TOTAL PAGES : 4
23CMA307N

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2025
(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)

Q. No.	Question	K Level	CO
1	When goodwill is raised at the time of admission of a new partner, it is recorded as: a) A liability b) An expense c) An asset d) A reserve	K1	CO1
2	Sacrificing ratio is calculated when: a) A new partner is admitted b) The firm is dissolved c) Partners revalue their capital accounts d) None of these	K2	CO1
3	When a partner retires, the remaining partners usually share profits in: a) Equal ratio b) New profit-sharing ratio c) Gaining ratio d) Old profit-sharing ratio	K1	CO2
4	The share of profit of a deceased partner is calculated up to the date of death by: a) The actual profit for the year b) The average profit of previous years c) The profit-sharing ratio and time period d) The estimated goodwill of the firm	K2	CO2
5	When assets are realized gradually in dissolution, the method used for distribution is called: a) Simple distribution b) Piecemeal distribution c) Equal distribution d) Capital account distribution	K1	CO3
6	If all partners become insolvent, the firm's assets are used to: a) Pay creditors first b) Distribute among partners equally c) Pay the partners' capital d) Pay for the goodwill account	K2	CO3
7	Amalgamation of firms means: a) Dissolution of one firm b) Merger of two or more firms to form a new firm c) Admission of a partner d) Conversion of a partnership firm into a company	K1	CO4
8	In the absence of any agreement in an LLP, profits and losses are shared: a) Equally among all partners b) According to their capital contributions c) Based on the decision of the managing partner d) As per the directions of the Registrar of Companies	K2	CO4
9	Which of the following is a feature of a computerized accounting system? a) Manual data entry only b) Quick processing of large volumes of transactions c) No possibility of errors d) No need for backup	K1	CO5
10	Ind AS refers to: a) Indian Adjusted Standards b) Indian Accounting Standards aligned with IFRS c) International Auditing Standards d) Indian Agreement Standards	K2	CO5

Cont...

SECTION - B (35 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** Marks (5 × 7 = 35)

Q. No. | **Question** | **K Level** | **CO**

11.a. P and Q are partners sharing profits in the ratio of 3:2. They admit R for 1/5th share which acquires equally from P and Q. Find new profit-sharing ratio and sacrificing ratio of old partners.

(OR)

11.b. Show how the following items will appear in the capital accounts of the partners, Balu and Chandru when their capital is fluctuating:

Particulars	Rs.	Rs.
Capital on 1.4.08	8,00,000	7,00,000
Drawings	1,60,000	1,40,000
Interest @ 55 on drawings	4,000	2,000
Share of profits	84,000	66,000
Interest on capitals @ 6%	48,000	42,000
Salary	72,000	Nil

K2 | CO1

12.a. K, L and M share profits and losses in the ratio of 5:3:2. From 1st April 2008 L retires and for that purpose the following adjustments were agreed upon:

[i] Increase the value of premises by Rs.48,000.
[ii] Depreciate stock by Rs.4,000, furniture by Rs.1,000 and machinery by Rs.4,600.
[iii] Provide for an outstanding liability Rs.200.

Prepare revaluation a/c.

(OR)

12.b. X, Y and Z were partners in a business sharing profits in the ratio of 6:1:1 and their balance sheet on 31.12.07was as follow:

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	50,000	Plant	1,00,000
Capital X	1,00,000	Debtors	70,000
Y	60,000	Stock	40,000
Z	50,000	bank	50,000
	2,60,000		2,60,000

Z dies on 31th September, 2008 and the partnership deed provided the following:

[i] The deceased partner will be entitled to his share of profit till the date of his death on the basis of previous year profit. The profit of last four year is 2004Rs.1,60,0000, 2005 Rs.1,20,000, 2006 Rs. 80,000 and 2007 Rs.40,000.
[ii] Z will be entitled to his share of Goodwill of the firm calculated on 3 years purchase of last 4 year's average of profit.

Prepare Z's capital a/c.

K3 | CO2

13.a. Ram, Rahim and Suresh share profit in the ration 3:2:1. On 31st Dec, 2008 their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital:		Machinery	25,000
Ram	20,000	Stock	11,000
Rahim	15,000	Debtors	9,500
	10,000	Goodwill	13,000
Suresh	12,000	Cash	1,500
Creditors	3,000		
General reserve	----------		----------
	60,000		60,000

On the above date, the firm was dissolved. The assets, except cash, realized Rs.60,000. The creditors were settled at Rs.11,500. Dissolution expenses amounted to Rs.800. Prepare Realization a/c, Capital and Cash account.

