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F – 4185

Reg. No.: .....

Name : .....

**Third Semester B.Com. Degree Examination, January 2019**  
**Career Related First Degree Programme Under CBCSS**  
**Core Course – IV**  
**CX 1342/HM 1342/TT 1342 : ADVANCED FINANCIAL ACCOUNTING**  
**(Common for Commerce and Tax Procedure and Practice/Commerce**  
**and Hotel Management and Catering/Commerce and Tourism and Travel**  
**Management)**  
**(2014 Admn. Onwards)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

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

1. How gaining ratio is calculated ?
2. State the methods according to which Partner's capital accounts are maintained.
3. What is dissolution of firm ?
4. Who will bear the deficiency when all partners become insolvent ?
5. What is scrip dividend ?
6. What is capital reserve ?
7. What is intrinsic value of shares ?
8. What is absorption ?
9. What are the methods of reorganization of capital ?
10. What is external reconstruction ?

**(10×1=10 Marks)**

P.T.O.



## SECTION – B

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

11. How is the balance of revaluation account dealt with ?
12. What is meant by partnership deed ?
13. List out any two circumstances under which a partnership is compulsorily dissolved.
14. What is Realisation account ?
15. What is security premium ?
16. What is calls in arrears ?
17. What is amalgamation in the nature of purchase ?
18. What is purchase consideration ?
19. What is 'capital reduction account' ?
20. What is meant by subdivision of shares ?
21. What are the purposes for admitting a new partner in a firm ?
22. What journal entry will you pass in the following situations :
  - a) Unrecorded asset of Rs. 15,000 is taken over by X, a partner on dissolution of a firm.
  - b) Y, a partner paid the realisation expenses Rs. 10,000 on behalf of the firm.

**(8×2=16 Marks)**

## SECTION – C

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

23. What is meant by 'fluctuating capital method' ?
24. What is divisible profit ?
25. Distinguish between purchase method and pooling of interest method.



26. What are the objectives of internal reconstruction ?
27. A, B, C had been in partnership for many years and shared profit and losses in the ratio of 1:2:2. Their respective capital were :  
A – ₹ 10,000    B – ₹ 10,000    C – ₹ 2,000  
The partners decided to dissolve the partnership following a falloff in demand. On dissolution, there was a loss of ₹ 15,000 to be shared among the partners. C was insolvent and unable to contribute anything towards his deficiency which had to be borne by his co-partners. You are required to prepare partners' capital accounts to record the above matters applying Garner Vs. Murray rule.
28. Given below are the Balance Sheets of X Ltd. and Y Ltd. as at 31<sup>st</sup> March 2015 at which date Y Ltd. was taken over by X Ltd.

	X Ltd.	Y Ltd.	Particulars	X Ltd.	Y Ltd.
Equity share capital (₹10 each)	5,00,000	10,00,000	Fixed assets	22,00,000	11,00,000
Reserves	22,50,000	4,00,000	Current assets	9,30,000	4,65,000
12% debentures	2,20,000	1,10,000			
Sundry creditors	1,60,000	55,000			
	<b>31,30,000</b>	<b>15,65,000</b>		<b>31,30,000</b>	<b>15,65,000</b>

How the purchase consideration will be settled if X Ltd. agrees to take over only the fixed assets of Y Ltd. and to discharge the purchase consideration by issuing equity shares of ₹10 each at a premium of ₹ 45 per share.

29. Give journal entries for the following transactions in connection with internal reconstruction.
- a) 10,000 equity shares of ₹ 10 each fully paid, reduced to shares of ₹ 5 each fully paid.
  - b) 100, 8% debentures of ₹ 1,000 each converted into 500, 6% debentures of ₹100 each.
  - c) The debit balance of profit and loss account ₹ 50,000 and the preliminary expenses of ₹10,000 were written off.
  - d) The value of plant and machinery and stock were written-down by ₹ 20,000 and ₹ 10,000 respectively.



30. On dissolution of the firm, the book value of assets were Rs,1,00,000. 50% of the assets were taken over by a partner A, at a discount of 20%. Out of the remaining assets. 40% were sold at a profit of 30% on cost and the balance being obsolete realized nothing. Give journal entries to record the realisation of assets.
31. Show the following items in the Balance Sheet of Nelson Ltd. as per revised schedule VI as on March 31, 2018 :

	Rs.	
8% Debentures	10,00,000	
Equity share capital	50,00,000	
Securities premium	20,000	
Preliminary expenses	40,000	
Statement of Profit and Loss (cr.)	1,50,000	<b>(6×4=24 Marks)</b>

#### SECTION – D

Answer **any two** questions in **not exceeding four pages**. Each question carries **15 marks**.

