

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2024
(Third Semester)

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

HIGHER FINANCIAL ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	In the absence of partnership deed, the allowable rate of interest on partner's loan a/c will be---- (a) 5% p.a (c) 7.5% p.a (b) 6% p.a (d) 10% p.a	K1	CO1
	2	A and B are sharing profits in the ratio of 2:5. C is admitted for 1/4 share. Then new profit sharing ratio is (a) 6 : 15 : 7 (c) 2 : 5 : 4 (b) 12: 6 : 7 (d) 15 : 7 : 6	K2	CO1
2	3	Joint life policy a/c is in the nature of (a) A nominal a/c (c) A real a/c (b) A Personal a/c (d) Current account	K1	CO2
	4	Gaining ratio is (a) Old profit sharing ratio – New profit sharing ratio (b) New profit sharing ratio + Old profit sharing ratio (c) Old profit sharing ratio + New profit sharing ratio (d) New profit sharing ratio - Old profit sharing ratio	K2	CO2
3	5	Under Garner Vs Murray rule, the insolvency loss should be borne by solvent partners according to (a) Capital Ratio (c) Final claim ratio (b) Profit sharing ratio (d) Maximum loss ratio	K1	CO3
	6	General reserve appearing at the time of dissolution is transferred to (a) Bank a/c (c) Capital a/c (b) Realisation a/c (d) Partner's Salary a/c	K2	CO3
4	7	Two existing firms joining together to form a new firm is called ----- (a) Purchase of firm (c) Sale of a firm (b) Amalgamation (d) Dissolution	K1	CO4
	8	In the case of sale to a company, the profit or loss on sale is ascertained through (a) Revaluation a/c (b) Memorandum revaluation a/c (c) Memorandum realisation a/c (d) Realisation a/c	K2	CO4
5	9	Accounting standards cover the following aspects of accounting transactions or events. (a) Recognition (c) Presentation (b) Measurement (d) Disclosure	K1	CO5
	10	Mention the Indian Accounting Standards applicable for inventories is ----- (a) Ind AS 02 (c) Ind AS 11 (b) Ind AS 06 (d) Ind AS 12	K2	CO5

Cont...

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO																												
1	11.a	Show how the following items will appear in the Capital Accounts of the partners, Babu and Gopu when their capitals are Fluctuating:	K2	CO1																												
		<table><tr><th>Particulars</th><th>Babu Rs.</th><th>Gopu Rs.</th></tr><tr><td>Capital on 1.1.2023</td><td>8,00,000</td><td>7,00,000</td></tr><tr><td>Drawings during the year</td><td>1,60,000</td><td>1,40,000</td></tr><tr><td>Share of profits</td><td>84,000</td><td>66,000</td></tr><tr><td>Salary</td><td>72,000</td><td>42,000</td></tr><tr><td>Interest at 5% on drawings</td><td></td><td></td></tr><tr><td>Interest on capital at 6%</td><td></td><td></td></tr></table>			Particulars	Babu Rs.	Gopu Rs.	Capital on 1.1.2023	8,00,000	7,00,000	Drawings during the year	1,60,000	1,40,000	Share of profits	84,000	66,000	Salary	72,000	42,000	Interest at 5% on drawings			Interest on capital at 6%									
		Particulars			Babu Rs.	Gopu Rs.																										
Capital on 1.1.2023	8,00,000	7,00,000																														
Drawings during the year	1,60,000	1,40,000																														
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Salary	72,000	42,000																														
Interest at 5% on drawings																																
Interest on capital at 6%																																
(OR)																																
	11.b	X & Y are partners in a business sharing profits in the ratio of 5:3. They decide to admit Z into the firm giving him 1/6 th share. Calculate the new profit sharing ratio and sacrificing ratio of the partners.																														
2	12.a	A, B and C are partners sharing profits in the ratio of 2:3:5. Goodwill appears in their books at a value of Rs. 60,000. A retires and on the day of A's retirement Goodwill is valued at Rs. 30,000. B and C decided to share the future profits equally. Calculate Gaining ratio and Pass necessary journal entries to record goodwill.	K4	CO2																												
		(OR)																														
		X, Y and Z are sharing profits and losses in the ratio of 2:1:1. Y dies three months after the date of the last balance sheet according to partnership deed, Y's legal representatives are entitled to the following payments: (i) His capital as per the last balance sheet (ii) Interest on capital which amounted to Rs. 625. (iii) His share of profits from the date of balance sheet to date of death which amounted to Rs. 4,375. (iv) His share of Rs. 35,000 (v) Reserve fund as per last Balance sheet Rs. 32,000 Y's capital as per the last balance sheet was Rs. 50,000 and his drawings to date of death were Rs. 3,000. Prepare Y's account to be rendered to his legal representative.																														
	12.b																															
3	13.a	P, Q and R share profits in proportion of 2:2:1. Their Balance sheet as at 30,06,2023 was as follows.	K3	CO3																												
		<table><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Creditors</td><td>40,000</td><td>Bank</td><td>50,000</td></tr><tr><td>P's Capital</td><td>1,00,000</td><td>Debtors</td><td>40,000</td></tr><tr><td>Q's Capital</td><td>40,000</td><td>Stock</td><td>50,000</td></tr><tr><td>R's Capital</td><td>20,000</td><td>Fixtures</td><td>20,000</td></tr><tr><td>Reserve fund</td><td>50,000</td><td>Machinery</td><td>90,000</td></tr><tr><td></td><td>2,50,000</td><td></td><td>2,50,000</td></tr></table>			Liabilities	Rs.	Assets	Rs.	Creditors	40,000	Bank	50,000	P's Capital	1,00,000	Debtors	40,000	Q's Capital	40,000	Stock	50,000	R's Capital	20,000	Fixtures	20,000	Reserve fund	50,000	Machinery	90,000		2,50,000		2,50,000
		Liabilities			Rs.	Assets	Rs.																									
Creditors	40,000	Bank	50,000																													
P's Capital	1,00,000	Debtors	40,000																													
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R's Capital	20,000	Fixtures	20,000																													
Reserve fund	50,000	Machinery	90,000																													
	2,50,000		2,50,000																													
They decided to dissolve the business. The following are the amount realized. Machinery Rs. 85,000, Fixture Rs. 15,000; Stock Rs. 80,000; and Debtors Rs. 37,000. Creditors allowed a discount of 2% and realization expenses amounted to Rs. 9,000. Prepare Realization account.																																
		(OR)																														

