

Bachelor's Degree Examination – November 2018

Class : II UG
Major : B.Com (PA)

III Semester

Time: 3 hours
Max. Marks: 100

17BCPC07 Advanced Accounting

Part-A

Choose the correct answer

10 x 1=10

1. When two or more persons join hands to set up a business and share its profits and losses, they are said to be _____.
a. Association b. Partnership c. Joint stock company d. Cooperative
2. In partnership, the document which contains terms of the agreement is called _____.
a. Agreement b. Terms and Conditions c. Partnership Deed d. Association Agreement
3. The ratio in which partners surrender their profits is known as _____.
a. Sacrificing ratio b. Profit ratio c. New ratio d. Old ratio
4. Goodwill is an _____ asset.
a. Tangible b. Intangible c. Current d. Saving
5. Gaining Ratio = New Ratio – _____.
a. Old Ratio b. Existing Ratio c. Sacrificing ratio d. Future ratio
6. A B and C were sharing profit in the ratio of 3 : 2 : 1 and A retires, His share is taken by B and C in the ratio of 2 : 1. Which of the following is the new ratio of B and C after A's retirement?
a. 3 : 1 b. 2 : 1 c. 1 : 2 d. 1 : 1
7. The account which is prepared for recording the realization of assets and payment of liabilities is known as _____.
a. Realization account b. Revaluation account c. Nominal account d. Personal account
8. At the time of dissolution non – cash assets are credited with _____.
a. Market value b. Book value c. Agreed amount d. Additional amount
9. Amount of rent which the lessee is required to pay to the lessor, whether he has derived any benefit or not?
a. Royalty b. Lease amount c. Minimum rent d. Rent
10. ----- will arise only when the actual royalty is less than the Minimum rent
a. Shortage b. Short workings c. Loss d. Risk

Part B

Answer the following

5 X 6=30

Answer should not exceed 400 words or two pages

- 11.a. List the items which usually appear on the debit side of a partner's capital account, if the capitals are (i) Fixed, (ii) Fluctuating.
(or)
- 11.b. What are the provisions affecting in the absence of Partnership Deed?
- 12.a. The profit for the last five years of a firm were as follows year 2011 Rs. 4,00,000; year 2012 Rs. 3,98,000; year 2013 Rs. 4,50,000; year 2014 Rs. 4,45,000 and year 2015 Rs. 5,00,000. Calculate goodwill of the firm on the basis of 4 years purchase of 5 years average profits.
(or)

12.b. Neha and Parteek are partners, sharing profit in the ratio of 5 : 3. They admit Nisha as a new partner for 1/6 share in profit. She acquires this share as 1/8 from Neha and 1/24 share from Parteek. Calculate the new profit sharing ratio and sacrificing ratio.

13.a. A, B and C are partners in the firm sharing profits in the ratio of 3 : 2 : 1. B retired and his share was divided equally between A and C. Calculate the Gaining ratio of A and C.

(or)

13.b. Mitu, Udit and Sunny are partners sharing profit equally. Sunny retires and the goodwill of the firm is valued at Rs 54,000. No goodwill account appears in the books of the firm. Mitu and Udit share future profit in the ratio of 3 : 2. Make necessary journal entry for goodwill.

14.a. Ram and Shyam share the profits equally. They decided to dissolve their firm. Their liabilities were : Ram's Capital Rs. 25,000; Shyam's Capital Rs. 30,000; Creditors Rs. 12,500; Bills payable Rs.7,500; Assets of the firm realized Rs.1,00,000. Prepare a Realization Account.

(or)

14.b. P, Q and R are partners sharing profits and losses as 4 : 3 : 2. Their Balance Sheet on 31st December, 2017 and as follows :

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	7,200	Cash	3,200
Capitals :		Sundry Debtors	2,000
P	8,000	Stock	4,000
Q	4,000	Plant and Machinery	11,000
R	1,000		
	20,200		20,200

On that date partners agree to dissolve the firm. Mr. Q takes over the stock for Rs.3,000 and debtors for Rs.1,400 The Plant and Machinery are sold for Rs.3,000

Prepare necessary ledger accounts to close the books of the firm Mr. R is insolvent and cannot contribute anything towards his deficiency.

15.a. A Company leased a colliery on 1st January, 2007 at a minimum rent of Rs. 20,000 merging into a royalty of Rs.1.50 per ton with power to recoup short workings over the first four years was 9,000 tons, 12,000 tons, 16,000 tons, 20,000 tons respectively. Pass the necessary journal entries for each of the four years in the book of the company.

