

Exam. Code : 108502

Subject Code : 1974

B.Com. 2nd Semester (Batch 2022-25)

ADVANCED FINANCIAL ACCOUNTING

Paper : BCG-203

Time Allowed—3 Hours]

[Maximum Marks—40

Note :—Attempt **FIVE** questions in all, selecting at least **ONE** question from each section. The fifth question may be attempted from any section. All questions carry equal marks.

SECTION—A

1. Distinguish between the following :
 - (a) Provisions and Reserves.
 - (b) Revenue Reserve and Capital Reserve.
 - (c) General Reserve and Specific Reserve.
 - (d) Reserve Account and Reserve Fund.
2. Rampal Sons purchased machinery on 1st August, 2014 for Rs. 60,000. On 1st October, 2015 Rampal Sons purchased another machine for Rs. 20,000. On 30th June, 2016 it sold the first machine purchased on 1st August, 2014 for Rs. 38,500 and on the same date purchased the new machinery for Rs. 50,000. Depreciation is provided at 20% per annum on the original cost each year. Accounts are closed each year on 31st March.
Show the machinery account for 3 years.

SECTION—B

3. Clearly distinguish between single entry and double entry system and bring out the disadvantages of single entry system of accounting. Also explain, how profits made during a particular period can be ascertained under single entry system.
4. Chaudhary Ram Singh purchased from Escorts Limited a tractor for cash price of Rs. 22,000 on hire purchase system. Rs. 2,000 were paid immediately and the balance is to be paid in 4 annual installments of Rs. 5,000 each with interest at 8% per annum. The depreciation is to be charged at 10% per annum on written down value. Chaudhary Ram Singh paid the two installments and failed to pay the third when the Escorts Limited took away the tractor by paying him Rs. 9,000 in cash. Prepare necessary Ledger Accounts in the books of both the parties.

SECTION—C

5. Explain the various methods of treating goodwill in firm's books at the time of admission of a new partner.
6. A and B were working in partnership sharing profit equally. On 31st March, 2017 A decided to retire and in his place it was decided that C would be admitted as a partner from 1st April, 2017 and his share in the

profit will be one-third. Balance Sheet of the firm as on 31st March, 2017 was as follows :

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	34,000	Goodwill	30,000
Capital Accounts :		Land and	
A – 1,10,000		Building	80,000
B – <u>90,000</u>	2,00,000	Furniture	18,000
		Motor Car	24,000
		Debtors	48,000
		Cash at Bank	34,000
Total	2,34,000	Total	2,34,000

It was further decided as follows :

- (a) The Goodwill is valued at Rs. 30,000.
- (b) The Motor Car would be taken over by A at its book value.
- (c) The value of Land and Building would be increased by Rs. 16,000.

B and C would introduce sufficient capital to pay off A and to leave thereafter a sum of Rs. 20,000 as Working Capital in a manner that the capital of new partner will be proportionate to their profit sharing ratio. Show the accounts of partners and prepare the Balance Sheet of B and C as on 1st April, 2017.

SECTION—D

7. Ram, Hari and Ashok were partners in a firm sharing profit and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st December, 2017. The

Balance Sheet of the firm on the date of dissolution was as follows :

Liabilities	Amount	Assets	Amount
Trade Creditors	1,07,000	Machinery	1,08,000
Joint life policy reserve	12,000	Joint life policy	30,000
Employees Provident Fund	18,000	Investments	25,000
Capitals :		Stock	60,000
Ram	1,05,000	Debtors	36,000
Hari	42,000	Ashok's Capital	25,000
	2,84,000		2,84,000

They appointed Ram to realise the assets and pay liabilities. For this purpose he was to be paid Rs. 5,000.

Joint life policy was surrendered for Rs. 20,000. Bad debts amounted to Rs. 5,000. Stock realized Rs. 40,000 and Machinery realized Rs. 80,000. There was an unrecorded asset which was sold for Rs. 3,000.

One of the trade creditors took over the investments at Rs. 23,000. Remaining creditors were paid at a discount of Rs. 4,000.

Prepare Realisation Account, Capital Accounts and Cash Account.

8. Bring out the difference between dissolution of partnership and dissolution of firm. Explain the underlying principles of Garner vs. Murray decision on the dissolution of firm.