23CMA307/ 18CMA07

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2023
(Third Semester)

Branch – **COMMERCE (COST AND MANAGEMENT ACCOUNTING)**

HIGHER FINANCIAL ACCOUNTING

Time: Three Hours | Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1. Find out, Interest on drawning is a _____ to the firm.
(i) Income (ii) Expenses
(iii) Loss (iv) Revenue Expenditure

2. Profit or loss on revaluation at the time of retirement must be transferred to the partners in which ratio?
(i) Capital ratio (ii) Old profit sharing ratio
(iii) Gaining ratio (iv) New profit sharing ratio

3. Identify, realisation account is a _______
(i) Real Account (ii) Personal Account
(iii) Nominal Account (iv) None of these

4. Which type of account, liabilities is not taken over by the new firm in amalgamation?
(i) Realisation Account (ii) New firms Account
(iii) Realisation Account (iv) Capital accounts of partners

5. Mention the Indian Accounting Standards applicable for inventories is -----
(i) Ind AS 02 (ii) Ind AS 11
(iii) Ind AS 04 (iv) Ind AS 14

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6. a) M and S are partners with capitals of Rs. 60,000 and 20,000 respectively on 1st January 2021. The trading profit (before taking into account the provisions of the deed) for the year ended 31st December 2021 was Rs. 24,000. Interest on capital is to be allowed at 6% p.a. S is entitled to a salary of Rs. 6,000 p.a. the drawings of the partners were Rs. 6,000 and Rs. 4,000, the interest for M being Rs. 200 and for S Rs. 100. Prepare the profit & loss Appropriation account

OR

b) A and B divide profit in 7:3. They admit C as a partner to share 2/7th in the profit. Calculate the new profit sharing ratio and sacrificing ratio.

7. a) 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 firm's goodwill was valued at Rs. 45,000. P, Q and S decided to share the future profits equally. Bring out journal entry for the goodwill.

OR

b). X, Y and Z are partners sharing profits in the ratio of 2:2:1. Y dies on 31March 2019. Accounts are closed on 31st December. Sales for the year 2018 amounted to Rs. 6,00,000. Sales of Rs. 2,00,000 amounted between the period of 1st January, 2019 and 31st March 2019. The profit for the year 2018 amount to Rs. 60,000. Calculate the deceased partner's share in the profit of the firm.

8. a) P,Q and R share profits in proportion of ½,1/4, and ¼. On the date of dissolution their Balance Sheet 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 realized Rs. 35,500. Creditors were paid in full. Realization expenses amounted to Rs. 1,500. Prepare Realisation account.

Cont....

OR

8. b) A, B, C share profits in proportion of 3:2:1. Their Balance sheet is as follows:

Liabilities	Rs.	Assets	Rs.
A's Capital	60,000	Assets (less liabilities)	1,60,000
B's Capital	60,000		
C's Capital	40,000		
	1,60,000		**1,60,000**

The partnership is dissolved and the assets are realized as follows:
First realisation Rs. 20,000 ; Second realisation Rs. 30,000 ; Third and Final realisation Rs. 50,000.
Prepare a statement showing how the distribution should be made.

9. a) The Balance sheet of A and S as on 31.3.2022 was as follows:

Liabilities	A (Rs.)	S (Rs.)	Assets	A (Rs.)	S (Rs.)
Creditors	10,000	8,000	Machinery	7,500	10,000
Bank loan	5,000	-	Stock	10,000	5,000
Capital	15,000	20,000	Debtors	12,500	11,000
			Bank	-	2,000
	30,000	**28,000**		**30,000**	**28,000**

They decide to amalgamate their business. The following revaluations were agreed:
(i) Machinery to be reduced by 10% for both revalued.
(ii) Stock of A to be reduced by 20%and that of S by 10% decreased.
(iii) A provision of 5% is to be made against debtors for A & S.
(iv) Each proprietor is to be credited with goodwill of Rs. 5,000.
(v) Bank loan of A is to be paid by him.
Pass journal entries in the books of the new firm.

OR

b) X and Y are partners they share profits or loss equally and their Balance sheet were as follows:

Liabilities	Rs.	Assets	Rs.
X's Capital	50,000	Goodwill	30,000
Y's Capital	50,000	Fixed assets	80,000
Creditors	60,000	Current assets	60,000
Bills payable	40,000	Cash	10,000
		P & L A/c	20,000
	2,00,000		**2,00,000**

They decide to sell the business to a limited company. The new company took over fixed assets and current assets at book values and agreed to take over the Bills payable also. Goodwill is considered worthless. Calculate purchase price payable to the vendors under net assets method.