(or)

15. b. Dobson's Ltd. took a license for production of a foreign medicine from Johnson Ltd. at Royalty of Re. 1 per bottle produced. Dobson Ltd. issued a sub-license to Medico Ltd. on the basis of a Royalty payment of Rs. 1.25 per bottle sold. Minimum Royalty payable by Medico Ltd. was fixed at Rs. 15,000 per annum with a right to recoup short workings in the following year.

From the given details prepare Royalties Receivable Account, Royalties Payable Account and Short workings Account in the books of Dobson's Ltd.

	Dobson Ltd.		Medico Ltd.	
	Sales	Closing Stock	Production	Closing Stock
1 st year	50,000	5,000	10,000	2,000
2 nd year	70,000	8,000	18,000	4,000
3 rd year	1,00,000	10,000	25,000	5,000

- 17.a. Bhanu and Etika are partners sharing profit and losses in the ratio of 3:2 respectively. Their Balance Sheet as on March 31, 2006 was as under:

Balance Sheet of Bhanu and Etika as on December 31, 2006				
Particulars		Amount	Particulars	
		(Rs.)		
Creditors		28,000	Cash in hand	3,000
Capitals:			Cash at Bank	23,000
Bhanu	70,000		Debtors	19,000
Etika	70,000	1,40,000	Buildings	65,000
			Furniture	15,000
			Machinery	13,000
			Stock	30,000
		-----		-----
		1,68,000		1,68,000

On that date, they admit Deepak into partnership for 1/3 share in future profit on the following terms:

- Furniture and stock are to be depreciated by 10%.
 - Building is appreciated by Rs.20,000.
 - 5% provision is to be created on Debtors for doubtful debts.
 - Deepak is to bring in Rs.50,000 as his capital and Rs.30,000 as goodwill.
- Make necessary ledger accounts and Balance Sheet of the new firm.

(or)

17. b. Ashu and Pankaj are partners sharing profit in the ratio of 3 : 2, their Balance sheet on March 31, 2007 was as follows:

Balance Sheet of Ashu and Pankaj as on March 31, 2007				
Liabilities		Amount	Assets	
		(Rs.)		
Creditors		38,000	Cash in hand	15,000
Bills Payable		40,000	Cash at Bank	62,000
Salaries outstanding		5,000	Debtors	58,000
Profit & Loss		40,000	Stock	85,000
Capitals:			Machinery	1,45,000
Ashu	1,50,000		Goodwill	38,000
Pankaj	1,30,000	2,80,000		
		-----		-----
		4,03,000		4,03,000
		-----		-----

They admitted Gurdeep into partnership on the following terms on March 31, 2007.

- New profit sharing ratio is agreed as 3 : 2 : 1.
- He will bring in Rs.1,00,000 as his shared capital and Rs.30,000 as his share of goodwill.
- Machinery is appreciated by 10%
- Stock is valued at Rs. 87,000.
- Creditors are unrecorded to the extent of Rs.6,000.
- A provision for doubtful debts is to be created by 4% on debtors.

Prepare Revaluation account, Capital Accounts, Bank account and Balance Sheet of the new firm after admission of Gurdeep.

- 18.a. Om, Jai and Jagdish are partners sharing profit in the ratio of 3 : 2 : 1. Their balance sheet as on December 31st 2006 is as under :

Balance sheet as on December 31st, 2006				
Liabilities		Amount	Assets	
		(Rs.)		
Creditors		80,000	Building	1,80,000
Bills Payable		26,000	Plant	1,40,000
General reserve		24,000	Motor Car	40,000
Capital :			Stock	1,00,000
Om	1,60,000		Debtors	63,000
Jai	1,20,000		<u>Less</u> Provision	3,000
Jagdish	1,20,000	4,00,000	Cash at Bank	10,000
		-----		-----

Jai retires on that date on the following terms:

- The Goodwill of the firm is valued at Rs.60,000.
- Stock and Building to be appreciated by 10%.
- Plant is depreciated by 10%
- Provision for Bad debts is increased upto Rs.5,000.
- Jai's share of goodwill adjusted through remaining partners capital account,

The amount due to Jai is paid out of the fund brought in by Om and Jagdish for that purpose in their new profit sharing ratio. Jai is paid full amount.

Prepare Revaluation Account and Partner's Capital account.

