

Reg. No. :

Code No. : 12040 E Sub. Code : CMCO 31

B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2025.

Third Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING

(For those who joined in July 2021 and 2022 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Cash remitted by branch but not received by the Head Office is debited by the head office to
 - (a) Branch a/c
 - (b) Cash a/c
 - (c) Cash in transit a/c
 - (d) None

2. Selling expenses should be derived among the different departments on the basis of
 - (a) Sales
 - (b) Purchase
 - (c) Space occupied
 - (d) None
3. Devaluation a/c is
 - (a) A nominal a/c
 - (b) A real a/c
 - (c) A personal a/c
 - (d) An impersonal a/c
4. General reserve at the time of admission of new partner is transferred to
 - (a) Partner's capital a/c
 - (b) P & L A/c Adjustment
 - (c) Neither of the two
 - (d) Both of the two
5. Profit on revaluation at the time of retirement must be transferred to the partners
 - (a) Capital ratio
 - (b) Old profit sharing ratio
 - (c) Gaining ratio
 - (d) New ratio

6. Section-37 of the partnership act provides interest on the account left by retiring partner
 - (a) 4%
 - (b) 5%
 - (c) 6%
 - (d) Bank rate
7. Upon dissolution, a liability taken over by a partner is to be credited to
 - (a) P & L a/c
 - (b) Partner's capital a/c
 - (c) Realisation a/c
 - (d) None
8. The ruling is Garner Vs Murray is applicable to
 - (a) Admission of a partner
 - (b) Retirement of a partner
 - (c) Dissolution of a partnership
 - (d) Insolvency of a partner
9. At the time of amalgamation, profit on revaluation of assets will be transferred to
 - (a) Partners capital a/c
 - (b) P & L A/c
 - (c) P & L Appropriation
 - (d) None

10. Under the maximum loss method of piece-meal distribution of cash, the notational maximum loss is divided in
- Fixed capital ratios
 - Capital ratios after making adjustments
 - Profit sharing ratios
 - None

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Describe the systems of department accounting and discuss its advantages.

Or

- (b) The following information relates to Madurai branch :

	Rs.	Rs.
Stock on 1.1.94		11,200
Branch debtors on 1.1.94		6,300
Goods sent to branch		51,000
Cash sent to branch for :		

Rent	1,500	
Salaries	3,000	
Petty cash	500	5,000

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Sales of branch :

Cash	25,000	
Credit	39,000	64,000
Cash received from debtors		41,200
Stock on 31.12.94		13,600

Prepare Branch account for the year 1994.

12. (a) Explain the contents of partnership deed.

Or

- (b) A firm earned net profits during the last three years as follows :

	Rs.
I Year	36,000
II Year	40,000
III Year	44,000

The capital investment of the firm is Rs. 1,20,000. A four return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profits.

13. (a) Bim, Gim and Nim are partners sharing profits in the ratio of 2 : 3 : 5. Goodwill appears in their books of a value of Rs. 60,000. Bim retires and on the day of

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Bim's retirement goodwill is valued at Rs. 30,000. Gim and Nim decided to share the future profits equally. Pass the necessary journal entries for goodwill.

Or

- (b) A and B were carrying on a business sharing profits and losses in the ratio of 3:2 respectively. They closed their books of account on 31st December 2005. Their balance was as follows :

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Furniture	20,000
A	90,000	Stock	1,00,000
B	60,000	Debtors	50,000
Reserve	30,000	Cash	30,000
Creditors	20,000		
	<u>2,00,000</u>		<u>2,00,000</u>

B died on 1st May, 2006. partnership deed provided, that in the event of death of a partner his heirs would be entitled to be paid out.

- Capital to his credit at the date of death
- His share of reserve at the date of the last balance sheet

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- His share of profits at the date of his death based on the average profits of the last three accounting years

- By way of goodwill his share of total profits for the preceding three accounting years

The profits for the three preceding accounting years were :

2003 - Rs. 41,800, 2004 - Rs. 39,200, 2005 - Rs. 45,000.

Prepare B's capital account transferring the amount due to B's heirs loan account. Clearly show your calculations.

14. (a) Analyse the order in which payments are made on dissolution of partnership firm due to insolvency of a partner.

Or

- (b) The following is the Balance sheet of a firm as on 31.12.2005 :

Liabilities	Rs.	Assets	Rs.
Sundry creditors	8,000	Cash in hand	500
Bills payable	2,000	Debtors	2,000
Bank overdraft	1,500	Machinery	6,000
Capital accounts :		Stock	2,000

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Liabilities	Rs.	Assets	Rs.
Ram	10,000	Factory promises	15,000
Shyam	6,000	P & L Account	2,000
	<u>27,500</u>		<u>27,500</u>

The firm was dissolved on 31.12.2005. The assets were realised as follows :

Debtors Rs. 1,500, Machinery Rs. 3,000, Stock – Rs 1,200 and Factory premises – Rs. 10,000.

