X,Y and Z as on 31.12.2004.

Liabilities	**Rs.**	**Assets**	**Rs.**
Sundry creditors	30,000	Cash in hands	2,000
Reserve fund	32,000	Cash at bank	50,000
Capital A/Cs:		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
Total	**2,62,000**	**Total**	**2,62,000**

Y died on 31st March 2005. 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 good will 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 1st April 2005 and the balance was to be paid in four equal yearly instalments starting from 31.3.2006 with interest @ 6% p.a. Prepare Y's capital a/c, Y's executor's a/c till it is finally paid. Assume profits are shared in the capital ratio.

(OR)

b) Kin, Min and Tin are partners sharing profits and losses equally. Their Balance sheet as on 31.3.2011 is:

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	47,000	Cash	36,000
General reserve	30,000	Debtors 84000	
Capital A/c:		Less: PBDD 6,000	78,000
Kin 82,000		Stock	19,000
Min 82,000		Fixture	42,000
Tin 90,000	2,54,000	Furniture	56,000
		Machinery	1,00,000
Total	**3,31,000**	**Total**	**3,31,000**

Tin died on 1st April 2011 and the following agreement was to be paid 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 1st April 2011.

Prepare revaluation a/c, capital a/c and Balance sheet of new firm.

20.a) X,Y and Z sharing profits in the proportion of 3:2:1 decide to dissolve partnership on 31.12.2020. Their Balance sheet on that date was as under:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital Accounts:		Leasehold premises	12,500
X	30,000	Goodwill	20,000
Y	10,000	Machinery	30,520
Z	10,000	Stock	7,550
Bank loan	11,500	Investments	6,330
Leasehold redemption fund	6,000	Joint Life Policy	12,000
Life Policy Fund	12,000	Sundry Debtors 5800	
Machinery Depn. Fund A/c	16,200	Less: Reserve 500	5,300
		Cash at Bank	1,500
Total	**95,700**	**Total**	**95,700**

(CONTD………6)

The Joint life policy is surrendered for Rs.10,000. The Investments are taken over by Y for Rs.8,000. X agreed to discharge the bank loan. The remaining assets are sold for Rs.86,700. The expenses of realisatoin amount to Rs.850. Show the necessary ledger accounts including the accounts of the partners.

(OR)

20.b) Red, White and Blue are in partnership. The following is their Balance sheet as on 31.12.2005, on which data, they dissolved partnership. They shared profits in the ratio of 5:3:2.

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals:		Premises	40,000
Red	50,000	Plant	30,000
White	15,000	Stock	30,000
Blue	45,000	Debtors	60,000
Creditors	40,000		
Red' s loan	10,000		
Total	**1,60,000**	**Total**	**1,60,000**

It was agreed to repay the amounts due to the partners as and when the assets were realized, viz:

	Rs.
1.2.2006	30,000
1.4.2006	73,000
1.6.2006	47,000

Prepare a statement showing how the distribution to the partners should be made.

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ETHICAL PAPER