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(FOR THE CANDIDATES ADMITTED | 25UPA204

DURING THE ACADEMIC YEAR 2023-2024 ONLY) REG.NO.:

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

EVEN SEMESTER OF EXAMINATION: MAY 2026

B.COM (PA) **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. When a new partner is admitted, goodwill can be adjusted: ________________________

A) Only by cash payment

B) Through old partners' capital accounts

C) Through revaluation of assets only

D) None of the above

2. When a partner dies, the amount due to their estate is transferred to:___________________

A) Capital Account

B) Partner's Loan Account

C) Executor's Account

D) Revaluation Account

3. In the case of insolvency of a single partner, the losses are shared by: ________________

A) All partners including the insolvent partner

B) Only remaining solvent partners

C) Insolvent partner's estate only

D) Firm's creditors

4. In a dependent branch, the system used for accounting is _________________

A) Stock and Debtors System

B) Debtors Only System

C) Cash Only System

D) Departmental Transfer System

5. In hire purchase accounting, if the hirer defaults: _____________________

A) Goods can be repossessed

B) Cash is recovered fully

C) No action is taken

D) Only interest is charged

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

6. What is meant by partnership?

7. What is an Executor's Account?

8. Who bears loss when one partner is insolvent?

9. What is meant by a dependent branch?

10. When is ownership transferred in installment accounting?

SECTION – B (5 X 5 = 25 MARKS)

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

11. a) Ram and Prem share profits in the ratio of 7:3. Shyam was admitted as a partner. Ram surrendered $1/7^{th}$ of his share and Prem $1/3^{rd}$ of his share in favour of Shyam. Calculate new ratio.

(OR)

b) Calculate the amount of goodwill at three years purchase of last five years average profits. The profits were: I year – Rs.9,600, II year – Rs.14,400, III- Rs. 20,000, IV year – Rs.6,000, V year -Rs.10,000.

12. a) P, Q and R are partners sharing profits and losses in the ratio of 5:3:2 respectively. Q retires. Q's share of profit is taken up by P and R in their profit-sharing ratio. Calculate the new ratio.

(OR)

b) A, B & C were partners in a firm, sharing profits and losses in the ratio of 3:2:5.C retires and on that date the firm's goodwill is valued at Rs.80,000. Show necessary journal entry to adjust goodwill at the time of retirement.

13. a) What do you understand by 'Garner vs Murray' rule?

(OR)

b) K, L and M share profits in proportion of 1/2, 1/4, 1/4. on the date of dissolution their Balance Sheet was as follows:

Libilities	Rs.	Assets	Rs
Creditors	14,000	Sundry Creditors	40,000
K's Capital	10,000		
L's Capital	10,000		
M's Capital	6,000		
	40,000		**40,000**

The assets realized Rs.35,000. Creditors were paid in full. Realisation expenses amounted to Rs.1,500. Close the books of the firm.

14. a) Sketch and Apportion the following expenses on the basis of cost of goods sold ratio among the four departments A, B, C & D**:**

Sales (Rs.): A: 2,00,000' B: 1,50,000; C :1,00,000; D: 50,000

G.P. Ratio: 20% on sales

Expenses: Salaries Rs.6,000; Rent & Rates: Rs.1,500; Insurance: Rs.1,300

(OR)

b) Describe the different kinds of Branches?

15. a) Mr. T purchased a machine on hire purchase system Rs.3,000 being paid on delivery and the balance in five instalments of Rs.6,000 each, payable annually on 31^{st} December. The

cash price of the machine was Rs.30,000. Calculate the amount of interest for each year.

(OR)

b) On 01.01.90 Y bought some cars under hire purchase system for Rs.51.000 payable by three equal instalments combining principal and interest, the latter being a normal rate of 5% per annum. Calculate the cash price. (The present value of an annuity of one rupee for three years at 5% is Rs.2.72325).

SECTION – C (5 X 8 = 40 MARKS)

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

(K4 (Or) K5)

16. a) A and B are partners sharing profits in the ratio of 3:1. Their Balance sheet stood as under on 31.03.2004:

Liabilities		Assets	
Salary due	Rs.5,000	Stock	Rs.10,000
Creditors	Rs.40,000	Prepaid Insurance	Rs.1,000
Capital A: 30,000 B: 20,000	Rs.50,000	Debtors: 8,000 Less: Provision 5000	Rs.7,500
		Cash	Rs.18,500
		Machinery	Rs.22,000
		Buildings	Rs.30,000
		Furniture	Rs.6,000
	Rs. 95,000		**Rs.95,000**

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

Prepare Journal Entries Revlaution A/c and Balance Sheet after admission.

