

PSG COLLEGE OF ARTS & SCIENCE (AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 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

$$(10 \times 1 = 10)$$

Cont...

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks $(5 \times 7 = 35)$

Module No.	Question No.	Question	K Level	CO																																																			
1	11.a.	<p>Write short notes on:</p> <p>(a) Past adjustments in partnership accounts (b) Guarantees by a partner.</p>	K2	CO1																																																			
		(OR)																																																					
11.b.		<p>Prepare for the following details:</p> <p>a) Profit and Loss Adjustment Account b) Capital Accounts of the Partners</p> <p>Laurel and Hardy are partners of the firm LH & Co. from 01.04.2003. Initially both of them contributed Rs. 100000 each as capital. They did not contribute any capital thereafter. They maintain accounts of the firm on mercantile basis. They were sharing profits and losses in the ratio 5:4. After the accounts for the year ended 31.03.2007 were finalized, the partners decided to share profits and losses equally with effect from 01.04.2003. It was also discovered that in ascertaining the results in the earlier years certain adjustments, details of which are given below, had not been noted.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Year ended 31st March</th><th>2004</th><th>2005</th><th>2006</th><th>2007</th></tr> </thead> <tbody> <tr> <td>Profit as per accounts prepared and finalized</td><td>140000</td><td>260000</td><td>320000</td><td>360000</td></tr> <tr> <td>Expenses not provided for</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Incomes not taken into account</td><td>30000</td><td>20000</td><td>36000</td><td>24000</td></tr> <tr> <td></td><td>18000</td><td>15000</td><td>12000</td><td>21000</td></tr> </tbody> </table> <p>Following is the Balance sheet of the firm as on 31.03.2007 before adjustment of revised profits between Laurel and Hardy.</p> <p style="text-align: center;">BALANCE SHEET LH & Co.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr> </thead> <tbody> <tr> <td>Capital Accounts:</td><td></td><td>Plant and Machinery</td><td>60000</td></tr> <tr> <td>Laurel</td><td>211500</td><td>Cash in Hand</td><td>10000</td></tr> <tr> <td>Hardy</td><td>151500</td><td>Cash at Bank</td><td>5000</td></tr> <tr> <td>Sundry Creditors</td><td>227000</td><td>Stock in Trade</td><td>310000</td></tr> <tr> <td></td><td></td><td>Sundry Debtors</td><td>205000</td></tr> <tr> <td></td><td>590000</td><td></td><td>590000</td></tr> </tbody> </table>	Year ended 31 st March	2004	2005	2006	2007	Profit as per accounts prepared and finalized	140000	260000	320000	360000	Expenses not provided for					Incomes not taken into account	30000	20000	36000	24000		18000	15000	12000	21000	Liabilities	Rs.	Assets	Rs.	Capital Accounts:		Plant and Machinery	60000	Laurel	211500	Cash in Hand	10000	Hardy	151500	Cash at Bank	5000	Sundry Creditors	227000	Stock in Trade	310000			Sundry Debtors	205000		590000		590000
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2	12.a.	<p>List out the Journal entries to adjust goodwill on retirement of Y and admission of W if they do not want to raise goodwill in the books of accounts. X, Y and Z are partners sharing profits on losses in a business in the ratio of 4:3:2 respectively. On 31st March, 2011 Y retires and X and Z decide to share profits and losses in the ratio 5:3. Then immediately W is admitted for 3/10th shares in profits, 2/3rd of which was given by X and rest was taken by W from Z. Goodwill of the firm is valued at Rs. 216000, W brings required amount of goodwill.</p>	K3	CO2																																																			
		(OR)																																																					
12.b.		Prepare A's loan account for the first three year. The total amount due to the retiring partner A is Rs. 12000. It is to be paid in ten equal annual instalments with interest at 10% pa. The first instalment to be paid after the expiry of one year after from the date of retirement.																																																					

Cont...