		Red, White and Blue are in partnership. The following is their Balance sheet as at 31.12.2022 on which date, they dissolved partnership. They share profits in the ratio of 5:3:2. <table><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Capitals: Red</td><td>50,000</td><td>Premises</td><td>40,000</td></tr><tr><td>White</td><td>15,000</td><td>Plant</td><td>30,000</td></tr><tr><td>Blue</td><td>45,000</td><td>Stock</td><td>30,000</td></tr><tr><td>Creditors</td><td>40,000</td><td>Debtors</td><td>60,000</td></tr><tr><td>Red's loan</td><td>10,000</td><td></td><td></td></tr><tr><td></td><td>1,60,000</td><td></td><td>1,60,000</td></tr></table> 1) It was agreed to repay the amounts due to the partners as and when the assets were realized, 2) First realization Rs. 30,000 ; Second realization Rs. 73,000 ; Third and Final realization Rs. 47,000. Organize a statement showing how the distribution should be made.	Liabilities	Rs.	Assets	Rs.	Capitals: Red	50,000	Premises	40,000	White	15,000	Plant	30,000	Blue	45,000	Stock	30,000	Creditors	40,000	Debtors	60,000	Red's loan	10,000				1,60,000		1,60,000																
Liabilities	Rs.	Assets	Rs.																																											
Capitals: Red	50,000	Premises	40,000																																											
White	15,000	Plant	30,000																																											
Blue	45,000	Stock	30,000																																											
Creditors	40,000	Debtors	60,000																																											
Red's loan	10,000																																													
	1,60,000		1,60,000																																											
	13.b																																													
		The Balance sheet of A and B as on 31.3.2023 was as follows: <table><tr><th>Liabilities</th><th>A (Rs.)</th><th>B (Rs.)</th><th>Assets</th><th>A (Rs.)</th><th>B(Rs.)</th></tr><tr><td>Creditors</td><td>10,000</td><td>5,000</td><td>Machinery</td><td>7,500</td><td>9,000</td></tr><tr><td>Bank loan</td><td>5,000</td><td>-</td><td>Furniture</td><td>-</td><td>3,500</td></tr><tr><td>B / P</td><td>-</td><td>2,500</td><td>Stock</td><td>10,000</td><td>5,000</td></tr><tr><td>Capital a/c</td><td>15,000</td><td>20,000</td><td>Debtors</td><td>5,000</td><td>10,000</td></tr><tr><td></td><td></td><td></td><td>Buildings</td><td>7,500</td><td>-</td></tr><tr><td></td><td>30,000</td><td>27,500</td><td></td><td>30,000</td><td>27,500</td></tr></table> They decide to amalgamate their business. The following revaluations were agreed: (i) Machinery to be reduced by 10% (ii) Furniture of 'B' to be appreciated by 5% (iii) Stock to be depreciated by 10% (iv) Buildings to be appreciated by 20% Pass journal entries in the books of the new firm.	Liabilities	A (Rs.)	B (Rs.)	Assets	A (Rs.)	B(Rs.)	Creditors	10,000	5,000	Machinery	7,500	9,000	Bank loan	5,000	-	Furniture	-	3,500	B / P	-	2,500	Stock	10,000	5,000	Capital a/c	15,000	20,000	Debtors	5,000	10,000				Buildings	7,500	-		30,000	27,500		30,000	27,500		
Liabilities	A (Rs.)	B (Rs.)	Assets	A (Rs.)	B(Rs.)																																									
Creditors	10,000	5,000	Machinery	7,500	9,000																																									
Bank loan	5,000	-	Furniture	-	3,500																																									
B / P	-	2,500	Stock	10,000	5,000																																									
Capital a/c	15,000	20,000	Debtors	5,000	10,000																																									
			Buildings	7,500	-																																									
	30,000	27,500		30,000	27,500																																									
	14.a																																													
4		(OR)		K4	CO4																																									
	14.b	The Balance sheet of a firm stood as follows on 31.12.2021 <table><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Capital: A</td><td>20,000</td><td>Goodwill</td><td>4,500</td></tr><tr><td>B</td><td>20,000</td><td>Machinery</td><td>15,000</td></tr><tr><td>C</td><td>10,000</td><td>Furniture</td><td>1,500</td></tr><tr><td>Bills payable</td><td>1,200</td><td>Debtors</td><td>19,000</td></tr><tr><td>Creditors</td><td>17,000</td><td>Stock</td><td>22,000</td></tr><tr><td></td><td></td><td>Cash</td><td>6,200</td></tr><tr><td></td><td>68,200</td><td></td><td>68,200</td></tr></table> It was decided to sell the business to Andawar Ltd., which agreed to allot 6,000 fully paid shares of Rs. 10 each in full satisfaction of the purchase consideration. The company assumed liabilities except bills payable and took over all the assets except the bank balance. The partners A, B and C sharing profits and losses in proportion of 3:2:1 respectively. Prepare the Realization a/c and Capital accounts of the partner's	Liabilities	Rs.	Assets	Rs.	Capital: A	20,000	Goodwill	4,500	B	20,000	Machinery	15,000	C	10,000	Furniture	1,500	Bills payable	1,200	Debtors	19,000	Creditors	17,000	Stock	22,000			Cash	6,200		68,200		68,200												
Liabilities	Rs.	Assets	Rs.																																											
Capital: A	20,000	Goodwill	4,500																																											
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Creditors	17,000	Stock	22,000																																											
		Cash	6,200																																											
	68,200		68,200																																											
5	15.a	Identify the features of computerized accounting.		K3	CO5																																									
		(OR)																																												
	15.b	Select the objectives of accounting standards.																																												

