

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)BCom DEGREE EXAMINATION MAY 2025  
(Second Semester)Common to Branches – COMMERCE/ COMMERCE (CA)/ e- COMMERCE/ COMMERCE  
(A&F)/ COMMERCE (RM)/ COMMERCE(FS)/ COMMERCE (FT)/ COMMERCE (BPS)/  
COMMERCE (B&I)FINANCIAL ACCOUNTING - II

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	If the new partner brings his share of goodwill in cash, it will be shared by old partners in _____. a) Old profit sharing ratio                      b) New profit sharing ratio c) In capital ratio                                      d) Ratio of sacrifice	K1	CO1
	2	If at the time of admission, some profit and loss account balance appears in the books, it will be transferred to _____. a) All partners' Capital Accounts              b) Revaluation Account. c) Old partners' Capital Accounts              d) Profit and Loss Adjustment Account	K2	CO1
2	3	The gaining ratio is calculated when: a) A partner joins the business                  b) A partner retires or dies c) The business incurs a loss                      d) There is no change in the partnership	K1	CO2
	4	The balance in the revaluation account after the revaluation of assets and liabilities is transferred to: a) Partners' capital accounts                      b) Profit and loss account c) Reserve account                                      d) Goodwill account	K2	CO2
3	5	On the death of a partner, the balance of his capital account is transferred to: a) Profit and loss account                          b) Remaining partners' capital accounts c) His legal heirs                                      d) Revaluation account	K1	CO3
	6	Which document determines the distribution of a deceased partner's share in a partnership? a) Partnership deed                                      b) Profit and loss account c) Revaluation account                              d) Goodwill account	K2	CO3
4	7	Dissolution of a partnership refers to: a) The end of the business entity b) Termination of partnership agreement between some or all partners c) The firm going bankrupt d) Admission of a new partner	K1	CO4
	8	Which of the following leads to the dissolution of a partnership firm? a) Change in profit-sharing ratio b) Retirement of a partner c) Insolvency of one or more partners d) Introduction of a new partner	K2	CO4
5	9	Non-trading concerns are also referred to as: a) Public sector enterprises                          b) Not-for-profit organizations c) Commercial enterprises                          d) Cooperative societies	K1	CO5
	10	Which financial statement is prepared by non-trading concerns to ascertain the surplus or deficit? a) Profit and loss account                          b) Income and expenditure account c) Trading account                                      d) Balance sheet	K2	CO5

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.	Illustrate the factors affecting value of goodwill on admission of a new partner.	K2	CO1
		(OR)		

Cont...

