PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION DECEMBER 2019
(Third Semester)

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

HIGHER FINANCIAL ACCOUNTING

Time: Three Hours Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** marks (1 0 x 1 = 10)

1 When a new partner is admitted, the combined shares of the old partners are
(i) Reduced (ii) increased (iii) same (iv) reconstituted

2 What is a Goodwill?
(i) Intangible Asset (ii) Current Asset
(iii) Fixed Asset (iv) Fictitious Asset

3 When the retiring partner is paid in instalments, the total amount payable to the retiring partner is transferred to________ .
(i) Loan a/c (ii) Executors a/c (iii) Creditors a/c (iv) Debtors a/c

4 What is Gaining Ratio?
(i) Old ratio less sacrificing ratio (ii) Old ratio less new ratio
(iii) New ratio less old ratio (iv) New ratio less sacrificing ratio

5 What type of*account is Joint Life Policy Account?
(i) Real a/c (ii) Nominal a/c (iii) Personal a/c (iv) Asset a/c

6 What entry is passed for payment made to executor?
(i) Executor a/c Dr
To Bank a/c
(ii) Partners Capital a/c Dr
To Bank a/c
(iii) Loan a/c Dr
To Bank a/c
(iv) Debtors a/c Dr
To Bank a/c

7 Where the rule in Gamer Vs Murray is applicable
(i) Admission of a Partner (ii) Retirement of a Partner
(iii) Dissolution of a Partner (iv) Insolvency of a Partner

8 When the realization expenses are to be borne by a partner, it is debited to____ .
(i) Partners Capital a/c (ii) Cash a/c (iii) Realisation a/c (iv) P/L a/c

9 When two firms Joining together to form a new firm, it is called_____ .
(i) New Firm (ii) Absorption (iii)Amalgamation (iv) Reconstmction

10 When a business firm is acquired by an existing company it is technically called
(i) Sale to Company (ii) Transformation
(iii) Reconstruction (iv) Absorption

SECTION - B (35 Marks)

Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 7 = 35)

1 1 a A firm earned net profits during the last three years as follows:

		Rs.
I Year	-	36,000
II Year	-	40,000
III Year	-	44,000

The Capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profits.

OR

11 Cont... i

b X and Y are partners sharing profits in the ratio of 3:2. They admit Z into partnership, Z paying a premium of Rs.2,000 for l/4th share of profit. The new ratio is 3:3:2. Goodwill account appears in the books at Rs.2,000. It was decided that goodwill should continue to appear in books at Rs. 1,600. Journalize.

12 a P,Q,R and S are partners sharing profits and losses in the ratio of 2:1:2:1 respectively. 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. Pass journal entries for goodwill.

OR

b M,N and O were partners in a firm sharing profits in the ratio of 3:2:1. O retired and the new profit sharing ratio between M and N was 1:2. On O's retirement the goodwill of the firm was valued at Rs. 18,000. Pass journal entries for goodwill.

13 a A,P and R were partners in a firm. R died on 28* Feb 2011. His share of profits from the closure of the last accounting year till the date of death was to be calculated on the basis of average profits of three completed years before death. Profit for 2008, 2009 and 2010 were Rs.55,000, Rs.66,000 and Rs.77,000 respectively.
Calculate R's share of profits till the death an pass the necessary journal entry Jpr the same.

OR

b X,Y and Z were partners sharing profits equally. Their capitals were as follows: X Rs. 10,000; Y Rs.9,000 and Z Rs.8,000. Z expired on 1st July 1988.
The accounting year of the firm is from 1st January to 31st December. The firm has made a profit of Rs. 12,000 during the year 1987. Z's share of profit is to be ascertained on the basis of previous year's profit till the date of death. The goodwill of the firm was valued at Rs. 18,000. The amount payable to Z was paid to his executors.
Pass the journal entries and find out what amount is paid to the executors of the deceased partners.

14 a Explain the various modes in which a partnership may be dissolved.

OR

b The balance sheet of X,Y and Z, who were sharing profits in the ratio of 3:1:1. Stood as follows on Dec 31, 1989 i.e. the date of dissolution.

Liabilities	Rs.	Assets	Rs.
Sundry Liabilities	1,05,000	Cash at Bank	1,000
X's Capital	15,000	B/R	4,000
Y's Capital	10,000	Debtors	25,000
		Stock	40,000
		Plant	30,000
		Goodwill	10,000
		Z's Capital a/c	20,000
	1,30,000		1,30,000

Assets realised Rs.79,750. Realisation expenses are Rs.2,000. Show the final adjustment among the partners assuming all the partners are insolvent.

15 a Sarasu, Mangai and Mekala share profits in the ratio of 4:3:2. They decided to sell their firm to a Limited Company on June 30, 1999. Their Balance Sheet as on that date was as under:

Cont...

15 a Cont...