SECTION -C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks (3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO																																
1	16	The following was the balance sheet of A, B and C who were equal partners on 1.4.2022. <table><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Bills payable</td><td>1,33,000</td><td>Cash</td><td>56,000</td></tr><tr><td>Creditors</td><td>1,60,000</td><td>Debtors</td><td>1,08,000</td></tr><tr><td>Capital - A</td><td>3,68,000</td><td>Stock</td><td>4,14,000</td></tr><tr><td> B</td><td>3,26,000</td><td>Buildings</td><td>6,69,000</td></tr><tr><td> C</td><td>2,60,000</td><td></td><td></td></tr><tr><td></td><td>12,47,000</td><td></td><td>12,47,000</td></tr></table> They agreed to take D into partnership and give him a one fourth share in the profits on the followings terms: (i) That D should bring in Rs. 90,000 for goodwill and Rs. 2,50,000 as capital. (ii) The stock be depreciated by 10% (iii) The buildings be revalued at Rs. 7,94,000 Prepare Revaluation account, Capital account and their Balance sheet	Liabilities	Rs.	Assets	Rs.	Bills payable	1,33,000	Cash	56,000	Creditors	1,60,000	Debtors	1,08,000	Capital - A	3,68,000	Stock	4,14,000	B	3,26,000	Buildings	6,69,000	C	2,60,000				12,47,000		12,47,000	K4	CO1				
Liabilities	Rs.	Assets	Rs.																																	
Bills payable	1,33,000	Cash	56,000																																	
Creditors	1,60,000	Debtors	1,08,000																																	
Capital - A	3,68,000	Stock	4,14,000																																	
B	3,26,000	Buildings	6,69,000																																	
C	2,60,000																																			
	12,47,000		12,47,000																																	
2	17	X, Y and Z were partners sharing profits equally. Z died on 31.3.2021. The balance sheet of the firm as at 31.12.2020 was as under: <table><tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr><tr><td>Reserve fund</td><td>18,000</td><td>Cash</td><td>12,000</td></tr><tr><td>Investment fluctuation fund</td><td>6,300</td><td>Debtors</td><td>48,600</td></tr><tr><td>Creditors</td><td>46,800</td><td>Stock</td><td>84,000</td></tr><tr><td>Capital - X</td><td>90,000</td><td>Investment (at cost)</td><td></td></tr><tr><td> Y</td><td>75,000</td><td>Buildings</td><td>24,000</td></tr><tr><td> Z</td><td>63,000</td><td>Goodwill</td><td>90,000</td></tr><tr><td></td><td>2,99,100</td><td></td><td>2,99,100</td></tr></table> On the date of death it was found that: (i) Debtors were all good (ii) Investments were valued at Rs. 22,500 and were taken over by X at that value. (iii) Buildings was valued at Rs. 1,71,000 (iv) Stock were valued at Rs. 75,000 (v) A liability workmen's compensation for Rs. 9,000 was to provide for. (vi) Goodwill was to be valued at one year's purchase of average profits of last five years. (vii) Z's share of profits upto the date of death was to be calculated on the basis of last year's profit. The profits of the last 5 year were as under: 2016 – Rs. 34,500; 2017 – Rs. 37,500; 2018 – Rs. 24,000; 2019 – Rs. 30,000; 2020 – Rs. 36,000 Prepare revaluation account, Capital accounts and Balance sheet of the remaining partners.	Liabilities	Rs.	Assets	Rs.	Reserve fund	18,000	Cash	12,000	Investment fluctuation fund	6,300	Debtors	48,600	Creditors	46,800	Stock	84,000	Capital - X	90,000	Investment (at cost)		Y	75,000	Buildings	24,000	Z	63,000	Goodwill	90,000		2,99,100		2,99,100	K4	CO1
Liabilities	Rs.	Assets	Rs.																																	
Reserve fund	18,000	Cash	12,000																																	
Investment fluctuation fund	6,300	Debtors	48,600																																	
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Capital - X	90,000	Investment (at cost)																																		
Y	75,000	Buildings	24,000																																	
Z	63,000	Goodwill	90,000																																	
	2,99,100		2,99,100																																	

