



Reg. No. : .....

Name : .....

**Fourth Semester B.Com. LL.B. (Five Year Integrated) Degree  
Examination, February 2018  
Paper – II : ADVANCED FINANCIAL ACCOUNTING**

Time : 3 Hours

Max. Marks : 80

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

- 1) State the two main rights acquired by a New Partner.
- 2) What do you mean by Wholesale Profit ?
- 3) What is the meaning of Dissolution of a Partnership Firm ?
- 4) Distinguish between Partner's Capital Account and Partner's Loan Account.
- 5) What is Invoice Price Method ?
- 6) What is the difference between Sacrifice ratio and Gain ratio ?
- 7) What are the objectives of Branch Accounting ?

(5×2=10 Marks)

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

- 1) Hindustan Co. Ltd., invoices goods to its Poona Branch at cost. The branch sells the goods only for cash. From the following details, prepare the Branch Account for the year ending 31-12-2014.

	Rs.
Stock 1-1-2014	12,500
Stock 31-12-2014	14,500
Goods supplied to Branch	45,400
Goods returned by Branch	600
Petty cash 1-1-2014	150
Petty cash 31-12-2014	320
Cash remitted to Branch for :	
Rent	1,200
Salary	4,500
Petty cash	1,000
Cash sales	6,700
	81,300

P.T.O.



- 2) Distinguish between Drawings Account and Current Account.
- 3) Explain the decision in Garner and Murray case.
- 4) Enumerate the circumstances under which a firm is dissolved.
- 5) A, B and C are partners in a business, sharing profit and losses in the ratio of 2 : 2 : 1. A retires by selling his share in the business for a sum of Rs. 6,000 which is paid by A and B as to Rs. 4,800 and Rs. 1,200 respectively. Find out the new profit sharing ratio of B and C.
- 6) Ram and Shyam share the profits equally. They decided to dissolve their Firm. Their liabilities were : Ram's Capital Rs. 25,000; Shyam's Capital Rs. 30,000; Creditors Rs. 12,500; Bills payable Rs. 7,500; Assets of the firm realized Rs. 1,00,000. Prepare a Realization Account. **(4x4=16 Marks)**

III. Answer **any four** of the following. **Each** question carries **6** marks.

- 1) A and B are partners sharing profit and losses in the ratio of 5 : 3. C is admitted as a new partner for  $\frac{1}{5}$ th share. C brings Rs. 15,000 as his Capital and necessary amount of his share of goodwill in cash. Total goodwill of the firm is Rs. 60,000. Goodwill already appears in the Balance Sheet of A and B is Rs. 20,000. Pass necessary journal entries.
- 2) Define Partnership. Enumerate the essential elements of partnership.
- 3) Amit and Sumit commenced business as partners on April 1, 2000. Amit contributed Rs. 40,000 and Sumit Rs. 25,000 as their share of capital. The partners decided to share their profits in the ratio of 2 : 1. Amit was entitled to a salary of Rs. 6,000 p.a. Interest on capital was to be provided @6% p.a. The drawings of Amit and Sumit for the year ending March 31, 2001 were Rs. 4,000 and Rs. 8,000, respectively. The profits of the firm after providing Amit's salary and interest on capital were Rs. 12,000. Draw up the Capital Accounts of the partners :
  - i) When capitals are fluctuating, and
  - ii) When capitals are fixed ?
- 4) What do you mean by Dependent Branch and what are its features ?
- 5) The following is the Balance Sheet of M, N and O as on 31<sup>st</sup> December 2014. The partners shared profits and losses in the proportion of their capital :

	Rs.		Rs.
Creditors	12,000	Goodwill	8,000
Reserve Fund	8,000	Buildings	10,000
M's Capital A/c	16,000	Stock	20,000
N's Capital A/c	8,000	Debtors	10,000
O's Capital A/c	8,000	Bank	4,000
	<b>52,000</b>		<b>52,000</b>



N wishes to retire from 1<sup>st</sup> January, 2015. For ascertaining the share of N, it was decided to revalue the assets as follows :

- a) Goodwill at Rs. 12,000
- b) Building at Rs. 12,000
- c) Stock at Rs. 19,200
- d) A provision of 10% to be created on debtors.