	11.b.	A and B share profits in the ratio – A, 5/8 and B 3/8. C is admitted as partner. He brings in Rs 70,000 as his capital and Rs 48,000 as goodwill. The new profit-sharing ratio among A, B and C is agreed to be 7: 5: 4 respectively. Pass necessary journal entries with regard to the admission.	K2	CO1																																																
2	12.a.	S,K,R were Partners Sharing Profits in the Proportion of 5: 3 :2. Goodwill does not appear in the book, but it is agreed to be worth Rs.150,000. S retires from the firm and K and R decide to share profits in their old ratio of 3 : 2. Pass Journal entry for goodwill.	K4	CO2																																																
	(OR)																																																			
	12.b.	A, B and C are three partners sharing profits in the ratio of 5 : 4 : 3 respectively. C retires and the goodwill of the firm is valued at Rs 60,000. Assuming that A and B agree to share future profits in the ratio of 7 : 5 respectively. Pass an adjustment entry to credit retiring partner with his share of goodwill. Showing the calculations clearly.																																																		
3	13.a.	A,B, C, D and E were partners in a firm sharing profit and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately D and E met with an accident in which both of them died. The goodwill of the firm was valued at Rs.75,000 and A, B and C decide to share the future profit and losses in the ratio of 4:6:5 respectively. Give Journal entries to record the above relating to goodwill.	K4	CO3																																																
	(OR)																																																			
	13.b.	<p>Following is the Balance Sheet of Prateek, Rockey and Kushal as on March 31, 2022.</p> <table><tr><th>Liabilities</th><th>Amount (₹)</th><th>Assets</th><th>Amount (₹)</th></tr><tr><td>Sundry Creditors</td><td>16,000</td><td>Bills Receivable</td><td>16,000</td></tr><tr><td>General Reserve</td><td>16,000</td><td>Furniture</td><td>22,600</td></tr><tr><td>Capital Accounts:</td><td></td><td>Stock</td><td>20,400</td></tr><tr><td>Prateek</td><td></td><td>Sundry Debtors</td><td>22,000</td></tr><tr><td>30,000</td><td></td><td>Cash at Bank</td><td>18,000</td></tr><tr><td>Rockey</td><td></td><td>Cash in Hand</td><td>3,000</td></tr><tr><td>20,000</td><td></td><td></td><td></td></tr><tr><td>Kushal</td><td></td><td></td><td></td></tr><tr><td>20,000</td><td>70,000</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td>1,02,000</td><td></td><td>1,02,000</td></tr></table> <p>Rockey died on June 30, 2022. Under the terms of the partnership deed, the executors of a deceased partner were entitled to:</p> <p>a) Amount standing to the credit of the Partner's Capital account. b) Interest on capital at 5% per annum. c) Share of goodwill on the basis of twice the average of the past three years' profit. d) Share of profit from the closing date of the last financial year to the date of death on the basis of last year's profit.</p> <p>Profits for the year ending on March 31, 2020, March 31, 2021, and March 31, 2022, were ₹ 12,000, ₹ 16,000 and ₹ 14,000, respectively. Profits were shared in the ratio of capital.</p> <p>Pass the necessary journal entries and draw up Rockey's capital account to be rendered to his executor.</p>	Liabilities	Amount (₹)	Assets	Amount (₹)	Sundry Creditors	16,000	Bills Receivable	16,000	General Reserve	16,000	Furniture	22,600	Capital Accounts:		Stock	20,400	Prateek		Sundry Debtors	22,000	30,000		Cash at Bank	18,000	Rockey		Cash in Hand	3,000	20,000				Kushal				20,000	70,000								1,02,000		1,02,000		
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4	14.a.	<p>P, Q and R share profits in proportion of <math>\frac{1}{2}</math>, <math>\frac{1}{4}</math> and <math>\frac{1}{4}</math>. On the date of dissolution their Balance Sheet was as follows.</p> <table><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Creditors</td><td>14,000</td><td>Sundry Assets</td><td>40,000</td></tr><tr><td>P's Capital</td><td>10,000</td><td></td><td></td></tr><tr><td>Q's Capital</td><td>10,000</td><td></td><td></td></tr><tr><td>R's Capital</td><td>6,000</td><td></td><td></td></tr><tr><td></td><td>40,000</td><td></td><td>40,000</td></tr></table> <p>The assets realised Rs. 35,500. Creditors were paid in full. Realisation expenses amounted to Rs.1500. Close the books of the firm.</p>	Liabilities	Amount	Assets	Amount	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	K5	CO4																								
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	40,000		40,000																																																	
(OR)																																																				

22COU204N/ 22COC204N/ 22COE204N/ 22AFU204N/ 22CRM204N/  
22FSU204N/ 22FTU204N/ 22BPU204N / 22CBI204N/ 22CRM204/ N19BPU04  
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4	14.b.	The following is the Balance sheet of A, B and C as on December 31, 2023:				K5	CO4																												
		<table><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Creditors</td><td>20000</td><td>Cash</td><td>6,000</td></tr><tr><td>Reserve Fund</td><td>15,000</td><td>Stock</td><td>20,000</td></tr><tr><td>A's Capital</td><td>25,000</td><td>Plants &amp; Tools</td><td>20,000</td></tr><tr><td>B's Capital</td><td>15,000</td><td>Sundry Debtors</td><td>10,000</td></tr><tr><td></td><td></td><td>Bills Receivable C's</td><td>10,000</td></tr><tr><td></td><td></td><td>Capital Overdrawn</td><td>9,000</td></tr><tr><td></td><td>75,000</td><td></td><td>75,000</td></tr></table>						Liabilities	Amount	Assets	Amount	Creditors	20000	Cash	6,000	Reserve Fund	15,000	Stock	20,000	A's Capital	25,000	Plants & Tools	20,000	B's Capital	15,000	Sundry Debtors	10,000			Bills Receivable C's	10,000			Capital Overdrawn	9,000
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		Capital Overdrawn	9,000																																
	75,000		75,000																																
		<p>C is insolvent but his estate pays 2,000. It is decided to wind up the partnership. The assets realized as follows:</p> <ul style="list-style-type: none"><li>• Sundry Debtors Rs.7,500</li><li>• Bills Receivable Rs.7,000</li><li>• Stock Rs.16,000</li><li>• Plant &amp; Tools Rs.14,000</li></ul> <p>The cost of winding up came to Rs.2,500 Pass necessary Journal entries to close the books of the firm taking the capitals as fixed.</p>																																	
5	15.a.	On 31-12-2022 subscriptions out standing were Rs.10,000 and received in advance for 2023 Rs. 8,000. During 2023, Subscription received were Rs.80,000 including Rs.7,000 towards the dues of the year 2022. On 31-12-2023, total subscription outstanding were Rs.12,000 and received in advance for 2024 Rs.6000. You are required to show (i) Subscription to be credited to Income and expenditure account. (ii) Extract from Balance Sheet of 2023 Showing the items relating to subscription.				K5	CO5																												
	(OR)																																		
	15.b.	Explain the advantages and Limitations of Accounting Standards.																																	

