



**BRAINWARE UNIVERSITY**

**Term End Examination 2018 - 19**

**Programme – Bachelor of Business Administration**

**Course Name – Advanced Financial Accounting**

**Course Code – BBA203 / BBAC203**

(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) Which Indian Accounting Standard deals with the disclosure of significant accounting policies followed in preparing and presenting financial statements.
    - a. AS 1
    - b. AS 2
    - c. AS 6
    - d. AS 10
  - (iii) The dividend received from investment by a company comes under cash flow from
    - a. operating activity
    - b. financing activity
    - c. investment activity
    - d. none of the above
  - (iv) 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

- (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) 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
- (viii) The stock/inventory is valued at
- a. Cost price or net realizable value whichever is less
  - b. Cost price or net realizable value whichever is high
  - c. Cost price or market value whichever is less
  - d. None
- (ix) The advantages of hire purchase -
- a. Tax shield on depreciation
  - b. Tax shield on interest paid on hire purchase
  - c. Both (a) and (b)
  - d. None
- (x) Which of the following is a contract of sale
- a. Installment purchase
  - b. Hire purchase
  - c. Both
  - d. None

### Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

2. Define total loss and partial loss with appropriate example?

5

- |    |  |   |
|----|--|---|
| 3. | From the following information presented by P Ltd. ascertain the value of stock to be included in Balance Sheet:<br>Cost Price of certain stock amounted to Rs. 60,000; being obsolete, it can be used for production purposes after incurring Rs. 10,000 for modification. The same could be used as a by-product for an existing product, the purchase price for the same amounts to Rs. 40,000. | 5 |
| 4. | State the difference between cash flow and profit and loss account?  | 5 |
| 5. | Mention few areas in which different accounting policies are followed by companies.  | 5 |
| 6. | State the power of hire purchaser?   | 5 |

### Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

- |        |  |         |
|--------|--|---------|
| 7.     | On 01.01.2018 Globe Press Ltd. purchased a printing machine on the hire purchase system from Modern Machinery Co. The payment was to be made at ₹30,000 down and the balance in three equal annual installments of ₹20,000 each. Payable on 31 <sup>st</sup> December each year. The vendor company charged interest @8% p.a. Globe Press provided depreciation @10% p.a. on the diminishing balances and paid all the installments. It closed its books on 31 <sup>st</sup> December every year. The cash down value of machine was ₹81,543.<br>Construct<br>(a) Modern Machinery Co.'s Account<br>(b) Printing Machine Account   | 10<br>5 |
| 8. (a) | From the following information you are required to work out the claim under the "Loss of Profit" insurance policy –<br>i) Cover – Gross Profit ₹1,00,000<br>ii) Indemnity period – 06 months<br>iii) Damage – due to a fire accident on 28 <sup>th</sup> December. Accounting year ends on 31 <sup>st</sup> December.<br>iv) Net Profit plus all standing charges in the prior accounting year - ₹1,30,000.<br>v) Standing charges uninsured - ₹25,000<br>vi) Turnover of the last accounting year was ₹5,00,000 the rate of gross profit being 25%<br>vii) the annual turnover immediately preceding the fire - ₹5,20,000<br>viii) As a consequences of fire there was a reduction in certain insured standing charges at the rate of ₹25,000 per annum<br>ix) The standard turnover was ₹2,60,000<br>x) Increased cost of working during the period of indemnity were ₹20,000<br>xi) Turnover during the period of indemnity was ₹1,00,000 and out of this, turnover of ₹80,000 was maintained due to increased cost of working. | 15      |

9. From the following particulars relating to Patiala Branch for the year ending on 31.12.2018 prepare Branch Account in the books of HO and show how the relevant items will appear in the HO Balance Sheet as on that date – 15

Particulars	₹	Particulars	₹
Balances as on 01.01.2018		Cash paid by Debtors direct to HO	20,000
Stock	40,000	Discount Allowed	1,100
Debtors	14,000	Cash sent to Branch for Expenses:	
Petty Cash	1,500	Rent	12,000
Furniture	12,000	Salaries	5,400
Prepaid Fire insurance	1,150	Petty Cash	4,000
Outstanding Salaries	2,100	Insurance (from 01.04.2018 to 31.03.2019)	1,600
Goods sent to branch	2,80,000	Goods returned by branch	4,000
Cash Sales	3,30,000	Goods returned by Debtors	7,000
Credit Sales	1,83,000	Stock on 31.12.2018	38,000
Cash received from Debtors	1,35,000	Petty expenses paid by the branch	2,850
		Provide Depreciation on Furniture @10% p.a.	
		Loss on stock by fire	4,800

10. (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: 6

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

What will be the value of closing stock?

- (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
11. (a) State the process of computation of claim for loss of stock? 5
- (b) Explain the provisions for valuation of fixed assets in special cases as AS 10. 5
- (c) Discuss the different components of historical cost of a fixed assets as per AS 10. 5