3	18	A, B and C are equal partners in a firm and on 31.12.2015, their Balance Sheet stood as follows:				K4	CO3																																
		<table><tr><th>Liabilities</th><th>Rs.</th></tr><tr><td>Sundry creditors</td><td>1,00,000</td></tr><tr><td>Bills payable</td><td>32,000</td></tr><tr><td>Reserve fund</td><td>90,000</td></tr><tr><td>Capital accounts:</td><td></td></tr><tr><td> A 2,10,000</td><td></td></tr><tr><td> B 1,30,000</td><td></td></tr><tr><td> C 50,000</td><td>3,90,000</td></tr><tr><td></td><td>6,12,000</td></tr></table>		Liabilities	Rs.			Sundry creditors	1,00,000	Bills payable	32,000	Reserve fund	90,000	Capital accounts:		A 2,10,000		B 1,30,000		C 50,000	3,90,000		6,12,000	<table><tr><th>Assets</th><th>Rs.</th></tr><tr><td>Cash at bank</td><td>2,000</td></tr><tr><td>Debtors</td><td>1,60,000</td></tr><tr><td>Stock</td><td>2,50,000</td></tr><tr><td>Bills receivable</td><td>50,000</td></tr><tr><td>Machinery</td><td>1,50,000</td></tr><tr><td></td><td>6,12,000</td></tr></table>		Assets	Rs.	Cash at bank	2,000	Debtors	1,60,000	Stock	2,50,000	Bills receivable	50,000	Machinery	1,50,000		6,12,000
		Liabilities	Rs.																																				
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Assets	Rs.																																						
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Bills receivable	50,000																																						
Machinery	1,50,000																																						
	6,12,000																																						
C become insolvent and his private estate could pay only Rs. 1,000. The firm was dissolved. Assets realized only Rs. 3,10,000. Realization expenses came to Rs. 6,000. Show necessary ledger accounts to close the books of the firm. Apply Garner Vs. Murray rule.																																							