**SECTION -C (30 Marks)**  
Answer ANY THREE questions  
ALL questions carry EQUAL Marks (3 × 10 = 30)

ALL questions carry EQUAL Marks (5 x 10 = 50)

Module No.	Question No.	Question	K Level	CO																																								
1	16	<p>The following was the Balance Sheet of A, B and C sharing profits and losses in the proportion of 6 : 5: 4 respectively:</p> <table><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Creditors</td><td>56,700</td><td>Land and Building</td><td>1,51,200</td></tr><tr><td>Bills payable</td><td>48,900</td><td>Furniture</td><td>52,050</td></tr><tr><td>General Reserve</td><td>21,000</td><td>Stock</td><td>88,200</td></tr><tr><td>Capital Accounts:</td><td></td><td>Debtors</td><td>79,380</td></tr><tr><td>A 1,19,700</td><td></td><td>Cash at Bank</td><td>26,670</td></tr><tr><td>B 1,00,800</td><td></td><td></td><td></td></tr><tr><td>C 50,400</td><td></td><td></td><td></td></tr><tr><td></td><td>270,900</td><td></td><td></td></tr><tr><td></td><td>3,97,500</td><td></td><td>3,97,500</td></tr></table> <p>They agreed to take D into partnership and give 1/8th share of profits on the following terms:</p> <p>(i) D brings in Rs 48,000 as his capital.</p> <p>(ii) Furniture be written down by Rs 2,760 and stock be depreciated by 10%.</p> <p>(iii) Provision of Rs 3,960 be made for outstanding repair bills.</p> <p>(iv) Value of land and buildings be written up to Rs 1,95,300.</p> <p>(v) Value of goodwill be fixed at Rs. 28,000 and an adjustment entry be passed for D's share of goodwill.</p> <p>(vi) That the capitals of A,B and C be adjusted on the basis of D's capital by opening current accounts.</p> <p><i>Give the necessary journal entries and the balance sheet of the newly constituted firm.</i></p>	Liabilities	Amount	Assets	Amount	Creditors	56,700	Land and Building	1,51,200	Bills payable	48,900	Furniture	52,050	General Reserve	21,000	Stock	88,200	Capital Accounts:		Debtors	79,380	A 1,19,700		Cash at Bank	26,670	B 1,00,800				C 50,400					270,900				3,97,500		3,97,500	K2	CO1
Liabilities	Amount	Assets	Amount																																									
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C 50,400																																												
	270,900																																											
	3,97,500		3,97,500																																									

