



B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2022.

Fourth Semester

Commerce – Core

ADVANCED FINANCIAL ACCOUNTING – II

(For those who joined in July 2017 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

Guarantee by one of the partners to distribute the profit among the partner's in the _____ sharing ratio.

- (a) Usual Profit (b) Loss
(c) Profit (d) New Profit

A Partner is admitted into the firm on the basis of old partners giving guarantee to the incoming partners is called _____.

- (a) New Profit (b) Guarantee of Profit
(c) Old Profit (d) Loss

A firm is unable to pay its debts when _____.

- a) a partner is insolvent
b) a partners has debit balance
c) the firm is insolvent
d) a partners has credit balance

Realisation A/c is a _____.

- a) Nominal A/c. (b) Real A/c.
c) Personal A/c. (d) Capital A/c

At the time of amalgamation, profit on revaluation of assets will be transferred to _____.

- a) Partners' capital A/c.
b) P & L A/c.
c) P & L Appropriation A/c.
d) Revenue a/c

Purchase consideration received in the form of shares and debentures is distributed among the partners in the _____.

- a) Ratio of the final amounts due to partners
b) Ratio of Capitals
c) Profit sharing ratio
d) Equal ratio

3. Profit or Loss on revaluation of assets and liabilities is shared by _____.

- (a) All the partners (b) The old partners
(c) New Partners (d) None of these

4. If the upper portion of a memorandum revaluation account shows a profit, the lower portion _____.

- (a) Must show a loss
(b) Shows a profit or a loss
(c) Must show profit
(d) None of these

5. Joint life policy A/c. is _____.

- (a) A nominal A/c. (b) a personal A/c.
(c) An asset A/c. (d) Real A/c

6. Profit or loss on revaluation at the time of retirement must be transferred to the partners in _____.

- (a) Capital ratio
(b) Old profit sharing ratio
(c) Gaining ratio
(d) Sacrificing ratio

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PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Give the steps to be followed by guarantee by one of the Partners.

Or

(b) Write a Note on Guarantee by the firm.

12. (a) A and B are partners sharing profits and losses in the ratio of 5 : 3. They admit C as a partner. C acquires his share $\frac{4}{20}$ from A and $\frac{2}{20}$ from B. Find out the new profit sharing ratio and sacrificing ratio.

Or

(b) Prem and Chandra share profits in the ratio of 7:3. Rama was admitted as a partner. Prem Surrendered $\frac{1}{7}$ th of his share and Chandra $\frac{1}{3}$ of his share in favour of Rama. Calculate new ratio.

13. (a) Distinguish between Sacrificing ratio and gaining ratio.

Or

(b) Note on (i) Payment to the Retiring Partner, (ii) Payment in Instalments.

14. (a) Write a various causes by dissolution by Court.

Or

(b) Explain the Concept of Compulsory dissolution.

15. (a) Write a benefits of Amalgamation of firm.

Or

(b) List out the various forms of Amalgamation.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) Explain the rules applicable in the absence of partnership deed.

Or

(b) On 1st January 1991, Kavitha and Sumathy entered into partnership and contributed Rs.80,000 and Rs.60,000 respectively. They share profits and losses in the ratio of 3 : 2. Sumathy is to be allowed a salary of Rs.16,000 per year. Interest on capitals is to be allowed at 5% per annum. 5% interest is to be charged on drawings. During the year, Kavitha withdraw Rs.12,000 and Sumathy Rs.24,000, Interest being Kavitha Rs.280 and Sumathy Rs.200. Profit in 1991 before the above noted adjustments was Rs.42,320. Show the distribution of profits between the partners.

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18. (a) How do you treat "Joint Life Policy" when a partner is dead?

Or

(b) Discuss the modes of payment to the retiring partners settlement.

19. (a) Discuss the Garner Vs. Murray rule.

Or

(b) P, Q and R share profits in Proportion of 1/2, 1/4 and 1/4. On the date of dissolution their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	14,000	Sundry Assets	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
	<u>40,000</u>		<u>40,000</u>

The assets realized Rs.35,500/-. Creditors were paid in full. Realisation expenses amounted to Rs.1,500. Close the books of the firm.

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17. (a) Discuss the procedure for admission of a partner.

Or

(b) A and B are partners sharing profits in the ratio of 3:1. Their Balance Sheet stood as under on 31.03.2004.

Liabilities	Rs.	Assets	Rs.
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid Insurance	1,000
Capital A/c		Debtors	8,000
A : 30000		Less: Provision	500
B : 20000	50,000	Cash	18,500
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
	<u>95,000</u>		<u>95,000</u>

C is admitted as a new partner introducing a capital of Rs.20,000, for his 1/4th share in future profits.

Following revaluations are made:

- (i) Stock be depreciated by 5%
- (ii) Furniture be depreciated by 10%
- (iii) Building be revalued at Rs.45,000
- (iv) The provision for doubtful debts should be increased to Rs.1,000. Pass journal entries, prepare Revaluation A/c and Balance Sheet after admission.

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20. (a) Red White and Blue are in partnership. The following is their Balance Sheet as at 31.12.85 on which date, they dissolved partnership. They share profits in the ratio of 5:3:2.

Liabilities	Rs.	Assets	Rs.
Capitals		Premises	40,000
Red	50,000	Plant	30,000
White	15,000	Stock	30,000
Blue	45,000	Debtors	60,000
Creditors	40,000		
Red's loan	10,000		
	<u>1,60,000</u>		<u>1,60,000</u>

It was agreed to repay the amounts due to the partners as and when the assets were realized, viz:

	Rs.
1.2.86	30,000
1.4.86	73,000
1.6.86	47,000

Prepare a statement showing how the distribution to the partners should be made.

Or

(b) How do you calculate purchase consideration in the case of sale to a company?

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