

Reg. No. : .....

Name : .....

Fourth Semester B.Com. LL.B. (Five Year Integrated) Degree Examination,  
March 2022

**Paper II : ADVANCED FINANCIAL ACCOUNTING**

**(Special Examination)**

Time : 3 Hours

Max. Marks : 80

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

1. What do you mean by insolvency of a partner?
2. What is retirement?
3. What is capital ratio?
4. What do you mean by revaluation a/c?
5. What is capital a/c?
6. What do you mean by undistributed profit?
7. What is depreciation?

**(5 × 2 = 10 Marks)**

II. Answer **any four** of the following. Each question carries **4** marks.

1. What is abridged incorporation?
2. What is fixed capital method?

3. What do you mean by P & L Appropriation a/c?
4. On 1<sup>st</sup> April 2004, an existing firm had assets of Rs. 75,000 including cash of Rs. 5,000. Its creditors amounted to Rs. 5,000 on that date. The firm had a Reserve Fund of Rs. 10,000 while partner's Capital Accounts showed a balance of Rs. 60,000. If the Normal rate of Return is 20% and the goodwill of the Firm is valued as Rs. 24,000 at four years' purchase of super profit, find the average profits per year, of the existing firm.
5. X, Y and Z were partners sharing profits in proportion to 5:3:2. Goodwill does not appear in the books, but it is agreed to be worth Rs. 2,50,000. X retires from the firm and Y and Z decide to share future profit equally. You are required to make adjustment entry for goodwill without opening goodwill account at all. Show your working clearly.
6. Write about goodwill.

**(4 × 4 = 16 Marks)**

III. Answer **any four** questions. Each carry **6** marks.

1. Explain stock and debtor system.
2. Write a note on Garner Vs Murray decision.
3. *Mohan, Ram and Sohan* are partners sharing profits in the ratio 3:2:1. The firm has a Joint Life Policy of Rs. 30,000. The annual premium of Rs. 1,800 is treated as a business expenses. Ram dies on 1.10.2000, and the claim is realised on 1.12.2000. Pass journal entries.

4. Ashok and Kishore were in partnership sharing profits in the ratio of 3:1. They agreed to dissolve the firm. The assets (other than cash of Rs. 2,000) of the firm realised Rs. 1,10,000. The liabilities and other particulars on the date of the firm were as follows:

Creditors	40,000
Ashok's Capital	1,00,000
Kishore's Capital	10,000 (Dr. balance)
Profit and Loss Account	8,000 (Dr. balance)
Realisation expenses were	1,000
Creditors were settled in full settlement at	38,000.

Prepare realisation and cash accounts.

5. What is piece meal distribution?

**(4 × 6 = 24 Marks)**

IV. Answer **any three** questions. Each carry **10** marks.

1. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet was as follows on 1<sup>st</sup> January, 2002.

Liabilities	Amount Rs.	Assets	Amount Rs.
Sundry creditors	15,000	Plan	30,000
Capital accounts :		Patents	10,000
A      30,000		Stock	20,000
B <u>25,000</u>	55,000	Debtors	18,000
Bank loan	40,000	Cash	32,000
	<u>1,10,000</u>		<u>1,10,000</u>

C is admitted as a partner on the above date on the following terms:

- (a) He will pay Its. 10,000 as goodwill for one-fourth share in the profits of the firm.
- (b) The assets are to be valued as under:  
 Plan at Rs. 32,000 Stock at Rs. 18,000; Debtors at book figure less a provision of 5 per cent for Bad Debts.
- (c) It was found that the creditors included a sum of Rs. 1,400 which was not to be paid but it was also found that there was a liability for compensation to workers amounting to Rs. 2,000.
- (d) C was to introduce Rs. 20,000 as capital and the capitals of other partners were to be adjusted in the new profit sharing ratio. For this purpose, current accounts were to be opened.

Give Journal entries to record the above and Balance Sheet after C's admission. (Ledger accounts are not required).

2. Wasim, Owais and Jack are partners sharing profits in the ratio of their capitals. Owais retired from the firm on 31.12.2002 the date on which the

Balance Sheet of the firm was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	1,08,000	Cash	1,45,800
Bills payable	81,000	Debtors	1,62,000
Capital :		Less : Provision	<u>10,800</u>
Wasim	8,10,000	Stock	2,70,000
Owais	6,48,000	Fixed Assets	15,66,000
Jack	<u>4,86,000</u>		
	<u>19,44,000</u>		
	<u>21,33,000</u>		<u>21,33,000</u>



The following adjustments were made:

- (a) Fixed Assets appreciated by 20%.
- (b) Stock depreciated by 10%.
- (c) Goodwill of the firm be valued at Rs. 3,24,000 and Owais's share will be adjusted into the Capital Accounts of Wasim and Jack without opening Goodwill A/c.
- (d) New profit sharing ratio of Wasim and Jack is decided to be 3:2.

Give the partners' Capital Accounts and the Balance Sheet of the firm after Owais's retirement.

3. Mohan and Sohan are in partnership sharing profits in the proportion of 3/5 and 2/5 respectively. Their Balance Sheet are on 31<sup>st</sup> December, 2002 was as follows.

Liabilities	Amount Rs.	Assets	Amount Rs.
Mohan's capital	12,000	Cash	20,650
Sohan's capital	11,000	Debtors	1,000
Creditors	400	Less : Reserve	<u>400</u> 600
		Stock	1,500
		Plant	650
	<u>23,400</u>		<u>23,400</u>

They decide to admit Rohan to a one- third share upon the terms that he is to pay into the business Rs. 1,000 as Goodwill and sufficient capital to give him a  $\frac{1}{3}$ <sup>rd</sup> share of the total capital of the new firm. It was agreed that Reserve for bad debts be reduced to Rs. 100 that stock be revalued at Rs. 2,000 and that the plant be reduced to Rs. 500.

You are required to record the above in the ledger of the firm and show the Balance Sheet of the new partnership.

4. Write about rights of partners.

(3 × 10 = 30 Marks)

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