

International Islamic University Chittagong

Department of Business Administration

Program: BBA

Final Examination, Semester: Spring- 2019

Course Title: Advanced Financial Accounting; Course Code: ACC-4804

Full Marks: 50

Time: 2½ hours

Answer any **FIVE** questions. All parts of a question must be answered serially.

1. Mr. X sent 300 units of a machine to Mr. Y on 1st January, 2018 on consignment basis. The cost of each machine was Tk. 1,000 only. Mr. X incurred the following expenses: freight Tk. 7,500, Insurance Tk. 4,500 and loading charge Tk. 3,500. Mr. Y paid Tk. 2,500 as unloading charge, Tk. 2,000 for transportation and Tk. 3,000 for warehousing. 200 units were sold by Mr. Y @ Tk. 3,000 each. Out of these, 20 units were sold on credit and proved as bad. Mr. Y sent the sales proceeds to Mr. X after deducting his 5% commission and 3% extra as del credere. Prepare consignment account, Mr. Y Account in the book of consignor and Mr. X Account in the book of consignee. 10
2. A, B and C entered into a joint venture for purchase and sale of various types of goods. They agreed to share their profits and losses at the ratio of their respective contributions. A contributed Tk. 1,000,000, B contributed Tk. 500,000 and C contributed Tk.300,000 in cash. The whole amount was deposited in a joint bank account. Goods were purchased by Mr. A for Tk. 100,000 and expenses paid by Mr. B amounted to Tk. 20,000. They also purchased goods for Tk. 500,000 through the joint bank account. Expenses incurred from joint bank account were Tk. 50,000. Goods sold for Tk. 950,000. Prepare Joint Venture Account, Joint Bank Account and Ventures' Account. 10
3. Mr. A leased a machine on royalty basis to manufacture and sell products on the following terms: 10
 - (i) Royalty is Tk. 100 per unit with a minimum of Tk. 200,000 per annum. Minimum rent can be adjusted proportionately in case of any disruption in any year.
 - (ii) Shortworkings can be recouped within the next two years.
 - (iii) Production and sale for last five years follow:
 - 2015 – 400 units; 2016 – 2,200 units; 2017 – 5,200 units; 2018 – 500 units and 2019 – 4,500 units.In 2018, production was interrupted due to strike for 4 months. Prepare Royalty Account and Shortworkings Account.
4. On 1st January, 2015, Rupali Traders purchased a machine on hire purchase system from Sonali Ltd. Down payment was Tk. 100,000 and balance was payable in 3 equal annual installments along with 5% interest per annum. The amount of last installment including interest was Tk. 350,000. Depreciation was to be provided at 10% on the declining balance method. Prepare Machinery Account, Sonali Ltd. Account, Depreciation Account and a partial Balance Sheet as on December 31, 2016. 10

5. You are given the following information for the purpose of valuation of goodwill: 10
 Profit for last five years: 2015 – Tk. 10,000; 2016 – Tk. 10,500; 2017 – Tk. 12,000; 2018 – Tk. 15,000; and 2019 – Tk. 20,000.
 Appropriate weights to be used are – 2015 – 1; 2016 – 2; 2017 – 3; 2018 – 4; 2019 - 5. The following information are to be considered:
- (i) Salary expenses for Tk. 2,000 was omitted every year.
 - (ii) On 1st September, 2016 a major repair was made in respect of the plant incurring Tk. 3,000 which amount was charged to revenue. The said sum is agreed to be capitalized for goodwill calculation subject to adjustment of depreciation of 10% p.a. on reducing balance method.
 - (iii) The closing stock for 2014 was undervalued by Tk.1,000.
 - (iv) To cover the management cost an annual charge of Tk. 2,000 should be made for the purpose of goodwill valuation.
- (a) Compute the value of the firm at five years' purchase of the weighted average of the past four years.
 - (b) The capital employed in the business is Tk. 100,000, on which a reasonable rate of return of 2% is expected. Compute the value of goodwill on the basis of an annuity of super profits, taking the present value of an annuity of one Taka for five years at 2% interest as Tk. 2.48.
6. (a) Define joint venture. Distinguish between joint venture and consignment. 5
 (b) What is del credere commission? What is its accounting implication? Explain with example. 5
7. (a) Prepare specimen of (i) Accounts Sales; (ii) Proforma Invoice. 5
 (b) Distinguish between hire purchase agreement and sale. 5