



BRAINWARE UNIVERSITY

Course – BBA

Advance Financial Accounting (BBA203/BBAC203(BL))

(Semester – 2)

Time allotted: 3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*
- (i) Who can charge depreciation on assets purchased under hire purchase scheme
 - a. Hire purchaser
 - b. Hire vendor
 - c. Hire purchaser only after transfer of ownership
 - d. Both hire purchaser and hire vendor
- (ii) The ownership of the goods is transferred with last installment as per
 - a. hire purchase method
 - b. installment method
 - c. normal purchase method
 - d. none
- (iii) The dividend received from investment by a company comes under cash flow from
 - e. operating activity
 - f. financing activity
 - g. investment activity
 - h. none of the above
- (iv) Indemnity means, a claim can be lodged only for
 - a. Actual amount loss
 - b. Insured value
 - c. Actual amount on loss, not exceeding the insured value
 - d. None
- (v) If stock worth Rs. 4 lakhs is insured for Rs. 3 lakhs only and the loss incurred due to fire amounts to Rs. 1,80,000, the claim admitted by the insurer will be as per average clause
 - a. Rs. 135000
 - b. Rs. 200000
 - c. Rs. 250000
 - d. None

- (vi) Accounting in India is governed by the
- a. Company Law Board
 - b. Institute of Chartered Accountants of India
 - c. Income Tax Department
 - d. Reserve Bank of India
- (vii) The interest rate on government bonds in India is governed by the —
- a. Institute of Chartered Accountants of India
 - b. Income Tax Department
 - c. Company Law Board
 - d. Reserve Bank of India
- (viii) As per accounting standard 6, which of the following asset is not a depreciable assets
- a. Building
 - a. Machinery
 - b. Goodwill
 - c. None
- (ix) Which of the following is not a characteristic of inventory
- a. Held for sale in the ordinary course of business
 - b. In the process of production for such sale
 - c. in the form of materials or supplies to be consumed in the production process or in the rendering of services
 - d. All of these
- (x) The objective of insurance may be considered as
- a. Claim for loss of stock
 - b. Claim for loss of profit
 - c. Claim for employees welfare
 - d. Only (a) and (b)

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

- 2. What are the parameters of calculation of Depreciation? [5]
- 3. State the need of branch accounting? [5]
- 4. What are the issues, with which Accounting Standards deal? [5]
- 5. State the difference between cash flow and profit and loss account? [5]
- 6. Mr. Amar has purchased a car for his personal use. Can he claim depreciation as chargeable expenses for the said car? [5]

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. On 1st Jan 1998, Glob press purchase a printing machinery at Rs100,000 on hire purchase system from modern machinery company. The payment was to be made at Rs30, 000 down payment and balance in 3 equal annual installments. The rate of interest is 8% per annum glob press provided depreciation @10% p.a. on diminishing balancing method. Glob Press paid the entire installment. It closed its books of accounts on 31st Dec every year show the journal entries for 3year and prepare ledger accounts of modern machinery company, printing machine in the book of Glob Press up to 31st Dec 2000. [15]

8. On 12th June, 2012 fire occurred in the premises of N.R. Singh, a paper merchant. Most of the stocks were destroyed, cost of stock salvaged being Rs. 11,200. In addition, some stock was salvaged in a damaged condition and its value in that condition was agreed at Rs. 10,500. From the books of account, the following particulars were available. His stock at the close of account on December 31, 2011 was valued at Rs. 83,500.

His purchases from 1-1-2012 to 12-6-2012 amounted to Rs. 1,12,000 and his sales during that period amounted to Rs. 1,54,000.

On the basis of his accounts for the past three years it appears that he earns on an average a gross profit of 30% of sales.

Singh has insured his stock for Rs. 60,000. Compute the amount of the claim. [12]

(b) State the significance of average clause in computation of insurance claim. [3]

9. (a) The company deals in three products A, B and C which are neither similar nor interchangeable. At the time of closing of its account for the year 2012-13, the historical cost and net realizable value of the items of closing stock are determined as:

Items	Historical cost (Rs. In lakhs)	Net Realisable Value (Rs. In lakhs)
A	40	28
B	32	32
C	16	24

What will be the value of closing stock? [6]

(b) Z Co. Ltd. purchased goods at the cost of Rs. 40 lakhs in Oct. 2012, Till March 2013, 75% of the stocks were sold. The company wants to disclose closing stock at Rs. 10 lakhs. The expected sales value is Rs. 11 lakhs and a commission at 10% on sale is payable to the agent. Advise: What is the correct closing stock to be disclosed as at 31.3.2013? [5]

(c) State the use of accounting standard? [4]

10. (a) How would you deal with the following in the annual accounts of a company for the year ended 31.3.2013?
“The company has to pay delayed cotton clearing charges over and above the negotiated price for asking delayed delivery of cotton from the supplier’s godown. Up to 2011-12, the company has regularly included such charges in the valuation of closing stock. This being in the nature of interest the company has decided to exclude it from closing stock valuation for the year 2012-13. This would result into decrease in profit by Rs. 7.60 lakhs.” [6]
- (b) Explain the methods/criteria for the selection and application of Accounting Policies. [5]
- (c) Explain the provisions contained in the Accounting Standard in respect of Revaluation of Fixed Assets. [4]
11. (a) State the feature of Hire Purchase? [3]
- (b) What is Depreciation? [4]
- (c) State the features of Depreciable assets? [4]
- (d) State the accounting treatment of any addition or extension to an existing fixed asset as per AS 6? [4]