

INTERMEDIATE EXAMINATION

June, 2014

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 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) Which of the following purpose is served from the preparation of trial balance?
 - (A) To check the arithmetical accuracy of the recorded transactions
 - (B) To ascertain the balance of any ledger account
 - (C) To facilitate the preparation of final accounts promptly
 - (D) All of the above.
 - (ii) Excess of minimum rent over actual royalty is known as
 - (A) maximum rent
 - (B) excess workings
 - (C) short workings
 - (D) deficiency of actual royalty
 - (iii) Which of the following item does not match with receipts and payments account?
 - (A) It is a summarized cash book
 - (B) Transactions are recorded in it on cash basis
 - (C) It records revenue transactions only
 - (D) It serves the purpose of a real account
 - (iv) Realization account is a
 - (A) representative personal account
 - (B) artificial personal account
 - (C) real account
 - (D) nominal account

Please Turn Over

- (v) As per Sec. 205 (2A) of the Indian Companies Act, if the proposed dividend is exceeding 15%, but not more than 20% of paid up share capital, then percentage of profits to be transferred to reserves will be
- (A) 5%
 (B) 7.5%
 (C) 10%
 (D) 15%

- (vi) If the Bank Rate is 6%, then standard rate for determination of Capital Base for an electricity company will be
- (A) 5%
 (B) 6%
 (C) 7%
 (D) 8%

(b) State whether the following statements are True (T) or False (F):

1×5=

- (i) Transactions are recorded on accrual basis in the Income and Expenditure account.
 (ii) The Debt-equity ratio is an activity ratio.
 (iii) As per AS-2, inventory should normally be valued at historical cost or market value whichever is lower.
 (iv) When the goods are returned by branch, goods sent to branch account will be debited in the books of head office.
 (v) Balance of securities premium account is available for redemption of preference shares.

(c) Fill in the blanks in the following sentences using appropriate word from the alternatives indicated

1×5=

- (i) As per Indian Companies Act, 1956, the maximum limit of managerial remuneration for full time single managerial person is _____. (3%, 5%)
 (ii) The excess of issue price of shares over their face value is termed as _____. (Discount Securities Premium)
 (iii) Every debit must have its corresponding and equal _____. (benefit, credit)
 (iv) Items of receipts and payments which are revenue in nature and which relate to a particular accounting period, are shown in the _____. (Receipts and Payments A/c, Income and Expenditure A/c)
 (v) As per AS-26, maximum useful life of an intangible asset is _____ years. (10, 15)

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

1×5=5

Column - I

Column - II

- (i) Absolute Surplus Capital Method
- (ii) Remittance in Transit
- (iii) Entrance Fee
- (iv) Clear Profit
- (v) Ideal Norm = 2 : 1

- (A) Receipts and Payments Account
- (B) Piecemeal Distribution
- (C) Electricity Company
- (D) Current Ratio
- (E) Branch Adjustments
- (F) No matching statement found

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

(i) Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay ₹ 7,500 down, ₹ 10,000 at the end of first year, ₹ 7,500 at the end of second year, and ₹ 12,500 at the end of third year. Interest is charged at 12% per annum. The interest payable with the instalment at the end of second year will be

- (A) ₹ 900
- (B) ₹ 1,999
- (C) ₹ 804
- (D) ₹ 1,760

(ii) The goods are transferred from Department X to Department Y at selling price which includes a profit of 25% on cost. Stock valued at ₹ 65,000 in Department Y, then amount of unrealized profit will be

- (A) ₹ 16,250
- (B) ₹ 13,000
- (C) ₹ 21,667
- (D) None of the above

(1+1)×2=4

2. (a) Classify the following Accounts into Personal, Real and Nominal Accounts. Also state whether it is recorded as asset, liability, expense/loss or revenue.

- (i) Returns inward a/c
- (ii) Bad debt recovered a/c
- (iii) Interest on investment a/c
- (iv) Outstanding rent a/c and
- (v) Capital work-in-progress a/c

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(b) Calculate (i) current ratio, (ii) quick ratio, (iii) inventory turnover ratio (based on sales), (iv) debtors turnover ratio, (v) average collection period, (vi) creditors turnover ratio and (vii) creditors average payment period from the information given below, related to the Balance Sheet of Andhra Company as on 31.03.2014.

Please Turn Over