Liabilities	Rs.	Assets	Rs.
Capital Sarasu	20,000	Machinery	12,000
Mangai	15,000	Land and buildings	18,000
Mekala	13,000	Debtors	15,000
Creditors	12,000	Stock	13,000
		Cash	2,000
	60,000		60,000

Purchase consideration agreed upon was Rs.50,000. Of this the company has paid Rs.32,000 in its own shares and the balance in cash. Dissolution expenses of the firm Rs.600 was paid by the company. Give the journal entries.

OR

b Summarize the accounting treatments in the books of amalgamating firms.

SECTION - C (30 Marksl

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

16 The Balance Sheet of Padma and Reka on 31st Dec 1996 is set below. They share profits and losses in the ratio of 3:1.

Liabilities	Rs.	Assets	Rs.
Capital Padma	40,000	Buildings	30,000
Reka	30,000	Plant	2,000
Reserve	20,000	Stock	8,000
Creditors	20,000	Debtors	60,000
		Cash	4,000
		Profit & Loss a/c	6,000
	1,10,000		1,10,000

They agreed to admit Kavitha into the firm, subject to the following terms and conditions:

i) She will entitled to one-fourth share of the profits
ii) She will bring in Rs.21,000 of which Rs. 10,000 will be treated as her share of goodwill to be retained in the business.
iii) Depreciation is to be provided on plant @15%
iv) Stock to be revalued at Rs.6,500
v) 50% of the General Reserve is to remain as a provision for Bad and Doubtful debts.
vi) Give journal entries to give effect to these arrangements and construct the Balance Sheet of the new firm.

17 Sunil, Devi ad Ravi are equal partners in a firm and their Balance Sheet as on 31-12-90 is given below:

Liabilities	Rs.	Assets	Rs.
Capital Sunil	15,000	Machinery	43,500
Devi	12,000	Furniture	1,500
Ravi	18,000	Debtors	30,000
Reserve Fund	4,500	Stock	15,000
Creditors	40,500		
	90,000		90,000

Ravi retires on 31-12-90 and assets were revalued as under: Machinery Rs.51,000. Furniture Rs. 1,200. Debtors Rs.28,500. Stock Rs. 14,700. Goodwill of the firm is valued at Rs.9,000 and Ravi's share of goodwill is to be adjusted to continuing partners capital without raising goodwill account. Give journal **entries**

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18 Kin, Min and Tin are partners sharing profit and losses equally. Their / Balance Sheet as on 31.3.2011 is:

Liabilities	Rs.	Assets		Rs.
Capital Kin	82,000	Machinery		1,00,000
Min	82,000	Furniture		56,000
Tin	90,000	Debtors	84,000	
General Reserve	30,000	Less: PBDD	6,000	78,000
Creditors	47,000	Stock		19,000
		Fixtures		42,000
		Cash		36,000
	3,31,000			3,31,000

Tin died on 1st April 2011 and the following agreement was to be put into effect:
i) Goodwill was valued at Rs.60,000 and Tin was to be credited with share.
ii) Assets were revalued: Machinery to Rs. 1,17,000; Furniture Rs.46,000; Stock to Rs. 15,000.
iii) Rs.21,000 was to be paid away to the Tin's Executors on 1st April 2011.
Pass journal entries and prepare revaluation account, capital account and Balance Sheet of new firm.

19 P,Q and R are partners in a firm. They share profits and losses equally. Their Balance sheet on 31.12.92 is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals		Cash at Bank	8,000
/ ?	16,000	Machinery	40,000
R	12,000	Furniture	16,000
Reserve Fund	18,000	Debtors	40,000
Creditors	64,000	Capital accounts:	
		Q	6,000
	1,10,000		1,10,000

The partnership is dissolved due to insolvency of Q who is unable to contribute anything I the payment of his debt to the firm. Machinery realized 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 the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Gamer vs. Murray.

20 The following are the balance sheet of two firm M/s R&S and M/s T&U as on 31st March 2002.

Liabilities	R&S Rs.	T&U Rs.	Assets	R&S Rs.	T&U Rs.
Bills Payable	30,000	-	Cash	2,00,000	2,00,000
Trade Creditors	15,000	1,25,000	Bank	50,000	75,000
Bank Overdraft	-	51,500	Debtors	1,00,000	1,50,000
Capital	-	-	Stock	1,50,000	1,75,000
R	2,50,000	-	Buildings	25,000	1,00,000
S	2,50,000		Furniture	10,000	1,500
T	-	2,62,500	Investments	10,000	-
U	-	2,62,500			
	5,45,000	7,01,500		5,45,000	7,01,500

The partners of both the firm have decided to amalgamate their business into a new firm, named Reavathi & Co. the following were agreed upon:

a) The building of both firm are to be taken over at 20% above their book values.
b) M/s T&U should be credited with Rs. 1,00,000 for some valuable copyrights possessed by them, but not shown in their books.
c) All the other assets were taken over at book values except the investment of Ms .R&S
d) Both firms tO **disctlflrpe thpir mi/n linWlitJo***