



**P.B. SIDDHARTHA COLLEGE OF ARTS & SCIENCE**

Siddhartha Nagar, Vijayawada – 520 010

*Autonomous - ISO 9001 – 2015 Certified*

**FINANCIAL ACCOUNTING – II**

**Offered to:** B.Com (Honors) A&F, B.Com (Honors) TPP & B.Com BPM

**Course Type:** Core (Theory)

**Course Code:** 22COHT31

**Year of Introduction:** 2021-22

**Year of Revision:**

**Percentage of Revision:**

**Semester:** III

**Credits :** 4

**Hours Taught:** 75 hrs. Per Semester

**Max. Time :** 3 Hours

**Course Prerequisites (if any):** Intermediate level

**Course Description:**

**Course Objectives:**

1. Learn the criteria for identifying Revenue Expenditure and distinguishing from Capital Expenditure and understand the linkage of such distinction with the preparation of Final Accounts.
2. Understand the special features of Instalment system and also analyses the distinction between the Hire Purchase System and Instalment System.
3. Understand the features of Partnership firm and the need for valuation of goodwill as well as revaluation of Assets and Liabilities.

**Course Outcomes:** At the end of this course, students should be able to:

**CO1:** Student will be able to understand different situations to calculate interest on various instalments and understand need for re-possession and the procedure in case of default.-PO5

**CO2:** Student will be able to understand Profit & Non-profit concern and to ascertain the surplus/deficit relating to various non-trading concerns –PO5, PO6

**CO3:** Student will get the knowledge of partnership business, its accounts and modes of settlement in case of partnership restructuring.- PO6, PO7

**CO4:** Student will acquire the capacity to settle the accounts in case of dissolution by realization of various assets.-PO5, PO6

**CO5:** Student will obtain the knowledge of branch accounting procedure and the process of conversion of foreign branch transactions into Indian currency.-PO7

**Syllabus**

**Course Details**

<b>Unit</b>	<b>Learning Units</b>	<b>Lecture Hours</b>
I	<b>Hire-Purchase System</b> Features and Accounting Treatment - Default and Repossession (Hire Purchase Trading Account) - Instalment Purchase System and Accounting Treatment.	15
II	<b>Accounts of Non – Trading Concerns</b> Features - Receipts and Payments Account - Income and Expenditure Account - Balance Sheet - Opening and Closing Balance Sheets From Receipts and Payments, Income and	15

	Expenditure Accounts	
III	<b>Partnership Accounts</b> Definition, Features, Fixed and Fluctuating Capital Account and Profit And Loss Appropriation Account - Admission of a Partner - Retirement and Death of A Partner.	15
IV	<b>Partner Ship Dissolution</b> Dissolution of Firms, Settlement of Accounts – Gradual Realization and Piecemeal Distribution - Insolvency of Partner - Treatment before Garner Vs Murray and After Garner Vs Murray Case - Sale to a Company.	15
V	<b>Branch Accounts</b> Features – Books of Accounts - Methods of Accounting Dependent Branches - Methods of Accounts of Independent Branches - Debtors System - Stock and Debtors System - Foreign Branch.	15

**Textbook:**

1. S.P Jain And K.L Narang, Advanved Accountancy, Kalyani Publishers

**Recommended Reference book:**

1. M. Radha Swamy And R.L Gupta, Advanced Accounting, Sultan Chand and Sons.
2. Advanved Accountancy, Himalaya Publications
3. SN Maheswari& SK Maheswari, Financial Accounting, Vikas Publications.
4. R.L. Gupta & V.K. Gupta, Principles and Practice of Accounting, Sultan Chand & Sons.
5. S.N.Maheshwari&V.L.Maheswari, Advanced Accountancy (Vol-II), Vikas publishers.
6. Tulasian, Accountancy–III, Tata McGraw Hill Co.

**Course Delivery method:** Face-to-face / Blended

**Course has focus on:** Employability

**Websites of Interest:**

**Co-curricular Activities:**

- Quiz Programs
- Problem solving exercises
- Co-operative learning
- Seminar
- Visit a single-entry firm; collect data and Creation of Trial Balance of the firm
- Visit Non-profit organization and collect financial statements
- Critical analysis of rate of interest on hire purchase schemes
- Visit a partnership firm and collect partnership deed
- Debate on Garner v/s Murray rule in India and outside India
- Group Discussions on problems relating to topics covered by syllabus
- Examinations (Scheduled and surprise tests) on all units

## FINANCIAL ACCOUNTING – II

Offered to: B.Com (Honors) A&F, B.Com (Honors) TPP & B.Com BPM

Course Code:

COHT31

Max.: 75 Marks  
Marks

Min. Pass: 30

### Section-A

Answer Any SIX of the following questions

6 x 2 = 12 Marks

1. What is meant by Re-possession of Goods? (CO1, L2)
2. Explain Down Payment. (CO1, L1)
3. Define Legacy. (CO2, L1)
4. Explain Subscriptions. (CO2, L1)
5. Illustrate Sacrificing Ratio. (CO3, L2)
6. What is Fluctuating Capital. (CO3, L3)
7. Explain Insolvency of Partner. (CO4, L1)
8. Apply Piecemeal distribution. (CO4, L3)
9. Explain Types of Branches. (CO5, L2)
10. Define Debtors Systems. (CO5, L3)

