

Reg. No. : .....

Name : .....

**Fourth Semester B.Com. LL.B. (Five Year Integrated) Degree  
Examination, March 2019  
Paper – II : ADVANCED FINANCIAL ACCOUNTING**

Time : 3 Hours

Max. Marks : 80

- I. Answer **any five** questions. Each question carries **2** marks.
- 1) What is inter branch transfers ? Give its accounting treatment.
  - 2) Differentiate between fixed capital and fluctuating capital.
  - 3) Who are sacrificing and gaining partners ?
  - 4) What do you mean by dependent branches ?
  - 5) There is need for the revaluation of assets and liabilities on the admission of a partner. Why ?
  - 6) What are the items to be considered for calculating the amount due to a retiring partner ?
  - 7) What are the instances that lead to compulsory dissolution ?
- II. Answer **any four** of the following. Each question carries **4** marks.
- 1) Distinguish between dissolution of partnership and dissolution of a firm.
  - 2) Explain the factors influencing goodwill of a firm.
  - 3) X and Y sharing profits in 5:3 admits Z for  $\frac{1}{5}$ <sup>th</sup> share in future profits. X and Y have capital balance of Rs. 45,000 and Rs. 35,000 respectively after making all adjustments in the capital. Z is required to bring capital proportionate to his profit sharing ratio. Calculate the amount to be brought in by Z for capital.
  - 4) Anu, Binu and Cinu are partners sharing profits and losses in the ratio of 4:3:2. They decided to share future profits equally. Calculate sacrificing ratio and gaining ratio of partners.
  - 5) Salini and Malini's capital account balances on 1<sup>st</sup> January 2014 were Rs. 60,000 and Rs. 80,000 respectively. During the year 2014 Salini introduced further capital of Rs. 30,000 on 1<sup>st</sup> April 2014 and Malini brought in Rs. 20,000 on 1<sup>st</sup> July 2014. Interest is calculated on the capital at 10% per annum. Calculate interest on partner's capital up to 31<sup>st</sup> December 2014.

P.T.O.



- 6) Give journal entries in the Head Office books for the following assuming that the accounts are closed on 31<sup>st</sup> December 2010.
- Goods sent by Mumbai branch to Chennai branch under the direction of Head Office not received Rs. 13,000 till 31<sup>st</sup> December 2010.
  - Mumbai branch paid Rs. 50,000 for furniture purchased by Head Office for the use of Head Office.
  - Cash sent by Chennai branch Rs. 10,000 not reached in the Head Office till the closing date.
  - Provide depreciation on Mumbai branch machinery of Rs. 1,00,000 @ 10% when fixed assets account of branch is maintained in Head Office books.
  - Mumbai branch paid a dividend of Rs. 3,000 to a local shareholder on behalf of Head Office.
  - Chennai branch collected Rs. 12,000 from a local customer of Head Office.

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

- 1) What is partnership deed ? State the rules applicable in the absence of a partnership deed.
- 2) Differentiate between Branch and Department.
- 3) A and B share profits and losses in the ratio of 5:3. C the new partner gets  $\frac{1}{5}$ <sup>th</sup> of A's share and  $\frac{1}{3}$ <sup>rd</sup> of B's share. C brought in Rs. 50,000 as his capital and Rs. 8,000 for his share of goodwill. The profit for the first year of the new firm amounted to Rs. 28,000. Give journal entries in respect of admission of C and distribution of profit.
- 4) Christy and Denny are equal partners. They decided to dissolve their firm. The books of account showed the following balances :
  - Christy's capital Rs. 40,000
  - Denny's capital Rs. 50,000
  - Loan from Christy Rs. 25,000
  - Profit and loss account (debit) Rs. 1,00,000
  - Christy's current account (credit) Rs. 30,000
  - Loan from Mrs. Christy Rs. 1,10,000
  - Trade creditors Rs. 1,20,000
  - Cash and bank balance Rs. 40,000
  - Denny's current account (debit) Rs. 8,000
  - Assets of the firm realized Rs. 2,90,000
 Give ledger account to close the books of the firm.