(or)

18. b. The Balance Sheet of Rohit, Nisha and Sunil who are partners in a firm sharing profits according to their capitals as on 31st March 2006 was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	25,000	Machinery	40,000
Bills Payable	13,000	Building	90,000
General Reserve	22,000	Debtors	30,000
Capital		<u>Less</u> Provision	1,000
Rohit 60,000			29,000
Nisha 40,000		Stocks	23,000
Sunil 40,000	1,40,000	Cash at Bank	18,000
	-----		-----
	2,00,000		2,00,000
	-----		-----

On the date of Balance Sheet, Nisha retired from the firm, and following adjustments were made:

- Building is appreciated by 20%.
- Provision for bad debts is increased to 5% on Debtors.
- Machinery is depreciated by 10%.
- Goodwill of the firm is valued at Rs.56,000 and the retiring partner's share is adjusted.
- The capital of the new firm is fixed at Rs.1,20,000.

Prepare Revaluation Account, Capital Accounts of the partner and Balance sheet of the new firm after Nisha's retirement.

19.a. The following is the Balance Sheet of Anju and Manju sharing profits in the ratio of 3:2 as on December 31, 2003 :

Balance Sheet as at December 31, 2003			
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	14,000	Plant and Machinery	14,000
Loan by Anju's brother	5,000	Furniture and Fixtures	2,000
Loan by Manju	7,500	Investment	5,000
General Reserve	1,250	Stock	3,000
Capitals :		Debtors	10,000
Anju 5,000		<u>Less:</u> provision 500	9,500
Manju 4,000	9,000	Bank	5,750
Profit and Loss	2,500		-----
	-----		-----
Total	39,250	Total	39,250
	-----		-----

The firm was dissolved on March 31, 2003. As a result,

- Anju took over investments at an agreed value of Rs. 4,000 and agreed to pay loan taken from her brother
- Realization of assets is as follows : Stock Rs. 2,500, Debtors Rs. 9,250, Furniture and Fixture Rs. 2,250, Plant and Machinery Rs. 12,500

19.b. Partnership firm was dissolved on 31st Dec,2008. Its balance sheet as on the date of dissolution was given below:

Liabilities	Amount	Assets	Amount
Creditors	30,000	Sundry assets	1,89,200
Priya's loan	10,000	Cash	10,800
Capital:			
Vijay	76,000		
Priya	48,000		
Meera	36,000		
	-----		-----
	2,00,000		2,00,000
	-----		-----

The assets were realised in installments and the payments were made on the proportionate capital method. Creditors were paid Rs.29,000 in full settlement of their account. Expenses of realization were estimated to be Rs.5,400 but actual amount spent on this account was Rs.4,000. This amount was paid on 15th March.

The amount received in installments were:

On January 7th 2009 Rs.25,200

On February 28th 2009 Rs.60,000

On March 20th 2009 Rs.80,000

The partners shared profits and losses in the ratio of 2:2:1. Show the statement showing distribution of cash under proportionate capital method.

20.a. A company leased a colliery from the Swantantra Coal Ltd on 1st January 2016 at a minimum rent of Rs.40,000 merging into a royalty of Re.1 per ton with power to recoup short workings over the first three years of the lease. The output of the colliery for first four years was 18,000 tons, 32,000 tons, 48,000 tons and 38,000 tons respectively.

Pass the necessary journal entries for each of the four years in the books of Swantantra Coal Ltd.

(or)

20. b. M/s Coal Extractors Ltd. took lease of a coal mine from M/s Coal Mines Ltd. at an annual Dead Rent of Rs.10,000 subject to a royalty payable at Rs.2 per ton extracted. Short workings are recoupable one year after short workings arise.

Coal Extractors Ltd. sub-leased a part of the mine to Miner's Co-operative at an annual Dead Rent of Rs.5,000 subject to a royalty payable at Re.1 per ton extracted. The right to recoup short workings arises one year after short workings take place. However, such right lapses at the end of the year in which short workings become recoupable.

Details of extraction are as follows:

	Coal Extractors Ltd.	Miners Co-operative
	(Tons)	(Tons)
2014	2,000	2,000
2015	3,000	3,000
2016	4,000	4,000
2017	5,000	5,000

In 2017 the whole mine was closed for 6 months due to a mine collapse.

Show Royalty Payable Account, Short workings Repayable Account, Coal Mines Ltd. Account and Miner's Co-operative Account in the books of Coal Extractors Ltd.