32. P, J and K are partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve the partnership business as on 31<sup>st</sup> December, 2017. Following is the Balance sheet as on that date

Liabilities	Rs.	Assets	Rs.
Capitals		Goodwill	6,000
P	20,000	Machinery	25,000
J	10,000	Furniture	3,000
K	2,000	Stock	10,000
Bank overdraft	6,000	Debtors	6,000
Sundry creditors	12,000		
	<b>50,000</b>		<b>50,000</b>

The following assets were realized in cash :

Machinery Rs. 22,000, 50% of stock at Rs. 3,500, and Debtors were collected at 15% less than their book value. Goodwill could not realize any value. Remaining 50% of stock was taken over by P at Rs. 3,200. Furniture was taken over by J at Rs. 2,400. Realisation expenses were Rs. 300. Prepare necessary ledger accounts to close the books of the firm.

33. The summarised Balance Sheets of A Ltd. and B Ltd. as on 1.1.2017 are as under :

	A Ltd.	B.Ltd.		A.Ltd.	B.Ltd.
Equity share capital (Rs.10)	2,00,000	1,00,000	Land and Buildings	2,50,000	1,60,000
12% Preference share capital (Rs.10)	1,00,000	–	Stock	30,000	40,000
9% preference share capital (Rs.10)	–	1,00,000	Debtors	10,000	20,000
Reserve	30,000	50,000	Bank	70,000	45,000
Profit and loss account	20,000	10,000			
Creditors	10,000	5,000			
	<b>3,60,000</b>	<b>2,65,000</b>		<b>3,60,000</b>	<b>2,65,000</b>

On the above date A Ltd. decided to absorb B Ltd. under the following terms :

- A Ltd. will take over all the assets and liabilities of B Ltd.
- The equity shares of B Ltd. will be given 11,000 equity shares of Rs. 10 each.
- Preference shares of B Ltd. will be converted into 7,500, 12 % Preference shares of A Ltd.

Show necessary ledger accounts in the Books of B Ltd. and pass journal entries in the books of A Ltd.



34. The following is the Trial balance of Adarsh Ltd. On 31-03-2015

Debit Balances	₹	Credit Balances	₹
Stock	7,50,000	Share capital (40,000 equity shares of ₹100)	40,00,000
Purchases	18,50,000	12% debentures	30,00,000
Wages	9,79,800	Sales	41,50,000
Premises	30,72,000	P/La/c (31.3.2014)	2,62,500
Salaries	2,02,250	Sundry creditors	4,00,000
Plant	33,00,000	General Reserve	2,50,000
General expenses	68,350	Bills payable	3,70,000
Interim Dividend Paid	3,92,500	Provision for bad debts as on 1.4.2014	35,000
Goodwill	2,50,000		
Debtors	8,70,000		
Preliminary expenses	50,000		
Cash in hand and at bank	4,06,500		
Calls in arrear	75,000		
Bad debts	21,100		
Debenture interest paid	1,80,000		
	<b>1,24,67,500</b>		<b>1,24,67,500</b>

**Adjustments :**

- a) Stock on 31-03-2015 was worth ₹ 9,50,000.
- b) Depreciate plant at 15%.
- c) Half year's debenture interest due.
- d) Write off ₹ 5,000 from preliminary expenses.
- e) Create 5% provision on debtors for doubtful debts.
- f) Make provision for income tax @ 50%.

Prepare Trading a/c, profit and loss a/c for the year ended 31-03-2015 and the balance sheet as on that date in the prescribed form.

35. The following was the Balance Sheet of G Ltd. as at 31<sup>st</sup> March, 2015

Equity share capital :			Goodwill	1,00,000
1,20,000 equity shares of			Machinery	5,08,500
Rs.10 each	12,00,000		Furniture	1,02,750
Less : Calls in arrear			Stock	2,05,000
on 30,000 shares	90,000	11,10,000	Debtors	1,50,000
Sundry creditors		1,54,250	Bank	15,000
Provision for taxation		40,000	Preliminary	15,000
			expenses	
			Profit and	
			Loss account	2,20,000
			Less :Profit	2,08,000
			for the year	12,000
		<b>13,04,250</b>		<b>13,04,250</b>

The following scheme of reconstruction was approved :

- Forfeit the share on which calls outstanding and re issue as fully paid share of Rs.7 each at Rs. 5 per share.
- Reduce the paid up capital by Rs. 3 per share.
- Write off machinery by Rs. 1,00,000.
- Extinguish the deficiency in profit and loss account and write off goodwill and preliminary expenses.
- Utilize the provision for taxation, if necessary.

Draft necessary journal entries and draw company's Balance sheet after implementation of the scheme.

**(2×15=30 Marks)**