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4 (Sem-5/CBCS) COM HE 2 (AFA)

2021

(Held in 2022)

COMMERCE

(Honours Elective)

Paper : COM-HE- 5026

(Advanced Financial Accounting)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Answer the following as directed :

1×10=10

(i) Irrecoverable short working is transferred to _____ Account.

(Fill in the blank with appropriate word/ words)

(ii) Short working arises when actual royalty is more than the minimum rent.

(State whether the statement is true or false)

Contd.

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- (iii) Departmental account is prepared to ascertain separately the _____ of each department.
(Fill in the blank with appropriate word/ words)
- (iv) In departmental accounts, each department is considered as a separate profit center.
(State whether the statement is true or false)
- (v) Claim for loss of stock is to be lodged by the _____.
(Fill in the blank with appropriate word/ words)
- (vi) In case of sale of a firm to a limited company, the partnership is dissolved.
(State whether the statement is true or false)
- (vii) A purchasing company does not take over _____ assets.
(Fill in the blank with appropriate word/ words)
- (viii) Average clause is intended to discourage _____.
(Fill in the blank with appropriate word/ words)

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(ix) The closing stock on the day of fire is ascertained by preparing a _____ Account. (Fill in the blank with appropriate word/words)

(x) Government accounting follows double entry system.
(State whether the statement is true or false)

2. Answer the following questions : $2 \times 5 = 10$

(i) What is royalty ?

(ii) What is minimum rent ?

(iii) State *any two* special features of departmental accounting.

(iv) Explain *any two* objectives of amalgamation of firms.

(v) What is government accounting ?

3. Answer *any four* questions : $5 \times 4 = 20$

(i) Explain *any five* advantages of departmental accounts.

(ii) Explain *any five* distinctions between government accounting and commercial accounting.

(iii) A fire occurred on 30th April, 2021 in the premises of Diamond Ltd. The information available from the books of the company are as follows :

(a) Income / Expenses from 1st April, 2021 to 30th April, 2021 :

Sales	Rs. 7,00,000
Cost of Goods Sold	Rs. 5,50,000
Purchases	Rs. 5,70,000
Direct Labour and Expenses	Rs. 30,000

(b) Value of Inventory on
1st April, 2021 Rs. 80,000

(c) Salvage Value of Stock Rs. 5,000

You are required to calculate the amount of claims to be lodged in case of loss of inventory assuming that whole of the inventory was insured.

(iv) Explain the impacts of strike and lock out on the payment of Royalty.

(v) Write a note on allocation of common expenses among different departments.

(vi) Briefly explain different methods of determining purchase consideration when a firm is sold to a company.

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4. Answer the following questions : $10 \times 4 = 40$

(i) Assam Traders Ltd. took a lease of land from Tezpur Traders on a royalty of Re. 1 per ton of clay raised with a minimum rent of Rs. 20,000 without any right to recoup short workings. The clay raised was as follows :

1st Year 15,000 tons

2nd Year 19,000 tons

3rd Year 30,000 tons

4th Year 18,000 tons

Give journal entries in the books of Assam Traders Ltd. for four years.

10

OR

From the following data, prepare the Departmental Trading and Profit and Loss Account for the year ended on 31st March, 2021 :

Particulars	Department-A (Rs.)	Department-B (Rs.)
Opening Stock as on 1 st April, 2020	40,000	NIL
Purchases	2,00,000	20,000
Direct Wages	10,000	1,000
Transfer of Goods from Deptt. A	—	50,000
Stock as on 31 st March, 2021	50,000	10,000
Sales	2,00,000	71,000

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The entire stock of Deptt. B represents goods from Deptt. A which transfers them at 25% above cost. Administrative and selling expenses amounting to Rs. 15,000 to be allocated between the two departments in the ratio of 4:1.

- (ii) The following is the Balance Sheet of Badan and Madan as on 31st March, 2021 who were partners in a firm sharing profits and losses in the ratio of 3:2 :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	40,000	Land & Buildings	40,000
Contingency Reserves	20,000	Furniture	20,000
Capital :		Stock	60,000
Badan 60,000		Debtors 42,000	
Madan <u>40,000</u>	1,00,000	Less : Provision <u>2,000</u>	40,000
Loan from		Bank	15,000
Mrs. Madan	20,000	Cash	5,000
	1,80,000		1,80,000

The partners decided to dissolve the firm due to certain legal compulsions. Furniture was taken over by Badan at Rs. 16,000. Madan had taken the responsibility to meet his wife's loan. There was an unrecorded typewriter valued at Rs. 3,000 and the same was

taken over by a creditor of Rs. 5,000 in full satisfaction. Other creditors were discharged at a discount of 10%. Land and Buildings were realised at Rs. 70,000 and other assets were realised at a discount of 10%. The expenses of realisation amounted to Rs. 5,000.

You are required to prepare the necessary Ledger Accounts to close the books of the firm. 10

OR

Compute the amount of claim for consequential loss from the following information (The fire broke out on 1st November, 2021) :

Value of the Loss of Profit Policy	Rs. 2,00,000
Indemnity Period	3 months
Standard Sales	Rs. 1,00,000
Sales during indemnity period	Rs. 40,000
Rate of Gross Profit (On sales)	40%

Sales during the preceding 12 months ending on 31.10.2021 — Rs. 6,00,000
Expenses incurred to mitigate the effect of loss — Rs. 3,000 10

(iii) Explain the features and objectives of Government Accounting. 5+5=10

OR

Describe the responsibilities and constitution of Government Accounting Standard Advisory Board. 5+5=10

(iv) What is piecemeal distribution ? Explain different methods of piecemeal distribution. 2+8=10

OR

Explain the procedure of calculating loss of stock. 10