Bank overdraft and bills payable were paid in full creditors were settled in Rs. 7,800. Realisation expenses amounted to Rs. 200.

Prepare ledger accounts to close the books of the firm assuming that the profit sharing ratio between Ram and Shyam is 3 : 2.

15. (a) Analyse the causes for amalgamation of firms.

Or

- (b) Black, White and Green are in partnership sharing profits in the ratio of $\frac{1}{2}, \frac{1}{3}, \frac{1}{6}$ respectively. They decided to convert their firm into a private limited company as BWG Private Limited on 31st March 2005. Their balance sheet as on what date was as follows:

Liabilities	Rs.	Assets	Rs.	Rs.
Creditors	8,000	Land and		
Capitals :		buildings		11,400
Black	17,400	Stock		10,000
Green	8,000	Debtors	10,000	
White	6,000	(-) provision	1,000	9,000
		Cash		6,000
		Profit		
		and loss a/c		3,000
	<u>39,400</u>			<u>39,400</u>

BWG Private Ltd. was incorporated on 31st March, 2005, with an authorised capital of Rs. 50,000 (500 shares of Rs. 100 each) for the purpose of purchasing and continuing the partnership business of Black, Green and White Rs. 32,900 was the purchase price which was paid by allotment of 180 shares (fully paid) is BWG Private Ltd. and the balance in cash. The company then issued the remaining shares to Brown and Blue in equal proportions, who paid for them in full. Pass journal entries to close the books of the books.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) Naga of Trichy has a branch at Madras. Goods are sent by head office at invoice price which is at the profit of 20% on cost price. All expenses of the branch are paid by head office. From the following particulars prepare branch account in the H.O. books, showing goods at invoice price.

	Rs.
Opening Balances:	
Stock at invoice price	11,000
Debtors	1,700
Petty cash	100
Goods sent to branch at invoice price	20,000
Expenses paid by H.O.	
Rent	600
Wages	200
Salary	900
Remittances made to H.O.	
Cash sales	2,650

	Rs.
Cash collected from debtors	21,000
Goods returned by branch at invoice price	400
Balances at the end	
Stock at invoice price	13,000
Debtors	2,000
Petty cash	25

Or

- (b) From the following information, prepare Departmental Trading and profit and loss a/c in a columnar form of the three departments of Sharma Dry cleaners Ltd.

	Dry cleaning (Rs.)	Darning (Rs.)	Dyeing (Rs.)
Stock on 1.1.1996	4,00,000	3,40,000	9,40,000
Stock on 31.12.1996	3,30,000	4,38,000	8,17,000
Purchases	19,59,000	6,97,000	13,73,000
Sales	40,00,000	20,00,000	40,00,000
Wages	7,28,000	3,00,000	2,46,000

Goods were transferred from one department to another at a cost price as follows:

- (i) Darning to Dry cleaning Rs. 2,400 and to Dyeing Rs. 40,200

- (ii) Dyeing to Dry cleaning Rs. 25,800 and to Darning Rs. 18,000
- (iii) Dry cleaning to Darning Rs. 3,000 and to Dyeing Rs. 24,000.

Apportion equally:

	Rs.
Stationery	5,418
Postage	4,050
General expenses	2,37,618
Insurance	10,080
Depreciation	32,598

Rent and Taxes Rs. 1,80,000 is to be split in proportion to space occupied i.e., Dry cleaning 4, Darning 2, Dyeing 2 and other space 2.

17. (a) Describe the features of partnership.

Or

- (b) Neenu and Beenu were partners sharing profits equally. Their balance sheet as on 31st March 2011 was as under :

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash in hand	24,000
Bills payable	30,000	Cash at bank	30,000

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Liabilities	Rs.	Assets	Rs.
Outstanding expenses	6,000	Debtors	40,000
Capital		(-) Bad debts	-1,000
Neenu	1,20,000	Stock	40,000
Beenu	80,000	Furniture	20,000
		Machinery	36,000
		Land and Building	1,47,000
			<u>3,36,000</u>
			<u>3,36,000</u>

On the date, they agreed to admit Seenu as a partner as a partner on the following items:

- Seenu will get 1/5th share in profits and he will bring in Rs. 40,000 as his capital and Rs. 10,000 as his share of goodwill.
- Goodwill brought in by Seenu will be withdrawn by Neenu and Beenu.
- The provision for doubtful debts should be brought upto 5% on debtors.
- Machinery be depreciated by Rs. 4,000 and furniture by 12%.
- Stock be valued at Rs. 46,000.
- Land and Building be appreciated by 20%.