10. a) Explain the objectives of accounting standards.

OR

b) Bring out the components of computerized accounting system.

SECTION -C (30 Marks)

Answer any **Three** questions
ALL questions carry **EQUAL** Marks (3 x 10 = 30)

11. Arul and Asha are partners in a partnership business sharing profit and losses in the ratio of equally. The position of their business as on 31.3.2020 was as under:

Liabilities	Rs.	Assets		Rs.
Capital:		Buildings		60,000
Arul	60,000	Furniture		10,000
Asha	40,000	Debtors	10,000	
General reserve	10,000	Less: Provisions	500	9,500
Creditors	30,000	Stock		15,000
Bank a/c	5,000	Cash		50,500
	1,45,000			**1,45,000**

On 1.4.2020 Arjun was admitted as a partner with 1/5th share in future profits.

Cont....

11. Cont...

Following are the terms for his admission:

(i) Building over valued at Rs. 80,000
(ii) Value of furniture and stock be decreased/undervalued by 10%
(iii) Goodwill Rs. 10,000 brought in cash by Arjun
(iv) Arjun to bring Rs. 20,000 as his capital
(v) Provision for bad debts be increased to Rs. 1,000.

Prepare necessary ledger accounts and Balance sheet of the newly constituted firm.

12. A, B, and C are partners in a firm sharing profits and losses in the ratio of 1/3, ½, 1/6 respectively. Their Balance sheet as on 31.3.2019 was as follows

Liabilities	Rs.	Assets		Rs.
Capital: A	30,000	Buildings		50,000
B	40,000	Machinery		40,000
C	25,000	Furniture		10,000
Reserve fund	16,000	Debtors	18,000	
Loan payable	15,000	Less: Provisions	500	17,500
Creditors	25,000	Stock		25,000
		Cash		8,500
	1,51,000			**1,51,000**

C retires on 31.3.2019 subject to the following conditions:

(i) Goodwill of the firm is valued at Rs. 24,000
(ii) Machinery to be depreciated by 10%
(iii) Furniture to be depreciated by 5%
(iv) Stock to be appreciated by 15% and Buildings to be appreciated by 10%
(v) Reserve for doubtful debts to be raised to Rs. 2,000

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

13. The following was the Balance sheet of X, Y and Z on 31.12.2018

Liabilities	Rs.	Assets	Rs.
X's Capital	50,000	Furniture	40,000
Y's Capital	30,000	Plant & Machinery	20,000
General reserve	30,000	Stock	40,000
Sundry creditors	40,000	Debtors	20,000
		Cash at Bank	12,000
		Z's Capital	18,000
	1,50,000		**1,50,000**

Z is insolvent but his estate pays Rs. 4,000. It is decided to dissolve the partnership. The assets realized as follows:
Sundry debtor 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.

14. 'M, and 'N' carrying business in Partnership and sharing profits and losses in the ratio of 3:2 and 'Q' and 'P' carrying on business in Partnership and sharing profits and losses equally, decide amalgamate on 1.1.2022. On that date, their Balance Sheets were as follows:

Liabilities	MN (Rs.)	QP (Rs.)	Assets	MN (Rs.)	QP (Rs.)
Capitals: M	6,000	-	Goodwill	-	2,000
N	4,000	-	Furniture	3,600	-
Q	-	3,000	Stock	6,000	5,200
P	-	3,000	Debtors	2,400	4,800
Reserve	4,000	-	Bank	4,000	-
Creditors	2,000	4,400			
Bank overdraft	-	1,600			
	16,000	**12,000**		**16,000**	**12,000**

The terms of amalgamations are:

(i) A new firm to be formed consisting of these four persons who should share profits in future in proportion to their capitals in the firm after all adjustments.
(ii) The furniture should be taken at Rs. 4,800.
(iii)The goodwill appearing in the balance sheets of Q&P was worthless.
(iv)Provisions for doubtful debts of Rs. 200 should be made against debtors of M&N.

Pass journal entries in the books of new firm. Also prepare the Balance sheet of the new firm.

15. Highlight the advantages of computerized accounting.

Z-Z-Z

END