		Journalise the transaction in the books of the firm. A firm sells its business to a limited company. The company does not take over the debtors and creditors of the firm. But agrees to collect and pay them as the firms' agent at a commission of 5% on all receipts and payments. The firm's debtors are of Rs. 30000 and the creditors are of Rs. 10000. The company collects Rs. 28000 from the firm's debtors and pays Rs. 9000 to firm's creditors in full satisfaction of their claims. After charging its commission it remits the balance of amount to the firm.																																																		
3	13.a.	(OR)																																																		
	13.b.	Prepare the realization account, cash account and capital accounts. Showing the distribution to the partners. The partnership between A and B was dissolved on December 31, 2015. On that date the respective credits to the capitals were A Rs. 170000 and B Rs.30000. Rs. 20000 were owed by B to the firm: Rs. 100000 were owed by the firm to A and Rs. 200000 were due to the trade creditors. Profits and losses were shared in the proportion of 2/3 to A and 1/3 to B. the assets represented by the above stated net liabilities realized Rs. 450000 exclusive of Rs. 20000 owed by B. The liabilities were settled at book figures.	K3	CO3																																																
	14.a.	Prepare Realization Account and Capital Accounts of the partners as on 30 th June, 2008. Mr. M and Mr. D. were carrying a business as equal partners. The firm's Balance Sheet as on 31 st December, 2007 was as follows:																																																		
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4	14.b.	The business was carried on till 30 th June, 2008. The partners withdrew in equal amounts half the amount of profits made during the period of Six months after 10% p.a. had been written off leasehold premises, 10% p.a. off plant and machinery and 5% p.a. off office furniture. Meanwhile, sundry creditors were reduced by Rs. 10000. On 30 th June 2008, stock was valued at Rs. 63400. Bills payable were reduced by Rs. 2300 and Bank overdraft by Rs. 15000. Book debts were valued at Rs. 65000, the joint life policy was realized for Rs. 9500 and the amount was utilized to reduce the bank overdraft and other items remained the same as on 31 st December 2007. On 30 th June, 2008 the firm sold the business to a Limited company. The value of the goodwill estimated at Rs. 108000 and the rest of the assets were valued on the basis of the Balance Sheet as on 30 th June 2008. The company paid the purchase consideration in fully paid equity shares of Rs. 10 each, at par.	K4	CO4																																																
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	14.b.	Journalise the transactions of old firms. Two firms A & B and X & Y agree to amalgamate their business on 31 st December 2023. Their Balance Sheet was:																																																		
		<table border="1"> <thead> <tr> <th></th><th>A&B</th><th>X&Y</th><th></th><th>A&B</th><th>X&Y</th></tr> </thead> <tbody> <tr> <td>Creditors</td><td>104000</td><td>52000</td><td>Bank</td><td>156000</td><td>65000</td></tr> <tr> <td>A's capital</td><td>182000</td><td></td><td>Debtors</td><td>130000</td><td>104000</td></tr> <tr> <td>B's capital</td><td>13000</td><td></td><td>Stock</td><td>42000</td><td>26000</td></tr> <tr> <td>X 's capital</td><td></td><td>91000</td><td>Furniture</td><td>10000</td><td>13000</td></tr> <tr> <td>Y's Capital</td><td></td><td>65000</td><td>Buildings</td><td>78000</td><td></td></tr> <tr> <td></td><td>416000</td><td>208000</td><td></td><td>416000</td><td>208000</td></tr> </tbody> </table>		A&B	X&Y		A&B	X&Y	Creditors	104000	52000	Bank	156000	65000	A's capital	182000		Debtors	130000	104000	B's capital	13000		Stock	42000	26000	X 's capital		91000	Furniture	10000	13000	Y's Capital		65000	Buildings	78000			416000	208000		416000	208000								
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		Debtors and creditors were not taken over by the new firm. Buildings were retained by A and B. The capital of new firm Rs. 260000 is to be brought in by partners in the ratio of 3:3:2:2. Give Journal entries for Old firms.																																																		

5	15.a.	Outline the features and significance of a computerized accounting system. (OR)	K4	CO5
	15.b.	Explain the advantages of a computerized accounting system.		

SECTION -C (30 Marks)