Journalise the above transactions and prepare the Revaluation Account.

- 6) What is piecemeal distribution ? How the settlements are made in piecemeal distribution ? **(4x6=24 Marks)**

IV. Answer **any three** of the following. **Each** question carries **10** marks.

- 1) Following is the Balance Sheet of Raman and Ramesh on June 30, 2015 :

<b>Liabilities</b>	<b>Amount (Rs.)</b>	<b>Assets</b>	<b>Amount (Rs.)</b>
Sundry creditors	20,000	Goodwill	10,000
Bills payable	20,000	Building	25,000
Bank overdraft	10,000	Plant and fittings	25,000
Mrs. Raman's loan	20,000	Investment	15,300
Ramesh's loan	10,000	Stock	8,700
Investment fluctuation fund	2,800	Debtors	17,000
Employee's provident fund	1,200	Less : provision	
General Reserve	2,000	for bad debts <u>2,000</u>	15,000
Raman's capital	20,000	Bills receivable	10,000
Ramesh's capital	20,000	Cash at bank	13,000
		Profit and loss	4,000
<b>Total</b>	<b>1,26,000</b>	<b>Total</b>	<b>1,26,000</b>

The firm was dissolved on June 30, 2015 and following was the position :

- a) Raman agreed to pay off his wife's loan.
- b) Debtors realized Rs. 12,000.
- c) Ramesh took away all the investments at Rs. 12,000.
- d) Other assets realized as follows :  
Plant and fittings 20,000; Building 50,000; Goodwill 6,000.
- e) Sundry creditors and bills payable were settled at 5% discount.
- f) Raman accepted stock at Rs. 8,000 and Ramesh took over bills receivable at 20% discount.
- g) Realization expenses amounted to Rs. 2,000.

Record journal entries and also prepare various ledger accounts.



- 2) Ashu and Pankaj are partners sharing profit in the ratio of 3 : 2, their Balance Sheet on March 31, 2014 was as follows :

**Balance Sheet of Ashu and Pankaj as on March 31, 2014**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	38,000	Cash in hand	15,000
Bills payable	40,000	Cash at Bank	62,000
Salaries outstanding	5,000	Debtors	58,000
Profit and Loss	40,000	Stock	85,000
Capitals :		Machinery	1,45,000
Ashu	1,50,000	Goodwill	38,000
Pankaj	1,30,000		
<b>Total</b>	<b>4,03,000</b>	<b>Total</b>	<b>4,03,000</b>

They admitted Gurdeep into partnership on the following terms on March 31, 2014.

- New profit sharing ratio is agreed as 3 : 2 : 1.
- He will bring in Rs. 1,00,000 as his shared capital and Rs. 30,000 as his share of goodwill.
- Machinery is appreciated by 10%
- Stock is valued at Rs. 87,000
- Creditors are unrecorded to the extent of Rs. 6,000
- A provision for doubtful debts is to be created by 4% on debtors.

Prepare Revaluation account, Capital accounts, Bank account and Balance Sheet of the new firm after admission of Gurdeep.

- 3) M/s Eastern Traders, Delhi opened a branch at Jaipur on 1-7-2014. The goods were sent by the head office to the branch invoiced at selling price of the branch which was 125% of the cost price of the head office.

The following are the particulars relating to the transactions of Jaipur Branch :

Goods sent to Branch (at cost to H.O.)	2,80,800	Cash sent to Branch for :	
Sales :		Salaries	3,000
Credit	1,75,000	Freight outwards	11,000
Cash	1,25,000	Other expenses	
Cash collected from debtors	1,56,000	including godown	
Discount allowed	4,000	rent	6,000
Spoiled cloth in bales written off at invoice price	500	Stock on 30 <sup>th</sup> June, 2015 at invoice price	20,000 55,500
Goods returned by debtors to branch	5,000		

Ascertain profit or loss for the Jaipur Branch for the year ended 30-6-2015 by preparing account under Stock and Debtor System.

- 4) What are the main classes of branch accounts ? Explain. (3×10=30 Marks)