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AMCO 41

B.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2022.

Fourth Semester

Commerce — Core

ADVANCED FINANCIAL ACCOUNTING — II

(For those who joined in July 2017–2020 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Following are essential elements of a partnership firm except :
  - (a) At least two persons
  - (b) There is an agreement between all partners
  - (c) Equal share of profits and losses
  - (d) Partnership agreement is for some business

2. Ostensible partners are those who
  - (a) do not contribute any capital but get some share of profit for lending their name to the business
  - (b) contribute very less capital but get equal profit
  - (c) do not contribute any capital and without having any interest in the business, lend their name to the business
  - (d) contribute maximum capital of the business
3. When the incoming partner brings in his share of the premium for goodwill in cash, it is adjusted by crediting to
  - (a) Incoming Partner's Capital Account
  - (b) A premium for Goodwill Account
  - (c) Sacrificing Partners' Capital Account
  - (d) None of the above
4. The balance in the investment fluctuation fund, after meeting the loss on revaluation of investments, at the time of admission of a partner will be transferred to
  - (a) The old partners' capital account
  - (b) The revaluation Account
  - (c) The General Reserve
  - (d) None of the above

5. When Amit and Bikash contribute to share profit and loss in ratio of 3:2. Also, admit Charan is a partner giving him a  $\frac{1}{5}$ th share of profits. This will be given by Amit and Bikash
  - (a) Equally
  - (b) In the ratio of their capital
  - (c) In the ratio of their profits
  - (d) None of the above
6. X, Y and Z are partners sharing profits in the ratio of 2:2:1. Z retired. The new profit sharing ratio between X and Y will be
 

(a) 2:1	(b) 1:1
(c) 3:1	(d) 1:3
7. M, N and H are partners without partnership deed. M wants to get retired. The profit on revaluation on the date was 12000. and other partners N and H want to share this in the new ratio 3:2. M wants this to be shared equally how this profit should be shared
  - (a) 6000 equally between each partner
  - (b) 4000 equally between each partner
  - (c) 8000 equally between each partner
  - (d) 3000 equally between each partner

8. As per which section of the Indian Partnership Act, 1932, at the suit of a partner, the Court may dissolve a firm?
- (a) Section 04                      (b) Section 44  
(c) Section 48                      (d) Section 31
9. A and B are partners in proportion of 2:1. Their capital is Rs.50,000 and 40,000 respectively. If cash installment received is of Rs. 15,000.
- (a) Only B will get Rs. 15,000  
(b) A and B will get Rs. 10,000 and Rs. 5,000 resp.  
(c) A will get Rs. 10,000 and remaining Rs. 5,000 will be distributed equally among A and B.  
(d) Only A will get Rs. 15,000
10. When piecemeal distribution of cash is done according to surplus capital method.
- (a) Partner having the highest capital, gets first  
(b) All partners get in profit sharing ratio  
(c) All partners get equal amount  
(d) Partner whose capital is more in proportion of his profit sharing ratio, gets first

**PART B — (5 × 5 = 25 marks)**

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Mukesh and Ramesh are partners sharing profits and losses in the ratio of 2:1 respectively. They admit Rupesh as a partner with 1/4 share in profits with a guarantee that his share of profit shall be atleast Rs. 55,000. The net profit of the firm for the year ending 31<sup>st</sup> March, 2013 was Rs. 1,60,000. Prepare profit and loss appropriation account.
- Or
- (b) What is past adjustments in partnership account? Give examples.
12. (a) Murari and Vohra were partners in a firm with capitals of Rs. 1,20,000 and Rs. 1,60,000 respectively. On 1<sup>st</sup> April, 2010 they admitted Yadav as a partner for 1/4<sup>th</sup> share in profits on his payment of Rs. 2,00,000 as his capital and Rs. 90,000 for his 1/4<sup>th</sup> share of goodwill. On that date, the creditors of Murari and Vohra were Rs. 60,000 and bank overdraft was Rs. 15,000. Their assets apart from cash included stock Rs. 10,000; debtors Rs. 40,000; plant and machinery Rs. 80,000;

land and building Rs. 2,00,000. It was agreed that stock should be depreciated by Rs. 2,000; plant and machinery by 20%, Rs. 5,000 should be written-off as bad debts and land and building should be appreciated by 25%.

