

Exam. Code : 108502

Subject Code : 2767

B.Com. 2nd Semester

ADVANCED FINANCIAL ACCOUNTING

Paper—BCG-203

Time Allowed—Three Hours] [Maximum Marks—40

SECTION—A

Note :— Attempt any *eight* parts of this question. Each part should not exceed 5 lines. Each question carries 1 mark.

1. Explain any *eight* parts of the following :
 - (a) Write short note on methods of charging depreciation.
 - (b) Differentiate between Realization and Revaluation Account.
 - (c) Why is single entry system called as incomplete system of accounting ?
 - (d) Distinguish between fixed and fluctuating capital account.
 - (e) X and Y are partners, sharing profits and losses in the ratio 3 : 2. They agreed to take Z into partnership and give him $\frac{1}{7}$ th share in future profits. What is new ratio of X, Y and Z ?
 - (f) Interest suspense account.
 - (g) State Garner vs. Murray case.
 - (h) Differentiate between sacrificing and gaining ratio.
 - (i) What adjustments are required to be done on admission of a new partner ?
 - (j) Distinguish between Statement of Affairs and Balance Sheet.

SECTION—B

Note :— Attempt any *two* questions from this section. Answer to each question should not exceed 5 pages. Each question carries 8 marks.

2. Machinery account of ABC Ltd. showed debit balance of Rs. 32,400 on January 1, 2015, depreciation being provided at 10%. On July 1, 2015, a part of machinery purchased for Rs. 10,000 on January 1, 2013 was sold for Rs. 7,000 and on the same date new machinery which cost Rs. 20,000 was purchased.

On December 31st, 2015 the company decided to change the method of depreciation from WDV method to straight line method with effect from January 1st, 2013 depreciation remaining at 10% p.a.

Show Machinery Account for 2015.

3. What is the difference between Single Entry and Double Entry System ? Also explain how does single entry system convert into double entry system ?
4. Delhi Roadway Ltd. purchased three trucks costing Rs. 1,00,000 each from Bharat Auto Ltd. on 1st January 2012 on the hire purchase system. The terms were : payment on delivery Rs. 25,000 for each truck and the balance of the principal amount by 3 equal installments plus interest @ 15% p.a. to be paid at the end of each year. Delhi Roadway paid the installments due on 31st December, 2012 and 31st December, 2013 but could not pay the final installment. Bharat Auto repossessed two trucks adjusting values against the amount due. The repossession was done on 1st January, 2015 on the basis of 40% depreciation on the diminishing balance method. You are required to write up the ledger accounts in the books of Delhi Roadways Ltd. showing the above transaction up to 1.1.2015.

5. Explain the difference between Hire purchase and Installment System with suitable examples. Discuss the journal entries to be passed in the books of purchaser and vendor under Installment purchase system.

SECTION—C

Note :— Attempt any *two* questions from this section. Answer to each question should not exceed 5 pages. Each question carries 8 marks.

6. Amarnath and Hazare were carrying on business in partnership sharing profit and losses equally. It was agreed that Amarnath should retire from the firm from 31st March 2016 and that Mankad join from April 1st, 2016 and should be entitled to one-third of profits. The balance sheet of Amarnath and Hazare on 31st March 2016 was as follows :

Liabilities	Amount	Assets	Amount
Creditors	29,500	Cash	33,000
Capital accounts		Debtors	48,000
Amarnath 1,02,000		Stock	33,000
Hazare <u>84,500</u>	1,86,500	Furniture	12,000
		Building	60,000
		Goodwill	<u>30,000</u>
	<u>2,16,000</u>		<u>2,16,000</u>

On 31st March 2016, the goodwill was valued at Rs. 60,000, building at Rs. 1,00,000 and stock at Rs. 30,000. It was agreed that enough money should be introduced to enable Amarnath to be paid out and leave Rs. 30,000 cash by way of working capital. Hazare and Mankad were to provide such sums as would make their capitals proportionate to their share of profits.

Hazare and Mankad paid in cash payable by them on 1st April 2016 and the amount due to Amarnath was paid on the same day. Pass journal entries to record the above transaction and show the working.

7. A, B and C are in partnership sharing profits and losses in 4 : 3 : 1. They dissolve the partnership. During the course of dissolution C is declared insolvent and can pay only 50 paise in the rupee. The following balance sheet shows the balances on the date of dissolution :

Liabilities	Amount	Assets	Amount
Creditors	5,000	Cash at Bank	600
Capital Accounts		Debtors	2,800
A : 12,000		Stock	1,600
B : <u>3,000</u>	15,000	Land and	
		Building	8,000
		Plant and	
		Machinery	5,000
		C's Capital A/c	
		Overdrawn	<u>2,000</u>
	<u>20,000</u>		<u>20,000</u>

The assets realized as follows :

Land and Building	6,000
Plant and Machinery	4,000
Stock	1,800
Sundry Debtors	2,700

5% discount is allowed by creditors and contingent liability of Rs. 330 matures. The expenses of realization are Rs. 200.

You are required to show the necessary accounts on the dissolution of the partnership in accordance with the decision in *Garner vs Murray*.

8. Distinguish between Reserve and Provision. What are the different types of Provisions and Reserves ?
9. What do you mean by dissolution of firm ? What accounting entries are required to be passed to close the books of a dissolved firm ?