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

**2023**

**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. (a) State whether each of the following statements are True **or** False :  $1 \times 5 = 5$ 
  - (i) Minimum rent is payable only when actual royalty is lesser than minimum rent.
  - (ii) In departmental accounting, each department is considered as a separate profit center.

Contd.

- (iii) Purchase consideration is settled only in cash.
  - (iv) Government Accounting follows double entry system.
  - (v) On dissolution of a firm, goodwill appearing in the Balance Sheet is transferred to realisation account.
- (b) Fill in the blanks with appropriate words: 1×5=5
- (i) Purchase consideration is the difference between the value of assets and liabilities taken over under \_\_\_\_\_ method.
  - (ii) Short workings is the excess of minimum rent over \_\_\_\_\_.
  - (iii) Expenses which can't be apportioned among the departments should be shown in \_\_\_\_\_.
  - (iv) The differences between standard turnover and actual turnover during the indemnity period is called \_\_\_\_\_.

(v) When a firm is dissolved \_\_\_\_\_ account is prepared to ascertain profit or loss on realisation.

2. Answer the following questions briefly :

2×5=10

(a) What do you mean by short workings ?

(b) Mention *two* objectives of preparing departmental accounting.

(c) State *two* differences between dissolution of partnership and dissolution of a firm.

(d) What is memorandum trading account in the context of insurance claim ?

(e) Mention *two* features of Government Accounting.

3. Answer **any four** questions : 5×4=20

(i) Explain how common expenses are apportioned among different departments.

(ii) Mention the differences between government accounting and commercial accounting.

(iii) Describe the procedure to be followed to lodge claim before insurance company for indemnification of loss of stock due to fire.

(iv) What is amalgamation of firms ? What are the objectives of amalgamation ?

(v) Briefly explain the impact of strike and lockout on the payment of royalty.

(vi) Explain the rule laid down in Garner vs. Murray case.

4. Answer the following questions : 10×4=40

(i) Mr. Rajat carries his business under two departments viz X and Y. Following is the extract of his Trail Balance as on 31st December, 2022 :

	Department X (₹)	Department Y (₹)
Opening Stock	8,000	12,000
Purchases	30,000	50,000
Purchases return	2,000	4,000
Carriage inward	1,000	2,000
Wages	2,000	3,000
Sales	50,000	70,000
Sales return	2,000	3,000
<i>Other expenses :</i>	<i>Amount (₹)</i>	
Salaries	8,000	
Advertisement	4,000	
Bad debts	2,000	
Depreciations	2,000	
Sundry expenses	1,000	

**Additional Information :**

(a) Closing stock as on 31st December, 2022 Department X ₹ 9,000 and department Y ₹ 13,000.

- (b) Unallocated expenses are to be apportioned on the basis of departmental cost of goods sold. Prepare Departmental Trading and Profit and Loss Account.

**OR**

- (ii) Dipali and Barnali were partners in a firm sharing profits and losses in the ratio of 3:2 they decided to dissolve their firm on 31st December, 2022 when their Balance Sheet was as under :

Balance Sheet as on 31st December, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Investment	4,000
Dipali	17,500	Other assets	21,000
Barnali	10,000		
Creditors	2,000	Bank	2,000
Profit and Loss		Cash	4000
A/c	1,500		
	31,000		31,000

The partners decided to dissolve the firm on the above date. Dipali took over the investments at an agreed value of ₹ 3,800 other assets were realised ₹ 2600.

Creditors of the firm agreed to accept 5% less. Expenses of realisation of assets amounted to ₹ 400. There was a typewriter in the firm which was bought out of the firm's money at ₹ 2,200, was sold for ₹ 1,000.

Prepare necessary ledger accounts to close the books of the firms.

(iii) From the following information, compute the amount of claim for consequential loss :

(a) The fire broke out on 1st July, 2022 and it affected sales for three months.

(b) Sales for three months ending 30th September in 2021 and 2022 were ₹ 150,000 and ₹ 50,000 respectively.

(c) The policy was for ₹ 4,50,000 with a six months period of indemnity.

(d) Sales for 12 months ended on 30th June 2022 were ₹ 19,00,000.

- (e) Accounts are prepared on 31st December.
- (f) The net profit for 2021 amounted to ₹ 2,50,000 after debiting standing charges totaling ₹ 1,10,000.
- (g) Sales for 2021 were ₹ 18,00,000.
- (h) A sum of ₹ 3,500 was spent as additional expenses to mitigate the effect of the loss.

**OR**

- (iv) Ramen and Suren are two equal partners in a firm. Following was their Balance Sheet as on 31st March, 2023 :

Balance Sheet as on 31st March, 2023 :

<b>Liabilities</b>	<b>Amount (₹)</b>	<b>Assets</b>	<b>Amount (₹)</b>
Creditors	12,000	Furniture	15,000
Reserve	2,000	Stock	15,000
Capital		Debtors	16,000
Ramen	20,000		
Suren	15,000	Cash	3,000
	49,000		49,000



They wanted to amalgamate their business with that of Arun and Barun whose Balance Sheet as on that date was as follows :

Balance Sheet as on 31st March, 2023 :

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	10,000	Machinery	20,000
Bills payable	5,000	Stock	9,000
Capital		Debtors	7,500
Arun	15,000	Cash	3,500
Barun	12,000	Profit & Loss A/c	2,000
	<u>42,000</u>		<u>42,000</u>

Arun and Barun share profits in the ratio of 3:2. Profits and Losses of the new firm is to be shared equally. Assets and liabilities of the firms are to be taken over at agreed values as stated below :

<i>Ramen and Suren firm :</i>	(₹)
Furniture at	14,000
Stock	16,000
Debtors	14,000
Goodwill	10,000
Cash	3,000
	<u>57,000</u>

<b>Arun and Barun firm :</b>	(₹)
<b>Machinery</b>	18,000
<b>Debtors</b>	7,000
<b>Goodwill</b>	5,000
<b>Cash</b>	3,500
	<u>33,500</u>

You are required to give the opening entries and draw the new Balance Sheet of the new firm taking ₹ 80,000 as the combined capital of the firm to be contributed equally by the partners.

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- (v) A company has taken a lease of land at a royalty of ₹ 5 per ton of lime raised with a minimum rent of ₹ 30,000 per annum having right to recoup shortworkings within next two years of its occurrence subject to a maximum of ₹ 5,000 p.a.

The outputs of first five years are given below :

1st year	4,000 tons
2nd year	4,500 tons
3rd year	8,000 tons
4th year	8,200 tons
5th year	5,500 tons

Prepare a royalty statement and give Journal entries in the books of lessee.

**OR**

- (vi) What are the different methods of determining purchase consideration when a firm is sold to a company ? Also mention modes of discharging purchasing consideration. 6+4=10
- (vii) What is piecemeal distribution ? What are the different methods of piecemeal distribution ? Explain them. 2+8=10

OR

(viii) Write short notes on : (any two)

5×2=10

- (a) Governments Accounting Standard Advisory Board
- (b) Modes of dissolution of partnership firm
- (c) Features of Departmental Accounting