INTERMEDIATE EXAMINATION

December 2014

P–5(FAC)
Syllabus 2012

Financial Accounting

Time Allowed: 3 Hours | Full Marks: 100

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

This paper contains seven questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.

1. Answer the following questions (Give workings): 2×10=20

(a) A machine costing ₹ 13,75,000 is depreciated on straight line basis assuming 8 years working life and zero residual value. After third year machine's remaining useful life was reassessed at 7 years. Calculate the amount of depreciation charged for 4th year.

(b) Madhu purchased a machinery on hire purchase basis on 1st April, 2014. ₹ 75,000 was paid immediately and the remaining amount was to be paid in three annual instalments of ₹ 1,00,000 each. Interest rate is 15% per annum. Calculate the cash price.

(c) Gunnu and Chinu are partners. They are entitled for 9% interest on their capital contributions. The firm allowed ₹ 54,000 towards interest on capital to partners. Calculate the capital contribution of each partner if interest on Gunnu's capital is ₹ 13,500 more than the interest on Chinu's capital.

(d) State whether following transactions appear in Sales/Purchases Ledger Adjustment Account or not, when books are kept on self balancing ledger system:

(i) B/R discounted with bank for ₹ 15,000;

(ii) Old bad debts recovered ₹ 1,500;

(iii) Cash refunds to customers ₹ 4,500;

(iv) Provision made for bad debts ₹ 5,000.

(e) Ajay of Jaipur sent goods of ₹ 2,50,000 to Vijay of Mumbai on consignment. Ajay paid ₹ 8,500 as railway freight and ₹ 4,240 as insurance. 2% goods are damaged in the Vijay's godown due to normal circumstances. Vijay incurred cartage ₹ 5,140 and selling expenses ₹ 14,700. Calculate the value of stock of unsold 15% of goods sent to Vijay.

(f) The carrying amount of Plant and Machinery of X Limited on 31.3.2013 was ₹ 80 crores, where as the recoverable amount is ₹ 52 crores. The applicable Income Tax rate is 40%. For Income Tax purposes, the written down value is ₹ 40 crores. Compute the amount of Deferred tax asset/liability on Account of impairment as per AS 28.

(g) An IT enabled company supplied a software to a client at a fee of ₹ 50 lakhs during the year ended 30-09-2014 and also transferred the ownership. In November 2014, the Management of the company raised a supplementary bill on it's client for ₹ 10 lakhs, stating about additional features of the software supplied. While finalising the Accounts for the year ended 30-09-2014 in December 2014, how would the amount of ₹ 10 lakhs dealt?

(h) ₹ 3,25,000 is total cost of 6500 units, consignor's expenses are ₹ 65,000, units lost in transit was 700 units and consignee's non-recurring expenses amounted to ₹ 4,300, what will be the value of stock?

(i) Human Life Insurance Company provides the following information:

Life Insurance Fund on 31st March, 2014	₹ 155 Lakhs
Net liability on 31st March as per actuarial valuation	₹ 132 Lakhs
Interim Bonus paid to Policy holders during inter valuation period	₹ 11 Lakhs

Prepare Valuation Balance Sheet.

(j) A loan account remains out of order as on date of Balance Sheet of MODERN Bank. The account has been classified as Doubtful asset (upto 1 year). Details of the account are as under:

Outstanding	₹ 6,73,000
ECGC Coverage	25% (limited to ₹ 1,00,000)
Value of security held	₹ 1,50,000

Compute the necessary provision to be made by the Bank in respect of this particular account.

2. Answer *any two* questions: 4×2=8

(a) Indicate whether the following items should be treated as ordinary activities, exceptional items arising out of ordinary activities or prior period items within the terms of AS-5:

(i) Cost ₹ 15,00,000 incurred in terminating production at one of the company's factories.

(ii) Currency exchange surplus accounting to ₹ 15,000 arising on remittance from an overseas depot.

(iii) An extra ₹ 2,00,000 contributions by the company to the employee's pension fund.

(iv) Profit of ₹ 3,00,000 on sale of machinery written-off in a previous year when production of the particular product ceased.

(v) Provision for an abnormally large bad debt of ₹ 10,00,000 arising in a trading contract.

[The turnover of the company is ₹ 1,20,00,000 and profits ₹ 20,00,000.] 4

(b) Pass necessary journal entries to rectify the following errors assuming that the errors were detected after the preparation of final accounts:

(i) Return inward book was undercast by ₹ 18,000.

(ii) Goods purchased for proprietor's use for ₹ 10,000 debited to purchase account.

(iii) ₹ 5,200 paid for freight on machinery was debited to freight account.

(iv) No adjustment entry was passed for an amount of ₹ 15,000 relating to outstanding rent.

(v) Furniture of ₹ 13,000 purchased from Chandra Furniture House was entered in purchase book.

(vi) ₹ 10,000 received from Mohan has been credited to Sohan. 4

(c) From the following particulars, prepare the Bank Reconciliation Statement of Shri Krishan as on 31st March,

(i) Balance as per Pass Book is ₹ 10,000.

(ii) Bank collected a cheque of ₹ 500 on behalf of Shri Krishan but wrongly credited it to Shri Kishan's A/c (another customer).

(iii) Bank recorded a Cash deposit of ₹ 1,589 as ₹ 1,598.

(iv) Withdrawal column of the Pass Book undercast by ₹ 100.

(v) The credit balance of ₹ 1,500 as on page 5 of the Pass Book was recorded on page 6 as the debit balance.

(vi) The payment of a cheque of ₹ 350 was recorded twice in the Pass Book.

(vii) The Pass Book showed a credit for a cheque of ₹ 1,000 deposited by Shri Kishan (another customer of the Bank). 4

3. Answer *any two* questions: 12×2=24

(a) A company writes off depriciation at 10% p.a. on the diminishing balance. On 1st January, 2011 the machinery account showed a balance of ₹ 1,49,000. It was discovered in 2011 that—

(i) A heavy repairs effected to plant and machinery account (completed on 30th June, 2009), were debited to the machinery. The amount was ₹ 15,000; and

(ii) A machine cost ₹ 6,000 was entered in the purchases on 1st October 2009. The expenses on installation, ₹ 400 were debited to General Expenses Account. Necessary corrections were to be made in 2011. On 30th June 2011, a machine which had cost ₹ 20,000 on 1st January, 2009 was disposed of for ₹ 15,000 and a machine costing ₹ 30,000 was installed on the same date, the expenses on installing the same being ₹ 500.

Show Machinery Account for the year ended 31st December, 2011. Please show your working in detail. 12

(b) Doll and Dolly are in partnership sharing profits and losses equally. They keep their books by Single Entry System. No ready figures are available for the total sales but they maintain a steady gross profit rate of 25% on sales.

An abstract of their cash transactions for the year ended 30th June, 2011 is given below:

Receipts	₹	*Payments*	₹
Cash in hand	10,800	Salaries	22,000
Receipts from Customers	2,70,000	Rent	4,400
Cash Sales	32,000	Advertising	1,800
		Printing	1,600
		General Expenses	19,100
		Payment to Trade Creditors	2,24,000
		Doll's Drawings	4,000
		Cash in hand	35,900
	3,12,800		3,12,800