Code No. 10052

FACULTY OF COMMERCE

B.Com. III – Semester (CBCS) Examination, November / December 2019

(Common Paper for General / Computers /Computer Applications / Advertising / Foreign Trade and Tax Procedure Courses) Subject: Advanced

Accounting Paper Code – BC – 304

Time: 3 Hours **Max.Marks: 80 PART – A (5x4 = 20 Marks)**

[Short Answer Type]

Note: Answer any five of the following questions.

1 Fluctuating Capital

2 P and Q are sharing profits in the ratio of 5:3 admit R on 3/7th share in the new firm which he takes 2/7th from P and 1/7th from Q. Calculate the New Profit Sharing Ratio.

3 Shyam, Ram and Bhim share profit and losses in the ratio of 1:2:2. Ram has retired in the month of December 2018 and is demanding his share of Goodwill. If the profits of the previous five years were 2014 – Rs.40,000; 2015 – Rs.50,000; 2016 – Rs.60,000; 2017 – Rs.35,000; 2018 – Rs.25,000.

As per the deed it was agreed that Goodwill will be calculated on the basis of 2 years purchase of the average net profits of the preceding four years.

4 Issued Capital

5 Underwriting

6 Sacrificing Ratio

7 Reissue of Forfeited Shares

8 Capitalization Method of Valuation of Goodwill.

PART – B (5x12 = 60 Marks)
[Essay Answer Type]

Note: Answer all the questions.

9 a) What are the factors which necessitate the admission of a new partner? Explain the provisions of the Partnership Act, 1932 in relation to admission of the partner.

OR

b) Following is the Balance Sheet of R and D as at 30th June, 2019 on which date R retired and his son P joined that firm from 1st July, 2019 with one-fourth share in the profits of the business.

Liabilities		Rs.	Assets	Rs.
Creditors		10,000	Goodwill	12,000
Capitals:	Rs.		Plant	40,000
R	50,000		Investment	14,000
D	31,000		Debtors	15,000
		81,000	Cash at Bank	10,000
		91,000		91,000

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Following adjustments and arrangements have been agreed upon for the purposes of retirement and admission of partners:

i) The value of Goodwill is Rs.30,000 and Plant increased to Rs.50,000

ii) Sufficient money to be introduced so as to leave Rs.11,000 each after payment of amount due to R.

iii) D and P to provide such fund as would make their Capitals proportionate to their share of profit.

Show the Journal Entries to record the above transactions assuming that D and P have paid in the cash due on 2nd July, 2019 and the amount due to R was paid on the same day.

10 a) Kamal, Bhushan and Raj were sharing profits in the ratio of 3:1:1 respectively. They decided to dissolve their firm on 31st March, 2019 when their position was as follows:

Liabilities		Rs.	Assets		Rs.
Capitals:	Rs.		Machinery		51.000
Kamal	82,500		Furniture		3.000
Bhushan	30,000		Stock		23,400
Raj	21,000		Debtors	72,600	
		1,33,500	Less: Provision for		
Loan		4,500	Bad Debts	3,600	
Sundry Creditors		18,000			69,000
			Cash in Hand		9,600
		1,56,000			1,56,000

i) Kamal agreed to take over Furniture at Rs.2,400; Debtors amounting to Rs.60,000 at Rs.51,600 and also the Creditors at their book value.

ii) Bhushan agreed to take over Stock at Rs.21,000 and a part of the Machinery at Rs.21,600 *(being Book Value less 10%).

iii) Raj agreed to take over the remaining Machinery at 90% of the Book Value less Rs.300 as allowance. He also assumed the responsibility for the payment of loan together with accrued interest Rs.90 (not recorded in the books).

iv) Dissolution expenses amounted to Rs.810.

v) The remaining Debtors were sold to a debt-collecting agency at 50% of Book Value.

Prepare important Ledger Accounts to close the Books of Account.