- 5) Anil, Sathi and Renil are partners with capital of Rs. 1,00,000, Rs. 50,000 and Rs. 40,000 respectively. After providing interest on capital @ 10% per annum, the profits are divisible in the ratio of 5:3:2. Anil and Sathi have guaranteed that Renil's share shall not amount to lesser than Rs. 10,000 and shortage if any will be borne by Anil and Sathi equally.  
The net profit for the year before providing interest on capital was Rs. 60,000.  
You are required to prepare Profit and Loss Appropriation Account.
- 6) A:B:C with 5:3:2 sharing ratio took out a Joint Life Policy for Rs. 18,000 paying an annual premium of Rs. 720 starting from 1<sup>st</sup> Jan. 1994. The surrender value of the policy was as follows :  
1994 - Nil, 1995 - Rs. 240, 1996 - Rs. 600, 1997 - Rs. 1,020, 1998 - Rs. 1,800.  
B died on 6<sup>th</sup> Oct. 1997 and insurance company paid Rs. 18,720 including bonus on 30<sup>th</sup> Nov. 1997. The books were closed on 31<sup>st</sup> December each year. Show the accounts relating to JLP when surrender values are to be treated as an asset.

IV. Answer any 3 questions. Each carries 10 marks.

- 1) Explain the accounting procedure in the case of dissolution of a firm.
- 2) A company with Head Office in Chennai has a branch at Hyderabad. Goods are invoiced to the branch at selling price which is cost plus 25%. Prepare branch account and goods sent to branch account in the books of Head Office.

	Rs.
Opening balances :	
Stock	26,000
Debtors	15,000
Petty cash	1,000
Furniture	20,000
Salary outstanding	3,000
Goods sent to branch at invoice price	3,15,000
Goods returned by branch at invoice price	15,000
Cash sales at branch	1,30,000
Credit sales at branch	3,40,000
Goods returned by customers	2,000
Discount allowed to them	1,000
Bad debts written off	2,000
Closing balances :	
Stock	20,000
Debtors	18,000
Petty cash	800
Furniture	18,000

Head Office remitted Rs. 14,000 for meeting branch expenses.



- 3) On 1<sup>st</sup> January 2012 Mohan, Dileep and Binoy entered into partnership contributing Rs. 60,000, Rs. 70,000 and Rs. 80,000 respectively and sharing profits and losses in the ratio of 1:2:3. Dileep and Binoy are entitled to receive a salary of Rs. 8,000 and Rs. 9,000 respectively in a year. 6% interest is to be charged on capital. During the year Mohan withdrew Rs. 8,000, Dileep Rs. 7,000 and Binoy Rs. 6,000. Interest on drawings being Rs. 400, Rs. 300 and Rs. 200 respectively. Profit for the year before making the above adjustments was Rs. 88,700. Pass necessary journal entries.

Prepare Profit and Loss Appropriation Account and Capital Account of partners.

- 4) P, Q and R were in partnership sharing profit and losses in the ratio of 3 : 2 : 1. On 1<sup>st</sup> January 2013 Q retires. Their Balance Sheet on that date was as follows :

Liabilities		Rs.	Assets	Rs.
Creditors		7,500	Factory Buildings	37,500
Outstanding expenses		4,500	Machinery	27,000
Reserve fund		18,000	Stock	32,000
Capital P	37,250		Debtors	25,000
Q	35,000		Cash at bank	10,500
R	<u>33,500</u>	1,05,750	Cash in hand	3,750
		<b>1,35,750</b>		<b>1,35,750</b>

The conditions were :

- 1) Goodwill of the firm to be valued at Rs. 24,000.
- 2) Expenses outstanding to be brought down to Rs. 3,750.
- 3) An unrecorded liability of Rs. 600 paid.
- 4) Depreciation of 10% to be provided on machinery.
- 5) Factory buildings must be revalued at Rs. 41,100.
- 6) Q will be paid in cash which will be brought in by P and R in such a way as to make their capital proportionate to their new profit sharing ratio.

Prepare Revaluation Account, Capital Account and Balance Sheet of the firm.