

INTERMEDIATE EXAMINATION

June 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.

Section A is compulsory and answer any five questions from Section B.

Working Notes should form part of answer. Whenever necessary, suitable assumptions may be made and same to be clearly indicated in the answer by the candidates.

SECTION A

1. Answer the following questions (give workings):

2×10=20

- (i) Babbu and Dabbu are partners, sharing profit or loss in the ratio 3 : 2. They admit Kachari for $\frac{1}{6}$ th share of profits in the firms of which she takes $\frac{2}{3}$ rd from Babbu and $\frac{1}{3}$ rd from Dabbu. Find the new profit sharing ratio.
- (ii) How will you deal with the following as per AS-2?
On 31st March, 2014, the closing stock of X Ltd. includes 13000 units costing ₹ 14 per unit. But the current market price as on that date was ₹ 12 per unit.
- (iii) Following informations are obtained from the books of a club:
- (a) Subscription received during the year ending 31st March, 2014 ₹ 2,56,000, out of which ₹ 8,000 was for the year 2014-15 and ₹ 11,000 for the year 2012-13.
- (b) Subscription was outstanding on 01.04.2013 ₹ 18,000 and on 31.03.2014 for 2013-14 ₹ 21,000. Calculate the amount of subscription to be credited to Income and Expenditure Account for the year ending 31.03.2014.
- (iv) Shiva's debtors ledger include ₹ 18,000 due from Mayank & Co. whereas creditors ledger include ₹ 13,000 due to Mayank & Co. Give the transfer entry to set-off the suitable amount in the books of Shiva.
- (v) Prabhu, lessee of a coal mine with rent of ₹ 15,000 a year and with a rate of royalty at ₹ 5 per ton of coal extracted. If the production in the first year is 2000 tons, find rent payable.
- (vi) Bholu sold 2500, 9% debenture (Face value ₹ 100 each) of Madhu Ltd. at ₹ 135 Ex-interest on 01.04.2014. Interest is payable on 30th June and 31st December in every year. Find out the actual amount creditable to the investment account.
- (vii) Sahoo Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any interest since March 2008:
- | | |
|---|------------|
| Balance outstanding out off term loan on 31.03.2014 | ₹ 45 Lakhs |
| DICGC Cover | 40% |
| Securities held | ₹ 20 Lakhs |
| Realizable value of securities | ₹ 18 Lakhs |
- You are required to compute the necessary provisions to be made for the year ended 31st March, 2014.
- (viii) Calculate the average collection period from the following details by adopting 360 days an year.
- | | | | |
|--------------------------|---------------|-----------------------------|------------|
| Average Inventory | — ₹ 10,80,000 | Gross Profit Ratio | — 10% |
| Debtors | — ₹ 6,90,000 | Credit sales to total sales | — 20% |
| Inventory Turnover ratio | — 6 Times | 1 year | — 360 days |

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(ix)	Cost of Machine	₹ 1,30,000
	Residual value	Nil
	Useful life	10 years
	Method of Depreciation in use	Straight Line Method
	After 8 years, the machine was revalued to	₹ 80,000

Compute Depreciation as per AS-6.

- (x) ₹ 30,000 is the annual instalment to be paid for three years (given present value of an annuity of ₹ 1 p.a. @ 5% interest is ₹ 2.7232). Ascertain the cash price in case of Hire Purchase.

SECTION B

2. (a) On 1st April, 2013 the balance of provision for bad and doubtful debts was ₹ 13,000. The bad debts during the year 2013-14 were ₹ 9,500. The sundry debtors as on 31st March, 2014 stood at ₹ 3,25,000 out of these debtors of ₹ 2,500 are bad and cannot be realized. The provision for bad and doubtful debts is to be raised to 5% on sundry debtors.
- (i) Pass necessary adjustment entries for bad debts and its provision on 31st March, 2014.
- (ii) Prepare the necessary ledger accounts.
- (iii) Show the relevant items in the profit and loss account and Balance Sheet. (3+3+2=8)
- (b) The following information and details are provided to you by the Mahi Electricity Supply Company for the year ending 31st March, 2014:

	₹
8% Investments of the reserve fund	2,10,00,000
8% Investments of the contingencies reserve	1,90,00,000
14% Debentures	1,80,00,000
Development Reserve	15,60,000
Loan from Electricity Board	3,50,00,000
Capital Base	6,57,25,000
RBI rate of the relevant date	8%
Profit before debenture interest	1,14,65,300

You are required to calculate the reasonable return and show the disposal of surplus. 8

3. (a) Mr. Rustagi closes his books of accounts on 30th June every year. Due to some unprecedented circumstances, he could not take his stock on that very date, i.e. 30.06.2013 for which the stock was taken on 07.07.2013 and which was valued at ₹ 22,500.

Compute the value of stock on 30.06.2013. The following relevant transactions took place from 1st July to 7th July, 2013.

- Sales amounting to ₹ 1,250 made on 6th July has been delivered on 8th July.
- Sales during the period amounted to ₹ 5,100. These goods were sold at a profit of 25% on cost with the exception of one sale of ₹ 600 which has been sold at a profit of 20% on cost.
- Purchase during the period was ₹ 4,000 of which goods costing ₹ 3,500 were delivered on or before 7th July.
- Returns Inwards during the period amounted to ₹ 400 including ₹ 300 out of sales period to 30th June, 2012 at a profit of 25% on cost.
- Goods sold on sale or return basis for ₹ 2,250 on 7th July were not included in the sales stated above.
- Mr. Rustagi received goods on consignment basis which was invoiced at ₹ 2,500 for Mr. Behara to be sold on his behalf on 6th July.

- (b) Describe the principal accounting policies for a Banking Company in respect of foreign exchange transactions. 2
(c) The following is a summary from Cash Book of M/s. Mitra Trading for the month of September, 2012:

Particulars	(₹)	Particulars	(₹)
Balance b/d	1,507	Payment	15,520
Receipt	15,073	Balance b/d	1,060
	16,580		16,580

On investigation it was found that

- Bank charges of ₹ 35 were not entered in the cash book.
- A cheque of ₹ 47 issued to supplier was entered by mistake as a receipt in the cash book.
- A cheque of ₹ 81 was returned by the Bank marked as 'refer to drawer' but it's not entered in cash book.
- The Balance brought forward in September 2012 should have been ₹ 1,570.
- Cheque paid to suppliers ₹ 214, ₹ 70 and ₹ 330 have not been presented for payment.
- Deposits of ₹ 1,542 on 30th September were cleared by the Bank on 2nd October.
- The Bank charged a cheque wrongly to Mitra Trading ₹ 92.
- Bank statement shows overdraft of ₹ 107 as on 30th September, 2012.

Show what adjustments will you make in the Cash Book and prepare a Bank Reconciliation Statement on 30.09.2012. 8

4. (a) The Balance Sheet of A., B and C who are sharing profits in proportion to their capital stood as follows on March 31st, 2012:

Liabilities	₹	₹	Assets	₹	₹
Capital Accounts:			Land and Buildings		50,000
A	40,000				
B	30,000				
C	20,000	90,000	Plant and Machinery		17,000
Creditors		13,800	Stock		16,000
			Debtors	10,000	
			Less: Provision	200	9,800
			Cash at Bank		11,000
					1,03,800
		1,03,800			

B retired on the above date and the following was agreed upon:

- The stock be depreciated by 6%.
- That the provision for doubtful debts be brought up to 5% on Debtors.
- That the Land and Buildings be appreciated by 20%.
- That a provision for ₹ 1,540 be made in respect of outstanding legal charges.
- That the Goodwill of the entire firm be fixed at ₹ 21,600 and B's share of it be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5 : 3.
- That the assets and liabilities (except Cash at Bank) were to appear in the Balance Sheet at their old figures.
- That the entire capital of the firm as newly constituted be fixed at ₹ 56,000 between A and C in the proportion of 5 : 3 (actual cash to be brought in as paid off, as the case may be).

Show the Balance Sheet after B's retirement. 10

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