4 (Sem–5/CBCS) COM HE 2 (AFA)

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 ***any ten*** of the following questions as directed : 1×10=10

   (i) Royalty is payable by the _____ to the _____. *[Fill in the blanks with appropriate words]*

   (ii) When short working lapses, it is transferred to the Profit and Loss Account. *[State whether the statement is true* ***or*** *false]*

(iii) Departmental Account is prepared to ascertain separately the _____ of each department. *[Fill in the blank with appropriate word/words]*

(iv) Expenses connected with purchases should be allocated among different departments on the basis of _____.

[Fill in the blank with appropriate word / words]

(v) _____ clause is applicable where the sum assured is less than the value of stock. *[Fill in the blank with appropriate word / words]*

(vi) Purchase consideration is settled only in cash. *[State whether the statement is true* ***or*** *false]*

(vii) Profit or loss on realisation is transferred to partners' capital account in the _____ ratio. *[Fill in the blank with appropriate word/words]*

(viii) The difference between the standard turnover and actual turnover during the indemnity period is called _____.

[Fill in the blank with appropriate word/ words]

(ix) After the payment of full compensation, the stock salvaged becomes the property of the insurance company. *[State whether the statement is true* ***or*** *false]*

(x) Government Accounting is maintained on cash basis. *[State whether the statement is true* ***or*** *false]*

(xi) Short working arises when _____ is payable. *[Fill in the blank with appropriate word / words]*

(xii) When minimum rent is more than actual royalty, _____ is payable.

[Fill in the blank with appropriate word/ words]

(xiii) Under Departmental Accounts, both Profit and Loss Account and Balance Sheet are prepared for each department. *[State whether the statement is true* ***or*** *false]*

(xiv) Departmental Accounting helps in comparing the results among different departments. *[State whether the statement is true* ***or*** *false]*

(xv) When a firm is dissolved, _____ Account is prepared to ascertain profit or loss on realisation. *[Fill in the blank with appropriate word / words]*

(xvi) When an unrecorded asset is taken over by a partner, Realisation Account is credited. *[State whether the statement is true* ***or*** *false]*

(xvii) The insurance company is liable to fully compensate the insured irrespective of the sum insured. *[State whether the statement is true* ***or*** *false]*

(xviii) Government Accounting follows double entry system. *[State whether the statement is true* ***or*** *false]*

2. Answer ***any five*** questions : 2×5=10

(i) What do you mean by short workings ?

(ii) Explain the meaning of dead rent ?

(iii) State *any two* advantages of Departmental Accounting.

(iv) What is amalgamation of firms ?

(v) State *any two* objectives of Government Accounting.

(vi) What is piecemeal distribution ?

(vii) What is royalty ?

(viii) What is 'inter-departmental transfer' ?

(ix) What is the meaning of dissolution ?

(x) What is Government Accounting ?

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

(i) Explain *any five* special features of Departmental Accounting.

(ii) Explain how the Government Accounting Standards Advisory Board is constituted.

(iii) A fire occurred on 30th April, 2022 in the premises of Leela Gogoi Ltd. The information available from the books of the company is as follows :

	(Rs.)		(Rs.)
Value of inventory on 1st January, 2022	50,000	Sales from 1st January, 2022 to 30th April, 2022	5,00,000
Purchases from 1st January, 2022 to 30th April, 2022	3,00,000	Value of inventory salvaged	10,000
Direct labour payment	75,000	Direct expenses paid	50,000

Gross Profit ratio is 20% on Sales.

Prepare a Statement showing the amount of claim to be lodged in the case of the loss of inventory assuming that the inventory was insured.

(iv) Explain different types of claims under General Insurance Company.

(v) Explain the methods of recoupment of short workings.

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

(vii) Briefly explain different modes of discharging purchase consideration when a firm is sold to a company.

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

4. Answer ***any four*** questions : 10×4=40

(i) Eastern Mines Co. leased some land to Kolkata Traders Ltd. at Rs. 5 per ton of output subject to the dead rent of Rs. 40,000 p.a. with the right to recoup the short workings during the first three years of the lease. The output for the first 4 years were as follows :

1st Year	6,000 tons
2nd Year	8,000 tons
3rd Year	11,000 tons
4th Year	7,000 tons

Give journal entries in the books of the lessee for four years.

