

(Pages : 8)

K – 2632

Reg. No. :

Name :

Third Semester B.Com. Degree Examination, March 2021

Career Related First Degree Programme under CBCSS

Core Course IV : CX 1342 / HM 1342 / TT 1342

ADVANCED FINANCIAL ACCOUNTING

**(Common for Commerce & Tax Procedure and Practice /
Commerce & Hotel Management and Catering / Commerce &
Tourism and Travel Management)**

(2015 – 2017 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

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

1. What is gaining ratio?
2. When partner's executors' account is prepared?
3. What is meant by 'dissolution'?
4. Why 'Realisation accounts' is prepared?
5. Define equity share.
6. What is calls in advance?
7. Define amalgamation.

P.T.O.

8. What are the methods of ascertaining purchase consideration?
9. What is internal reconstruction?
10. What is 'capital reduction accounts'?

(10 × 1 = 10 Marks)

SECTION – B

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

11. What is revaluation account?
12. Why a joint life policy is taken by partnership firms?
13. List any two circumstances under which a partnership is dissolved.
14. List the order of payment in case of dissolution of firm.
15. What is meant by interim dividend?
16. What is capital reserve?
17. What is amalgamation in the nature of merger?
18. What is intrinsic value of shares?
19. What are the objectives of internal construction?
20. What is meant by consolidation of shares?
21. How can a partner retire from the firm?
22. What is good will?

(8 × 2 = 16 Marks)

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SECTION – C

Answer **any six** questions in not exceeding **120** words.

Each question carries **4** marks.

23. What is meant by 'Fixed capital' of partners?
24. What are divisible profits?
25. What are the advantages of amalgamation?
26. Distinguish between internal reconstruction and external reconstruction?
27. Pass necessary journal entries for the following transactions at the time of dissolution of the firm
 - (a) Loan of Rs.10,000 advanced by a partner to the firm repaid on the dissolution of the firm.
 - (b) Undistributed balance (debit) of Profit and Loss a/c Rs.30,000. The firm has three partners X, Y and Z
 - (c) Y who undertakes to carry out the dissolution proceeding is paid Rs.2,000 for the same
 - (d) Creditors paid Rs.28,000 in full settlement of their account of Rs.30,000
28. A Ltd agreed to take over the business of B Ltd. on the following terms:
 - (a) The shareholders of B Ltd. are to be paid Rs.25 in cash and four shares of Rs.10 each in A Ltd. for every share of B Ltd. B Ltd. has 50,000 equity shares outstanding.
 - (b) Cost of liquidation amounting Rs.25,000 are to be borne by A Ltd.

Compute the purchase consideration.

29. Gangaram Ltd. Passed necessary resolution for the reduction of its Share Capital for the purposes enumerated hereunder:

- (a) To write off the debit balance of Profit and Loss account Rs.1,05,000
- (b) To reduce the value of plant and machinery by Rs.45,000 and of goodwill by Rs.20,000
- (c) To reduce the value of investment to market value by writing off Rs.40,000

The reduction was made by converting 25,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 25,000 equity shares of Rs.20 each, Rs.15 paid up into 25,000 equity shares of Rs.10 each fully paid. Write necessary journal entries in relation to the reduction of share capital.

30. Show the following items in the Balance sheet of Nelson Ltd. as per revised schedule VI as on March 31, 2018.

	Rs.
9% Debentures	20,00,000
Equity share capital	75,00,000
Securities premium	40,000
Preliminary expenses	80,000
Statement of Profit and Loss account (cr.)	2,50,000

31. X, Y and Z 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 31st December, 2017. Following is the Balance Sheet as on that date.

Liabilities	Rs.	Assets	Rs.
Capitals :		Goodwill	6,000
X	20,000	Machinery	25,000
Y	10,000	Furniture	3,000
Z	2,000	Stock	10,000
Bank overdraft	6,000	Debtors	6,000
Sundry creditors	12,000		
	50,000		50,000

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 X at Rs.3,200. Furniture was taken over by Y at Rs.2,400. Realisation expenses were Rs.300.

