



Reg. No. :

Name :

Third Semester B.Com. Degree Examination, December 2017
First Degree Programme under CBCSS
Core Course - VII : CO 1343
ADVANCED FINANCIAL ACCOUNTING
(2013 Adm.)

Time : 3 Hours

Max. Marks : 80

SECTION - A

Answer **all** questions in **one** word to maximum **two** sentences. **Each** question carries 1 mark.

1. What do you mean by Partnership Deed ?
2. What is sacrificing ratio ?
3. What is super profit ?
4. Why goods are sent by head office at inflated prices ?
5. What is cash in transit ?
6. Why is stock and debtors system ?
7. What do you mean by Joint Life Policy ?
8. What is debtors system ?
9. What is memorandum revaluation account ?
10. What is piece meal distribution ?

(10×1=10 Marks)

SECTION - B

Answer **any eight** questions **not** to exceed in **one** paragraph. **Each** question carries 2 marks.

11. What are the factors determining goodwill ?
12. A, B and C share profits and losses in the ratio of 5 : 3 : 2. What will be the gaining ratio, if A and C share profits and losses in the ratio of 4 : 3 after B's retirement ?



13. The average profit of a firm for the last 5 years is Rs. 10,000 and the capital invested is Rs. 60,000. Return expected from a similar business is 10%. Goodwill is valued at 3 years purchase of super profit. Find out the amount of goodwill.
14. What are the objectives of taking a joint life policy by the partnership firm ?
15. How do you calculate the goodwill under the 'Average Profits Method' ?
16. P and Q are partners and share profits in the ratio 7 : 5. R was admitted into the firm by giving him $\frac{1}{8}$ share in future profits, which he acquired $\frac{1}{24}$ from P and $\frac{2}{24}$ from Q. Arrive at the new profit sharing rights in the firm.
17. A, B and C are three partners sharing profits in the ratio of 4 : 3 : 2. B retires and the goodwill of the firm is fixed at Rs. 30,000. B's share of goodwill is to be adjusted into the accounts of A and C who are going to share the future profits in the proportion of $\frac{3}{4}$ and $\frac{1}{4}$ respectively. Show the journal entry to give effect to the above.
18. Differentiate fixed capital method and fluctuating capital method.
19. Why is it necessary to distribute all accumulated profits and losses among old partners at the time of admission of a partner ?
20. Distinguish between the dissolution of a partnership and dissolution of a partnership firm.
21. Explain the decision in Garner Vs. Murray case.
22. Mention the order of settlement of claim on dissolution of a firm. (8×2=16 Marks)

SECTION – C

Answer **any six** questions **not** to exceed in **120** words. Each question carries **4** marks.

23. Define partnership and describe its essential features.
24. X and Y are partners, who share profits and losses in the ratio of 7/12 and 5/12 respectively. They take in Z for $\frac{1}{6}$ share, which he acquires $\frac{1}{24}$ from X and $\frac{1}{8}$ from Y. Find the new profit sharing ratio and sacrificing ratio.



25. Anil and Sunil commenced business in partnership with capitals of Rs. 20,000 and Rs. 15,000 respectively on 1st January, 2012. They agreed to share profits and losses in the ratio 3 : 2. For the year ending 31st December, 2012 the firm earned a profit of Rs. 6,000 before adjusting the following :

- i) Interest on capital @ 5% p.a.
- ii) Interest on drawings: Anil Rs. 75 and Sunil Rs. 50
- iii) Salary to Sunil Rs. 1,500

During the year Anil withdrew Rs. 3,000 and Sunil Rs. 2,500

Prepare Profit and Loss Appropriation Account and the Partner's Capital Accounts.

26. How is goodwill treated in the books of accounts on the admission of a partner ?
27. Explain the rules applicable, in the absence of an agreement among the partners, for proper accounting of the partnership.
28. Mention the circumstances in which need for valuation of goodwill arises.
29. Kevin and Bros. of Bangalore has a branch at Kozhikode. The following are the transactions between the Branch and the Head Office for the year ended 31st March 2015.

	Rs.
Stock at branch at the beginning of the year	18,000
Petty cash balance at the beginning of the year	30
Goods sent to the branch during the year	80,000
Remittance to branch for :	
Salaries	3,000
Rent	4,000
Petty cash	<u>170</u>
	7,170
Cash remittance by branch (Cash sales)	1,30,000
Stock at branch on 31-3-2015	21,000
Petty cash balance on 31-3-2015	40

Prepare Kozhikode Branch Account in the books of the Head Office.