(ii) From the following data, prepare the Departmental Trading and Profit and Loss Account for the year ended 31st March, 2022 :

Particulars (Rs.)	Department - A (Rs.)	Department - B (Rs.)
Opening Stock as on 1st April, 2021	3,400	2,900
Purchases	7,280	6,340
Direct Wages	1,740	440
Purchase Returns	200	300
Stock as on 31st March, 2022	3,348	2,410
Sales	12,560	9,620
Sales Returns	400	500

Other items of Expenses and Income :

(a) Salaries Rs. 600

(b) Advertisement Rs. 736

(c) Carriage Inward Rs. 468

(d) Rent, Rates and Taxes Rs. 1,878

(e) Electric Charges Rs. 627

(f) Discount Allowed Rs. 441

(g) Discount Received Rs. 1,968

(i) Sundry Expenses Rs. 720

The following further information is supplied to you :

(a) The following items are to be apportioned between the Department A and Department B in the ratio of 2:1 respectively—Rent, Rates and Taxes, Sundry Expenses, Electric Charges, Salaries and Carriage Inward.

(b) Advertisement is to be apportioned equally.

(c) Discount allowed and received are to be apportioned on the basis of departmental sales and purchases respectively.

(iii) The following is the Balance Sheet of Ratan and Sankar as on 31st March, 2022 who were partners in a firm sharing profits and losses in the ratio of 3 : 7:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	80,000	Buildings	80,000
Reserves	40,000	Machinery	70,000
Capital:		Stock	60,000
Ratan 80,000		Furniture	60,000
Sankar 1,20,000	2,00,000	Investments	40,000
		Debtors	40,000
Bank Overdraft	40,000	Cash in Hand	10,000
	3,60,000		3,60,000

The partners decided to dissolve the firm on the above date. Furniture was taken over by Ratan at Rs. 50,000. Creditors were discharged at a discount of 10%.

The other assets were realised as follows :

Buildings	Rs.	1,10,000
Machinery	Rs.	50,000
Stock	Rs.	45,000
Investments	Rs.	55,000

Debtors at 5% less than book value.

The expenses of realisation amounted to Rs. 15,000.

Prepare the necessary Ledger Accounts to close the books of the firm.

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

(a) The fire broke out on 1st July, 2021 and it affected sales for three months.

(b) Sales for three months ending 30th September in 2020 and 2021 were Rs. 1,50,000 and Rs. 50,000 respectively.

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

(d) Sales for 12 months ended on 30th June, 2021 were Rs. 19, 00,000.

(e) Accounts are prepared on 31st December.

(f) The Net Profit for 2020 amounted to Rs. 2,50,000 after debiting standing charges totalling Rs. 1,10,000.

(g) Sales for 2020 were Rs. 18,00,000.

(h) A sum of Rs. 3,500 was spent as additional expenses to mitigate the effect of the loss.

(v) Ram and Shyam are equal partners in a firm. Their Balance Sheet as on 31st March, 2022 was as follows :

Balance Sheet of Ram and Shyam as on 31st March. 2022

Liabilities		(Rs.)	Assets	(Rs.)
Creditors		12,000	Furniture	15,000
Reserves		2,000	Stock	15,000
Capital :			Debtors	16,000
Ram :	20,000		Cash	3,000
Shyam :	15,000	35,000		
TOTAL		49,000	TOTAL	49,000

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

Balance Sheet of Akash and Bikash as on 31st March. 2022

Liabilities		(Rs.)	Assets	(Rs.)
Creditors		10,000	Machinery	20,000
Bill Payable		5,000	Stock	9,000
Capital :			Debtors	7,500
Akash :	15,000		Cash	3,500
Bikash :	12,000	27,000	Profit and Loss A/C	2,000
TOTAL		42,000	TOTAL	42,000

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

Ram and Shyam Firm :

Furniture	Rs.	14,000
Stock	Rs.	16,000
Debtors	Rs.	14,000
Goodwill	Rs.	10,000
Cash	Rs.	3,000

Contd.

Akash and Bikash Firm :

Machinery	Rs.	18,000
Debtors	Rs.	7000
Goodwill	Rs.	5,000
Cash	Rs.	3,500

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

(vi) What is a Realisation Account? Explain the steps for preparation of Realisation Account ? 2+8=10

(vii) Explain the general principles of Government Accounting.

(viii) Explain *any five* distinctions between Government Accounting and Commercial Accounting.

(ix) Explain different methods of piecemeal distribution.

(x) Explain the procedure of calculating the claim under a loss of profit policy.