4	19	Ram & Co Ltd., was formed to take over the running business of M/s Ram and Shyam who shared the profits in the ratio of 3:2. Their Balance sheet as on 31.12.2020 was as follows:				K4	CO4																																
		<table><tr><th>Particulars</th><th>Rs.</th></tr><tr><td>Creditors</td><td>20,000</td></tr><tr><td>Bills payable</td><td>10,000</td></tr><tr><td>Mrs. Ram's loan</td><td>4,000</td></tr><tr><td>Ram's capital</td><td>60,000</td></tr><tr><td>Shyam's capital</td><td>40,000</td></tr><tr><td></td><td>1,34,000</td></tr></table>		Particulars	Rs.			Creditors	20,000	Bills payable	10,000	Mrs. Ram's loan	4,000	Ram's capital	60,000	Shyam's capital	40,000		1,34,000	<table><tr><th>Particulars</th><th>Rs.</th></tr><tr><td>Goodwill</td><td>15,000</td></tr><tr><td>Buildings</td><td>42,000</td></tr><tr><td>Machinery</td><td>20,000</td></tr><tr><td>Stock</td><td>22,000</td></tr><tr><td>Debtors</td><td>28,000</td></tr><tr><td>Investment</td><td>5,000</td></tr><tr><td>Bank</td><td>2,000</td></tr><tr><td></td><td>1,34,000</td></tr></table>		Particulars	Rs.	Goodwill	15,000	Buildings	42,000	Machinery	20,000	Stock	22,000	Debtors	28,000	Investment	5,000	Bank	2,000		1,34,000
		Particulars	Rs.																																				
Creditors	20,000																																						
Bills payable	10,000																																						
Mrs. Ram's loan	4,000																																						
Ram's capital	60,000																																						
Shyam's capital	40,000																																						
	1,34,000																																						
Particulars	Rs.																																						
Goodwill	15,000																																						
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Stock	22,000																																						
Debtors	28,000																																						
Investment	5,000																																						
Bank	2,000																																						
	1,34,000																																						
The company agreed to take over the assets as under: Machinery Rs. 15,000, Buildings Rs. 60,000, Stock Rs. 20,000, Debtors Rs. 25,000, Goodwill Rs. 20,000. The company also agreed to take over the creditors and bills payable at book values. The firm retained investments and sold them for Rs. 6,000 and paid Mrs. Ram's loan. The purchase price was settled by the issue of 10,000 equity shares of Rs. 10 each and balance in cash, shares being distributed in profit sharing ratio. Prepare necessary ledger accounts to close the books of the firm.																																							

5	20	Examine the classification of Accounts and its objectives.	K4	CO5
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Z-Z-Z

END

A. B and C are equal partners in a firm on 31.12.30. Their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Share creditors	1,00,000	Cash	2,000
Bills payable	50,000	Debtors	1,50,000
Reserve fund	50,000	Stock	2,50,000
Capital accounts:		Bills receivable	50,000
A 1,00,000		Machinery	1,50,000
B 1,50,000			
C 50,000			
	3,50,000		6,12,000

C became insolvent and his private estate could pay only Rs. 1,000. The firm was dissolved. Assets realised only Rs. 3,10,000. Realisation expenses came to Rs. 5,000. Show necessary ledger accounts to close the books of the firm. Apply double entry system.

Ken & Co Ltd. was formed to take over the running business of A & B. Ken and B were who share the profits in the ratio of 1:2. Their balance sheet on 31.12.30 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital	20,000	Goodwill	15,000
Bills payable	10,000	Buildings	45,000
Mrs. Ken's loan	10,000	Machinery	50,000
Ken's capital	60,000	Stock	2,000
Share capital	1,00,000	Debtors	35,000
		Investment	5,000
		Bank	2,000
	1,50,000		1,52,000

The company agreed to take over the assets as under:
Machinery Rs. 25,000, Buildings Rs. 50,000, Stock Rs. 20,000, Debtors Rs. 35,000, Goodwill Rs. 20,000.
The company also agreed to take over the liabilities and bills payable book values.
The firm retained investments and cash Rs. 5,000 and paid Mrs. Ken's loan.
The purchase price was settled by the issue of 10,000 shares of Rs. 10 each and balance in cash shares being distributed in profit sharing ratio. Prepare necessary ledger accounts to close the books of the firm.

Examine the classification of Accounts and its objectives.