



BRAINWARE UNIVERSITY

Course –BBA

Advance Financial Accounting (BBAC 203)

(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. Answer all the question

- i. Which accounting concept satisfy the valuation criteria
 - a. Going concern, Realisation, Cost
 - b. Going concern, Cost, Dual aspect
 - c. Cost, Dual aspect, Conservatism
 - d. Realisation, Conservatism, Going concern.
- ii. The value of inventory is calculated as per cost price and net realizable value
 - a. whichever is lower
 - b. whichever is higher
 - c. average
 - d. none
- iii. Accounting standard is maintained for
 - a. uniformity in accounting information
 - b. Different representation in accounting information
 - c. publication accounting information globally.
 - d. None of these.
- iv. Rohit carrying on real estate business sold a piece of land for Rs.4,00,00,000 (cost Rs.3,50,00,000) then the type of receipt is _____ nature and profit on sale is
 - a. Capital & transferred to capital reserve
 - b. Revenue & transferred to P & L a/c
 - c. Capital & transferred to P & L a/c
 - d. Revenue & transferred to general reserve
- v. Net realizable value is
 - a. cost price – selling expenses
 - b. cost price
 - c. present market value – selling expenses
 - d. None

- vi. Which of the following is charged against profit in hire purchase method
- interest and depreciation
 - rental value of assets
 - principal and interest payment
 - Only interest payment
- vii. A machinery is purchased for Rs. 3,00,000 and Rs. 50,000 is spent on its installation. Rs. 5,000 is spent on fuel. What will be the amount of capital expenditure?
- Rs. 3,00,000
 - Rs. 3,50,000
 - Rs. 3,55,000
 - None of these
- viii. A large amount spent on special advertisement is—
- Capital Expenditure
 - Revenue Expenditure
 - Revenue Loss
 - Deferred Revenue Expenditure –
- ix. Accounting for Intangible Assets are related to—
- AS - 10
 - AS - 12
 - AS - 24
 - AS - 26
- x. The original cost at which an asset or liability is acquired is known as —
- replacement cost
 - historical cost
 - carrying cost
 - amortization

Group – B

(Short Answer Type Question)

Answer any three

3 x 5 = 15

2. The closing inventory at cost of a company amounted to Rs. 284700. The following items were included at cost in the total:

- 400 coats, which had cost Rs. 80 each and normally sold for Rs. 150 each. Owing to a defect in manufacture, they were all sold after the balance sheet date at 50% of their normal price. Selling expenses amounted to 5% of the proceeds.
- 800 shirts, which had cost Rs.20 each. These too were found to be defective. Remedial work in April cost Rs. 50 per shirt, and selling expenses for the batch totaled Rs. 800. They were sold for Rs. 28 each. What should be the inventory value be according to AS 2.

3. A purchased a machine on 01.04.2007 for Rs. 100000. On 1.07.2008 he purchased another machine for Rs. 150000. On 1.10.2009, he purchased the third machine for Rs. 200000 and on 31.12.2010 he sold the second machine for Rs. 125000. On 31.03.2012 he decided to change the method of charging depreciation from SLM @10% to WDV @15%. Calculate the depreciation charged under old method as well as under new method.
4. Differentiate between repairs and improvements under accounting standard 10.
5. State the benefits and limitation of accounting standard?
6. What do you understand by revenue? Discuss the terms interest, royalty and dividends.

Group – C

(Long Answer Type Question)

Answer any three

3 x 15 = 45

7. On 12th June, 2012 fire occurred in the premises of N.R. Patel, 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.

- e. His stock at the close of account on December 31, 2011 was valued at Rs. 83,500.
- f. 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. Patel has insured his stock for Rs. 60,000. Compute the amount of the claim. State the steps of calculating amount of claim in case of under insurance?

(10+5)=15

8. Fanna Cloth Mills opened a branch at Mumbai on 1st April, 2011. The goods were invoiced to the branch at selling price which was 125% of the cost to the head office. The following are the particulars of the transactions relating to branch during the year ended 31st March, 2012:

Goods sent to branch at cost to head office	42,12,600	
Sales:		
Cash	18,76,050	
<u>Credit</u>	<u>26,61,450</u>	
		45,37,500
Cash collected from debtors	23,55,000	
Discount allowed to debtors	23,550	
Returns from debtors	15,000	
Spoiled cloth in bales written off at invoice price	7,500	
Cheques sent to branch for:		
Rent	1,08,000	
Salaries	2,70,000	
<u>Other Expenses</u>	<u>52,500</u>	
		4,30,500

Prepare Branch Account based on invoice price under Debtors method for ascertaining profit for the year ended 31st March, 2012. [15]

9. On 1st January, 2008 A Limited acquired a pickup van on hire purchase from French Motors Co. the terms of the contract were as follows.

- The cash price of the van was Rs. 100000
- Rs. 40000 were to pay on signing of the contract.
- The balance was to be paid in annual installments of Rs. 20000 plus interest.
- Interest chargeable on the outstanding balance was 6% p.a.
- Depreciation @ 10% p.a is to be written off using Straight Line method.

You are required to pass journal entries in the books of A Limited from 1st January, 2008 to 31st December, 2010. Also show the pickup van account in the books of A Limited. What do you mean by amalgamation of a firm? [12+3=15]

10. A and B carry on independent business in provisions and their position on 31.12.2012 are reflected in the balance sheet given below.

Liabilities	A	B	Assets	A	B
Sundry Debtors for purchase	110000	47000	Stock in trade	170000	98000
Sundry Creditors for expenses			Sundry Debtors	89000	37000
Bills Payable	750	2000	Cash at Bank	13000	7500
Capital Account	12500	-----	Cash in Hand	987	234
	153000	95500	Furniture & Fixture	2750	1766
			Investment	513	-----
	276250	144500		276250	145000

Both of them want to a partnership firm from 1.1.2013 on the following understanding

- The capital of the partnership firm would be Rs. 300000 which would be contributed by them in the ratio of 2:1.
- The assets of the individual businesses would be evaluated by C at which values, the firm will take them over and the value will be adjusted against the contribution due by A and B.
- C gave his valuation report as follows: Assets of A – stock in trade will be retained by 15% and a portion of the sundry debtors amounting to Rs. 9000 estimated unrealizable not to be assumed by the firm; Furniture and Fixtures to be valued at Rs. 2000 and investment to be taken at

market value of Rs. 1000. Assets of B – Stocks to be written up by 10% and sundry debtors to be admitted at 85% of their value; rest of the assets to be assumed at their book values.

- The firm is not to be assume any creditors other than the dues on account of purchase made.

You are required to pass necessary journal entries in the books of A and B. Also prepare the opening balance sheet of the firm as on 1.1.2013. [15]

11. Discuss the term depreciation? What do you understand Depreciable assets? State the determinant of Depreciation? Differentiate the term repair and improvement with appropriate examples and also show the counting treatment for each of the cases. [2+4+4+5=15]