

Reg. No. :

Name :

Fourth Semester B.Com. LL.B. (Five Year Integrated) Degree Examination,
February 2021

Paper II : ADVANCED FINANCIAL ACCOUNTING

Time : 3 Hours

Max. Marks : 80

I. Answer **any five** questions. Each question carries **2** marks.

1. What is Drawings Account?
2. Define partnership deed.
3. What do you mean by sacrificing ratio?
4. What is realisation account?
5. Define department accounting.
6. What is fluctuating capital?
7. Define provision.

(5 × 2 = 10 Marks)

II. Answer **any four** questions. Each question carries **4** marks.

1. Write about valuation of goodwill.
2. What do you mean by dissolution of a firm?
3. Explain about insolvency of partners.

4. From the following information ascertain the current account balance of Mr. A as on 31.12.17.

Mr. A's current account balance

On 1.1.17	₹3000 (Dr)
Interest on capital	₹2400
Share of profit	₹ 6000
Drawings during the year	₹4000

5. H and M are partners in a firm sharing profits in the ratio of 3:2. On 1st April 2017 they admitted C as a new partner. C brought in ₹75,000 for his capital and ₹20,000 for 1/4 share of goodwill. On C's admission goodwill already existed in the books of the firm at ₹30,000. Pass necessary journal entries on C's admission.

(4 × 4 = 16 Marks)

III. Answer **any four** questions. Each question carries **6** marks.

1. Explain the contents of partnership deed.
2. What do you mean by guarantee of profit to a partner?
3. What are factors affecting value of goodwill?
4. Compute the value of goodwill at 3 year's purchase of the average profits of the last five years. The profit of the last 5 years were as follows.

	₹
1 st Year	4600
2 nd year	7400
3 rd year	9000
4 th year	4000
5 th year	5000

5. A and B are partners sharing profits and losses in the ratio of 3:2. They admit C into partnership with a 1/6th share in future profits. Calculate the new profit sharing ratio.

(4 × 6 = 24 Marks)

IV. Answer **any three** questions. Each question carries **10** marks.

1. A Ltd. has a retail branch at Kanpur. Goods are sold to customers at cost plus 100%. The wholesale price is cost plus 80%. Goods are invoiced to Kangur at wholesale price. From the following particulars, find out the profit made at head office and Kanpur for the year ended 31st March 2015.

	Head Office	Kanpur
Stock on April 2014	2,25,000	
Purchases	21,50,000	
Goods sent to branch	9,54,000	
Sales	28,53,000	9,50,000
Stock on March 31, 2015	2,60,000	99,000

Sales at Head office are made only on wholesale basis and that a Branch only to consumers. Stock at branch is valued at invoice price.

2. R, S and T were partners sharing profits and losses in the ratio 3:2:1. Their balance sheet as on 31st Dec. 2017 stood as follows.

Liabilities	₹	Assets	₹
Creditors	8,000	Cash at bank	3,500
Bills payable	4,000	Debtors	10,000
Reserve fund	6,000	Less : prov	<u>500</u>
Capital accounts		Stock	15,000
R	30,000	Furniture	5,000
S	20,000	Plant and Machinery	25,000
T	10,000	Buildings	<u>20,000</u>
	<u>78,000</u>		<u>78,000</u>

S retires on the data subject to the following adjustments.

- The goodwill of the firm is to be valued at ₹ 9,000
- Plant and machinery is to be written down by 10% and furniture by 20%
- The value of stock to be appreciated by 10% and building by 20%

- (d) Provision for bad and doubtful debts is to be brought upto ₹ 900
 (e) Liability for workmen's compensation to be the extent of ₹ 700 to be provided.

R and T decide to continue the business sharing profit and losses in the ratio of 3:2 respectively prepare the revaluation account and capital account of partners assuming that the amount due to S is transferred to his loan account.

3. A, B and C sharing profits in the proportion of 2:2:1 agreed upon dissolution of their partnership on 31st Dec. 2017. On which date their balance sheet was as under :

Balance sheet			
Liabilities	₹	Assets	₹
Capital Accounts :		Machinery	40,000
A	40,000	Stock	7,500
B	<u>20,000</u>	Investment	20,800
Mrs A's Loan	10,000	Joint life policy	15,000
Creditors	17,100	Debtors	9,500
Life policy fund	15,000	Less provision for doubtful debt.	<u>600</u>
Investment		Current A/c C	11,000
Fluctuation fund	<u>6,500</u>	Cash at bank	<u>5,400</u>
	<u>1,08,600</u>		<u>1,08,600</u>

The life policy is surrendered for ₹13,000. The investments are taken over by A for ₹18,500. A agrees to discharge his wife's loan. B takes over all the stock at ₹6,500 and debtors amounting to ₹6,000 at ₹5,000. Machinery is sold for ₹54,000. The remaining debtors realise 50% of book value. The expenses of realisation amounted ₹800. It is found that an investment not recovered in the books is worth ₹3,500. The same is taken over by one of the creditors at this value.

Show the necessary ledger accounts to close the books of the firm dissolution.

4. Explain the accounting treatment of retirement of partner.

(3 × 10 = 30 Marks)