

(FOR THE CANDIDATES ADMITTED

21UCC204

DURING THE ACADEMIC YEAR 2021 ONLY)

REG.NO. :

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

END-OF-SEMESTER EXAMINATIONS: JULY 2022

B.COM.-CA

MAXIMUM MARKS: 70

II SEMESTER

TIME: 3 HOURS

PART – III

HIGHER FINANCIAL ACCOUNTING

SECTION – A

(10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

(K1)

1. The Interest on partners' capital account is to be credited to _____.
 - a) Partners' Capital a/c
 - b) P & L a/c
 - c) Interest a/c
 - d) P & L Appropriation a/c
2. Goodwill is _____.
 - a) A tangible asset
 - b) An Intangible asset
 - c) A Fictitious asset
 - d) A hidden asset
3. Joint life policy a/c is _____.
 - a) A nominal a/c
 - b) A personal a/c
 - c) An asset a/c
 - d) Goodwill a/c
4. Gaining ratio = _____.
 - a) Old ratio – Sacrificing ratio
 - b) Old ratio – New ratio
 - c) New ratio - Old ratio
 - d) New ratio – Sacrificing ratio
5. The ruling in Garner Vs Murrey is applicable to _____.
 - a) Admission of a partner
 - b) Retirement of a partner
 - c) Dissolution of a partner
 - d) Insolvency of a partner

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

6. Define Partnership.
7. Explain the meaning of Sacrificing Ratio.
8. Define Gaining Ratio.
9. List two methods of the piecemeal distribution.
10. Narrate the meaning of Dissolution of a firm.

SECTION – B

(5 X 4 = 20 MARKS)

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

11. a) J and K are partners in a firm sharing profits and losses equally. On 1st January 2021, their capitals were Rs. 20,000 and Rs. 10,000 respectively. Interest on capital is to be allowed at 5% p.a. from profits prior to division thereof.

The net profit for the year ending 31st December 2021, before allowing interest on capital amounted to Rs. 9,500. Give the journal entries.

(OR)

- b) Show the following items which will appear in the capital accounts of the partners Sachin and Tendulkar.

(CONTD...2)

<i>Particulars</i>	<i>/2/</i>	<i>Sachin</i>	<i>Tendulkar</i>
Capital on 01.01.2021		8,00,000	7,00,00
Drawings during 2021		1,60,000	1,40,000
Interest at 5% on drawings		4,000	2,000
Shares of profits for 2021		84,000	66,000
Interest on capital at 6%		48,000	42,000
Salary		72,000	Nil

12. a) A and B are partners sharing profits in the ratio of 3:2. They admit C as a partner for 1/5th share in future profit. Calculate the new ratio and sacrificing ratio.

(OR)

b) P and Q are partners sharing profits in the ratio of 3:2. They admit R into partnership. R paying a premium Rs. 1,000 for 1/4 share of profit. No goodwill account appears in the books. They withdraw the amount of goodwill. Journalise.

13. a) X, Y and Z were partners sharing profits in the ratio of 2:2:1. Z retires and his share was taken up by X and Y in the ratio of 3:2. Calculate the gaining ratio of X and Y.

(OR)

b) Examine the difference between Sacrificing ratio and Gaining ratio.

14. a) X and Y partners sharing profits and losses in the ratio of 3:2, admit Z for fifth share. His share of goodwill was fixed at Rs. 12,000. However, he could bring in Rs. 30,000 for capital and only 1/3rd of his share of goodwill in cash. The new profit sharing ratio of partners to be 50%, 30% and 20% for X, Y and Z respectively. Record the journal entries.

(OR)

b) A, B and C were partners sharing profits in the ratio of 3:2:1. Their balance sheet on 31.12.2021 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Cash at bank	1,10,000
A	1,40,000	Machinery	1,20,000
B	1,00,000	Goodwill	1,00,000
C	60,000		
Creditors	30,000		
	3,30,000		3,30,000

The following steps were taken on 01.01.2022:

i) C retired and his interest in the firm was valued at Rs. 80,000. It was purchased by A and B from their private resources in their profit sharing proportion.

ii) D was admitted and became entitled to 1/6th share of profits on the condition that A and B should be credited proportionately for goodwill amounting to Rs. 60,000 and he should bring in capital equal to 1/4 th of the combined capital of A and B after adjustments.

Prepare partner's capital accounts.

15. a) Discuss the modes of dissolution.

(OR)

b) P, Q and R share profits in proportion of 1/2, 1/4 and 1/4. On the date of dissolution their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Sundry Assets	40,000
P's capital	10,000		
Q's capital	10,000		
R's capital	6,000		
	40,000		40,000

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

(CONTD...3)

SECTION - C

(4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS. (K4/K5)**(16th QUESTION IS COMPULSORY AND ANSWER ANY THREE QUESTIONS)**

16. M, N and O are partners sharing profit in the ratio 3 : 2 : 1. M retires from the partnership. In order to settle his claim, the following revaluation of assets and liabilities was agreed upon:

- (i) The value of Machinery is increased by Rs. 25,000.
- (ii) The value of Investment is increased by Rs. 2,000.
- (iii) A provision for outstanding bill standing in the books at Rs. 1,000 is now not required.
- (iv) The value of Land and Building is decreased by Rs. 12,000.