Answer ANY THREE questions

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

Module No.	Question No.	Question	K Level	CO																												
1	16	<p>a) Explain briefly various methods of Valuation of Goodwill.</p> <p>b) Give the treatment of goodwill at the time of admission of a partner under the following circumstances:</p> <p>i) Goodwill raised</p> <p>ii) Goodwill raised and Written off.</p>	K4	CO1																												
2	17	<p>Prepare Revaluation account, Capital accounts of partners and Cash account of Ms. B and C.</p> <p>On 31st March, 2008, the Balance sheet of Ms. A, B and C sharing profits and losses in proportion to their capital, stood as follows:</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Rs.</th> <th>Assets</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>A's Capital</td> <td>200000</td> <td>Cash & Bank balances</td> <td>100000</td> </tr> <tr> <td>B's Capital</td> <td>300000</td> <td>Sundry Debtors</td> <td>100000</td> </tr> <tr> <td>C's Capital</td> <td>200000</td> <td>Closing Stock</td> <td>100000</td> </tr> <tr> <td>Sundry Creditors</td> <td>100000</td> <td>Machinery</td> <td>300000</td> </tr> <tr> <td></td> <td>800000</td> <td>Land & Buildings</td> <td>200000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>800000</td> </tr> </tbody> </table> <p>On 31st March, 2008, A desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis:</p> <p>i) Land & Buildings be appreciated by 30%</p> <p>ii) Machinery be depreciated by 20%</p> <p>iii) Closing stock to be valued at Rs. 75000</p> <p>iv) Provision for Bad debts be made at 5%</p> <p>v) Old credit balances of sundry creditors Rs. 20000 be written back</p> <p>vi) Joint Life Policy of the partners surrendered and cash obtained Rs. 80000.</p> <p>vii) Goodwill of the entire firm be valued at Rs. 140000 and A's Share of Goodwill be adjusted in the accounts of B and C who share the future profit equally. No Goodwill account being raised.</p> <p>viii) The total capital of the firm is to be same as before retirement. Individual's capital be in their Profit sharing ratio.</p> <p>ix) Amount due to A is to be settled on the following basis. 50% on retirement and balance 50% within 1 year.</p>	Liabilities	Rs.	Assets	Rs.	A's Capital	200000	Cash & Bank balances	100000	B's Capital	300000	Sundry Debtors	100000	C's Capital	200000	Closing Stock	100000	Sundry Creditors	100000	Machinery	300000		800000	Land & Buildings	200000				800000	K4	CO2
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3	18	<p>Prepare the necessary ledger accounts and close the books of the firm. A, B and C where three partners in a business sharing profits and losses in the ratio 2:2:1. The following was their Balance Sheet as on 31st December 2014.</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Rs.</th> <th>Assets</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>Capital Accounts:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>40000</td> <td>Bank</td> <td>20000</td> </tr> <tr> <td>B</td> <td>30000</td> <td>Current Assets</td> <td>30000</td> </tr> <tr> <td>C</td> <td>20000</td> <td>Fixed Assets</td> <td>70000</td> </tr> <tr> <td>Creditors</td> <td>30000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>120000</td> <td></td> <td>120000</td> </tr> </tbody> </table> <p>It was decided to dissolve the firm w.e.f 31st December 2015 and C was appointed as in charge of realization. He was to receive 5% commission on the amounts realized from fixed and current assets. He was also to bear all expenses of realization.</p> <p>The fixed assets realized Rs. 80000 and the current assets Rs. 20000. The realization expenses amounted to Rs. 2000.</p>	Liabilities	Rs.	Assets	Rs.	Capital Accounts:				A	40000	Bank	20000	B	30000	Current Assets	30000	C	20000	Fixed Assets	70000	Creditors	30000				120000		120000	K4	CO3
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Cont...

		<p>The following are the Balance sheet of two firms ABC and XYZ as on 31st March 2022.</p> <table border="1"> <thead> <tr> <th>Liabilities</th><th>ABC</th><th>XYZ</th><th>Assets</th><th>ABC</th><th>XYZ</th></tr> </thead> <tbody> <tr> <td>Bills Payable</td><td>30000</td><td></td><td>Cash</td><td>200000</td><td>200000</td></tr> <tr> <td>Trade Creditors</td><td>15000</td><td>125000</td><td>Bank</td><td>50000</td><td>75000</td></tr> <tr> <td>Bank Overdraft</td><td></td><td>51500</td><td>Debtors</td><td>100000</td><td>150000</td></tr> <tr> <td>Capital: ABC</td><td>500000</td><td></td><td>Stock</td><td>150000</td><td>175000</td></tr> <tr> <td>XYZ</td><td></td><td>525000</td><td>Building</td><td>25000</td><td>100000</td></tr> <tr> <td></td><td>545000</td><td>701500</td><td>Furniture</td><td>10000</td><td>1500</td></tr> <tr> <td></td><td></td><td></td><td>Investments</td><td>10000</td><td></td></tr> <tr> <td></td><td></td><td></td><td></td><td>545000</td><td>701500</td></tr> </tbody> </table> <p>The partners of both the firms have decided to amalgamate their business into a new firm, named as OPQ & Co. the following are the terms agreed upon:</p> <ol style="list-style-type: none"> i) the buildings of both firms are to be taken over at 20% above their book value ii) XYZ should be credited with Rs. 100000 for some valuable copy right possessed by them, but not shown in their books iii) All the other assets were taken over at book values except in the investments of ABC. iv) Both firms to discharge their own liabilities. <p>Pass necessary Journal entries to close the books of old firms.</p>	Liabilities	ABC	XYZ	Assets	ABC	XYZ	Bills Payable	30000		Cash	200000	200000	Trade Creditors	15000	125000	Bank	50000	75000	Bank Overdraft		51500	Debtors	100000	150000	Capital: ABC	500000		Stock	150000	175000	XYZ		525000	Building	25000	100000		545000	701500	Furniture	10000	1500				Investments	10000						545000	701500	
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5	20	Explain in detail the classification and codification of accounts in a computerized accounting system with examples.	K4	CO5																																																					

Z-Z-Z END

