**Advanced Financial Accounting**

**April 2023 Examination**

**1. X, Y & Z are partners sharing profits & losses in the ratio of 3:2:1. Y retired on 1st October, 2021. Y‘s capital is Rs 50000. Total profit for the year of the firm is 60000 & firm’s goodwill is Rs 6000 & was not to appear in the books of account for the year ended 31st March, 2022. Compute the amount due to retiring partner & discuss the entries to be passed in the below possibilities**

**a) Amount settled in cash**

**b) Amount treated as Loan**

**c) Amount is paid in 1/3rd in cash & remaining treated as loan.**

**d) Amount is settled by paying in 4 installment includes principal & interest at 6 % p.a for 6 months.**

**(10 Marks)**

**Ans 1.**

**Introduction**

To compute the amount because of the retiring partner, we need to calculate the proportion of the earnings for the length Y turned into an accomplice, i.e., from 1st April to 30th September.

**Step 1:** Calculation of Y's share of profit for six months Total profit for the year = Rs 60,000 Profit for six months = (60,000/12) x 6 = Rs 30,000 Y's share of profit = 2/6 x 30,000 = Rs 10,000

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**2. The past profits & losses of five years of ABC Ltd are given below:**

**Year Profit/loss**

**2016 (10000)**

**2017 (10000)**

**2018 65000**

**2019 75000**

**2020 80000**

**Define the term Super Profit Method & discuss how the goodwill will be valued on the basis of 2yrs purchase of super profit method where normal rate of return is 15% and capital employed is Rs 300000** **(10 Marks)**

**Ans 2.**

**Introduction:**

One of the techniques used for valuing an agency's or business's goodwill is the super profit method.

Goodwill is regarded as an intangible asset that serves as an instance of the non-bodily belongings that substantially raise a company's market cost. Usually, it is taken into account during mergers and acquisitions.

Goodwill is the sum that an acquiring business will pay to a company over and above the

**3. a. P, Q & R is partners sharing profits & losses in the ratio of 3:2:1. Their capital contribution in to firm is Rs 18000, RS 12000, RS 4000. Explain the concept of Excess Capital method & prepare the statement based on it & interpret on it. (5 Marks)**

**Ans 3a.**

**Introduction:**

The excess Capital approach determines the cost of goodwill in a partnership company. Goodwill is an intangible asset representing a business's reputation and emblem cost. It is the price a business earns extra for its tangible property because of elements such as customer loyalty, brand popularity, skilled workforce, etc. In a partnership firm, the value of goodwill

**3. b. J ltd is a company manufacturing mobiles. The annual demand is 50000 units. The order cost is Rs 10. The cost per unit is Rs 12 and the carrying cost is Rs 25%. Compute EOQ and ordering cost & New EOQ when units increased to72000 units & interpret on it. (5 Marks)**

**Ans 3b.**

EOQ (Economic Order Quantity) is a component used to calculate the top-of-the-line amount of stock to reserve that minimizes general stock costs. The system for EOQ is as follows:

EOQ = sqrt ((2 \* D \* O) / H)

In which: D = annual call for O = order cost in keeping with order H = holding fee per unit