

Reg. No. :

Code No. : 32160 E Sub. Code : EMCO 21

B.Com. (CBCS) DEGREE EXAMINATION, APRIL 2024

Second Semester

Commerce — Core

FINANCIAL ACCOUNTING — II

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — ($10 \times 1 = 10$ marks)

Answer ALL questions.

Choose the correct answer.

The amount paid at the time of hire purchase agreement is known as _____.

- (a) Instalment
- (b) Down payment
- (c) Cash price
- (d) Hire purchase price

2. Depreciation on hire purchase assets is claimed by
- (a) Vendor
 - (b) Hire purchaser
 - (c) Buyer
 - (d) Seller
3. Goods are supplied by the head office to dependent branches are at _____.
- (a) Cost price
 - (b) Invoice price
 - (c) Market price
 - (d) Cost or invoice price
4. When goods are transferred from one department to another department is called as _____.
- (a) Inter-departmental transfers
 - (b) Outer-departmental transfers
 - (c) Not a transfer
 - (d) Regular transfer

5. Partner's capital account is credited when there is _____.
- (a) Profit on revaluation
 - (b) Transfer of general reserve
 - (c) Transfer of accumulated profits
 - (d) All the above
6. Sacrificing ratio is the difference between _____.
- (a) New ratio and old ratio
 - (b) Old ratio and new ratio
 - (c) New ratio and gaining ratio
 - (d) Old ratio and gaining ratio
7. _____ is the role of a liquidator in the dissolution process.
- (a) Determines profit distribution
 - (b) Sells partnership assets and pays off liabilities
 - (c) Drafts the partnership agreement
 - (d) Manages daily operations

8. When a partnership is dissolved, _____ is the first step in settling the accounts.
- (a) Distributing assets among partners
 - (b) Paying off liabilities
 - (c) Closing the cash book
 - (d) Selling partnership goodwill
9. In the context of financial reporting, the purpose of Accounting Standards (AS) is to _____.
- (a) provide guidelines for internal management decisions
 - (b) ensure compliance with tax regulations
 - (c) enhance comparability and consistency in financial statements
 - (d) facilitate marketing and advertising strategies
10. Accounting standards contribute to regulatory compliance by _____.
- (a) allowing companies to ignore regulatory requirements
 - (b) providing flexibility in financial reporting
 - (c) aligning financial reporting with regulatory expectations
 - (d) discouraging companies from complying with regulations.

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Describe the features of hire purchase agreement.

Or

- (b) Give the proforma for the calculation of cash price and interest in hire purchase system.

12. (a) Brief about different types of branches.

Or

- (b) There are two departments in a firm X and Y.

Goods are transferred from Dept. X to Dept. Y at usual selling price. You are required to compute stock reserve on stocks of Dept. Y from the following data :

G.P. Ratio of Dept. X : 25% on cost

Opening stock of Dept. Y : Rs. 50,000

Closing stock of Dept. Y : Rs. 75,000

13. (a) How is goodwill treated at the time of admission of a new partner?

Or

- (b) The following were the profits earned by Adhi and Koushik for the past four years.

2010 Rs. 60,000

2011 Rs. 80,000

2012 Rs. 1,00,000

2013 Rs. 1,40,000

You are required to value the goodwill on the basis of 3 years purchase of weighted average profit, assigning weights of 1, 2, 3 and 4 respectively for the four years.

14. (a) What do you understand by 'Garner Vs Murray' rule'?

Or

- (b) A, B and C are partners sharing profits and losses in the ratio of 5 : 2 : 3 respectively. C became insolvent and was able to contribute only 40 paise in the rupee. Calculate deficiency in C's capital A/c and how it will be shared by A and B from the following information :

C's capital balance	Rs. 6,360 (Dr.)
Reserve	Rs. 4,000
Realisation loss	Rs. 4,900
A's capital balance	Rs. 10,000
B's capital balance	Rs. 5,000

15. (a) Explain the importance of Accounting Standards.

Or

- (b) What is the role of IFRS in promoting transparency?

PART C — ($5 \times 8 = 40$ marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Distinguish between Hire Purchase and Instalment System.

Or

- (b) Rakesh purchased a motor car on hire purchase system. The total cash price of the car is Rs. 15,980 payable Rs. 4,000 down and three instalments of Rs. 6,000, Rs. 5,000 and Rs. 2,000 payable at the end of first, second and third years respectively. Interest is charged at 5% p.a.

You are required to prepare ledger accounts in the books of both the parties. Rate of depreciation is 10% on straight line method. Calculations are to be made to the nearest rupee.

17. (a) The following information relates to Madurai Branch.

	Rs.	Rs.
Stock on 1.1.2000		11,200
Branch debtors on 1.1.2000		6,300
Goods sent to branch		51,000
Cash sent branch for :		
Rent	1,500	
Salaries	3,000	
Petty Cash	500	5,000
Sales at branch :		
Cash	25,000	
Credit	39,000	64,000
Cash received from Debtors		41,200
Stock on 31.12.2000		13,600

Prepare Branch account for the year 2000.

Or

(b) The following purchases were made by a business house having three departments.

Dept. A – 1,000 units	}	at a total cost of Rs. 1,00,000
Dept. B – 2,000 units		
Dept. C – 2,400 units		

Stock on 1st January were :

Dept. A – 120 units

Dept. B – 80 units

Dept. C – 152 units

Sales were :

Dept. A – 1,020 units at Rs. 20 each

Dept. B – 1,920 units at Rs. 22.50 each

Dept. C – 2,496 units at Rs. 25 each

The rate of gross profit is same in each case.
Prepare Departmental trading account.

18. (a) A firm earned net profits during the last three years as follows :

	Rs.
I year	— 36,000
II year	— 40,000
III year	— 44,000

The capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 year purchase of super profits.

Or

- (b) Sunil, Devan and Ravi are equal partners in a firm and their Balance Sheet as on 31.12.90 is given below :

Liabilities	Rs.	Assets	Rs..
Creditors	40,500	Machinery	43,500
Reserve	4,500	Furniture	1,500
Capital :		Debtors	30,000
Sunil	15,000	Stock	15,000
Devan	12,000		
Ravi	18,000		
	<u>90,000</u>		<u>90,000</u>

Ravi retired on 31.12.90 and assets were revalued as under :

Machinery Rs. 51,000, Furniture Rs. 1,200, Debtors Rs. 28,500, Stock Rs. 14,700. Goodwill of the firm is valued at Rs. 9,000 and Ravi's share of goodwill is to be adjusted to continuing partners' capital without raising goodwill account. Give Journal entries, prepare necessary Ledger accounts and New Balance Sheet.

19. (a) Explain the different modes of Dissolution.

Or

- (b) A, B and C commenced business on 1.1.2020 with capitals of Rs. 2,00,000, Rs. 1,60,000 and Rs. 1,20,000 respectively. Profits and losses were share in the ratio of 4 : 3 : 3. Capital carried interest at 5% p.a. during 2020 and 2021, they made profits of Rs. 80,000 and Rs. 1,00,000 (before allowing interest on capitals). Drawings of each partner were Rs. 20,000 per year.

On 31.12.2021, the firm was dissolved. Creditors on that date were Rs. 48,000. The assets realised Rs. 5,20,000 (Net).

Give the necessary accounts to close the books of the firm.

20. (a) Distinguish between Ind AS and IFRS.

Or

(b) Discuss the role and objectives of accounting standards.