### Section - B

Answer any FOUR of the following questions  
Marks

4 x 12 = 48

11. Explain the differences between Hire Purchase System and Instalment Purchase System. (CO1, L2)
12. A Motor company purchased two trucks on 1st January 2015, the cash price being Rs.56,000. The purchase is on the purchase basis Rs.15,000 being paid on signing the agreement and thereafter Rs.15,000 being paid annually for 3 years. Interest was charged at 5% Depreciation was written off at the rate of 20% per annum of the reducing instalment system. Give the necessary ledger accounts in the books of motor company. (CO1, L3)
13. The following is the receipts and payments account of Free Medical Aid Society for the year ended 31st March 2020. (CO2, L3)

Receipts	Rs.	Payments	Rs.
To Cash in hand on 1-4-2019	7,000	By Payments for Medicines	30,000
To Subscriptions	50,000	By Honorarium to Doctors	10,000
To Donations	14,500	By Salaries	27,500
To Interest on Investments (At 7% for the year)	7,000	By Sundry Expenses	500
To Charity Show proceeds	10,000	By Equipment Purchased	15,000
		By Charity show expenses	1,000
		By Cash on hand	4,500
	<b>88,500</b>		<b>88,500</b>

**Additional Information:**

	1-4-2019	31-3-2020
	Rs.	Rs.
i) Subscriptions due	500	1,000
ii) Subscriptions received in advance	1,000	500
iii) Stock of medicine	10,000	15,000

iv) Creditors for Medicine	8,000	12,000
v) Value of Equipments	21,000	30,000
vi) Value of Buildings	40,000	38,000

You are required to prepare:

- Income and Expenditure account for the year ended 31st March 2015 and
- Balance Sheet as on that date. Show all your workings.

14. A, B and C were carrying on business in partnership sharing profits and losses in the ratio 3 : 2 : 1. On 31st December 2018 Balance Sheet of the firm stood as follows: (CO3, L3)

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		13,950	Cash		5,900
Capital Accounts :			Debtors		8,000
A	15,000		Stock		11,690
B	10,000		Buildings		23,000
C	10,000	35,000			
		<b>48,590</b>			<b>48590</b>

B retired on the above mentioned date on the following terms:

- Buildings be appreciated by Rs.7,000.
- Provision for bad debts be made @ 5% on debtors.
- Goodwill of the firm be valued at Rs.9,000 and adjustment in this respect be made without raising Goodwill Account.
- Rs.5,000 be paid to B immediately and the balance due to him be treated as a loan carrying interest @ 6% per annum. Show the Balance Sheet of the firm as it would appear immediately after B's retirement.

15. The following is the Balance Sheet of P Q and R on 31st December 2020, the partners sharing profits in the ratio of 5:3:2. (CO4, L3)

**Balance Sheet of P,Q & R as at 31st December 2005**

Liabilities		Rs.	Assets		Rs.
Creditors		30,000	Cash at Bank		6,000
Bills Payable		7,000	Sundry Debtors	20,000	
Loan from P		30,000	Less Provision for		
General Reserve		15,000	doubtful debts	1,000	19,000
Capital Accounts:			Stock		30,000
P	30,000		Investments		10,000
Q	25,000		Fixtures		2,000
R	15,000	70,000	Plant		35,000
			Freehold Property		50,000
		<b>1,52,000</b>			<b>1,52,000</b>

The Partnership was dissolved, and the assets realized the following amounts :-

Stock and investments realized 10 percent less than the book values. Debtors realized Rs.17,500 and Plant Rs.30,000. Freehold property was sold for Rs.85,000. Fixtures were taken over by P at an agreed value of Rs.1,200. Creditors were paid off at a discount of 5 percent. Q agreed to pay the bills payable. Expenses of realization amounted to Rs.1,000.

Pass Journal entries to give effect to the above and show the necessary ledger accounts.

16. From the following particulars relating to Vijayawada Branch for the year ending 31st December, 2019 Prepare Branch Account in the books of Head office. (CO5, L3)

Stock at Branch on 1-1-2019		<b>Rs.</b>		<b>Rs.</b>
Petty Cash on hand on 1-1-2019		10,000	Goods sent to Branch	50,000
Cheques sent to Branch for		200	Remittances from Branch	80,000
Rent	4,800		Stock at Branch on 31-12-2019	20,000
Salaries	9,200		Petty Cash on hand on 31-12-2019	100
Other Expenses	1,500	15,500	Goods returned by Branch to Head Office	800

**Section – C**

**Answer the following question.**

**1 x 15 = 15**

**Marks**

17. P, Q and R share profits in the ratio of 1/2, 1/6 and 1/3. They decided to dissolve the partnership on 31st December 2015, when their Balance Sheet showed as under:  
**(CO4, L4)**

**Balance Sheet as at 31st December, 2005**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	41,000	Cash at Bank	5,000
P's Capital	30,000	Sundry Assets	80,000
Q's Capital	15,000	Goodwill	10,000
R's Capital	3,000		
Reserve	6,000		
	<b>95,000</b>		<b>95,000</b>

Sundry assets realized Rs.50,000 and Goodwill Rs.4,000. You are required to show the final adjustments among partners assuming that R is insolvent and is unable to bring in anything.