Give journal entries and prepare Revaluation account.

17. On 1st January 2021, Kavitha and Sumathy entered into partnership and contributed Rs. 80,000 and Rs. 60,000 respectively. They share profits and losses in the ratio of 3:2. Sumathy is to be allowed a salary of Rs. 16,000 per year. Interest on capitals is to be allowed at 5% per annum. 5% interest is to be charged on drawings. During the year, Kavitha withdrew Rs. 12,000 and Sumathy Rs. 24,000, interest being Kavitha Rs. 280 and Sumathy Rs. 200. Profit in 2021 before the above noted adjustments was Rs. 42,320. Show the distribution of profits between the partners and prepare capital accounts

- i) when they are fluctuating and
- ii) when they are fixed.

18. A and B are partners in a firm. They are sharers of its and losses in the ratio of 3:1. Their balance sheet is as follows:

Liabilities	Rs.	Assets	Rs.
A's capital	80,000	Buildings	1,00,000
B's capital	40,000	Plant	25,000
Creditors	60,000	Stock	40,000
Reserve	40,000	Debtors	70,000
Bills payable	20,000	Cash	5,000
	2,40,000		2,40,000

C is admitted into partnership for 1/5th share of the business on the following terms:

- a) Building is revalued at Rs. 1,20,000
- b) Plant is depreciated to 80%
- c) Provision for bad debts is made at 5%
- d) C should introduce 50% of the adjusted capitals of both A and B. Open various accounts and the new balance sheet after the admission of C

19. Om, Jai and Jagdish are partners sharing profit in the ratio of 3 : 2 : 1. Their balance sheet as at December 31st 2014 is as under :

Balance sheet as at December 31, 2014

Liabilities	Rs.	Assets	Rs.
Creditors	80,000	Building	1,80,000
Bills payable	26,000	Plant	1,40,000
General reserve	24,000	Motor car	40,000
Capital:		Stock	1,00,000
Om – 1,60,000		Debtors 63000	
Jai – 1,20,000		Less Bad debts 3000	60000
Jagdish – 1,20,000	4,00,000	Cash at bank	10,000
	5,30,000		5,30,000

(CONTD...4)

Jai retires on that date on the following terms:

- The Goodwill of the firm is valued at Rs. 60,000.
- Stock and Building to be appreciated by 10%.
- Plant is depreciated by 10%
- Provision for Bad debts is increased upto Rs. 5,000.
- Jai's share of goodwill was adjusted through remaining partners' capital account.

The amount due to Jai is paid out of the fund brought in by Om and Jagdish in their new profit sharing ratio. Jai is paid full amount.

Prepare Revaluation Account and Partner's Capital account.

20. L and H were carrying on business as equal partners. It was agreed that L should retire from the firm and his son C should join the firm on the same date for $\frac{1}{3}$ rd of the profits of the business. The balance sheet of the firm as on 31.03.21 was as follows:

Liabilities	Rs	Assets	Rs.
Creditors	9,800	Bank	11,000
Capitals:	34,000	Debtors	16,100
L	28,200	Furniture	14,200
H		Building	20,700
		Goodwill	10,000
	72,000		72,000

On 31.03.21 goodwill was valued at Rs. 27,000 and building at Rs. 24,000. It was agreed that enough money should be introduced to enable L to be paid out and leave Rs.10,000 by way of working capital. H and C were to provide such sum as would make their capitals proportionate to their share of profits. L agreed to provide half of the capitals which C had to provide. Give necessary journal entries, prepare necessary accounts and the balance sheet of H and C.

21. Nutan, Sumit and Shiba are partners in a firm sharing profits in the ratio 5 : 3 : 2. On 31st December 2014 their Balance Sheet was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	52,000	Building	60,000
Reserve fund	15,000	Plant	50,000
Capital:		Stock	27,000
Nutan – 60,000		Debtors	25,000
Sumit – 45,000		Cash	10,000
Shiba – 30,000	1,35,000	Bank	30,000
	2,02,000		2,02,000

Nutan died on 1 July 2015. It was agreed between her executor and the remaining partners that:

- Goodwill to be valued at $2\frac{1}{2}$ years purchase of the average profits of the last Four years, which were: 2011 Rs. 25,000; 2012 Rs. 20,000; 2013 Rs. 40,000 and 2014 Rs. 35,000.
- Building is valued at Rs. 70,000; Plant at Rs. 46,000 and Stock at Rs. 32,000.
- Profit for the year 2015 be taken as having accrued at the same rate as that of the previous year.
- Interest on capital is provided at 9% p.a.
- On 1 July 2015 her drawings account showed a balance of Rs. 20,000.
- Rs. 25,950 are to be paid immediately to her executor and the balance is transferred to her Executors Loan Account.

Prepare Nutan's Capital Account and Nutan's Executor's Account as on 1st July 2015.
