

Exam. Code : 108502

Subject Code: 2826

B.Com. 2nd Semester

ADVANCED FINANCIAL ACCOUNTING

Paper—BCG-203

Time Allowed—3 Hours]

[Maximum Marks—40

SECTION—A

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

1. Explain any **EIGHT** parts of the following :—
 - (a) Straight line method vs. Diminishing balance method.
 - (b) Distinguish between capital reserve and revenue reserve.
 - (c) Write a brief note on hire-purchase trading account.
 - (d) Reasons for incompleteness of records.
 - (e) Distinguish between Single Entry and Double Entry System.
 - (f) Uses of Gaining ratio.
 - (g) Give any two reasons in favour of having a partnership deed.
 - (h) Distinguish between Dissolution of firm and dissolution of partnership.
 - (i) At the time of death of partner X, goodwill of the firm was valued at Rs. 90,000. How much partners Y and Z will pay X's executor on account of goodwill ?
 - (j) Distinguish between hire-purchase and sale.

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. On January 1, 2014, X Ltd. purchased a machinery for Rs. 12,00,000. On 1st July, 2016, a part of the machinery purchased on January 1, 2014 for Rs. 80,000 was sold for Rs. 45,000 and a new machinery at a cost of Rs. 1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the original cost of the machinery. Show the necessary ledger accounts assuming that provision for depreciation account is maintained.

3. What are the advantages and disadvantages of Single Entry System ? Also distinguish between Balance Sheet and Statement of Affairs.

4. On 1st January 2014, Singh Transport Ltd. purchased from India Automobiles Ltd. three trucks costing Rs. 50,000 each on hire-purchase system. Payment was to be made Rs. 30,000 down and the remainder in three equal installments together with interest @ 9%. Singh Transport Ltd. writes off depreciation @ 20% on the diminishing balance. It paid the installment due on 31st December 2014, but could not pay the next. India Automobiles Ltd. agreed to leave one truck with the hire purchaser, adjusting the value of others trucks against the amount due. The trucks were valued on the basis of 30% depreciation annually.

Give the necessary ledger accounts in the books of both the parties assuming that the trucks were reconditioned by the vendor at an expense of Rs. 7,500 and then were sold for Rs. 60,000 in the third year.

5. What are the journal entries which are to be passed in the books of hire-purchaser and vendor under Hire-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. What do you mean by Reserve and Provision ? What are the different types of Provision and Reserve ?
7. A, B and C are partners sharing profit and losses in the ratio of 3 : 2 : 1. Their balance sheet as on 31.03.2016 was as follows :

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Capital Accounts A	45,000	Cash at Bank	3,500
B	35,000	Debtor	30,000
C	25,000	Stock	25,000
Reserve	15,000	Plant	40,000
Profit and Loss A/c	12,000	Building	50,000
Creditors	20,500	Furniture	4,000
	1,52,500		1,52,500

C retires on that date subject to the following conditions :

- (a) Goodwill of the firm is to be valued at Rs. 36,000.
- (b) Building is to be appreciated by 20%.
- (c) Plant and furniture are to be depreciated by 10% and 15% respectively.
- (d) Provision is to be made for doubtful debts at 5%.

8. What do you mean by dissolution of partnership and dissolution of firm ? Discuss the various methods of dissolution of a firm.
9. The Balance Sheet of A, B and C who are in partnership, stood as follows on 31st march, 2015 :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	55,000	Cash at Bank	6,250
Capital Accounts		Debtor	62,500
A : 82,500		Stock	87,500
B : 55,000	1,37,500	Investment	25,000
		Furniture	1,250
		B's Capital A/c	
		Overdrawn	10,000
	1,92,500		1,92,500

The firm was dissolved as on that date. For the purposes of dissolution the investments were valued at Rs. 40,000 and stock at Rs. 70,000. C agreed to take over the investments and A to take over the stock. A also took over the furniture at book value. The debtors realized Rs. 59,000 and the creditors were paid Rs. 53,500 in full satisfaction of their claims.

Assuming that B is insolvent and is unable to bring anything in respect of his debts to the firm, you are required to show the necessary accounts on the dissolution of the partnership in accordance with the decision in *Garner vs Murray*.