**Advanced Financial Accounting**

**September 2022 Examination**

**Q1. X, Y & Z were partners sharing profits in the ratio of 2 : 1 : 1. Their balance sheet as on 31.3.2018**

**PLEASE CHECK BELOW**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount** | **Asset** | **Amount** |
| Capital A/c |  | Machinery | 50,000 |
| X | 30,000 | Joint life policy | 4,000 |
| Y | 20,000 | Stock | 20,000 |
| Z | 20,000 | Debtors | 7,000 |
| Reserves | 4,000 | *Less* : provision | -400 |
| Creditors | 5,700 | Bills receivable | 400 |
| Bills payable | 2,300 | Cash in hand | 1,000 |
|  | **82,000** |  | **82,000** |

**The firm was dissolved on the above date:-**

* **X took over the joint life policy at Rs. 5,000.**
* **Stock realised Rs. 22,000.**
* **Debtors realised Rs. 4,000.**
* **Machinery was sold for Rs. 58,000.**
* **Bill on hand realised in full. One bill for 500 under discount was dishonoured and had to be paid by the firm.**

**Prepare realisation account and capital accounts of partners. (10 Marks)**

**Ans 1.**

**Introduction**

A realization account is created when a partnership firm dissolves. This account is set up to determine if a firm's dissolution resulted in a profit or a loss. Liabilities (other than capital accounts) are transferred to the realization account's credit side, while all assets (apart from cash and bank accounts) are moved to the account's debit side. A partnership capital account is a

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**Q2. From the following particulars, prepare Income and Expenditure account: (10 Marks)**

|  |  |
| --- | --- |
| **Details** | **Amount**  **Rs** |
|
| **Fees collected, including Rs 80,000 on account of the previous year** | **5,20,000** |
| **Fees for the year outstanding** | **30,000** |
| **Salary paid, including Rs 5,000 on account of the previous year** | **68,000** |
| **Salary outstanding at the end of the year** | **3,000** |
| **Entertainment expenses** | **8,000** |
| **Tournament expenses** | **25,000** |
| **Meeting Expenses** | **18,000** |

|  |  |
| --- | --- |
| **Traveling Expenses** | **7,000** |
| **Purchase of Books and Periodicals, including Rs 31,000 for purchase of**  **Books** | **40,000** |
| **Rent** | **15,000** |
| **Postage, telegrams and telephones** | **6,000** |
| **Printing and Stationery** | **18,000** |
| **Donations received** | **25,000** |

**Ans 2.**

**Introduction**

The non-trading businesses create the income and expenditure account to assess whether there is an excess or a deficit of income over expenditures for a specific period of time. When creating the income and expense accounts of non-trading companies, the cumulative or accrual concept of accounting is strictly adhered

**Q3a. Calculate value of goodwill on the basis of three years' purchase of average profit of the preceding five years, which were as follows: (5Marks)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **2017–18** | **2016–17** | **2015–16** | **2014–15** | **2013–14** |
| **Profits (₹)** | **8,00,000** | **15,00,000** | **18,00,000** | **4,00,000**  **(Loss)** | **13,00,000** |

**Ans 3a.**

**Introduction**

The fair value of the assets and liabilities of the acquired business are added to the fair market value of the business' assets and liabilities to determine goodwill. Goodwill is the price premium above the net identifiable assets' fair

**Q3b. Find a new profit sharing ratio for the following: A and B are partners sharing profits in the ratio of 3:1. C is admitted for the 1/8th share of the profits. (5 Marks)**

**Ans 3b.**

**Introduction**

Simply taking that retiring person's portion out of the equation results in the new profit-sharing ratio. In this case, the continuing members' gaining ratio will be equal to the share of the retiring individual times the acquisition