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- (vii) Investments of Rs. 4,000 which did not appear in books. Should be duly recorded.

Prepare revaluation a/c, capital a/c and balance sheet of new form.

18. (a) Explain the different methods of treating premium paid on Joint life policies.

Or

- (b) P, Q and R were equal partners. 'R' retired on 1.1.2010. The balance sheet of the firm on 31.12.2009 stood as follows :

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Good will	25,000
P	50,000	Buildings	50,000
Q	30,000	Investment (cost)	10,000
R	30,000	Stock	12,000
Investment fluctuation fund	2,000	Debtors	20,000
		(-)provision <u>1000</u>	19,000
Contingency Reserve	6,000	Cash in hand	2,000
Creditors	22,000	Cash in bank	22,000
	<u>1,40,000</u>		<u>1,40,000</u>

On the date of retirement, it was found that

- (i) Building be valued at Rs. 60,000.

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- (ii) Investment fluctuation fund be brought to Rs. 1,100.
- (iii) Debtors being all good; no reserve is required.
- (iv) Stock is to be taken at Rs. 11,000.
- (v) Goodwill will be valued at 2 years purchase of the average profit of the past five years.
- (vi) R's share of profit to the date of retirement be calculated on the basis of average profits of the preceding three years. The profits of the preceding three years were as under

2005 – Rs. 12,000, 2006 – Rs. 13,500,
2007 – Rs. 8,000, 2008 – Rs. 10,000,
2009 – Rs. 9,000

Give partner's capital account and the revised balance sheet.

19. (a) Describe the modes of dissolution of Partnership firm.

Or

- (b) P, Q and R are partners sharing profits and losses as 5 : 3 : 2. The business is dissolved on 31st December 2005 when the balance sheet stands as below :

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Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Machinery	50,000
P	10,000	Motor bike	10,000
Q	40,000	Stock	60,000
R	20,000	Debtors	45,000
Creditors	1,00,000	Cash at bank	5,000
	<u>1,70,000</u>		<u>1,70,000</u>

Machinery and stock are sold for Rs. 25,000 and Rs. 18,000 respectively. Motor bike is taken by Q for Rs. 12,000. Debtors realise Rs. 20,000.

According to partnership deed, the deficiency of any partner's capital account is to be met by other partner in profit loss sharing ratio.

P is insolvent and R can bring in Rs. 5,000 only.

Prepare the accounts in the books of the firm.

20. (a) A, B and C are equal partners in M/S ABC & Co. The balance sheet of the firm as on 31.12.2001 was as follows :

Liabilities	Rs.	Assets	Rs.
Loan from bank	10,00,000	Land and building	2,40,000
Sundry creditors	2,00,000	Plant and	
Capitals : A	1,00,000	Machinery	4,00,000
B	2,00,000	Stock	6,00,000

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Liabilities	Rs.	Assets	Rs.
		Debtors	2,00,000
		C's capital	60,000
	<u>15,00,000</u>		<u>15,00,000</u>

On that date, it was decided that the firm would be converted into limited company on the following terms :

- Land and building be valued at Rs. 4,00,000.
- Plant and machinery be valued at Rs. 5,00,000.
- 10% of book value to be written off for obsolete stock.
- A provision for bad debts to be made at 10% of the debtors.
- A provision for discount on creditors at 6% is to be made.
- The company would issue 24,000 equity shares of Rs. 10 each fully paid, such shares to be valued at Rs. 3,00,000 and 1,320, 8% debentures of Rs. 100 each.

Close the books of the firm.

Or

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- (b) A, B and C are partners sharing profits and losses as 5 : 3 : 2. The following is their Balance sheet as at December 31st 2004, when they dissolve the business:

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Premises	40,000
A's loan a/c	10,000	Plant	30,000
Capital		Stock	30,000
Accounts:			
A	50,000	Debtors	60,000
B	15,000		
C	<u>45,000</u>		
	<u>1,10,000</u>		
	<u>1,60,000</u>		<u>1,60,000</u>

It was agreed to repay the amount due to the partners as and when the assets were realized, viz.

1st Feb. 2005 Rs. 30,000

1st April 2005 Rs. 73,000

1st June 2005 Rs. 47,000

Prepare the statement showing how the distribution should be made (use maximum loss method)