K3 | CO3

(OR)

<table>
<tr>
<td>13.b.</td>
<td>L, M and N share profits in the ratio of 5:3:2. Their balance sheet as on 31.12.2009 was as follows:
<table>
<tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr>
<tr><td>Capital: L</td><td>27,500</td><td>Cash</td><td>13,750</td></tr>
<tr><td>M</td><td>1,10,000</td><td>Sundry debtors</td><td>1,23,750</td></tr>
<tr><td>N</td><td>55,000</td><td>Stock</td><td>1,65,000</td></tr>
<tr><td>Sundry creditors</td><td>1,65,000</td><td>machinery</td><td>1,65,000</td></tr>
<tr><td>Bills payable</td><td>1,10,000</td><td></td><td></td></tr>
<tr><td></td><td>4,67,500</td><td></td><td>4,67,500</td></tr>
</table>
Machinery and sundry debtors realized Rs.173,250. Stock is taken by B for Rs.33,000. As per their partnership deed the deficiency of any partner has to be borne by other partners in profit sharing ratio. A is insolvent and C brings Rs.13,750.
Close the books of firm.</td>
<td>K3</td>
<td>CO3</td>
</tr>
<tr>
<td>14.a.</td>
<td>Analyze the objectives for amalgamation of the firm.</td>
<td rowspan="3">K4</td>
<td rowspan="3">CO4</td>
</tr>
<tr><td colspan="2">(OR)</td></tr>
<tr>
<td>14.b.</td>
<td>Explain the accounting treatment of partners' contributions in an LLP.</td>
</tr>
<tr>
<td>15.a.</td>
<td>List out the significance of computerized accounting system.</td>
<td rowspan="3">K4</td>
<td rowspan="3">CO5</td>
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<tr><td colspan="2">(OR)</td></tr>
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<td>15.b.</td>
<td>Examine a detailed classification and codification structure for a business.</td>
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SECTION -C (30 Marks)

Answer **ANY THREE** questions

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

<table>
<tr><th>Q. No.</th><th>Question</th><th>K Level</th><th>CO</th></tr>
<tr>
<td>16</td>
<td>A and B are partners sharing profits in the ratio of 3:1. Their Balance sheet stood as under 31.12.2013.
<table>
<tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr>
<tr><td>Capital:</td><td></td><td>Stock</td><td>10,000</td></tr>
<tr><td>A</td><td>30,000</td><td>Prepaid insurance</td><td>1,000</td></tr>
<tr><td>B</td><td>20,000</td><td>Debtors 8,000</td><td></td></tr>
<tr><td>Salary outstanding</td><td>5,000</td><td>[-] provision 500</td><td>7,500</td></tr>
<tr><td>Creditors</td><td>40,000</td><td>--------</td><td></td></tr>
<tr><td></td><td></td><td>Cash</td><td>18,500</td></tr>
<tr><td></td><td></td><td>Machinery</td><td>22,000</td></tr>
<tr><td></td><td></td><td>Buildings</td><td>30,000</td></tr>
<tr><td></td><td></td><td>Furniture</td><td>6,000</td></tr>
<tr><td></td><td>---------</td><td></td><td>---------</td></tr>
<tr><td></td><td>95,000</td><td></td><td>95,000</td></tr>
</table>
C is admitted as a new partner introducing a capital of Rs.20,000, for his 1/4th share in future profit.
Following revaluations are to be made:
[i] Stock be depreciated by 5%
[ii] Furniture be depreciated by 10%
[iii] Buildings be revalued at Rs.45,000
[iv] The provision for doubtful debts should be increased to Rs.1,000
Prepare revaluation a/c, Capital a/c and Balance Sheet after admission of C.</td>
<td>K1</td>
<td>CO1</td>
</tr>
</table>

17

P, Q and R were carrying on partnership business sharing profits in the ration of 3:2:1. On March 31, 2015, the Balance Sheet of the firm stood as follows:

Liabilities	Rs.	Assets	Rs.
Capital:		Bank	65,000
P	2,00,000	Debtors	40,000
Q	1,20,000	Stock	80,000
R	1,00,000	Building	2,50,000
General reserve	15,000	Profit and loss a/c	30,000
Creditors	30,000		
	4,65,000		4,65,000

R retired on April 1, 2015 on the following terms:
[i] Building to be appreciated by Rs.15,000
[ii] Provision for doubtful debts to be made at 6% on debtors
[iii] Goodwill of the firm is valued at Rs.18,000
[iv] Rs.50,000 to be paid to R immediately and the balance transferred to his loan account.

Prepare the Revaluation a/c, Capital a/c and Balance Sheet after R's retirement.

K4 CO2

18

P, Q and R were partners sharing profits and losses in the ratio of 2:2:1. The partnership was dissolved on December 31, 2007 and their balance sheet on that due was as follows:

Liabilities	Rs.	Assets	Rs.
Capital: P	16,000	Cash	2,000
Q	10,000	Other assets	38,000
R	3,000		
Profit and loss a/c	5,000		
Sundry creditors	6,000		
	40,000		40,000

The assets were realized gradually: Rs.10,000 was received in first instalment, Rs.10,000 the second time and Rs.13,000 finally.
Calculate how the cash was distributed.

K4 CO3

19

The following is the position of two firms XY and CD which are taken over by Z, Y, C, D Ltd.

Liabilities	XY[Rs.]	CD[Rs.]	Assets	XY[Rs.]	CD[Rs]
Capital:			Goodwill	30,000	-
X	50,000		Fixed assets	80,000	2,00,000
Y	50,000		Current assets	60,000	1,50,000
C		80,000	Cash	10,000	40,000
D		1,20,000	P&L a/c	20,000	-
Creditors	60,000	1,60,000			
B/P	40,000	30,000			
	2,00,000	3,90,000		2,00,000	3,90,000

The new company took over fixed assets and current assets at book values and agreed to take over the B/P also. Goodwill of XY is considered worthless. Compute purchase price payable to the vendors.

K2 CO4

20

Identify the differences between Ind AS and IFRS.

K3 CO5

Z-Z-Z END