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2	17	<p>L, M and N were partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. On 1st April, 2012 L retired when his capital account showed a credit balance of Rs. 8,00,000. In the ledger, goodwill account appeared at Rs.1,00,000 but the partners agreed that the fair value of firm's goodwill on the abovementioned date was Rs 4,75,000.</p> <p>Apart from capital of Rs. 8,00,000, the retiring partner's share of goodwill was also to be paid. Assuming that M and N continue to share profits in ratio of 2 : 1 respectively and L's capital account is immediately settled in cash. Pass necessary journal entries.</p>	K2	CO2																																				
3	18	<p>A, B and C were partners of a firm sharing profits and losses in the ratio of 4:3:3 respectively.</p> <p><b>Balance sheet of the firm as on 31st March, 2022 was as under:</b></p> <table><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Capital Accounts</td><td></td><td>Furniture</td><td>1,30,000</td></tr><tr><td>A        78,000</td><td></td><td>Stock</td><td>78,000</td></tr><tr><td>B        64,000</td><td></td><td>Debtors</td><td>30,000</td></tr><tr><td>C        48,000</td><td>19,000</td><td>Cash at Bank</td><td>22,000</td></tr><tr><td></td><td>30,000</td><td></td><td></td></tr><tr><td></td><td>40,000</td><td></td><td></td></tr><tr><td>General Reserve</td><td>2,60,000</td><td></td><td>2,60,000</td></tr><tr><td>Creditors</td><td></td><td></td><td></td></tr></table> <p>The firm had taken a joint life policy for Rs. 1, 00, 000 the premium periodically paid was charged to profit and loss account. C died on 30th September, 2022.</p> <p><b>It was agreed between the surviving partners and the legal representatives of C that:</b></p> <p>(i) Goodwill of the firm be valued at Rs. 60,000 ;</p> <p>(ii) Furniture, be written down by Rs 20,000; and</p> <p>(iii) In view of the profits of the firm for the last two years, C be credited, in lieu of profits, with interest at the rate of 24% per annum, on the balance of his capital account in the beginning of the year from 1st April, 2022 till the date of settlement.</p> <p>Policy money was received and the legal heirs were paid off on 30th November, 2022. The profit for the year ended 31st March, 2023, after charging interest on C's capital came to Rs 46,180.</p> <p><b>The partners drawings accounts showed balances as under:</b></p> <p>A - Rs 18,000 (drawn evenly over the year)</p> <p>B - Rs 24,000 (drawn evenly over the year)</p> <p>C - Rs 20,000 (upto the date of death)</p> <p>Prepare for the year ended 31st March 2023, profit and loss appropriation account, revaluation account and capital accounts of all the partners, showing the amount paid to C's legal representatives.</p>	Liabilities	Amount	Assets	Amount	Capital Accounts		Furniture	1,30,000	A        78,000		Stock	78,000	B        64,000		Debtors	30,000	C        48,000	19,000	Cash at Bank	22,000		30,000				40,000			General Reserve	2,60,000		2,60,000	Creditors				K3	CO3
Liabilities	Amount	Assets	Amount																																					
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	40,000																																							
General Reserve	2,60,000		2,60,000																																					
Creditors																																								
4	19	<p>P Q and R are partners in a firm. They share Profits and losses equally. Their Balance Sheet on 31.12.2022 is given as under.</p> <table><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Capital</td><td></td><td>Machinery</td><td>40,000</td></tr><tr><td>P        16,000</td><td></td><td>Furniture</td><td>16,000</td></tr><tr><td>R        12,000</td><td></td><td>Debtors</td><td>40,000</td></tr><tr><td></td><td></td><td>Cash at Bank</td><td>8000</td></tr><tr><td>Reserve Fund</td><td>18,000</td><td>Q's Capital</td><td>6000</td></tr><tr><td>Creditors</td><td>64,000</td><td></td><td></td></tr><tr><td></td><td>110,000</td><td></td><td>1,10,000</td></tr></table> <p>The Partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debt to the firm. Machinery realised Rs.30,000 and furniture Rs. 6,400 only Rs. 24,000 was recovered from debtors. Creditors were paid at a discount of 5%. Prepare necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner Vs Murray rule.</p>	Liabilities	Amount	Assets	Amount	Capital		Machinery	40,000	P        16,000		Furniture	16,000	R        12,000		Debtors	40,000			Cash at Bank	8000	Reserve Fund	18,000	Q's Capital	6000	Creditors	64,000				110,000		1,10,000	K2	CO4				
Liabilities	Amount	Assets	Amount																																					
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Reserve Fund	18,000	Q's Capital	6000																																					
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	110,000		1,10,000																																					

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5	20	The following is the Receipts and Payment A/c of Delhi football association for the year ending 31 <sup>st</sup> December 2023.				K4	CO5
		Receipts and Payment					
		Receipts	Amount	Payments	Amount		
		To Donation	50,000	By Pavilion office (Constructed)	40,000		
		To Reserve fund (Life membership fees and entrance fee received)	4,000	By Expenses in connection with matches	900		
		To Receipts from football matches	8,000	By Furniture	2,100		
		Revenue Receipts		By Investment at cost	16,000		
		To subscription	5,200	Revenue Payments			
		To Locker Rents	50	By salaries	1,800		
		To Interest on Securities	240	By wages	600		
		To Sundries	350	By Insurance	350		
				By Telephone	250		
				By Electricity	110		
				By Sundry Exp	210		
				By Balance on hand	5,520		
			<u>67,840</u>		<u>67,840</u>		
		Additional information					
		(i) Subscriptions outstanding for 2023 are Rs.250					
		(ii) Salaries unpaid for 2023 are Rs.170					
		(iii) Wages unpaid for 2023 are Rs.90					
		(iv) Outstanding bill the sundry expenses is Rs. 40					
		(v) Donations received have to be capitalized					
		Prepare from the details given above Income and expenditure A/c for the year ended 31-12-2023 and the Balance Sheet of the Association as on that date.					

Z-Z-Z

END