(OR)

b) X and Y are partners sharing the results of the business in the ratio of 5:3:Z is admitted and asked to bring Rs.64,000 as goodwill and half of the combined capital of X and Y after making necessary adjustments:

Liabilities		Assets	
Creditors	Rs.8,000	Cash	Rs.6,000
Reserve fund	Rs.32,000	Sundry Assets	Rs.1,54,000
Capital X: 1,20,000 Y: 40,000	Rs.1,60,000	Profit & Loss	Rs.40,000
	Rs. 2,00,000		**Rs. 2,00,000**

Prepare a balance sheet.

17.a) A, B and C re partners in a firm sharing profits and losses in the ratio of 1/3, ½, 1/6 respectively, their Balance Sheet as on 31.03.2006 was as follows.

Liabilities	**Rs**	**Assets**	**Rs**
Reserve fund	16,000	Cash	8,500
		Building	50,000
Capital	A: 30,000 B: 40,000 C: 25,000	Debtors :18,000 Less Provision : 500	17,500
Loan payable	15,000	Machinery	40,000

Sundry Creditors	25,000	Furniture	10,000
		Stock	25,000
Total	**1,51,000**	**Total**	**1,51,000**

C retires on 31.03.2006 subject to the following condition :

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) Sock to be appreciated by 15% and building 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) Following is the Balance Sheet of X,Y and Z as at 31.12.2010

Liabilities	**Rs**	**Assets**	**Rs**
Creditors	4,000	Cash in hand	400
Reserve	6,400	Cash at bank	10,000
Capital	X - 20,000	Debtors	12,000
	Y – 10,000	Stock	8,000
	Z - 10,000	Plant & machinery	12,000
		Goodwill	8,000
Total	**50,400**	**Total**	**50,400**

Z died on 14.03.2011. Under the terms of partnership deed executors of a deceased partner were entitled to :

i) Amount standing to the credit of partner’s Capital A/C
ii) Interest on Capital balance at 5% per annum.
iii) Share of goodwill on the basis of twice the average of the past three year’s profits and
iv) Share of profit from the closing of the last financial year to the date of death on the basis of the average of the three completed year’s profit before the death.

Profit for 2008, 2009 and 2010 were respectively Rs. 12,000, Rs.14,000 and Rs 16,000. Profit were shared in the ratio of capitals.

Pass the journal entries and draw up Z’s A/C to be rendered to his executors.

18. a) R, S and T are partners . The following is their Balance Sheet as at 31.12.85 on which date, they dissolved partnership. They share profits in the ratio of 5:3:2.

Libilities	**Rs**	**Assets**	**Rs**
Capitals : R	50,000	Premises	40,000
S	15,000	Plant	30,000
T	45,000	Stock	30,000
Creditors	40,000	Debtors	60,000
R’s Loan	10,000		
	1,60,000		**1,60,000**

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

01.02.86 - Rs.30,000
01.04.86 - Rs.73,000
01.06.86 - Rs.47,000

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

(OR)

b) The following is the Balance Sheet of X, Y and Z on 31.03.94

Libilities	Rs	Assets	Rs
Capitals's 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 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: Rs.14,000
The dissolution expenses amounted to Rs.5,000

Prepare Accounts to close the books of the firm if the capitals are fluctuating.

19. a) Lavis bag company opened a branch at Madras on 01.01.89. From the following particulars, Prepare the Madras Branch account for the years 1989 and 1990.

	1989 Rs.	**1990 Rs.**
Goods sent to Madras Branch	15,000	45,000
Cash sent to Branch for Rent	1,800	1,800
Salaries	3,000	5,000
Other expenses	1,200	1,600
Cash received from the branch	24,000	60,000
Stock on 31st December	2,300	5,800
Petty cash in hand on 31st December	40	30

(OR)

b) From the following particulars, prepare a branch account showing the profits or loss at the branch.

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

Closing stock could not 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.

20. a) On 01-01-86, 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%. Interpret the interest in each year's instalment.

(OR)

b) X purchased a laptop on hire purchase system. As per terms, he is required to pay Rs.800 down, Rs.400 at the end of the first year Rs.300 at the end of the second year and Rs.700 at the end of the third year. Interest is charged at 5% p.a. Interpret the total cash price of the laptop and the amount of interest payable on each instalment.

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