

(FOR THE CANDIDATES ADMITTED  
DURING THE ACADEMIC YEAR 2023 ONLY)

23UCC204

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI  
END-OF-SEMESTER EXAMINATIONS : MAY-2024

COURSE NAME:  
SEMESTER: II

MAXIMUM MARKS: 75  
TIME : 3 HOURS

**PART - III**  
**HIGHER FINANCIAL ACCOUNTING**

**SECTION – A (10 X 1 = 10 MARKS)**

ANSWER THE FOLLOWING QUESTIONS.

**MULTIPLE CHOICE QUESTIONS.**

**(K1)**

- Commission paid to partners is debited to \_\_\_\_\_.  
a. Trading A/c    b. P&L A/c    c. P&L Appropriation A/c    d. None of these
- Profit on revaluation is a \_\_\_\_\_.  
a. Capital Profit    b. Revenue Profit    c. Goodwill    d. None of these
- A Partner can retire from the business with the consent of \_\_\_\_\_.  
a. all the partners    b. any of the partners    c. last partners    d. None of these
- \_\_\_\_\_ of a partner dissolves the partnership.  
a. Insolvent    b. Death    c. Admission    d. Retirement
- Realization A/c is \_\_\_\_\_.  
a. Real A/c    b. Nominal A/c    c. Profit & Loss A/c    d. Realization A/c

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

**(K2)**

- Define Partnership.
- Define the Goodwill.
- What do you mean by Gaining Ratio?
- Define the Death of a Partner.
- What is "Realization Account"?

**SECTION – B (5 X 5 = 25 MARKS)**

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

11. a) Explain the meaning and essential features of Partnership.

**(OR)**

- b) X and Y are partners sharing profits in the ratio of 2:1 and as from 1<sup>st</sup> January 1995, they admit Z who is to have 1/10<sup>th</sup> share of profits with a guaranteed minimum of Rs. 32,000. A and Y continue to share profits as before. The profit of the firm in respect of the year in question is Rs. 2,00,000. Prepare P & L appropriation A/c.

- 12.a) A and B are partners in a business sharing profits in the ratio of 5:3. They decide to admit C into the firm giving him 1/6<sup>th</sup> share. Calculate the new profit sharing ratio and sacrificing ratio of the partners.

**(OR)**

- b) Calculate the amount of goodwill at three year's purchase of last five years average profits. The profits were:

I year – Rs. 9,600

II years – Rs. 14,400

III years – Rs. 20,000

IV year – Rs. 6,000

V years – Rs. 10,000

**(CONTD.....2)**

13. a) Difference between Sacrificing Ratio and Gaining Ratio.

(OR)

b) P, Q, R and S are partners in a firm sharing profits in the ratio of 2:1:2:1. On the retirement of R the firms' goodwill was valued at Rs. 45,000. P, Q and S decided to share the future profits equally. Pass journal entry for goodwill.

14.a) A, B, C, D and E were partners in a firm sharing profits and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately, D and E met with an accident in which both of them died. The goodwill of the firm was valued at Rs. 75,000 and A, B and C decided to share the future profits and losses in the ratio of 4:6:5 respectively. Give the journal entry to record the above relating to goodwill.

(OR)

b) A, P and R were partners in a firm. R died on 28<sup>th</sup> Feb. 2011. His share of profits from the closure of the last accounting year till the date of death was to be calculated on the basis of the average profits of three completed years before death. Profits for 2008, 2009 and 2010 were Rs. 55,000, Rs. 66,000 and Rs. 77,000 respectively. Calculate R's share of profits till his death and pass the necessary journal entry for the same.

15.a) P, Q and R share profits in proportion  $\frac{1}{2}$ ,  $\frac{1}{4}$  and  $\frac{1}{4}$ . On the date of dissolution their Balance Sheet was as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	14,000	Sundry Assets	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
	<b>40,000</b>		<b>40,000</b>

The assets realized Rs. 35,500. Creditors were paid in full. Realization expenses amounted to Rs. 1,500. Close the books of the firm.

(OR)

b) X, Y and Z sharing profits in the proportion of 3:2:1 decided to dissolve partnership on 31.12.90. Their balance sheet on that date was as under:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital accounts		Leasehold premises	12,500
X	30,000	Goodwill	20,000
Y	10,000	Machinery	30,520
Z	10,000	Stock	7,550
Bank loan	11,500	Investment	6,330
Leasehold redemption fund	6,000	Joint life policy	12,000
Life policy fund	12,000	Sundry debtor	5,800
Sundry creditors	16,200	Less: Reserve	500
		Cash at Bank	1,500
	<b>95,700</b>		<b>95,700</b>

The joint life policy is surrendered for Rs. 10,000. The investments are taken over by Y for Rs. 8,000. X agreed to discharge the bank loan. The remaining assets are sold for Rs. 86,700. The expenses of realization amount to Rs. 850.

