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Register Number:

Name of the Candidate:

M.Com. DEGREE EXAMINATION, May 2015

(ACCOUNTING AND FINANCE)

(FIRST YEAR)

150: ADVANCED FINANCIAL ACCOUNTING

(New Regulations)

Time: Three hours Maximum: 100 marks

SECTION - A

Answer any FIVE questions **(5 × 8 = 40)**

1. What are the basic factors to be taken into consideration while calculating depreciation?
2. List out the main objectives of accounting.
3. Distinguish between
   a) Fixed and fluctuating methods of capital.
   b) Average profits and super profits.
4. Prepare trading and profit and loss account of M/s Bajaj & sons for the year ending 31st December 2012 from the following information.

	₹		₹
Stock (1.1.2012)	2,00,000	Sales	5,75,000
Purchases	2,55,000	Coal and coke	25,000
Wages	1,00,000	Sales returns	10,000
Carriage	5,000	Printing & stationery	2,250
Purchase returns	13,250	Stock (31.12.2012)	3,00,000
Export duty	9,000	Salaries	30,00
Rent and taxes	12,000	Advertisement	2,500
Depreciation	3,020	Gas and water	1,500
Repairs	6,000	Factory lighting	2,500
Discount allowed	12,505	General expenses	4,000
Bad debts	9,000		

5. During the year 2004, the general expenses actually period were ₹3,250. *Find out the amount chargeable to income and expenditure a/c for the year 2004* if the prepaid and outstanding amounts were as under.

   Prepaid expenses on 31.12.2003 -- ₹3,000
   Prepaid expenses on 31.12.2014 -- ₹4,000
   Outstanding external expenses on 31.12.2003-- ₹4,500
   Outstanding external expenses on 31.12.2004-- ₹5,000

6. Red, White and Blue are partners sharing profits and losses in the ratio of 5:3:2 they admit green as a partner on the following terms.
   1. He pays in cash for ₹20,000 for capital
   2. Goodwill of the firm is valued at ₹10,000 but green does not pay his share in goodwill.
   3. He is to get 3/10 share in future profits which acquires 2/10 from red and 1/10 from white.

   a) Record the above in the books of partnership presuming that
      i) There is no goodwill in the old books and
      ii) Goodwill account already appearing in the balance sheet at ₹4,000

   b) Show the new profit sharing ration.

7. The following information and particulars relate to New Delhi branch of the year 2009-10

	31.03.2009	**31.03.2010**
Stock	50,000	75,000
Debtors	70,000	95,000
Petty cash	250	120

Goods costing ₹5,50,000 were sold by the branch at 25% on cost cash sales amounted to ₹1,50,000 and the rest credit sales.

Branch spent ₹30,000 for salaries ₹12,000 for rent and ₹8,000 for petty expenses (all expenses were remitted by the head office).

Branch receives all goods from H.O. You are required to show the New Delhi branch a/c in the books of H.O for the year 2009-10.

8. A coal company leased a property from P at a royalty of 50 paise per ton with a minimum rent of ₹12,000 p.a. each year the excess of minimum rent every royalty is recoverable out of the royalties of the next three years. The result of the working are as follows.

Year	**Output**
2001	10,000 tons
2002	15,000 tons
2003	20,000 tons
2004	28,000 tons
2005	30,000 tons

Give journal enteries in the books of the coal company for five years.

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SECTION - B

Answer any THREE questions **(3 × 20 = 60)**

9. Explain the various methods of providing depreciation with illustration.

10. From the following Trail Balance extracted from the books of Kumar, prepare the trading and profit and loss account for the year ending December 2008 and a balance sheet as on that date.

	Debit balance ₹	**Credit balance ₹**
Capital	--	81,000
Drawings	10,000	--
Plant of machinery	60,000	--
Debtors	40,000	--
Creditors	--	45,000
Purchase and sales	80,000	1,40,000
Returns	4,000	5,000
Wages	15,000	--
Cash in hand	1,000	--
Cash at bank	6,000	--
Salaries	10,000	--
Repairs	4,000	
Rent	4,500	--
Stock	20,000	--
Manufacturing expenses	5,000	--
Bills receivable	10,000	--
Bad debts	1,000	--
Provision for bad debts	--	1,500
Carriage	2,000	--
	2,72,500	**2,72,500**

The following adjustments are made.

1. Closing stock was valued at ₹30,000
2. Depreciate plant and machinery @ 10% p.a
3. Allow interest on capital @ 5% p.a
4. Rent paid in advance ₹500

11. Ram, Shyam and Mohan were carrying on business in partnership sharing profits and losses in the ratio of 3:2:1, respectively on 31st March 2009. Balance sheet of the firm stood as follows.

Liabilities		Amount ₹	Assets	Amount ₹
Sundry creditors		16,000	Buildings	23,000
Capitals:			Debtors	7,000
Ram	20,000		Stock	12,000
Shyam	7,500		Patents	8,000
Mohan	12,500	40,000	Bank	6,000
		56,000		56,000

Shyam retired on the above mentioned date on the following terms.

1) Buildings to be appreciated by ₹8,800
2) Provision for bad debts be made @ 5% on debtors.
3) Goodwill of the firm be valued @ ₹9,000 and adjusted in this respect without raising goodwill account.
4) ₹5,000 be paid to Shyam immediately and the balance due to him be treated as a loan carrying interest at 6% per annum.

Pass journal entries and prepare the balance sheet of the firm as would appear immediately after Shyam's retirement.

12. The directors of Departmental stores limited, wish to ascertain approximately, the net profits of the "A", "B" and "C" departments separately for the quarter ended March 31st, 2002. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is in use and the normal rates of gross profit for the departments concerned are 40%, 30% and 20% on turnover respectively. Direct expenses are charged in proportion to departmental turnover. Following are the figures for each department.

Particulars	A	B	C
	₹	₹	₹
Stock 1.1.2002	30,000	35,000	15,000
Purchases to March 31, 2002	35,000	37,500	23,500
Sales to March 31,2002	60,000	50,000	30,000
Direct expenses	10,100	7,250	3,530

Total indirect expenses for the period (including those relating to other departments) were ₹21,000 on total sales if ₹4,20,000. Prepare a statement showing gross profit, net profit after making reserve for stock @10% in respect of each department.

13. A firm purchased on January 1, 1985 contain machinery for ₹58,200 and spent ₹1,800 on its creation on July 1,1985 additional machinery costing ₹20,000 was purchased.

On July 1,1987 the machinery purchased on 1st January 1985 become obsolete and was auctioned for ₹28,600 and on the same date, new machinery costing ₹40,000 was bought. Depreciation was provided for annually at the rate of 10 percent on the written down value method.

On 1988, however, the firm changed the method of providing depreciation and adopted the method of providing 5 percent per annum on the original cost of the machinery.

Give the machinery account as it could appear in the books of the firm at the end of each year from 1985 to 1988.

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