Prepare capital accounts of Murari, Vohra and Yadav.

Or

- (b) What are the changes expected in the partner's capital account during the revaluation of assets and liabilities? Brief.
13. (a) Draw the format of deceased partner's capital account.
- Or
- (b) State any two items of deductions that may have to be made from the amount payable to a retiring partner.
14. (a) What is the dissolution of partnership?

Or

- (b) Identify a situation, under which court may order for dissolution of a partnership firm.

15. (a) Present the journal entries for the closing of Accumulated Profits and Losses in the amalgamating firms.

Or

- (b) Write a note on Gradual Realisation of Assets when the partnership firm sale to a company.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) P, Q and R are partners sharing profits in the ratio of 3:2:1. However, R is guaranteed Rs. 20,000 as his share of profits every year. Deficiency if any would be borne by the other partners. The profits for the two years ending 31<sup>st</sup> March, 2008 and 31<sup>st</sup> March, 2009 had been Rs. 75,000 and Rs. 80,000 respectively. Show the profit and loss appropriation account for the two years.

Or

- (b) Explain the steps to pass adjusting journal entry.

17. (a) A and B are partners sharing profits and losses in the ratio 3:2 respectively. They admit C as partner who is unable to bring goodwill in cash but pays Rs 96,000 as his capital. The goodwill of the firm is to be valued at two years' purchase of three years' profits. The profits for the three years were Rs. 30,000, Rs 24,000 and X 27,000. An adjustment entry is to be passed for C's share of goodwill. The new ratio will be 5 : 2 : 2. Pass Journal Entries.

Or

- (b) Explain the accounting treatment of Goodwill at the time of admission of a Partner.
18. (a) Girija, Yatin, and Zubin were partners sharing profits in the ratio 5:3:2. Zubin died on 1<sup>st</sup> August 2015. Amount due to Zubin's executor after all adjustments was Rs.90,300. The executor was paid Rs.10,300 in cash immediately and the balance in two equal annual instalments with interest @ 6% p.a. starting from 31<sup>st</sup> March 2017. Accounts are closed on 31<sup>st</sup> March each year. Prepare Zubin's Executors Account till he is finally paid.

Or

- (b) Give the journal entry to distribute 'workmen compensation reserve' of Rs. 60,000 at the time of retirement of Sajjan, when there is no claim against it. The firm has three partners Rajat, Sajjan and Kavita.
19. (a) A and B share profits and losses in the ration of 5:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. Pass the Journal Entries to affect the following :
- (i) Bank Loan of Rs. 12,000 is paid off.
  - (ii) A was to bear all expenses of Realisation for which he is given to commission of Rs. 400.
  - (iii) Deferred Advertisement Expenditure A/c appeared in the book at Rs. 28,000.
  - (iv) Stock worth Rs. 1,600 was taken over by B at Rs. 1,200.
  - (v) As unrecorded Computer realized Rs. 7,000.
  - (vi) There was an outstanding bill for repairs for Rs. 2,000, which was paid off.

Or

- (b) How do you treat the insolvency of all or a partner in a partnership firm? Give accounting treatments and its effect on the Balance Sheet of the firm.

20. (a) Differentiate between revaluation and realization account.

Or

- (b) The following is the balance sheet of M/s. A, B and C who share profits and losses in the ratio of 2:2:1 respectively :

Liabilities	Rs.	Rs.	Assets	Rs.
Sundry creditors		1,05,000	Cash in hand	14,000
Capitals			Sundry debtors	84,000
A	1,05,000		Stock	1,54,000
B	84,000		Furniture and fixtures	70,000
C	<u>28,000</u>	2,17,000		<u>3,22,000</u>
		<u>3,22,000</u>		

The firm was dissolved and the assets were realized gradually; Rs. 70,000 were received once, Rs. 1,05,000 another time and Rs. 63,000 finally. Show how each installment is to be distributed.