

Prepare necessary ledger accounts [K3]

Liabilities	A&B Amount Rs.	P & Q Amount Rs.	Assets	A&B Amount Rs.	P & Q Amount Rs.
Capitals			Bank	1,56,000	65,000
P	1,82,000	-	Debtors	1,30,000	1,04,000
Q	1,30,000	-	Stock	42,000	26,000
R	-	91,000	Furniture	10,000	13,000
S	-	65,000	Building	78,000	-
Creditors	1,04,000	52,000			
Total	4,16,000	2,08,000		4,16,000	2,08,000

[K4]

SARASWATHI NARAYANAN COLLEGE

(Autonomous Institution Affiliated to Madurai Kamaraj University)

(Reaccredited with Grade 'B' by NAAC)

Madurai – 625 022.

M.Com., –Summative Examinations

Code: LPCOCT21

Semester: II**ADVANCED ACCOUNTING – II****Duration: 3 Hrs.**

Max: 75 Marks

SECTION – A

$$5 \times 1 = 5$$

Answer ALL questions. Choose the correct answer.

1. Partnership Act was enacted in the year _____.
a) 1930 b) 1932
c) 1956 d) 1948 [K2]
2. The formula for calculating the gaining ratio is _____.
a) old ratio minus new ratio
b) new ratio minus old ratio
c) current ratio minus old ratio
d) capital ratio minus new ratio [K2]
3. A court can order the dissolution of the partnership firm when _____.
a) a partner becomes unsound mind
b) a partner sells his share to a third party with the consent of other partners
c) a partner becomes sound mind
d) the firm can be carried on with profits [K2]
4. In sale of firm to a company, the profit or loss on sale is ascertained by preparing _____ account.
a) revaluation b) realisation
c) profit and loss appropriation d) capital [K2]
5. The global key professional accounting body is
a) The International Accounting Standards Board
b) The Institute of Chartered Accountants of India
c) The Financial accounting standard board.
d) The International Accounting Standards Committee K2

II. Fill in the blanks**5 x 1 = 5**

6. The liability of the partners in India is _____. [K1]
7. _____ partner will not be held liable for the debts incurred by the firm after his retirement.[K1]
8. The closing down of a partnership business is called as _____. [K1]
9. When two or more companies carrying on similar business decide to form a new company is known as _____. [K1]
10. _____ method the amount of depreciation expenses remains same throughout the useful life of a fixed assets. [K1]

SECTION – B**5 x 2 = 10****Answer ALL the questions.**

11. Explain the concept of Partnership deed.[K2]
12. Describe the main idea of sacrificing ratio.[K2]
13. Identify how would you present Deficiency account in Dissolution of firm.[K3]
14. Examine the function of Amalgamation of firm in partnership. [K4]
15. Interpret the concept of International accounting standard? [K5]

SECTION – C**5 x 5 = 25****Answer ALL the questions either (a) or (b).**

16. (a) Show the following items in the capital accounts of the partners, Babu and Gopu when their capitals are fluctuating: K1

Particulars	Babu Amount (Rs)	Gopu Amount (Rs)
Capital on January1, 2017	8,00,000	7,00,000
Drawings during 2017	1,60,000	1,40,000

Capital Amir: 30,000 Bala: 20,000	50,000	Debtors: 8,000 Less: Provision 500	7,500
		Cash	18,500
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
Total	95,000	Total	95,000

Chandru 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:

Stock is depreciated by 5%

Furniture is depreciated by 10%

Building is revalued at Rs.45,000

The provision for doubtful debts should be increased to Rs.1,000.

Show Revaluation account, Capital account of the partners and Balance Sheet after admission. [K2]

23. R. S and M are partners sharing profits and losses as 2:2:1. Their Balance Sheet as at June 30, 2019 was as follows:

Balance Sheet of R, S and M as at June 30, 2019

Liabilities	Amount Rs.	Assets	Amount Rs.
Creditors	4,000	Bank	4,000
Capitals:		Debtors	9,000
R	10,000	Stock	5,000
S	4,000	Fixtures	5,000
M	2,000	Machinery	2,000
Reserve fund	5,000		
Total	25,000	Total	25,000

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.

Prepare Realisation Account. [K3]

20. (a) Examine how are Inventories defined in AS-2 and , valuation of Inventories .[K4]

(Or)

- (b) Analyse the assessment of value of Fixed Assets under AS-10[K4]

SECTION D **3x10=30**
Answer any THREE questions.

21. On 1st January 2019, Jawad and Kamran enter into partnership business, contributing cash Rs. 600,000 and Rs. 400,000 respectively and sharing profits in the ratio of 3:2. Kamran is to be allowed a salary of Rs. 12,000 per year. Interest on capital is to be allowed at 10% per annum. 5% interest is to be charged on the drawing. During the year Jawad withdrew Rs. 20,000 and Kamran Rs. 10,000 (withdrawals were made at 1st, July 2019). According to Profit and Loss Appropriation Accounting, the profit of Jawad is Rs. 45,000 and Kamran Rs. 30,000, for the year of 2019.