Prepare realisation account.

(6 × 4 = 24 Marks)

SECTION – D

Answer **any two** questions in not exceeding 4 pages. Each question carries 15 marks.

32. A, B and C are in Partnership, sharing profits and losses equally. The firm's Balance Sheet at 31.12.1990 was as follows :

Liabilities	Rs.	Assets	Rs.
Sundry creditors	64,000	Cash	1,600
Capitals accounts :		Sundry Debtors	53,000
A	24,000	Stock	22,200
B	8,000	Machinery and Plant	26,000
C	4,000	Current accounts :	
Current accounts :		B	2,000
A	10,800	C	6,000
	<u>1,10,800</u>		<u>1,10,800</u>

It was decided to dissolve the firm on that date. The machinery and Plant, Stock and debtors were sold by the firm for Rs.70,000

Assuming that C is insolvent and could not meet his liability to the firm, show necessary ledger accounts in the books of the firm.

33. The following is the Trial balance of Janatha Cement Co. Ltd. On 31.03.2015

Debit balances	Rs.	Credit balances	Rs.
Stock (1.4.2014)	75,000	Sales	3,50,000
Purchases	2,45,000	Profit and Loss a/c (31.3.2014)	15,030
Wages	50,000	Share capital (10,000	
Furniture	17,000	Equity shares of Rs.10)	1,00,000
Salaries	7,500	Sundry creditors	17,500
Rent	4,950	Reserve fund	15,500
Sundry expenses	7,050	Discount received	5,000
Dividend paid	5,000		
Interim dividend	4,000		
Debtors	37,500		
Machinery	29,000		
Cash in hand	10,200		
Cash at bank	6,000		
Patents	4,830		
	<u>5,03,030</u>		<u>5,03,030</u>

Adjustments:

- (a) Stock on 31.03.2015 was worth Rs.82,000:
- (b) Depreciate machinery, furniture and patents at 10%
- (c) 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.

34. Balance sheet of M Ltd. on 31st March, 2012 was as follows:

Liabilities		Assets	
1,20,000 shares of Rs.10 each	12,00,000	Plant and machinery	9,00,000
Capital reserve	20,000	Furniture and fixtures	1,50,000
Loan	3,60,000	Stock	4,00,000
Sundry creditors	3,00,000	Sundry debtors	2,20,000
		Cash at bank	1,00,000
		Profit and Loss account	1,10,000
	18,80,000		18,80,000

A new company S Ltd. was incorporated to take over fixed assets and stock of M Ltd. payable as to Rs.9,00,000 in the form of equity shares of Rs.10 each and Rs.3,60,000 in the form of 12% debentures of Rs.100 each. Loan creditors accepted the debentures in S Ltd in discharge of loan. Sundry debtors realized Rs.2,05,000. Expenses of liquidation amounted to Rs.8,000 met by M Ltd. The available cash was distributed among sundry creditors in full satisfaction of their claim.

Close the books of M Ltd. and draw the initial Balance Sheet of S Ltd.

35. The Balance sheet of NI Ltd. as December 31, 2017 was as under

Liabilities		Assets	
2,000 preference shares of Rs.100 each	2,00,000	Goodwill	15,000
4,000 equity shares of Rs.100 each	4,00,000	Freehold property	4,00,000
5% Debentures	1,00,000	Machinery	3,00,000
Bank overdraft	50,000	Stock	50,000
Sundry creditors	3,00,000	Sundry debtors	40,000
		Profit and Loss account	2,45,000
	10,50,000		10,50,000

The company gets the following scheme of capital reduction

- (a) The preference shares to be reduced to Rs.75 per share, fully paid up and equity shares to Rs.37.50
- (b) The debenture holders took over the stock and debtors in full satisfaction of the amount due to them.
- (c) Goodwill to be eliminated.
- (d) Freehold property to be depreciated by 50%.
- (e) Machinery to be increased by Rs.50,000.

Pass journal entries and prepare revised Balance sheet.

(2 × 15 = 30 Marks)