Show the necessary ledger accounts including the accounts of the partners.

## SECTION – C

(5 X 8 = 40 MARKS)

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

(K4 (Or) K5)

16. a) A and B started business on 1<sup>st</sup> January 1992 with Rs. 30,000 and Rs. 18,000 as capital respectively. They agree to share profit in the capital ratio. From the following details. Calculate ratio.

Particulars	Capital		Introduced	
	A	B	A	B
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1 <sup>st</sup> March	6,000	-	-	-
1 <sup>st</sup> April	-	21,000	9,000	-
1 <sup>st</sup> June	12,000	-	-	18,000
30 <sup>th</sup> September	-	24,000	24,000	-

(OR)

- b) Following is the Balance Sheet of Mohan and Madan on 31<sup>st</sup> Dec. 1990, after adjustment of profit for 1990 and drawings:

	Rs.		Rs.
Capital		Land	16,000
Mohan : 40,000		Buildings	72,000
Madan : 48,000	88,000	Other Assets	48,000
Creditors	32,000	Madan's Drawings	8,000
P & L Appropriation A/c	24,000		
	<b>1,44,000</b>		<b>1,44,000</b>

During the year 1990: (i) Profits were Rs. 40,000; (ii) Drawings of Mohan were Rs. 12,000; (iii) Interest is to be charged at 5% p.a. on opening capitals. Calculate interest on capitals of Mohan and Madan.

17. a) A and B are partners sharing profits in the ratio of 3:1. Their Balance sheet stood as under on 31.3.2004.

Liabilities		Rs.	Assets		Rs.
Salary due		5,000	Stock		10,000
Creditors		40,000	Prepaid Insurance		1,000
Capital			Debtors	8,000	
A	30,000		Less: Provision	500	7,500
B	20,000	50,000	Cash		18,500
			Machinery		22,000
			Buildings		60,000
			Furniture		6,000
		<b>95,000</b>			<b>95,000</b>

C is admitted as a new partner introducing a capital of Rs. 20,000, for his 1/4<sup>th</sup> share in future profits.

Following revaluations are made:

- (i) Stock be depreciated by 5%
- (ii) Furniture be depreciated by 10%
- (iii) Building be revalued at Rs. 45,000
- (iv) The provision for doubtful debts should be increased to Rs. 1,000.

Pass Journal entries, prepare Revaluation A/c and Balance Sheet after admission.

(OR)

(CONTD.....4)

- b) X and Y are partners sharing the result of the business in the ratio of 5:3. Z is admitted and asked to bring Rs. 64,000 as goodwill and half of the combined capitals of X and Y after making necessary adjustments:

Liabilities		Rs.	Assets		Rs.
Creditors		8,000	Cash		6,000
Capital Accounts:			Sundry Assets		1,54,000
X	1,20,000		Profit & Loss A/c		40,000
Y	40,000	1,60,000			
Reserve Fund		32,000			
		<b>2,00,000</b>			<b>2,00,000</b>

Revaluation account prepared on this date showed a loss of Rs. 11,200. Calculate the amount of Capital to be brought by Z.

18. a) A, B and C are partners in a firm sharing profits and losses in the ratio of 1/3:1/2:1/6 respectively. Their Balance sheet as on 31.03.2006 was as follows.

Liabilities		Rs.	Assets		Rs.
Reserve fund		16,000	Building		50,000
Capital	A	30,000	Machinery		40,000
	B	40,000	Furniture		10,000
	C	25,000	Stock		25,000
Loan payable		15,000	Debtors	18,000	
			Less: Provision	500	17,500
			Cash		8,500
		<b>1,51,000</b>			<b>1,51,000</b>

'C' retires on 31.03.2006 subject to the following conditions:

- Goodwill of the firm is valued at Rs. 24,000
- Machinery to be depreciated by 10%
- Furniture to be depreciated by 5%
- Stock to be appreciated by 15% and buildings to be appreciated by 10%
- Reserve for doubtful debts to be raised to Rs. 2,000

Prepare necessary ledger accounts and show the Balance sheet of the new firm.