Show the capital accounts of partners assuming:

(a) If Fixed Capital Account is maintained

(b) If Fluctuating Capital Account is maintained

22. Amir and Bala are partners sharing profits in the ratio of 3:1. Their Balance Sheet stood as under on March 31, 2023:

Balance Sheet of A and B as on March 31, 2023

Liabilities	Amount Rs.	Assets	Amount Rs.
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid insurance	1,000

Interest at 5% on drawings	4,000	2,000
Share of profits for 2017	84,000	66,000
Interest on capital at 6%	48,000	42,000
Salary	72,000	Nil

(Or)

- (b) Ram and Rahul are partners in a firm sharing profits and losses equally. On January 1,2023, their capitals were Rs 20,000 and Rs 10,000 respectively. Interest on capital is to be allowed at 5% p.a. from the profits prior to division thereof. The net profit for the year ending December 31, 2023, before allowing interest on capital amounted to Rs 9,500. Show Profit & Loss Appropriation account as on December 31, 2023 and the division of profit between Ram and Rahul.[K1]

17. (a) Mohan, Sita, and Deva are partners sharing profits and losses equally. Their Balance Sheet as on December 31, 2019 is as follows:

Balance Sheet of Mohan, Sita and Deva as on December 31, 2019

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital:		Debtors	30,000
Mohan	15,000	Stock	15,000
Sita	12,000	Furniture	1,500
Deva	18,000	Machinery	43,500
Creditors	40,500		
General	4,500		
Reserve			
Total	90,000	Total	90,000

Deva retired on December 31, 2019 and the assets were revalued as under: Machinery Rs.51,000, Furniture Rs.1,200, Debtors Rs. 28,500, Stock Rs14,700. Goodwill of the firm is valued at Rs 9,000 and Deva's share of goodwill is to be adjusted to continuing partners' capital without raising goodwill account. Show the capital account of the retired partner. [K2]

(Or)

- (b)A and B sharing profits in the ratio of 3:2 took out a joint life policy on January 1, 2010 of Rs.20,000 for 20 years

paying annual premium of Rs.1,000. The surrender values were: 2010-Nil; 2011- Rs.200; 2012- Rs.500; 2013- Rs.970. B died on March 8, 2013 and claim was received on April 30. Show the joint life policy account when the premium paid is treated as an asset.[K2 level]

18. (a) P, Q and R share profits in proportion of $\frac{1}{2}$, $\frac{1}{4}$ and $\frac{1}{4}$. On the date of dissolution their Balance Sheet was as follows:

Balance Sheet of P, Q and R

Liabilities	Amount Rs	Assets	Amount Rs
Capital: P Q R Creditors	10,000 10,000 6,000 14,000	Sundry Assets	40,000
Total	40,000	Total	40,000

The assets realised Rs.35,500. Creditors were paid in full. Realisation expenses amounted to Rs.1,500. Discover necessary ledger accounts to close the books of the firm. [K2]

(Or)

- (b) The following is the Balance Sheet of X, Y and Z as on December 31, 2023.

Balance Sheet of X, Y and Z as on December 31, 2023

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital: X Y General Reserve Sundry Creditors	50,000 30,000 30,000 40,000	Furniture Plant and Machinery Stock Sundry Debtors Cash at Bank Z's Capital	40,000 20,000 40,000 20,000 12,000 18,000
Total	1,50,000	Total	1,50,000

Z is insolvent but his estate pays Rs. 4,000. It is decided to dissolve the partnership. The assets realised as follows. Sundry Debtors – Rs.15,000; Furniture – Rs.28,000; Stock – Rs.32,000; Plant and Machinery – Rs.14,000. The dissolution expenses amounted to Rs.5,000. Prepare the Realisation and Z Capital Account. [K2]

19. (a) Krishnan and Raman carrying on business in partnership resolve to dissolve the firm and sell of the business to Karan Company Ltd on 31.12.2023, when the firm position is as under

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital: Krishnan - 34,000 Raman- 17,000 Creditors	51,000 21,250	Land and Building Furniture Stock Debtors Cash	40,000 3,320 15,380 8,450 5,100
Total	72,250	Total	72,250

The agreement with the company is as follows

Land and Buildings are purchased at Rs.50,000.

Furniture and Stock are taken at 10% below book value.

Goodwill of the firm is valued at Rs.7,500

Purchase consideration is discharged in fully paid-up shares

Calculate Purchase consideration and prepare Realisation Account. [K3]

(Or)

- (b) Sarasu Mangai and Mekala shares profits in the ratio of 4:3:2. They have decided to sell their firm to limited company on June 30, 2023. Their Balance sheet on the date was as under

Liabilities	Amount Rs.	Assets	Amount Rs.
Creditors Capitals: Sarasu Mangai Mekala	12,000 20,000 15,000 13,000	Land and Building Machinery Debtors Stock Cash	18,000 12,000 15,000 13,000 2,000
Total	60,000	Total	60,000