

## INTERMEDIATE EXAMINATION

December 2013

I-P5(FAC)

Syllabus 2008

### Financial Accounting

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Answer Question No. 1 which is compulsory and any five questions from the rest.*

1. (a) From the four alternative answers given against each of the following cases, indicate the correct answer:  
(just state A, B, C or D) 1×6=6
- (i) The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as
    - (A) Money Measurement concept
    - (B) Going Concern concept
    - (C) Full Disclosure concept
    - (D) Dual Aspect concept
  - (ii) The outflow of funds to acquire an asset that will benefit the business for more than one accounting period is referred to as
    - (A) Miscellaneous Expenditure
    - (B) Revenue Expenditure
    - (C) Capital Expenditure
    - (D) Deferred Revenue Expenditure
  - (iii) Which of the following item(s) is (are) shown in the Income and Expenditure Account?
    - (A) Only items of Capital nature
    - (B) Only items of Revenue nature, which are received during the period of Accounts
    - (C) Only items of Revenue nature pertaining to the period of Accounts
    - (D) Both the items of Capital and Revenue nature
  - (iv) As per Insurance Regulatory and Development Authority Regulations, an Insurance Company is required to prepare
    - (A) Balance Sheet
    - (B) Revenue Account
    - (C) Profit and Loss Account
    - (D) All of the above
  - (v) Ground Rent or Surface rent means
    - (A) Minimum Royalty Payable
    - (B) Maximum Royalty Payable
    - (C) Fixed rent payable in addition to minimum rent
    - (D) Rent recovered at the end of lease term
  - (vi) AS-2 is not applicable to
    - (A) Inventories held for sale in ordinary course of business
    - (B) Work in progress arising in the ordinary course of business of service provider
    - (C) Inventories in the process of production for sale in ordinary course of business
    - (D) Inventories in form of material or supplies for the process of production

**Please Turn Over**

(b) State whether the following statements are TRUE (T) or FALSE (F): 1×5=5

- (i) The useful life of a depreciable asset is the period over which the asset is expected to be used by the enterprise, which is generally greater than the physical life.
- (ii) As per agreed term in the Royalty agreement, short workings can be recouped in the year when the actual royalty is more than minimum rent.
- (iii) Gain Ratio is generally concerned with the situation of admission of a Partner.
- (iv) Every banking company incorporated in India is required to transfer at least 25% of its profit to Reserve Fund.
- (v) Branch Stock Account is always prepared at cost price.

(c) Fill in the blanks in the following sentences using appropriate word from the alternatives indicated: 1×5=5

- (i) After the transactions are posted to various ledger accounts (either from journal or from subsidiary books), they are \_\_\_\_\_ while preparing Trial Balance for an enterprise. (added, balanced)
- (ii) One of the characteristics of Depreciation is that it is a \_\_\_\_\_ against profit. (charge, appropriation)
- (iii) In a hire purchase system of maintaining accounts, when there is default in making payments in appropriate time, the owner takes back the \_\_\_\_\_ of the goods. (ownership, possession)
- (iv) In Branch Accounting system, the Branch prepares the periodic returns based on which the accounting records are maintained at the \_\_\_\_\_ office. (Head, Branch)
- (v) There is no need to transfer to General reserve if the proposed dividend does not exceed \_\_\_\_\_ (10 or 20) per cent.

(d) Match the following in Column I with the appropriate item in Column II:

1×5=5

Column I	Column II
(i) Undervaluation of Asset	(A) Insurance Account
(ii) AS-24	(B) Segment Reporting
(iii) Average Clause	(C) Intangible Asset
(iv) AS-17	(D) Discontinuing Operation
(v) AS-26	(E) Secret Reserve
	(F) No matching statement found

(e) In the following cases, one out of four answers given is correct. Indicate the correct answer (= 1 mark) and give brief workings in support of your answer (= 1 mark): (1+1)×2=4

- (i) Salary debited to Income and Expenditure Account for the year was ₹ 48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹ 6,000 and ₹ 7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be:
  - (A) ₹ 48,000
  - (B) ₹ 40,500
  - (C) ₹ 54,000
  - (D) ₹ 46,500