(OR)

- b) The Balance Sheet of P, Q and R who are sharing profits and losses in the ratio of 2:2:1 respectively, was as follows on 31.03.2011.

Liabilities		Rs.	Assets		Rs.
Bills payable		3,200	Cash		12,825
Creditors		6,250	Bills receivables		2,700
Capital account	P	20,000	Debtors		8,900
	Q	12,500	Stock		11,150
	R	10,000	Furniture		1,750
Profit & loss A/c		2,250	Machinery		4,875
			Buildings		12,000
		<b>54,200</b>			<b>54,200</b>

P retires from the business from 1.4.2011 and his share in the firm is to be ascertained on a revaluation of the assets as follows:

Stock Rs. 10,000. Furniture Rs. 1,500. Machinery Rs. 4,500. Buildings Rs. 10,000 and Rs. 425 is to be provided for doubtful debts.

The goodwill of the firm is to be valued at Rs. 3,000. 'P' is to be paid Rs. 5,525 in cash on retirement and balance in 3 equal yearly installments with interest at 5% p.a. Pass necessary ledger accounts and new balance sheet of Q and R and P's loan A/c for three years.

(CONTD .... 5)

19.a) A, B and C were partners sharing profits in the ratio of 3:2:1. Their balance sheet on 31.12.93 was as follows:

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

The following steps were taken on 1.1.94:

- (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  $\frac{1}{6}$ <sup>th</sup> share of profits on the condition that A and B should be credited proportionately for goodwill amounting to Rs. 60,000 to be brought in cash by D and he should bring in capital equal to  $\frac{1}{4}$  of the combined capital of A and B after adjustments.

Prepare partners capital accounts and show the opening balance sheet of the reconstituted firm as on 1.1.94.

(OR)

b) Following is the balance sheet of X, Y and Z as on 31.12.2004

Liabilities		Rs.	Assets		Rs.
Sundry creditor		30,000	Cash in hand		2,000
Reserve fund		32,000	Cash at bank		50,000
Capital account			Debtors		60,000
X	1,00,000		Stock		60,000
Y	50,000		Furniture		80,000
Z	50,000	2,00,000	Tools		10,000
		<b>2,62,000</b>			<b>2,62,000</b>

Y died on 31<sup>st</sup> March 2005. Under the partnership agreement the executor of Y was entitled to:

- (a) Amount standing to the credit of his capital account
- (b) Interest on capital which amounted to Rs. 625
- (c) His share of goodwill Rs. 35,000
- (d) His share of profit from the closing date of last financial year to the date of death which amounted to Rs. 4,375. Y's executor was paid Rs. 18,000 on 1<sup>st</sup> April 2005 and the balance was to be paid in four equal yearly installment starting from 31.3.2006 with interest @ 6% p.a.

Prepare Y's capital A/c, Y's executor's A/c till it is finally paid. Assume profits are shared in the capital ratio.

(CONTD ... 6)

20.a) The following is the balance sheet of X, Y and Z on 31.03.1994

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital accounts		Furniture	40,000
X	50,000	Plant & Machinery	20,000
Y	30,000	Stock	40,000
General reserve	30,000	Sundry Debtor	20,000
Sundry Creditors	40,000	Cash at Bank	12,000
		Z's Capital	18,000
	<b>1,50,000</b>		<b>1,50,000</b>

Z is insolvent but his estate pays Rs. 4,000. It is decided to dissolve the partnership.

The assets are realized as follows:

Sundry Debtors Rs. 15,000; Furniture Rs. 28,000;

Stock Rs. 32,000; Plant & Machinery Rs. 14,000;

The dissolution expenses amounted to Rs. 5,000.

Give accounts to close the books of the firm, if the capitals are fluctuating:

(OR)

b) A and B are equal partnership. Their Balance Sheet stood as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital A	600	Plant & Machinery	1,475
Sundry Creditors	3,900	Furniture	400
		Debtors	500
		Stock	625
		Bank	300
		B's Capitals	1,200
	<b>4,500</b>		<b>4,500</b>

The assets were realized as follows:

Stock Rs. 350, Furniture Rs. 200, Debtors Rs. 500 and Plant & Machinery Rs. 700. The cost of collecting and distributing the estate amounted to Rs. 150.

A's private estate is not sufficient even to pay his private liabilities, where as in B's private estate, there is a surplus of Rs. 50.

Prepare Realisation A/c. Cash A/c. Creditors A/c, Capital A/c and the Deficiency A/c of the partners.