OR

b) A, B and C are in Partnership sharing Profits and Losses three-sixths, two-sixths, and one-sixth respectively. Balance Sheet on the date of dissolution was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	38,500	Cash in Hand	9,860
A' Loan A/c	2,750	Sundry Debtors	30,560
A' Capital	15,200	Stock	18,440
B's Capital	11,200	Furniture	7,200
		C's Capital	1,590
	67,650		67,650

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The assets realized:

Stock Rs.13,840; Furniture Rs.5,150, and Debtors Rs.29,200. The Creditors were paid less discount Rs.250. C is insolvent and is unable to bring in anything. The expenses of winding up were Rs.520. Show the Ledger Accounts as per Garner Vs. Murray decision.

11 a) Jolly Brothers Ltd. offered for subscription 3,000 12% Preference Shares of Rs.100 each at a premium of 20% on 1st January, 2019. The amount was payable as follows:

On Application Rs.20; On Allotment Rs.40 (including Premium – due on 1st Feb).

On First Call Rs.30 due on 1st March; On Second Call Rs.30 due on 1st May.

All the Shares were subscribed by the public and subscription list was closed on 25th January, 2019, Money due on allotment and calls payable 15 days after the due dates. All the amounts were duly received in time except the second call on 200 shares.

Prepare Journal and Cash Book in the books of the Company and show them in the Balance Sheet.

OR

b) Sharma Ltd. issued Rs.1,00,000 10 percent Debentures on 1st April, 2019 at a discount of 5 percent repayable in annual drawings of Rs.25,000 commencing from 31st December following. The company's year ends on 31st March.

Journalize the above transactions for four years 31st March, 2019, assuming that the company decided to write off Debenture Discount Account during the life of the Debentures.

12 a) Following balances are extracted on 31st March, 2019 from the books of Vihaan Company Limited.

Particulars	Rs.	Particulars	Rs.
Lorries at cost	56,250	Share Capital	
Buildings at cost	3,37,500	22,500, 7% Pref. Shares of Rs.10 each	2,25,000
Sundry Debtors	90,750	45,000 Equity Shares of Rs.10 each	4,50,000
Furniture at cost	2,58,750	Surplus	12,150
Bad Debts written off	2,138	Gross Profit for the year	1,84,708
General Expenses	14,625	Provision for doubtful debts	6,750
Cash in Hand and at Bank	51,375	Sundry Creditors	96,780
Rent, Rates and Taxes	21,300	Transfer Fees	187
Directors' Fees	2,700	Accrued Wages	9,638
Audit Fees	7,500	General Reserve	13,350
Stock on 31st March 2019	85,500		
Salaries and Wages	24,000		
Dividend paid on Pref. Shares	15,750		
Dividend paid on Equity Shares	11,250		
Discount on issue of Shares	11,250		
Rent and Taxes paid in advance	5,925		
	9,96,563		**9,96,563**

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The provision for doubtful debts is to be made up to Rs.7,650. The Buildings, Furniture and Lorries are to be depreciated at 3.83%, 15% and 20% respectively. The Authorized Capital of the Company is Rs.7,50,000 divided into 75,000 Shares of Rs. 10 each You are required to prepare:

a) A Profit and Loss Account for the year ended 31st March, 2019.

b) A Balance Sheet as at 31st March, 2019 in the form prescribed under the Companies Act, 2013, Previous year's figures are not required and also ignore taxation and transfer to reserves as required by law; you need not provide Corporate Dividend Tax.

OR

b) How are Profits prior to Incorporation treated while preparing the Final Accounts of the Company?

13 a) Find out from the statement below, whether the expected Rate of Return is correct or not. Financial Position of Mr. Ashish is as follows:

	Rs.
Sundry Assets	4,63,671
Current Liabilities	26,246
Average Net Profit of the last four years	60,250
Average Capital Employed	4,50,000
Partners' Average Annual Remuneration	9,000
The Goodwill valued at 4 year's purchase of Super Profit	25,000
The Expected Rate of Return	15%

OR

b) What is Goodwill? How is Super Profits Method different from the other methods of valuing Goodwill?

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