30. Anvin and Blesson are equal partners in a firm and their Balance Sheet as on 31st December, 2014 stood as follows :

	Rs.		Rs.
Sundry Creditors	2,000	Sundry Assets	19,000
Capital :		Cash	3,000
Anvin	10,000		
Blesson	10,000		
	22,000		22,000

They admit Charles into partnership. Charles pays Rs. 5,000 as his capital and is to receive a fifth share in future profits. Charles also brings Rs. 2,000 as his share of goodwill, half of which was withdrawn by the partners.

You are required to prepare the Balance Sheet of the new firm.

31. What are the differences between Branches and Departments ? (6×4=24 Marks)

SECTION - D

Answer **any two** questions. **Each** question carries 15 marks.

32. From the following balances extracted from the books of M/s. Stephen and Stanley, prepare final accounts for the year ending 31st December 2015.

	Rs.
Stephen's Capital	50,000
Stanley's Capital	34,000
Gross Profit	17,000
Bank Interest (Cr.)	250
Bills payable	8,500
Sundry Creditors	12,000
Stephen's Drawings	10,000
Stanley's Drawings	10,000
Sundry Expenses	3,200
Salary	3,500



Land and Buildings	40,000
Sundry Debtors	16,000
Insurance	550
Furniture and Fixtures	10,000
Bills Receivable	3,200
Stock (31-12-2015)	24,600
Bad Debts	300
Cash in hand	400

The Partnership Agreement provides that :

- i) Stanley is entitled to a salary (annual) of Rs. 600
- ii) Each partner is to receive 5% interest on capital.

Other Information :

- i) Salaries include Rs. 1,000 paid to an employee as advance for 2016
- ii) Unexpired insurance Rs. 150
- iii) Make a reserve of 5% for bad and doubtful debts.
- iv) Provide for depreciation on Land and Buildings @ 10% and on Furniture and fixtures @ 5% p.a.

33. The following was the Balance Sheet of A, B and C sharing Profits and Losses in the proportion of 5 : 3 : 2 respectively.

Liabilities	Rs.	Assets	Rs.
Creditors	18,500	Goodwill	5,400
Bills payable	9,000	Land and Buildings	46,200
General Reserve	10,500	Furniture	7,300
Capital Accounts :		Stock	30,100
A	34,600	Debtors	26,400
B	34,900	Cash	1,600
C	<u>9,500</u>		
	79,000		
	1,17,000		1,17,000



They admit D into partnership and give him one-sixth share on the following terms :

- a) that D should bring Rs. 18,000 as his capital;
- b) that furniture be depreciated by Rs. 900;
- c) that stock be depreciated by 10%;
- d) that provision of Rs. 1,300 be made for outstanding repair bill;
- e) that the value of land and buildings having appreciated be brought up to Rs. 58,500;
- f) that goodwill is valued at Rs. 14,000 and
- g) that after making the above adjustments the capital accounts of old partners (who continue to share in the same relative proportions as before) be adjusted on the basis of the proportion of D's capital to his share in the business (i.e., actual cash to be paid off or to be brought in by old partners as the case may be).

Give the necessary Journal entries and ledger accounts and also prepare the opening Balance Sheet of the new firm.

34. Following is the Balance Sheet of X, Y and Z who share Profits and Losses equally :

Balance Sheet as on 31-12-2014

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Sundry Assets	60,000
X 29,000		Cash at Bank	4,000
Y 20,000		Profit and Loss Account	6,000
Z <u>11,000</u>	60,000		
Creditors	10,000		
	70,000		70,000

The firm dissolved on 1-1-2015 and the assets were realized as follows :

	Rs.
First instalment	6,000
Second instalment	9,000
Third instalment	15,000
Last instalment	18,000

Show the distribution of cash under Maximum Loss Method.

35. a) What do you mean by a branch ? What are the objectives of keeping the branch accounts ?
- b) What is goodwill ? Briefly explain the various methods of valuing goodwill.
- c) Write short notes on :
- i) Revaluation Account
 - ii) Realisation Account
 - iii) Deficiency Account.

(2×15=30 Marks)
